Allianz Nederland Groep N.V.

Annual Report 2018

Contents

Introduction

2018 was a special year for Allianz Nederland Groep N.V. (ANG). We've seen our business performance boom and our performance in our key product and service ranges has continued to improve. The performance was underlined by the Association of Brokers (Adfiz) whose members nominated us for the Commercial Pension Performance Award and granted us the Commercial Income Performance Award.

The ongoing discussions in the market and media on unit linked transparency did not affect Allianz. After reaching an amicable settlement in 2017 with three key foundations, we've continued to seek a similar solution with the remaining small foundations. These talks are progressing very well and we aim to reach further agreement in 2019.

Following the decision taken in 2013 to integrate the Allianz insurance companies in the Benelux region, the non-life insurance companies were merged successfully in 2014. The next step to also integrate the life insurance company Allianz Nederland Levensverzekering N.V. has been finalized in March 2019, after approval of the Dutch supervisory authorities (De Nederlandsche Bank). As a result of this, the Dutch life portfolio has been transferred to a Dutch branch office of Allianz Benelux N.V. which thereby becomes the risk carrier of the former ANL portfolio. The trademark Allianz Nederland Levensverzekering N.V. remains in force. This emphasizes the importance we attach to our ongoing presence in the Dutch insurance market.

Prudential supervision on the financial stability of Allianz Benelux N.V. is conducted by the Belgian supervisory authorities (Nationale Bank van België), while market conduct supervision of the Dutch branch is further performed by the Dutch Authority for the Financial Markets (AFM).

In 2018 we also finalized the sale of Allianz Nederland Asset Management to Binck.

True customer centricity

The core of our strategy is delivering the best for our customers. We closely monitor this both with clients and with brokers. These closed feedback loops give us a clear direction on where to improve our services and products. Almost all product lines of ANG require advice. Brokers are key for us to provide this to our customers. The nominations by Adfiz for our performance over 2018 therefore mean a lot to us.

Employees

We monitor our employee engagement with an annual survey. This gives us valuable insights in how our employees feel about our client servicing, their working environment, career opportunities and collaboration within the company and with external parties. In 2018 we noticed the positive impact of our considerable business growth, but also signs that because of this success, the workload increased. Steps have been taken to balance this.

ESG

Allianz has a worldwide reputation of being a leading company in sustainability and is investing a lot of resources to do even better every year. In September 2018 Allianz was ranked Industry Leader in the insurers category of the Dow Jones Sustainability Index for the second time in a row. Locally we fully support these efforts and we use these as a basis to collaborate with the leading NGOs on financial investments in the Netherlands, the Fair Insurance Guide and VDBO.

Performance

Our strategy to increase focus on Pension & Protection continued to be successful in 2018. The Life & Income business has boomed compared to 2017. In 2018 Allianz has realized significant growth in GWP and new business in the open book customer segments. Allianz entered the competitive mid corporate pension market with an improved proposition which has proven to be successful. Moreover strong growth of new business was realized in Protection due to improved propositions (for both term and disability), increased distribution reach and improved service levels.

Other entities

In 2018 Havelaar & van Stolk realized growth in revenue in a competitive market environment. Customer focus and effective relationship engagement contributed to this change in development of the portfolio. Changes in management secured cultural change and enhanced focus on client centricity and simplification. Helviass continued its double-digit growth in a challenging market. Customer focus resulting in high customer satisfaction contributed to this growth. The employee engagement survey improved further.

Sjoerd Laarberg
CEO Allianz Nederland Groep

About Allianz

Place of Allianz in the Netherlands within the group

Allianz in the Netherlands is part of Allianz Group and Allianz Benelux. Allianz Group is one of the largest financial institutions in the world. In Europe, Allianz is the market leader when it comes to underwriting risks and the development and offering of financial solutions. Allianz operates as an integrated financial enterprise offering risk and asset management products. With our worldwide knowledge of risk management and financial planning, and the innovation strength within the group, we aim to win the loyalty of our customers through expert advice, service and products that meet their needs.

Allianz Benelux has sales of over 4.0 billion euros, and approximately 2,000 full time employees, half of whom work in the Netherlands. Our size enables us to respond decisively and flexibly to changes in the market. Our employees are given the room to grow and develop and to play a meaningful role in helping us achieve our strategy. Customer centricity and profitable growth are at the heart of this strategy. By investing and maintaining tight control over costs, we offer customers the best quality and service at the most competitive price. Our intention is to continue to innovate in the interests of our customers.

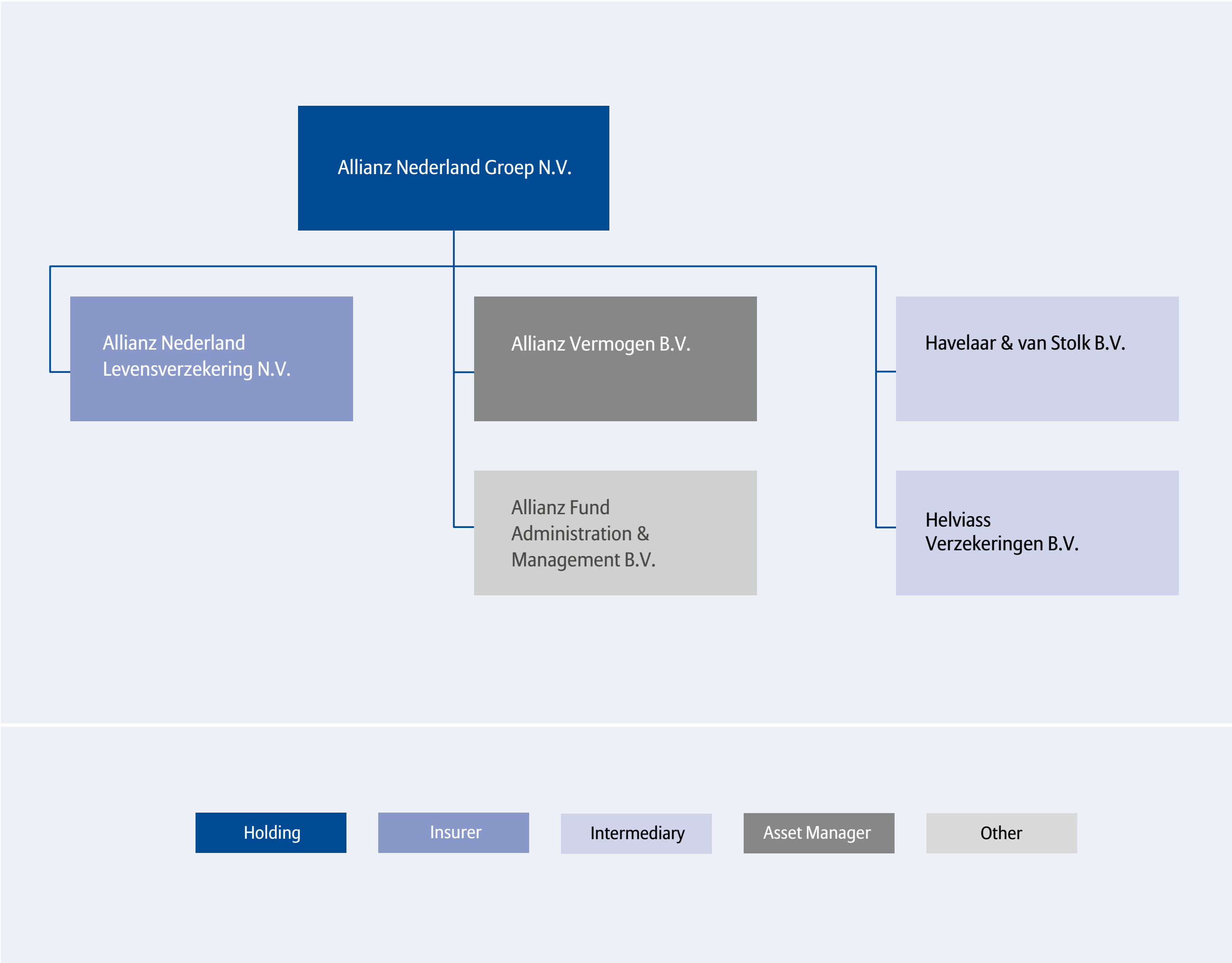
In the financial statements included in this annual report, Allianz Nederland Groep N.V. (ANG) officially accounts for the financial results of Allianz Nederland Groep N.V., Allianz Nederland Levensverzekering N.V., Allianz Vermogen B.V., Allianz Fund Administration & Management B.V. and intermediary activities (Havelaar & van Stolk B.V. and Helviass Verzekeringen B.V.). The financial results from the non-life insurance are accounted for in the financial statements of Allianz Benelux N.V. seated in Brussels.

Core activities

In the Netherlands, Allianz focuses on offering a range of insurance solutions to small and medium-sized enterprises and the corporate market. The focus in the life insurance activities lies on pension insurance, term insurance and immediate annuities.

We offer products that require a higher degree of support via select and high-quality independent advisers with whom we have developed a close relationship. We aim to create an optimal partnership with intermediaries. We also offer them specialist support via our dedicated account management.

Organizational chart



Key figures

(€ mn)	2018	2017	2016	2015	2014 [1]
Income					
Gross premiums written					
- Property-Casualty	-	-	-	-	319
- Life	424	382	331	252	251
Total gross premiums written	**424**	**382**	**331**	**252**	**570**
Investment income	82	85	93	83	243
Other income	6	6	7	15	17
Income	**512**	**473**	**431**	**350**	**830**
Net premiums written	415	372	319	241	524
Operating result	49	46	25	57	85
Profit before taxes					
Property-Casualty	-	-	-	-	25
Life	41	39	22	53	58
Asset management	5	6	4	4	8
Other profit/loss	1	(8)	-	-	125
Total result before taxes	**47**	**37**	**26**	**57**	**216**
Total result from continuing operations after taxes	38	33	20	43	193
Return on equity	15%	13%	7%	13%	39%
Investments					
At the risk of the company	627	603	603	696	1,467
At the risk of the policyholders	2,414	2,650	2,597	2,662	3,151
Total investments	**3,041**	**3,253**	**3,200**	**3,358**	**4,618**
Technical provisions					
Gross	4,114	4,308	4,245	4,306	4,348
Net	4,106	4,298	4,231	4,290	4,333
Shareholders' equity					
Paid-up capital	60	60	60	60	60
Reserves	187	186	195	254	267
	247	**246**	**255**	**314**	**327**
Average number of staff [2] (converted to full-time equivalent)	**904**	**897**	**930**	**944**	**961**

1 Property-Casulty for period January 1 - April 23 2014.
2 Thereof 691 FTE's are employed by the branch office of Allianz Benelux N.V. in 2018.
3 Equity 2016 and 2017 have been adjusted for comparison reasons.3

Report from group management

Strategy

Renewal Agenda 2.0

Our strategy is linked to our group wide Renewal Agenda which was further detailed in November 2018 by our Group CEO. The five key levers areas remain the same, but Allianz will focus on increased simplicity in internal and external processes and in the products and services we offer to our clients.

True Customer Centricity

Make superior customer experience the top priority for all our actions.

Digital by Default

Move from selected leading assets to become 'digital by default' everywhere.

Technical Excellence

Create superior margins, innovation and growth through best talents and state-of-the-art-skills.

Growth Engines

Systematically exploit new sources for profitable growth.

Inclusive Meritocracy

Re-inforce a culture where both people and performance matter.

We combine these levers with our mission and vision to position us in the market. Our core values form our ethics compass and the core of our corporate culture. Practically speaking, they reflect what we find important in how our employees act and behave towards our customers and thus how we want to be perceived by our customers and other stakeholders.

Xcelerate

With our local implementation program 'Xcelerate' we will be able to radically simplify our business offerings and processes to the benefit of our clients. Several projects have started in Q4 2018 to do so and we expect the first benefits to be visible soon as we will be gradually unlocking the power of reduced complexity.

Purpose

With the update of our Group wide Renewal Agenda we've also introduced a worldwide mission statement: 'We secure your future' . Since 1890, all around the globe, we at Allianz have been working hard to secure people's lives and to give courage to our customers for what's ahead.
We are actuaries, advisors and service agents; engineers, lawyers and coders; we are daughters and sons, mothers and fathers, accountants, investors and entrepreneurs – and together we are shaping our industry. Because we know how important it is to have a fair partner at your side who provides solid and sustainable solutions, we strive to do it right – every day.

Our promise

A trusted partner building on integrity, competence and resilience.

Core values

- Responsible
- Caring
- Connected
- Excellent

Dare to

We want to be close to our customers. Not telling them what to do, but empowering them to make their own choice. Challenging them to dare.

Inclusive meritocracy

The past three years we have implemented our Heritage and Renewal Strategic Agenda and an Allianz culture of Inclusive Meritocracy. In 2018 we continued our journey with the focus on the Renewal Agenda 2.0.

Inclusive Meritocracy (IM) is a combination of inclusiveness and meritocracy. First, IM underlines the importance of diversity of minds within Allianz. Our business, our market, our customers and our employees are all diverse. Therefore we need a broader perspective to address those needs. We have noticed that creativity started to flow as people felt the freedom to challenge each other's ideas and concepts, leading to more innovation and success. Meritocracy simply means rewarding people on their performance: recognition for work that was done, rating people on merits and dare to differentiate.

Culture change

In 2018 we placed even more emphasis on our culture of Inclusive Meritocracy where People and Performance matter with the concept of inclusiveness. This resulted in an organization where diverse talents thrived and have succeeded. A culture where there is room for a diverse work force, where our employees feel at home. To stimulate this culture of diversity and inclusion as this leads to better business outcomes and build trust, we strengthened leadership commitment and 2 way open & candid communication across all levels of our organization.

Diversity at Allianz includes and promotes individual characteristics, cultural backgrounds, differences in generations, gender, sexual orientations and backgrounds. Inclusion recognizes that employees bring different perspectives to the table through their different experiences and perspectives.

To embed the inclusive culture in our organization where we strive for even more open communication and Allianz values, all our Board members initiated cultural sprints with the support of trusted partner Deloitte. All our employees participated in these sessions. Due to this massive participation, we are able to build on this basis and continue our cultural sprints in 2019 which can and will be managed by our own employees.

Leadership development

To create awareness of our culture of diversity, different programs were launched in Allianz. As leading by example is one of the focus points, leaders were invited for training on Inclusive Leadership and involved in Board discussions on this topic. To be fit for the future and in order to help our leaders grow, a number of them participated in Allianz Group Leadership programs and international projects.

Another program launched to stimulate inclusion is the Women Xcelerate Academy program. This is an annual program for 16 non-executive Allianz female colleagues to help them build their leadership skills by providing them with an internal network, mentoring and inspiring sessions.

In 2019 we will invest even more in these Leadership programs to solidify an inclusive leadership culture.

Development & Mobility

In our inclusive culture where People and Performance matter, career development is taken very seriously. Together we need to ensure our employees are fit for the future. To encourage the development and to encourage employees to become fit for the future, the Xcelerate program was launched. The program offers training to all our employees to update their so-called skills necessary for the future. More than 50% of our employees participated in the program, which entailed digital, data management, agility and customer centricity knowledge & skills.

In October Allianz launched LinkedIn Learning to provide our employees with unlimited business learning possibilities.

Another initiative to be fit for the future and stimulate employees to achieve their full potential and goals, the Dare to Move program was launched mid 2018. With this program, internal mobility across Allianz Benelux is even more promoted. The program provides a platform to support employees to expand their competences, skills and experiences by moving into new roles and changing environments. This enhances their employability as well as the growth of our organization.

Employee engagement
Employees who feel included in our strategy and Renewal Agenda will be more apt to adopt the desired customer minded attitude. This explains why we keep careful track of how engaged our employees are within our company. This was measured at Allianz Benelux Level and on a country level.

Allianz highly values the outcome of the annual AES (Allianz Engagement Survey), because it gives us a good insight in what is important to our employees. Clear follow-up is organized through discussions with management and employees. In 2018 we extended the possibilities of flexible working (home working). We continued with the boot camps throughout the year as part of the Allianz Benelux Work Well program making our employees aware of their vitality, employability and the prevention of primarily work related stress. We increased the learning and development possibilities by inviting our employees for the Xcelerate Academy modules, LinkedIn Learning and if applicable P&C Academy, Claims Academy and Wft Program. In September, we organized another Employee Day as a token of gratitude to our employees.

Employee satisfaction is important to Allianz and also to our customers as there is a positive link with customer satisfaction.

The development of talent
“We assess to develop to have the best people at every level and to prepare for future success”. This talent management strategy strives to make people aware of their skills, ambition and opportunities. Allianz Benelux takes its job serious when it comes to empowering people to face the future. Following the workshops that were provided in 2016 and 2017 on building a personal development plan, in 2018 employees and managers proceed with these in their evaluation conversations.

Wft
In 2018 around 700 Allianz employees with customer contact participated in the Allianz Wft Program (mandatory technical skill training program) to keep compliant with the Wft requirements (as part of the revised Act “Wet Financieel Toezicht” in 2014). Training was provided by our trusted partner Dukers & Baelemans. Even employees with no direct customer contact or advisory tasks became more interested for Wft accreditation and certificates for employability purposes.

Opportunities for everyone
We believe it is important to promote diversity throughout our organizations. We have a ratio of 57:43 males to females in our company.

Contributing to society (CSR Corporate Social Responsibility)
As we are committed to CSR, we encourage our employees to contribute to society, such as by doing volunteer work during working hours. Scores of our employees take great pleasure in doing their part for society during the biggest volunteer day organized in the Netherlands every year (NLDoet).

Enactus
As partner of Enactus we foster the development of young leaders by supporting them with mentorships and projects and organising business events. In September we hosted an event for the boards of all Enactus teams in which we offered various business workshops. In total 40 international students participated. Enactus is an international non-profit organisation that connects students with corporate organisations. Aim of this partnership is to enable students to become responsible leaders.

Our business performance in 2018

General

Our stakeholders

Allianz in the Netherlands maintains close contact with its main groups of stakeholders such as customers (private individuals and corporate), intermediaries, regulatory authorities (especially De Nederlandsche Bank and AFM; 'Dutch National Bank' and 'Dutch Authority for the Financial Markets'), non-governmental organizations (NGOs)/interest groups and our ultimate owner Allianz SE.

We share our knowledge and experience with customers and intermediaries and are keen to keep an open dialogue with them about how we can improve our propositions and services. We value their satisfaction. We measure this with the NPS methodology.

Allianz is a member of the Dutch Association of Insurers, the Dutch Insurance Exchange Association ('VNAB') and Adfiz. Within these consultative bodies, we raise issues that concern our customers or other stakeholders.

We have regular meetings with the regulatory authorities to discuss the regulatory framework as laid down in laws and regulations. NGOs and interest groups such as the Dutch Consumers' Association are regular sparring partners. We find it important to provide these types of organizations too with transparency about our products, services and investments. We hold regular meetings with our owner to discuss strategy and planning.

Life

Boosting new business

The challenges in the life market remain. We do not foresee a change in the low interest rate environment any time soon. But regardless of this customers are still looking for new solutions for term and retirement while savings remain unattractive.

Allianz has invested in offering products that are based on investment performance. Tackling the challenges on transparency, flexibility and reliability, with the focus on the needs of our customers. We enable them to react quickly to trends in the financial markets, to profit from ups and protect themselves from downs. This has boosted our new business in 2018.

Managing the semi-closed book

Due to maturity and surrenders the Retail Closed Book of Allianz Nederland Levensverzekering is declining each year.

Since January 1, 2017, a major part of the Business Process of Servicing and Claims Operations has been outsourced to Infosys BPO Limited. Infosys BPO is a global leader in consulting, technology, outsourcing and next-generation services, on the vendor list of Allianz SE and the only active BPO partner, at this moment, on the Dutch market for Retail Closed Books.

Internal projects, governance, implementing and change management activities as a result of business and regulatory changes will be retained and solely governed by Allianz Nederland Levensverzekering.

In addition to this outsourcing, we continue to look for further opportunities to further reduce costs and increase efficiency.

Aftercare ('Nazorg')

The AFM has conducted a survey on the execution of the regulations related to aftercare by the insurance sector. Allianz Nederland Levensverzekering took all necessary measures to adequately and timely complete additional activation actions for clients with 'other' unit-linked policies. The AFM has communicated that all aspects of the relevant legal requirements have been met. Continuous 'after care' is now embedded in the regular operational processes.

Asset management

Given the low interest rate environment, it is difficult for insurers to achieve good investment results. Our investment manager continues to pursue a prudent investment policy with a balanced and careful spread of risks and return. ANG and its subsidiaries conforms in this respect to the sustainable investment strategy and related ESG policy of Allianz Group.

Mortgages

For several years now, Allianz Vermogen (as successor of ANAM due to the sale of the banking activities) has been originating mortgage loans with Nationale Hypotheek Garantie (NHG or National Mortgage Guarantee) to private individuals via selective distribution. These NHG loans provide an attractive return at an acceptable risk. Moreover, these investments are good for the insurer's capitalization. The program has been running for several years now and is a success. The originated loans are transferred to various Allianz operating entities. In 2018, Allianz doubled the portfolio managed to € 2.5 billion. The economic upturn of the Dutch economy boosting the confidence of consumers, low interest rates, rising price of homes and lower rate of employment gave a significant positive effect on the housing market. Investing in mortgages remains an attractive alternative to other fixed-income securities.

Performance of Allianz's investment funds

Allianz offers investment funds via the Allianz Paraplu Fonds (APF). These funds are used for retail and pension unit linked products. The Allianz investment accounts have been transferred to Brand New Day Bank in the period September 2017 to May 2018. Allianz Fund Administration and Management (AFAM) took over the role of ANAM, before the sale of ANAM. In total AFAM manages eight actively managed investment funds with a long term track record within the APF. Morningstar gives the Allianz Selection Fund, our flagship fund with total assets over € 1,3 billion, five stars. Our funds have received three stars on average from Morningstar. The investment results for 2018 were poor after some good years. All asset classes have showed negative results over 2018. Equity funds were on average more negative than fixed income funds.

Keeping customers informed

For each sub-fund in the Umbrella Fund, we prepare a Key Investor Information document with information about the product, the costs and risks. New customers are actively recommended to familiarize themselves with the content of this document before the investment product is purchased. Key Investor Information and the prospectuses as well as the half-year and annual reports of the Allianz Umbrella Fund are available on the website www.allianz.nl. Fact sheets such as on the performance of the sub-funds can be found there as well.

Other entities

In 2018 Havelaar & van Stolk realized growth in revenue in a competitive market environment. Customer focus and effective relationship engagement contributed to this change in development of the portfolio. Changes in management secured cultural change and enhanced focus on client centricity and simplification. Helviass continued its double-digit growth in a challenging market. Customer focus resulting in high customer satisfaction contributed to this growth. The employee engagement survey improved further.

Financial results

Income, expenses, result

Total income increased strongly in 2018 to € 512 mn (2017: € 473 mn). Total operating result increased from € 46 mn to € 49 mn.

In our Life business premium income increased with 11% (2018: € 424 mn / 2017: € 382 mn), biggest part of this increase is related to the continued growth in 2018 of our pension portfolio.

In comparison with 2017, the operating result of Life increased in 2018 with 4%; mainly due to cost savings.

Asset management business was in line with 2017. However the mix of the operating result was quite different compared to last year, due to the sale of the bank. Three million came from the investment fund business of Allianz Fund Administration and Management via the management fee. Notwithstanding the decline of most asset classes by the end of the year, this fee was stable due to higher asset values during the year. Additionally there was a one-off effect of € 0,6 million due to the final settlement of the sale of the bank. The other activity with asset management is the mortgage business via Allianz Vermogen. Due to a very strong growth of the production in 2018 (€ 1,4 billion) the servicing income and the servicing fees increased sharply. The net result was € 2,3 million positive, including € 0,2 million of one-off effect due to the final settlement of the sale of the bank. Allianz Fund Administration and Management and Allianz Vermogen did not realize any gains or losses, consequently the profit before tax is equal to the operating result.

Despite decline of earnings in the life and illness portfolios Havelaar & van Stolk realized growth. The commercial lines portfolio's increased and the retail-line portfolio stabilized against market circumstances Helviass accelerated its growth as planned.

Financial result for Allianz Nederland Levensverzekering

(€ mn)	2018	2017
Premium income	423,6	381,6
Operating result	42,7	41,1
Profit before tax	41,4	39,2

The solvency II ratio of Allianz Nederland Levensverzekering amounted to 214% (2017: 193%) at the end of 2018.

For the financial result from our non-life insurance, please refer to the annual report of Allianz Benelux S.A.

Financial result for Allianz Nederland Asset Management

(€ mn)	2018	2017
Operating result	5,3	5,1
Profit before tax	5,3	6,5

Financial results Other activities

(€ mn)	2018	2017
Income from intermediary activities	6,5	6,2
Operating result	0,5	0,5
Loss before tax	(0,3)	(0,6)

Risk management

Risk profile

Allianz Nederland Groep is exposed to a variety of risks through its life insurance and asset management activities. These include financial market, credit, insurance, operational, business and strategic risks. The risk profile is relatively stable over time and is driven by our risk appetite and is steered by our risk management practices and limit framework.

Historically the life insurance business (conducted by subsidiary Allianz Nederland Leven N.V.) has focused primarily on unit-linked business. Embedded guarantees are managed on an ongoing basis through asset-liability matching, while the guarantee rates have been reduced throughout the years in line with the evolution of the interest rate environment. As a consequence the vulnerability of the in-force book to the low interest rate environment is relatively low. Furthermore the investment strategy is very conservative with no equity exposure. The Board of Management is confident with the overall risk profile and the effectiveness of the risk management framework to meet the challenges of a rapidly changing environment as well as day-to-day business needs.

Furthermore, Allianz Nederland has successfully conducted a Renewal Agenda for its life insurance business: the combined effort of strategic developments, product innovation and reorganization through outsourcing has enabled to preserve profits of closed book, to optimize cost structure and to generate new business. Allianz Nederland has also substantially reduced the risk of operational losses resulting from the ongoing transparency discussion, this by, finalizing a settlement with three major claims foundations, and also by succesfully extending negotiations with a few smaller foundations.

Benelux integration

The project initiated to integrate ANL into the Allianz Benelux context by means of a legal merger has been finalized on 26th March 2019. This will provide diversification benefits, further reduce expense risk, harmonise governance and reduce concentration risk. This integration also emphasizes the strategic importance of Allianz Benelux within the Allianz group. The harmonisation of the governance for the risk management framework consists of synergies between parallel frameworks. Consequently, there is no change in its design and it continues to operate within the Allianz-wide risk management approach.

Solvency II

With a Solvency II capital ratio of 214% as of end 2018, Allianz Nederland Levensverzekering N.V. has a very strong capitalization. Also under a wide range of stress scenarios the Solvency II capital ratio will remain well above 100%. Based on this, a management ratio for the solvency capital is derived, which reflects the overall risk appetite and it forms the anchor point of the capital management plan. For 2019, till completion of the Benelux merger, the management ratio is kept unchanged at 170%.

Note that the Allianz Nederland Groep ultimate parent company Allianz S.E. also holds a strong solvency position, rewarded by a high creditworthiness rating of AA (S&P, confirmed December 21, 2018).

Internal control system

The effectiveness of the internal control system including the system of governance are adequate. Most recent results of control testing, internal audits and other reviews have shown no significant deficiencies and no material weaknesses.

Note that Allianz has rolled out an Integrated Risk and Control System, of which the scope is broader than preventing financial misstatements, as it covers also other operational risks.

A more detailed description of our risk management system is given in note 32 Risk management.

Governance

Governance at Allianz Nederland Groep N.V. is based on a limited structure regime, applicable to two-tier entities. The main features of this organizational structure under the Articles of Association:

1. Allianz is managed by a Board of Management, which is supervised by a separate and independent Supervisory Board.
2. The Supervisory Board has far-reaching internal powers and the right of assent in respect of certain decision making.
3. The Supervisory Board nominates new members to the Annual General Meeting, which may be preceded by a recommendation from the Annual General Meeting or the Works Council. The Works Council has the right to make recommendations for at least one-third of the Supervisory Board.

The Board of Management manages the company and is responsible for the implementation of the policy and for day-to-day business. The Supervisory Board oversees and provides both solicited and unsolicited advice to the Board of Management about the strategy, performance and risks associated with the company's activities. In the performance of its duties, the Supervisory Board takes into account the interests of the company and all its stakeholders.

Supervisory Board

Introduction

The Supervisory Board works according to standing orders which set out its main tasks, responsibilities and powers. The standing orders of the Supervisory Board remained the same in 2018. The responsibilities of the Supervisory Board include:
1. Approval of the annual report & accounts, financial statements and notes to the financial statements.
2. Assessment of risk management.
3. Selection and appointment of the external auditor.
4. Carefully dealing with any irregularities.

The Supervisory Board passes resolutions on the proposals of the Compensation Committee and the Audit Committee. It also lays down the remuneration policy.

The standing orders contain provisions for the supply of information, how meetings are to be prepared and conducted, the decision-making protocol and the procedure for dealing with possible conflicts of interest. Finally, the standing orders include fit & proper and permanent education requirements. Both the Board of Management and the Supervisory Board conduct an annual self-evaluation.

Meetings of the Supervisory Board

During the year of account, the Supervisory Board dealt extensively with the strategic course of Allianz in the Netherlands, the market and economic trends, the company's outlook and the operating and financial results.

In accordance with its routine schedule, the Supervisory Board held four plenary meetings in 2018. There is a standard annual routine where structural topics are addressed. Between the meetings, there was frequent contact between individual members of the Supervisory Board and the Board of Management, senior management and representatives of the Works Council. The Supervisory Board ensured that it was apprised of current topics within Allianz and the general state of affairs in the company at various levels. The members of the Board of Management, senior management and the heads of the risk functions Internal Audit, Compliance, Actuarial and Risk issued regular reports, on the basis of which the Supervisory Board conducted its discussions. That enabled the Supervisory Board to keep close track of the operational activities and projects.

Minutes of all meetings were taken and the action points and resolutions explicitly recorded. This supports the follow-up on the business agreed during the meetings.

All meetings took place at the headquarters of Allianz Nederland Groep N.V. in Rotterdam. In some cases, a Board Member participated via videoconference. On a few occasions, a member of the Supervisory Board or a member of the Board of Management was unable to attend a meeting. In those cases, the absent Board Member gave their input to the meeting beforehand and authorized a colleague to exercise their vote.

Topics discussed by the Supervisory Board in 2018 were:
1. The financial statements for 2017 including the findings of the external auditor, the audit report to the Supervisory Board and the management letters
2. The appropriation of profit and the dividend proposal for 2017
3. The budget for 2018
4. Risk management and the system of governance and internal control for the Dutch activities
5. Developments in the Dutch insurance market
6. The sale of Allianz Nederland Asset Management B.V.
7. Trends in results and movements in solvency and the technical provisions
8. Developments regarding unit linked insurance
9. The strategy for the life insurance activities in the Netherlands, both in terms of business development and risk management
10. Employee engagement and development prospects for employees
11. Changes to the composition of the Supervisory Board
12. The handover to the new External Auditor
13. Approval of the company's risk appetite.

Risk management

Risk control and risk management were repeatedly on the agenda. Besides the strategic and financial risks, a particular focus was placed on IT-related risks, including outsourcing and information security. The Supervisory Board was informed by the external auditor and the internal risk functions. This included discussing the recommendations from these functions and determining the status of prior recommendations. Where necessary, the Supervisory Board ensured that the agreed actions are pursued.

Performance evaluation

In the presence of the Board of Management, the Supervisory Board evaluated its own performance, that of its individual members and that of the Audit Committee and Compensation Committee. This took place in a plenary session without external assistance. The evaluation also covered the cooperation with the Board of Management and the exchange of information with the Board of Management. No separate evaluations took place for the Audit Committee or Compensation Committee. The result of the evaluation is that members of the Supervisory Board individually and collectively are sufficiently critical and independent and complement each other. They satisfy the applicable knowledge and experience requirements from the Supervisory Board's profile. The Supervisory Board is characterized by open and constructive cooperation. The complementarity in competences within the Supervisory Board, which is required for its statutory oversight duties, is also experienced in practice. The Supervisory Board saw no need to modify its profile. The Supervisory Board experienced its relationship with the Board of Management as positive. The information that was provided to the Supervisory Board was of high quality and took account of the interests of everyone involved in the company.

Report from the Audit Committee

The Audit Committee advises the Supervisory Board in plenary sessions about performing its oversight functions for the areas set out in the Audit Charter. A report on every meeting of the Audit Committee is given in the broader Supervisory Board.

In the reporting year, the Audit Committee comprised of Mr. Van Ommen (chairman) and Mrs. Boshnakova. Thus, the Committee possessed sufficient knowledge and experience to perform its activities.

Meetings were attended by the CEO, CFO and the risk functions, as well as the external auditors. The Audit Committee met twice, in accordance with its routine schedule. At each meeting, members of the Audit Committee conferred with the external auditor and Internal Audit outside the presence of the others. The following topics were on the agenda of the Audit Committee:

1. The financial statements for 2017 including the findings of the external auditor and the audit report to the Supervisory Board
2. The movements in solvency and the technical provisions
3. The developments in reporting in accordance with Solvency II requirements
4. The appropriation of profit and the dividend proposal
5. Risk management, the underlying risk analyses and the main risks for Allianz
6. Preparation of the Supervisory Board's approval of the risk appetite determined by the Board of Management
7. Determining whether Allianz's activities are in line with its risk appetite
8. Design and operation of the internal control systems including the three lines of defense
9. The annual plan of the auditor and follow-up on prior recommendations
10. The annual planning, the results of the internal audits and follow-up on the recommendations of Internal Audit
11. Confirmation of the independence of the external auditor and of Internal Audit
12. Compliance with laws and regulations and handling of legal claims and cases; most of these were claims in respect of unit-linked policies
13. Compliance with statutory and company requirements and the internal rules, including the code of conduct

PricewaterhouseCoopers Accountants N.V. took over as external auditor per 1 January 2018, in line with Allianz Group.

In the reporting year, the charter of the Audit Committee remained unchanged.

Report from the Compensation Committee

The Compensation Committee comprised of Mr Walvis (chairman), and Mrs Boshnakova. The Compensation Committee advises the Supervisory Board about performing its oversight functions for the areas set out in the Compensation Committee Charter. A verbal report of the meeting of the Compensation Committee is given to the Supervisory Board.

The Compensation Committee met three times in 2018 according to its routine schedule. Routine members of the meeting were the CEO, the directors of HR for Benelux and the Netherlands and the head of the Legal function.

The main topics on the agenda were as follows:

1. Overseeing Allianz's remuneration policy and its revision; this was also with a view to the balance between the performance and control of these risks
2. The structure of the remuneration of the Board of Management and the Supervisory Board

3. Remuneration report for reporting year 2017
4. Developments in the collective labour agreement
5. Bringing the pension scheme up to date with new legal and tax requirements
6. Redundancy payments in effect
7. Application of the claw-back scheme and/or changes to variable remuneration
8. The awarding and payment of variable remuneration on the basis of agreed financial and non-financial targets for the short, medium and long term for all groups with variable remuneration
9. Setting new financial and non-financial targets, such as for employee engagement, leadership and customer loyalty
10. Developments in the terms of employment at Allianz itself and sector-wide

The remuneration of the Board of Management and the Supervisory Board are in line with Allianz's policy.

Composition of the Supervisory Board Members of the Supervisory Board in the reporting year:

1. Mr Robert Walvis, chairman of the Supervisory Board and chairman of the Compensation Committee.
2. Mrs Monique Bodde, member of the Supervisory Board and recommended on behalf of the Works Council.
3. Mr Fritz Fröhlich, member of the Supervisory Board and chairman of the Audit Committee (until 13 March 2018).
4. Mrs Sirma Boshnakova, member of the Supervisory Board, member of the Compensation Committee, member of the Audit Committee and recommended on behalf of the shareholder.
5. Mr Nick van Ommen, member of the Supervisory Board (per 1 January 2018) and chairman of the Audit Committee (per 13 March 2018).

Per year-end the gender ratio of the Supervisory Board was 2:2.

Mrs Boshnakova works for the ultimate shareholder Allianz SE. Apart from their membership of the Supervisory Board, the other members have no relations with Allianz and are therefore independent. Owing to the number of members of the Supervisory Board, Allianz satisfied the Financial Supervision Act and the Articles of Association that stipulate that the Supervisory Board must be composed of at least three members.

Allianz aims for diversity in the composition of the Supervisory Board. To this end, the Supervisory Board has defined a job profile to ensure the necessary strategic diversity. The composition of the Supervisory Board reflects the political, managerial and social experience and specific knowledge and experience in relation to Allianz Benelux's activities in the Netherlands. The Supervisory Board has ample knowledge of the financial markets. It also has sufficient specialist financial knowledge. All members have sufficient regulatory experience as well as experience with managing large organizations. This ensures that the Supervisory Board possesses sufficient knowledge and skills to fulfil its oversight function properly.

Its approval of both the individual members and the Supervisory Board as a whole shows that the Dutch central bank also has confidence in the operation of the Supervisory Board.

Terms of office of the Supervisory Board Members

Name of member of the Supervisory Board	Function within the Supervisory Board	Date of current appointment	End date of current appointment
Mr. R.J.W. Walvis	Chairman of the Supervisory Board Chairman of the Compensation Committee	13-03-2018	18-03-2019
Mr. F.W. Fröhlich	Member of the Supervisory Board Chairman of the Audit Committee	19-11-2015	13-03-2018
Mrs. S.G. Boshnakova	Member of the Supervisory Board Member of the Compensation Committee Member of the Audit Committee	01-01-2016	01-04-2019
Mrs. J.M. Bodde	Member of the Supervisory Board	01-08-2016	01-01-2019
Mr. N.J.M. van Ommen	Member of the Supervisory Board Chairman of the Audit Committee per 13-03-2018 Chairman of the Supervisory Board per 19-03-2019	01-01-2018	01-01-2022
Mrs. M.D. Donga	Member of the Supervisory Board	15-03-2019	01-01-2023

* A resigning member of the Supervisory Board may immediately be reappointed. A succession planning has been made. For reasons of continuity, it has been decided to replace no more than one Director at a time.

Lifelong learning

The chairman ensures that a lifelong learning program is established. The aim of the program is to retain and add to the level of knowledge of the Supervisory Board in the areas relevant to its oversight function. The chairman is advised by the secretary and an external party about the content of the program, which is reviewed annually. The topics of the program are revised each year by the Supervisory Board, to accommodate for current and/or urgent topics which may take priority.

Remuneration and dedication

The members of the Supervisory Board receive a fixed remuneration for their membership of the Supervisory Board and for any committees which they chair. The individual members have sufficient time available to fulfil their oversight responsibilities.

Promise

All members of the Supervisory Board have taken the promise and oath for the financial sector.

Words of thanks

The Supervisory Board thanks all employees, the Board of Management and the Works Council for their dedication in the year under review. Allianz has achieved its goals with great commitment in an increasingly competitive market where doing business is limited by the complexity of the legislation and regulations. The Supervisory Board has complete confidence in Allianz's ability to continue building on its positions in its target markets. The Supervisory Board wishes to thank the staff and managers for all their hard work and encourages them to carry on.

Rotterdam, July 1, 2019

Supervisory board

N.J.M. van Ommen (Chairman)
J.M. Bodde (until January 1, 2019)
S.G. Boshnakova (until April 1, 2019)
M.D. Donga (from January 1, 2019)
R.J.W. Walvis (until March 18, 2019

Board of Management

Responsibility

The Board of Management is responsible for managing the company and for its day-to-day business. It is guided in its management by the Articles of Association, the Dutch Civil Code and the Financial Supervision Act. The Board of Management works according to standing orders setting out its main tasks, responsibilities and powers. The standing orders also contain provisions for the division of areas of responsibility within the management, the supply of information, how meetings are to be prepared and conducted, the decision-making protocol and the procedure for dealing with possible conflicts of interest. Finally, the standing orders include requirements for the necessary knowledge and experience. The Articles of Association of Allianz Nederland Groep N.V. and the standing orders of the Board of Management remained the same in 2018.

Under the Articles of Association and the Financial Supervision Act, the Board of Management must be made up of at least two people. Mr J. Weber resigned from the Board of Management per 1 February 2018 to assume another position within Allianz Group.

For 2019 the Company changed the Board of Management, whereby Mr C.J.A.M. Schneijdenberg resigned from the Board to assume another position within Allianz Group. Mrs K. Van den Eynde resigned from her statutory position, but she will keep an executive role. Mrs C-M Coste-Lepoutre resigned from the Board to assume another position within Allianz Group.

The Company appointed Mr A.J. Bradshaw as a statutory Member of the Board of Management. Finally Mr B. Bourgeois was appointed as CFO of the Board of Management

Members of the Board of Management in the reporting year:

1. Mr Sjoerd Laarberg, chairman and CEO
2. Mrs Claire-Marie Coste-Lepoutre, member, CFO
3. Mr Eric Schneijdenberg, member, COO
4. Mrs Kathleen Van den Eynde, member, Technical Life and Asset & Investment Management
5. Mr Joerg Weber, member, Digital & Market Management (until 1 February 2018)
6. Mr Wilfried Neven, member, Technical P&C (& Digital & Market Management per 1 February 2018)

The appointment of all members of the Board of Management was made with the consent of the De Nederlandsche Bank (Dutch central bank). This shows that the Dutch central bank has confidence in its operation and the knowledge and experience of its members individually and collectively. This satisfies the criteria for a complementary, diverse and cooperative Board of Management. One-third of the Board of Management is composed of women. This is not an equal division of seats between men and women. With each appointment, Allianz will take into account the aim to achieve sufficient diversity within the Board of Management.

Lifelong learning

In the year under review, the Board of Management participated in the lifelong learning program for the Supervisory Board.

Remuneration and dedication

Part of the remuneration received by the members of the Board of Management is linked to their performance. The individual members have sufficient time available to fulfil their management responsibilities.

Promise

All members of the Board of Management have taken the promise and oath for the financial sector.

Risk management

Responsibility for risk management lies with the Chief Financial Officer. She has no commercial responsibilities and operates independently of the financial results. For the risk management framework, please see the separate pages in the annual report. Various committees have an advisory role as decision-making and risk monitoring are the responsibility of each company's own board of management and supervisory board. This is explicitly stated in the committee charters. This ensures that the latent and manifest risks, the risk analysis, decision-making on the risk appetite and control procedures are dealt with at the right place. The Supervisory Board assesses the risk management performed by the Board of Management. The various risks of Allianz Nederland Groep are regularly discussed at the meetings of the Supervisory Board. This is preceded by their discussion in the Audit Committee. The various risk functions and the external auditor report to the Audit Committee.

At the meetings of the Audit Committee prior to the adoption of the financial statements, the external auditor reports on the risk findings and discusses the management letter. The Supervisory Board further approves the company's risk appetite and audit planning. The risk functions ensure that risks are reported on a regular basis.

Other topics

Compliance with legislation and regulations

The requirements placed by legislation and regulations continue to grow. New rules, the active stance taken by the regulatory authorities and demands by trade organizations burden the company with rules. This has a definite effect on the tasks and responsibilities of both the Board of Management and the Supervisory Board. Transparency and compliance with internal and external standards goes without saying at Allianz. The number of tasks that the company is asked to perform in relation to oversight have grown and, by definition, take high priority. This places great pressure on the company. Priority cases included aftercare in relation to unit-linked policies, improving customer information, economic sanctions and anti-money laundering and counter terrorism financing compliance, the analysis of internal risks and controls, implementation of the General Data Protection Regulation, the Insurance Distribution Directive (Sales Compliance), new pension regulations, MiFID II and PRIIPS.

The requirements placed by legislation and regulations and the responsibilities under the Articles of Association are taken into account by introducing new policies.

Audit

The organization of Internal Audit meets the standards of the (former) Code of Conduct for Insurers and the Allianz internal standards. In the reporting year, Internal Audit discussed its risk assessment findings and audit plan in the tripartite consultations with the external auditor and the Dutch central bank. Internal Audit reports directly to the Supervisory Board and the Audit Committee.

Compliance

The design and operation of the Compliance function has been improved with regard to governance and staffing and is now better able to fulfil the role expected by all stakeholders. Further improvements have been made in the reporting year. The main developments in compliance relate to the successful implementation activities for the Allianz Privacy Renewal Project (in light of the General Data Protection Regulation (GDPR), the implementation of the Insurance Distribution Directive (IDD) and the periodic assessment of the Internal Risk and Control System (IRCS) and Compliance Program Maturity assessment. Compliance also reports to the Chairman of the Supervisory Board and the Audit Committee.

Remuneration policy

Allianz has its own remuneration policy. The policy is regularly updated as part to keep pace with new and changing legislation and regulations and Allianz Group policies. Allianz Netherlands complies with the requirements for a sound remuneration policy in accordance with the Financial Supervision Act and the Act.

Oath or promise

The oath or promise for the financial sector extends to all persons who can influence the company's risk profile and to employees with direct customer contact. All employees who qualify as such have taken the oath or made the promise. The oath or promise is mandatory to all new employees at Allianz.

Co-determination well organized

Consultation with the Works Council runs smoothly. We have an engaged Works Council which is capable of putting itself in the position of the employer and of the employees. We often ask a representative of the Works Council to think along with us. Consequently, the Works Council is always well informed.

Integrity and ethics

Employee integrity is an important condition to win and retain the trust of customers and the market. Yet it is unrealistic to think that improprieties will never take place in a company of this size. Allianz is keen to identify integrity problems on a timely basis and be able to take effective action to prevent possible reputational damage. This is why Allianz has a whistle-blower scheme in place to report abuses, which goes by the name of Speak Up! This concerns reports on and the conduct of the company, codes of conduct, fraud and suchlike. With SpeakUp!, employees have a digital tool at their disposal which they can use to report abuses anonymously. The SpeakUp! tool is hosted by a third party specialized in systems for reporting and handling abuses.

Cases can be reported by telephone and internet 24/7 without having to go through a call center; this takes place completely outside of Allianz's IT systems. The Dutch Compliance Officer of Allianz is allowed to ask follow-up and verification questions, even after an investigation has been started. The employee's anonymity is guaranteed and it is also made easier for employees to file a report. The scheme is explained in plain language and the employees have received extensive information about the possibilities. Furthermore, in the light of 'One Benelux', the Integrity Committee NL, consisting of the Heads of Compliance, Legal, Fraud, Risk, Audit, Communications and HR, has been integrated in the Benelux Integrity Committee. As a result the Benelux Integrity Committee also issued a Charter listing their roles and responsibilities and an updated Benelux Speak Up! Policy.

In addition the Allianz Nederland Groep Code of Conduct was also updated with revised gifts and entertainment rules and a registration process of the outside positions by employees.

Compliance

Insurance Distribution Directive (IDD)

In 2018, a project started to implement IDD in the organisation. Multidisciplinary teams identified and closed the gaps in order to comply with IDD by 1 October 2018.

The main IDD topics that were addressed were the Product Oversight Governance (overseeing the whole value chain, from product development to monitoring the distributor as a manufacturer and co-operation with the distributor), Insurance Based Investment Products (IBIPs), minimum professional knowledge and competence requirements and conflicts of interests, remuneration and provisions transparency.

Data Privacy

As at 1 January 2016, a law has taken force under which financial institutions are required to report data leaks with serious consequences for the data subjects, directly to the Data Protection Authority. This Authority also evaluates whether Allianz has taken sufficient steps to solve the problem, mitigate the consequences and prevent recurrence. Examples are sending sensitive data to the old address of the client because client did not informed Allianz about the new address; sending mail to the wrong client (human failure) and attaching the wrong social security number in the pension save because the employer delivered the wrong social security numbers of his employees by mixing them up. If Allianz is unable to furnish sufficient proof of steps taken to make improvements or get the situation under control, the Authority may issue a fine. For the reported data leaks to the Data Protection Authority no fines have been imposed. We have been discussing with other insurers how we can work together as a sector to tackle and prevent cybercrime. The Allianz Privacy Renewal Project was initiated in 2016 on Benelux level and continued in order to be compliant in May 2018 with the new General Data Protection Regulation (GDPR).

Missing persons protocol

In our sector a protocol for missing persons is in place. We see it as our duty to society that insurance matters are properly handled for the family of the missing person.

Outlook

Although we foresee market circumstances to be more difficult than in 2018, we expect further growth in 2019 combined with improved results. The basis for expanding our market share with strong performance in 2017 and 2018 is very solid. We expect to clearly benefit from the reworked propositions for our clients over the last years which are consistently further improved by using client feedback.

Economy

The forecasts for the Dutch economy are still positive. The CPB (Netherlands Bureau for Economic Policy Analysis) projects a 2.2% growth and unemployment is expected to further decline to 3.6%. The CPB does note that the high tide of the economy in 2017 and 2018 has passed. Growth is slowing down and there are considerable macro-economic risks that could have a large impact on the economy.

Market and business environment

The main challenges for life insurers in the Netherlands continue to be the low interest rate environment as well as potential new developments in the transparency discussion. Business opportunities have shifted from individual insurance towards collective insurance products and to pension related products, both for accumulation and decumulation of pension in the 2nd or 3rd pillar.

In the pension market competition will continue to be fierce, as profit margins are under pressure. Market concentration will continue in the next five years and market success will depend on the relative position in low-cost & high value investment propositions including ESG, (digital) communication & employee activation, customer service and distribution strength.

The supervisor AFM will continue to increase its control over financial service-providers, becomes more strict and increasingly requires to comply with legislation and non-legislative guidelines, i.e. in pension accumulation & decumulation as well as in product approval procedures.

Strategic developments

Digitalisation

Allianz has strengthened its digital distribution channel, either pure execution-only or hybrid (i.e. initial contact is through a portal after which a broker takes over). Our aim is to further balance digital and broker driven distribution depending on the nature and complexity of the product. Digitalisation will therefore remain a key topic for us.

Further Benelux integration

The merger of Allianz Nederland Levensverzekering with Allianz Benelux was effectuated on 26 March 2019 after receiving the required regulatory approvals. The merger will improve the strategic position and importance of Allianz. It will also optimize the risk profile by diversifying risks and reducing concentration risks.

Our investment policy

Slowing growth is a main theme of the latest macro scenarios as the business cycle matures. The sentiment is already on the bearish side and political risks are expected not to escalate. At least short-term, this leaves some upside as sentiment improves. This makes stocks a volatile play while relative value to bonds remains.

Life long learning

We will continue to invest heavily in education of our employee base. Both practical business and knowledge training will be facilitated as well as trainings in other skills like agility, data analytics and digitalization.

Rotterdam, July 1, 2019

Management board
S.L. Laarberg (chairman)
B. Bourgeois, CFO (from March 1, 2019)
A.J. Bradshaw (from January 1, 2019)
C.M.A. Coste-Lepoutre (until March 1, 2019)
K.L. Van den Eynde (until January 1, 2019)
W. Neven
C.J.A.M. Schneijdenberg (until December 31, 2018)

Supervisory board
N.J.M. van Ommen (Chairman)
J.M. Bodde (until January 1, 2019)
S.G. Boshnakova (until April 1, 2019)
M.D. Donga (from January 1, 2019)
R.J.W. Walvis (until March 18, 2019

Financial Statements 2018 Allianz Nederland Groep

Consolidated financial statements

Consolidated balance sheet

as at 31 December 2018

ASSETS	Note	2018 € 1,000	2017 Restated [1)] € 1,000	1 January 2017 Restated [1)] € 1,000
Cash and cash equivalents	3	52,566	37,735	11,107
Financial assets carried at fair value through income	4	41,315	44,657	36,492
Investments	5	626,834	603,113	602,533
Loans and advances to banks and customers	6	1,713,548	1,577,963	1,605,785
Financial assets for unit-linked contracts	7	2,413,764	2,649,929	2,597,025
Amounts ceded to reinsurers from insurance provisions	14	8,460	10,049	13,722
Deferred acquisition costs	8	170	500	1,225
Other assets	9	170,554	172,434	126,469
Intangible assets	10	2,669	3,403	4,457
Assets of disposal groups classified as held for sale		-	-	605,353
Total assets		5,029,880	5,099,783	5,604,168

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	2018 € 1,000	2017 Restated [1)] € 1,000	1 January 2017 Restated [1)] € 1,000
Financial liabilities carried at fair value through income	11	31,272	35,853	28,639
Liabilities to financial institutions	12	13,173	7,776	7,046
Financial liabilities for unit-linked contracts	13	2,413,764	2,649,929	2,597,025
Insurance provisions	14	1,700,587	1,658,183	1,647,566
Deferred tax liabilities	31	6,735	12,592	16,246
Other provisions	15	31,541	49,103	32,478
Other liabilities	16	586,280	439,997	424,873
Liabilities of disposal groups classified as held for sale		-	-	595,303
Total liabilities		4,783,352	4,853,433	5,349,176
Shareholders' equity	17	246,528	246,350	254,992
Total equity and liabilities		5,029,880	5,099,783	5,604,168

Before appropriation of result.

1) Further information about the 2017 restatement is given in Note 40

Consolidated income statement

for the year ended 31 December 2018

	Note	2018 € 1,000	2017 € 1,000
Premiums written		423,576	381,638
Ceded premiums written		(8,445)	(9,423)
Premiums earned (net)	18	415,131	372,215
Interest, dividend and similar income	19	80,459	85,460
Other income from investments	20	1,631	98
Movement in financial assets and liabilities carried at fair value through income (net)	26	(1,061)	1,632
Investment result for risk of policyholders	21	136,612	171,113
Fee and commission income	22	37,457	38,019
Total income		670,229	668,537
Claims and insurance benefits incurred (gross)		(483,422)	(504,413)
Claims and insurance benefits incurred (ceded)		4,570	8,026
Insurance benefits (net)	23	(478,852)	(496,387)
Change technical provisions	24	(88,821)	(67,244)
Interest and similar expenses	25	(9,241)	(10,726)
Impairments of investments	5	(357)	(178)
Investment expenses	27	(5,657)	(1,729)
Acquisition costs and administrative expenses	28	(26,749)	(35,173)
Fee and commission expenses	29	(12,362)	(9,306)
Amortization/Disposals gains & losses intangible assets	10	(735)	(1,054)
Reorganization charges	30	-	(2,434)
Total expenses		(622,774)	(624,231)
Income before taxes		47,455	44,306
Taxes	31	(9,122)	(11,314)
Net income from continuing operations		38,333	32,992
Net loss from discontinued operations, net of income taxes	39	-	(7,472)
Net income [1]		38,333	25,520

1. There is no minority interest to which the result of period under review can be ascribed.

Consolidated statement of comprehensive income

for the year ended 31 December 2018

	2018 € 1,000	2017 € 1,000
Net income	38,333	25,520
Other comprehensive (loss)/income		
Items that may be reclassified to profit or loss in future periods		
Changes in the fair value of available for sale investments	(8,399)	(19,067)
Income tax relating to the revaluation of available for sale investments	4,491	4,767
Total items that may be reclassified to profit or loss in future periods	**(3,908)**	**(14,300)**
Items that may never be reclassified to profit or loss		
Changes in actuarial gains and losses on defined benefit plans	(4,636)	(4,883)
Income tax relating to the actuarial gains and losses	(1,611)	1,221
Total items that may never be reclassified to profit or loss	**(6,247)**	**(3,662)**
Total other comprehensive income/(loss), net of tax	**(10,155)**	**(17,962)**
Total comprehensive income	**28,178**	**7,558**

Consolidated statement of changes in equity

	Paid-in capital € 1,000	Share premium € 1,000	Revenue reserves € 1,000	Unrealized gains and losses € 1,000	Net income € 1,000	Shareholders' equity € 1,000
Balance as of 01/01/2017	**59,813**	**76,667**	**39,162**	**60,461**	**18,889**	**254,992**
Net income	-	-	-	-	25,520	25,520
Other comprehensive loss	-	-	(3,662)	(14,300)	-	(17,962)
Total comprehensive income	-	-	(3,662)	(14,300)	25,520	7,558
Transfer of profit from previous years to reserves	-	-	18,889	-	(18,889)	-
Shareholders' dividend 2016	-	-	(16,200)	-	-	(16,200)
Balance as of 31/12/2017	**59,813**	**76,667**	**38,189**	**46,161**	**25,520**	**246,350**
Net income	-	-	-	-	38,333	38,333
Other comprehensive income	-	-	(6,247)	(3,908)	-	(10,155)
Total comprehensive income	-	-	(6,247)	(3,908)	38,333	28,178
Transfer of profit from previous years to reserves	-	-	25,520	-	(25,520)	-
Shareholders' dividend 2017	-	-	(28,000)	-	-	(28,000)
Balance as of 31/12/2018	**59,813**	**76,667**	**29,462**	**42,253**	**38,333**	**246,528**

There is no minority interest to which shareholders' equity of period under review can be ascribed.

Consolidated cash flow statement

for the year ended 31 December 2018

	2018 € 1,000	2017 € 1,000
Operating activities		
Net income	38,333	25,520
Change in aggregate policy provision	43,993	14,341
Change in deferred acquisition costs	330	725
Change in accounts receivable/payable on reinsurance business	587	702
Change in trading securities [1]	3,342	(8,165)
Change in liabilities to banks and customers	5,397	730
Change in deferred tax assets/liabilities	475	(173)
Change in other receivables and liabilities	116,501	(2,262)
Change in accrual interest on assets/liabilities	(97)	358
Non-cash investment income/expenses	357	126
Other non-cash income/expenses	815	1,148
Net cash flow provided by operating activities	**210,033**	**33,050**
Investing activities		
Proceeds from sales of available for sale investments	34,222	39,030
Payments for the purchase of available for sale investments	(65,839)	(57,074)
Change in investments held on account and at risk of life insurance policyholders	236,165	(52,904)
Change in insurance provision for life insurance where investment risk is carried by policyholders	(236,165)	52,904
Change in loans and advances to banks / purchases	(326,775)	(176,053)
Change in loans and advances to banks / sales and redemptions	191,190	203,875
Net cash flow (used in)/provided by investing activities	**(167,202)**	**9,778**
Financing activities		
Dividend payouts	(28,000)	(16,200)
Net cash flow used in financing activities	**(28,000)**	**(16,200)**
Change in cash and cash equivalents	**14,831**	**26,628**
Cash and cash equivalents at beginning of period	37,735	11,107
Cash and cash equivalents at end of period	**52,566**	**37,735**

Supplementary information on the Cash Flow Statement

Included in the cash flow from operating activities is the increase/decrease in cash and cash equivalents related to:

Operating activities		
Income taxes paid	(12,780)	(9,698)
Dividends received	12	66
Interest received	80,446	86,685
Interest paid	(9,241)	(11,998)

1. Including trading liabilities.

Supplementary Information to the Consolidated Financial Statements

1 Consolidation principles

The consolidated financial statements have been prepared by management in conformity with International Financial Reporting Standards as adopted by the European Union (IFRS-EU). Furthermore, the consolidated financial statements have been prepared in accordance with Book 2, Chapter 9 of the Dutch Civil Code (BW), where these regulations precede and/ or complement IFRS-EU. All applicable standards currently in force for the years under review have been adopted in the consolidated financial statements.

The consolidated financial statements of Allianz Nederland Groep N.V. have been prepared in thousands of euro's (€), except when indicated otherwise.

Group relationships

Allianz Nederland Groep N.V. is legally registered at Coolsingel 139 Rotterdam, it is registered with the Chamber of Commerce under number 24155648. The issued shares in Allianz Nederland Groep N.V. are all held by Allianz Europe B.V. Allianz SE in Germany is the 100% ultimate shareholder in Allianz Europe B.V. The financial data of Allianz Nederland Groep N.V. have been included in the consolidated annual report and accounts of Allianz SE in Munich.

The financial statements of Allianz Nederland Groep N.V. are approved by the Management Board and by the Supervisory Board on 27 May 2019. The financial statements will be put for adoption to the General Meeting of Shareholders on 27 May 2019. The shareholders meeting can decide against adoption of the financial statements but cannot amend them.

The consolidated financial statements include the annual financial statements of Allianz Nederland Groep N.V., domiciled in The Netherlands, and all subsidiaries and investment funds. The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements.

Recognition and derecognition

Financial assets are generally recognized and derecognized on the trade date. A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or Allianz transfers the asset and substantially all of the risks and rewards of ownership. A financial liability is derecognized when it is extinguished.

Subsidiaries

Subsidiaries are those entities controlled by Allianz Nederland Groep. Control exists when Allianz Nederland Groep when ANG is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Positive differences arising on first-time consolidation are capitalized as goodwill.

Investments in associated enterprises and joint ventures

Associated enterprises are enterprises in which the Allianz Nederland Groep holds directly or indirectly at least 20% but no more than 50% of the voting rights, or in which Allianz Nederland Groep exercises a significant influence in another way, without having control.

A joint venture is an entity over which Allianz Nederland Groep and one or more other parties have joint control. Investments in associated enterprises and joint ventures are generally accounted for using the equity method. Income from investments in associated enterprises and joint ventures is included as a separate component of total income.

Transactions eliminated on consolidation

Intra-group balances and other unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Use of estimates and assumptions

The preparation of consolidated financial statements requires Allianz Nederland Groep to make estimates and assumptions that affect items reported in the consolidated balance sheet and income statement and under contingent liabilities. The estimates are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The actual results may differ from these estimates. The most significant accounting estimates are associated with the reserves for loss and loss adjustment expenses, reserves for insurance and investment contracts, fair value and impairments of financial instruments, goodwill, deferred acquisition costs, deferred taxes and reserves for pensions and similar obligations.

Closing date policy systems
The policy systems are closed as per 14 December 2018 (2017: 15 December). As a result the premiums and single premiums received in the period between 14 December 2018 and 31 December 2018 and the related changes in the technical provision are not included in the financial statements (2017: 15 December 2017 – 31 December 2017). The value of the Unit Linked policies is based on the number of units as per the pre closing date and the share price as per 31 December 2018 (2017 both based on the situation as per 15 December). The impact on result and equity is not material. As a consequence it also has no impact on the solvency ratio.

Foreign currency translation
Allianz Nederland Groep's reporting and functional currency is the euro (€). Income and expenses are translated at the rate per transaction date. The assets and liabilities in foreign currency are translated at the closing rate on the balance sheet date. Currency gains and losses arising from foreign currency transactions are reported in other income or other expenses respectively.

2 Summary of significant accounting and valuation policies

Supplementary information on assets

Cash and cash equivalents
Cash and cash equivalents include balances with banks payable on demand. Cash funds are stated at their face value, with holdings in foreign notes valued at year-end closing prices.

Financial assets carried at fair value through income
These financial assets are measured at fair value. Changes in fair value are recorded in the consolidated income statement as income from financial assets and liabilities carried at fair value through income (net).

Derivative financial instruments are recognized initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The fair value of interest rate swaps is the estimated amount that Allianz Nederland Groep would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counter parties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

Investments
Securities available-for-sale are valued at fair value at the balance sheet date. Unrealized gains and losses, which are the difference between fair value and cost (amortized cost in the case of fixed income securities), are included as a separate component of shareholders' equity, net of deferred taxes. The realized result on securities is determined by applying the average cost method. Fixed income securities and equity investments are subject to regular impairment reviews.

Impairment of financial assets
Held-to-maturity and available-for-sale debt securities are impaired if there is objective evidence that the cost may not be recovered. If all amounts due according to the contractual terms of the security are not considered collectible, typically due to deterioration in the creditworthiness of the issuer, the security is considered to be impaired. An impairment is not recorded as a result of decline in fair value resulting from general market interest or exchange rate movements. If there is objective evidence that the cost may not be recovered, an available-for-sale debt security is considered to be impaired. Objective evidence that the cost may not be recovered, in addition to qualitative impairment criteria, includes a significant or prolonged decline in the fair value below cost. In a subsequent

period, if the amount of the impairment previously recorded on a debt security decreases and the decrease can be objectively related to an event occurring after the impairment, such as an improvement in the debtor's credit rating, the impairment is reversed through other income from investments.

An available-for-sale equity security is considered impaired if the fair value is below the weighted-average cost by more than 20% or if the fair value is below the weighted-average cost for greater than nine months. This policy is applied individually by all subsidiaries. If an available-for-sale equity security is impaired based upon Allianz Nederland Groep's qualitative or quantitative impairment criteria, any further declines in the fair value at subsequent reporting dates are recognized as impairments. Therefore, at each reporting period, for an equity security that is determined to be impaired based upon Allianz Group's impairment criteria, an impairment is recognized for the difference between the fair value and the original cost basis, less any previously recognized impairments. Reversals of impairments of available-for-sale- equity securities are not recorded through the income statement.

Loans and advances to banks and customers

Loans and receivables with fixed maturities, including mortgage loans, are recognized on the balance sheet when cash is advanced to borrowers. Measurement of these loans and receivables is based on amortized cost, using the effective interest rate method taking impairments into account where necessary. To the extent to which loans and receivables are not collectible, they are written off as impaired. The evaluation of whether a financial debt instrument is impaired requires analysis of the underlying credit risk/quality of the relevant issuer and involves significant management judgment. The presence of either a decline in fair value below amortized cost or the downgrade of an issuer's credit rating does not by itself represent objective evidence of a loss event, but may represent objective evidence of a loss event when considered with other available information. Any subsequent recoveries are credited to the income statement.

Reinsurance

Only contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance. Amounts recoverable under such contracts are recognized in the same period as the related claim. Accordingly, revenues and expenses related to reinsurance agreements are recognized consistent with the underlying risk of the business reinsured.

Deferred acquisition costs

Deferred acquisition costs related to Life business generally consist of commissions which are directly related to the acquisition of new insurance contracts. These acquisition costs are deferred, to the extent they are recoverable and are amortized based on policy revenues which differ per product. All deferred policy acquisition costs are reviewed regularly to determine if they are recoverable from future operations. Deferred policy acquisition costs which are not deemed to be recoverable are charged to income.

Other assets

Other assets include equipment, receivables and prepaid expenses.

Equipment is carried at cost, less accumulated depreciation and impairments. Depreciation is generally computed using the straight-line method over the estimated useful lives of the assets, taking into account the residual value. The estimated useful life of equipment including information technology equipment is five years. Expenditures to restore the future economic benefit are capitalized if they extend the useful life as improvements. Costs for repairs and maintenance are expensed.

Receivables are recorded at face value, net of appropriate valuation allowances.

Intangible assets

Goodwill represents the difference between the acquisition cost and Allianz Nederland Groep's proportionate share of the net fair value of assets, liabilities and certain contingent liabilities. Goodwill is not subject to amortization. Allianz conducts an annual impairment test, in addition to whenever there is an indication that goodwill is not recoverable. The impairment test includes comparing the recoverable amount to the carrying amount, including the goodwill, for all cash generating units. A cash generating unit is not impaired if the carrying amount is greater than the recoverable amount. The impairment of a cash generating unit is equal to the difference between the carrying amount and the recoverable amount. Impairments of goodwill are not reversed.

Software purchased from third parties or developed internally is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates and is amortized over its useful life on a straight-line basis generally over five years.

Other intangible assets represent intangible assets with a definite useful life which are amortized over their useful lives and are subsequently recorded at cost less accumulated amortization and impairments.

Supplementary information on equity and liabilities

Liabilities to financial institutions and customers

Interest-bearing liabilities are accounted for at amortized cost. Where liabilities are subject to a discount, such discounts are reported as prepaid expenses and amortized over the life of the respective liabilities, using the effective yield method.

Insurance provisions

Classification of contracts

Contracts under which Allianz Nederland accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or another beneficiary, are classified as insurance contracts. Contracts under which the transfer of insurance risk to Allianz Nederland Groep from the policyholder is not significant, are classified as investment contracts. Allianz Nederland Groep issues contracts to policyholders that contain both insurance and an investment component. If the investment component cannot be measured separately, the whole contract is accounted for as an insurance contract. A contract that qualifies as insurance remains an insurance contract until all risks and obligations are extinguished or expired.

Long duration insurance contracts provision

The long duration insurance contracts provision principally comprises the actuarially estimated value of Allianz Nederland's liabilities under non-linked contracts, including bonuses already declared and after deducting the actuarial value of future premiums. In particular a net premium valuation method has been adopted for all major classes of business. Although the management considers that the gross long duration insurance contracts provision and the related reinsurance recovery is fairly stated on the basis of the information currently available, the eventual liability may vary as a result of subsequent information and events. The provision, estimation technique and assumptions are periodically reviewed with any changes in estimates reflected in the income statement as they occur. Furthermore a provision for claims resulting from Wabeke has been included in this provision.

Liability adequacy test

Allianz Nederland Groep performs a loss adequacy test on its insurance liabilities to ensure that the carrying amount of its liabilities (less related deferred acquisition costs) is sufficient in the light of estimated future cash flows.

Allianz Nederland Groep performs this liability adequacy test on a portfolio basis for homogeneous product groups, based on the characteristics and policy conditions of the products. This test compares the carrying amount of liabilities with the present value of all contractual cash flows. The calculation of the future cash flows is based on realistic scenarios. The calculation of the present value of the expected cash flows is based on the interest rate structure of the Dutch government bonds per year end. This present value is increased with a risk surcharge for risk which cannot be covered in a market. If a shortfall is identified the related deferred acquisition cost and intangible assets are written down and, if necessary, an additional provision is established. The deficiency is recognized through income for the year.

Investment contracts

Investment contracts have been classified as financial liabilities at fair value through income. The revenue arising from these contracts (front-end fees, surrender penalties and annual management charges) is recorded in the revenue from investment management contract lines.

Unit-linked products

The insurance liabilities for unit-linked products where the policyholder bears the investment risk are accounted for at the fair value of the associated investments and presented as financial liabilities carried at fair value through income. Premiums are accounted for when the liability is recognized and exclude any taxes or duties based on premiums.

Deferred taxes

The calculation of deferred taxes is based on temporary differences between the carrying values of assets and liabilities in the balance sheet and their tax values and on differences arising from the application of uniform valuation policies for consolidation purposes as well as consolidation in the income statement. The tax rate used for the calculation of deferred taxes is the local rate per reporting date; changes to tax rates already adopted as at balance sheet date are taken into account. Deferred tax assets are recognized if sufficient future taxable income is available for realization. Deferred tax assets and liabilities are not discounted.

Other accrued liabilities

Other accrued liabilities are long-term obligations calculated on basis of estimation of future cash flows.

Employee benefits
Allianz Nederland uses the projected unit credit actuarial method to determine the present value of the defined benefit obligation of its defined benefit plans and the related service cost. For each individual defined benefit pension plan, Allianz Nederland recognizes a deficit or surplus in the balance sheet, adjusted for any effect of limiting a defined benefit asset to the asset ceiling. The deficit or surplus is the present value of the defined benefit obligation less the fair value of plan assets (if any).

Accrued taxes
The expected tax payable on the taxable profit, calculated in accordance with local tax laws and regulations.

Provisions for restructuring
A provision for restructuring is recognized when Allianz Nederland Groep has approved a detailed and formal restructuring plan and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

Provision investment policies
A provision to cover cost from legal and operational actions related to the transparency and cost discussion of investment insurance policies.

Other liabilities
Other liabilities include funds held under reinsurance business ceded, accounts payable on direct insurance business, accounts payable on reinsurance business and miscellaneous liabilities. These are reported at the amortized cost

Shareholders' equity
Paid-up capital
Paid-in capital represents the mathematical value per share received from the issuance of shares.

Share premium
Share premium represents the premium, or additional paid-in capital, received from the issuance of shares.

Revenue reserves
Revenue reserves include the retained earnings of Allianz Nederland Groep.

Revaluation reserve
Revaluation reserve includes the unrealized gains and losses from securities available-for-sale.

Supplementary information on net income

Life insurance
Premiums are accounted for on a due basis. Should the amount due not be known, estimates are used. For unit-linked business the due date for payment is taken as the date the related liability was established. Revenues for unit-linked insurance contracts include the amount that is invested for account of the policyholder.

Interest, dividend and other income from investments
Interest, dividend and other income from investments comprise interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognized as it accrues in the profit or loss, using the effective interest method. Dividend income is recognized in profit and loss account on the date that Allianz Nederland Groep's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Income from investments in associated enterprises
The income from investments in associated enterprises consists of the share of Allianz Nederland Groep in the result of these participating interests. Results on transactions, where the transfer of assets and liabilities between the group and the non-consolidated participating interests and mutually between non-consolidated participating interests themselves are not recognized as they can be deemed as not realized. The results of participating interests acquired or sold during the financial year are stated in Allianz Nederland Groep's result from the date of acquisition or until the date of sale respectively.

Taxes
Taxes comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years. Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Investment contracts income
Amounts received from and paid to holders of investment contracts are accounted for as deposits received (or repaid) and are not included in premiums and claims in the profit and loss account. Revenues from such contracts consist of amounts assessed against policyholders account balances for policy administration and surrender charged and are recognized in the period in which services are provided.

Fee and commission income
Allianz Nederland receives fees from transactions in connection with assets and liabilities held by Allianz Nederland in its own name, but for the account of third parties. These are shown as 'Fee and commission income' in the income statement. Investment advisory fees are recognized as the services are performed. Such fees are primarily based on percentages of the market value of the assets under management.

Other supplementary information

Consolidated statement of cash flows
The consolidated statement of cash flows, prepared according to the indirect method, shows the structure of and changes in cash and cash equivalents of Allianz Nederland Groep during the financial year from the cash flows arising from operating activities, investing activities and financing activities. The cash flows from investing activities primarily comprise changes in investment securities (such as securities available-for-sale or loans to banks and customers). Financing activities include all cash flows from transactions involving the issuing of own shares, participation certificates and subordinated liabilities. Cash flows from operating activities contain all other activities, which belong to the principal revenue-generating activities.

Leases
Property and equipment holdings are used by Allianz Nederland under operating leases, whereby the risks and benefits relating to ownership of the assets remain with the lessor, and are not recorded on Allianz Nederland's consolidated balance sheet. Payments made under operating leases to the lessor are charged to administrative expenses using the straight-line method over the period of the lease. When an operating lease is terminated before the lease period has expired, any penalty is recognized in full as an expense at the time when such termination takes place.

Share based remuneration plans
The equity remuneration plans are cash settled plans. Allianz Nederland accrues the fair value of the award as compensation expense over the vesting period.

Discontinued operations
A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale. Discontinued operations are presented in the consolidated statement of comprehensive income as a single line which comprises the post-tax profit or loss of the discontinued operation along with the post-tax gain or loss recognized on the re-measurement to fair value less costs to sell or on disposal of the assets or disposal groups constituting discontinued operations.

Recently adopted accounting pronouncements

The following amendments and revisions to existing standards became effective for the Allianz Nederland Group consolidated financial statements as of 1 January 2018:
- IFRS 15, Revenue from Contracts with Customers,
- IFRS 2, Classification and Measurement of Share-based Payment Transactions,
- IAS 40, Transfers of Investment Property,
- IFRIC 22, Foreign Currency Transactions and Advance Consideration, and
- ASCG (DRSC) Interpretation 4 (IFRS) Accounting for Interest and Penalties Related to Income Taxes under IFRSs.

No material impact arose on the financial results or the financial position of Allianz Nederland Group.

Recently issued accounting pronouncements

IFRS 17, Insurance Contracts
In May 2017, the IASB issued IFRS 17, Insurance Contracts. The IASB tentatively decided to defer the mandatory effective date of IFRS 17 by one year in their November 2018 Board meeting, so that IFRS 17 should be applied after 1 January 2022 (retrospective application). IFRS 17 provides comprehensive guidance on accounting for insurance contracts and investment contracts with discretionary participation features. For non-life insurance contracts, IFRS 17 introduces mandatory discounting of loss reserves as well as a risk adjustment for non-financial risk. Further, IFRS 17 will change the presentation of insurance contract revenue, a gross written premium will no longer be presented in the statement of comprehensive income.

For long-duration life insurance contracts, IFRS 17 is expected to have a significant impact on actuarial modeling, as more granular cash flow projections and regular updates of all assumptions will be required, either resulting in profit or loss or impacting the "contractual service margin", a separate component of the insurance liability representing unearned profits from in-force contracts. Further, IFRS 17 introduces different measurement approaches for the insurance contract liabilities, reflecting a different extent of policyholder participation in investment or insurance entity performance.

Allianz Nederland Group is currently assessing the impact of the application of IFRS 17. As of the date of the publication of these consolidated financial statements, it is not practicable to quantify the effect on the Allianz Group consolidated financial statements.

IFRS 9, Financial Instruments

IFRS 9, Financial instruments, issued by the IASB in July 2014, fully replaces IAS 39 and provides a new approach on how to classify financial instruments based on their cash flow characteristics and the business model under which they are managed. Furthermore, the standard introduces a new forward-looking impairment model for debt instruments and provides new rules for hedge accounting.

It can be assumed that the main impact from IFRS 9 will arise from the new classification rules leading to more financial instruments being measured at fair value through income as well as the new impairment model. Interdependencies with IFRS 17 will need to be considered to assess the ultimate combined impact of both standards.

The amendments to IFRS 4, Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts, issued in September 2016, allow entities that issue insurance contracts within the scope of IFRS 4 to defer the implementation of IFRS 9 until 1 January 2021 under certain circumstances. It is to be noted that the IASB has recently proposed to defer the IFRS 9 effective date for such entities in scope by another year until 2022.

Given the strong interrelation between the measurement of direct participating insurance contracts and the underlying assets held, the Allianz Group has decided to use the option to defer the full implementation of IFRS 9 until IFRS 17 becomes effective.

The following tables provides an overview of the fair values as of 31 December 2018 and the amounts of change in the fair values during the reporting period separately for financial assets that meet the SPPI criterion (i.e. financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, excluding any financial asset that meets the definition of held for trading in IFRS 9, or that is managed and whose performance is evaluated on a fair value basis) and all other financial assets:

As of 31 December 2018	Financial assets that meet the SPPI criterion		All other financial assets	
	Fair Value € 1,000	Carrying Value € 1,000	Fair Value € 1,000	Carrying Value € 1,000
Cash and cash-equivalents	52,566	52,566	-	-
Debt securities				
Government and government agency bonds	451,698	451,698	6,934	6,934
Corporate bonds	140,388	140,388	18,515	18,515
Loans to private customers secured by mortgages	902,997	826,136	-	-
Loans to Allianz SE	5,249	5,000	-	-
Loans to banks	-	-	308,008	272,086
Loans to banks secured	-	-	745,951	610,326
Subtotal	**1,552,898**	**1,475,788**	**1,079,408**	**907,861**
Equity securities	-	-	9,299	9,299
Financial assets for unit-linked contracts	-	-	2,413,764	2,413,764
Other	-	-	41,315	41,315
Total	**1,552,898**	**1,475,788**	**3,543,786**	**3,372,239**

As of 31 December 2017	Financial assets that meet the SPPI criterion		All other financial assets	
	Fair Value € 1,000	Carrying Value € 1,000	Fair Value € 1,000	Carrying Value € 1,000
Cash and cash-equivalents	37,735	37,735	-	-
Debt securities				
Government and government agency bonds	414,148	414,148	7,429	7,429
Corporate bonds	152,834	152,834	19,400	19,400
Loans to private customers secured by mortgages	689,693	618,464	-	-
Loans to Allianz SE	5,446	5,000	-	-
Loans to banks	-	-	342,973	278,329
Loans to banks secured	-	-	869,762	676,170
Subtotal	**1,299,856**	**1,228,181**	**1,239,564**	**981,328**
Equity securities	-	-	9,302	9,302
Financial assets for unit-linked contracts	-	-	2,649,929	2,649,929
Other	-	-	44,657	44,657
Total	**1,299,856**	**1,228,181**	**3,943,452**	**3,685,216**

The other debt securities are loans and advances to banks and customers. Further disclosed in Note 6.

The financial assets for unit-linked contracts are exclusively held on behalf and for the benefit of unit-linked policyholders. To ensure consistency with the corresponding accounting treatment for the unit-linked contracts, these investments are designated at fair value through income under current accounting rules. This treatment is going to be maintained under the future IFRS 9 regime accordingly. The following table provides information about the credit risk exposures for financial assets with contractual terms that meet the SPPI criterion. It includes the carrying amounts applying IAS 39 (in the case of financial assets measured at amortized cost before adjusting for any impairment allowances):

IFRS 16, Leases

In January 2016, the IASB issued IFRS 16, Leases, which supersedes IAS 17, IFRIC 4, SIC-15, and SIC-27. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard –i.e. lessors continue to classify leases as finance or operating leases.

As of 31 December 2018	Government and government agency bonds	Corporate bonds	Cash & Cash equivalents	Other
	€ 1,000	€ 1,000	€ 1,000	€ 1,000
Investment grade				
AAA	263,156	51,689	-	-
AA	162,277	25,296	-	-
A	19,622	52,017	-	-
BBB	6,643	11,386	-	-
Not rated	-	-	52,566	831,136
Total	**451,698**	**140,388**	**52,566**	**831,136**

Allianz Nederland Group has completed a detailed assessment of the impact on its consolidated financial statements. On transition to IFRS 16, the Allianz Nederland Group elects to apply the practical expedient to grandfather the assessment of which transactions are leases; in other words, it applies IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for being or containing a lease. Therefore, the definition of a lease under IFRS 16 will be applied only to contracts entered into or modified on or after 1 January 2019.

Under IFRS 16, the Allianz Nederland Group will recognize right-of-use assets and lease liabilities for most of their leases with the following exceptions: Allianz Nederland Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases with a lease term of 12 months or less, leases of low-value assets (e.g. tablets, personal computers, telephones, office furniture, copy and fax machines), and car leases. The lease payments associated with such short-term and low-value leases will be recognized as an expense on a straight-line basis over the lease term.

At transition, lease liabilities will be measured at the present value of the remaining lease payments, discounted at the Allianz Nederland Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets will be measured at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments.

In addition to the short-term as well as low-value lease expedients, Allianz Nederland Group uses the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Apply a single discount rate to a portfolio of leases with similar characteristics
- Adjust the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review
- Exclude initial direct costs from measuring the right-of-use asset at the date of initial application
- Use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The financial impacts from implementing IFRS 16 will not be significant for Allianz Nederland Group.

Supplementary Information to the Consolidated Balance Sheet - assets

3 Cash and cash equivalents

	2018 € 1,000	2017 € 1,000
Balances with banks payable on demand	52,566	37,735
Total	**52,566**	**37,735**

The effective interest rate on deposits/call money at the statement of financial position date is -0.3% (2017: -0.08%). The deposits/call money matures within three months. These cash items are not subject to restrictions.

4 Financial assets carried at fair value through income

	2018 € 1,000	2017 € 1,000
Financial assets in investment funds	30,326	34,704
Fund units held for own account	9,056	7,804
Financial assets held for trading	1,933	2,149
Total	**41,315**	**44,657**

The fund units held for own account consists of mutual stock funds € 4,304 (2017: € 3,812) and mutual corporate bond funds € 4,752 (2017: € 3,992). These funds are mainly used as bufferportfolio for investment transactions on behalf of our policy holders in unit linked contracts.

Development of the financial assets in investment funds

	2018 € 1,000	2017 € 1,000
Value stated as of 1/1	34,704	27,447
Purchases	3,064	10,931
Sales	(4,508)	(4,012)
Result	(2,934)	338
Value stated as of 12/31	**30,326**	**34,704**

The financial assets in investment funds are directly linked to the financial liabilities in investment funds reported in Note 11.

5 Investments

Securities available-for-sale

	Equity securities	Investment funds	Government bonds	Corporate bonds	Total
	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000
Value stated as of 01/01/2017	**250**	**4,615**	**417,445**	**180,223**	**602,533**
Purchases	250	4,518	44,665	7,641	57,074
Sales	-	-	(19,843)	(6,047)	(25,890)
Redemptions	-	-	(7,400)	(5,740)	(13,140)
Impairment	-	(178)	-	-	(178)
Amortization	-	-	(1,245)	903	(342)
Revaluation	-	(153)	(12,045)	(4,746)	(16,944)
Value stated as of 12/31/2017	**500**	**8,802**	**421,577**	**172,234**	**603,113**
Purchases	-	4	55,399	10,436	65,839
Sales	-	-	(3,678)	(2,369)	(6,047)
Redemptions	-	-	(11,075)	(17,100)	(28,175)
Impairment	-	(357)	-	-	(357)
Amortization	-	-	(1,108)	1,968	860
Revaluation	-	350	(2,483)	(6,266)	(8,399)
Value stated as of 12/31/2018	**500**	**8,799**	**458,632**	**158,903**	**626,834**

Investment funds categories

	2018 € 1,000	2017 € 1,000
Equity securities	257	292
Bonds	8,542	8,510
Total	**8,799**	**8,802**

	(Amortized) cost		Unrealized gains		Unrealized losses		Market values	
	2018 € 1,000	2017 € 1,000	2018 € 1,000	2017 € 1,000	2018 € 1,000	2017 € 1,000	2018 € 1,000	2017 € 1,000
Equity securities	500	500	-	-	-	-	500	500
Investment funds	8,358	8,710	441	92	-	-	8,799	8,802
Government bonds	413,941	374,403	45,667	49,266	(976)	(2,092)	458,632	421,577
Corporate bonds	150,885	157,951	9,133	14,552	(1,115)	(269)	158,903	172,234
Total	**573,684**	**541,564**	**55,241**	**63,910**	**(2,091)**	**(2,361)**	**626,834**	**603,113**

	Proceeds from sales		Realized gains		Realized losses	
	2018 € 1,000	2017 € 1,000	2018 € 1,000	2017 € 1,000	2018 € 1,000	2017 € 1,000
Government bonds	(14,539)	(27,372)	99	241	(73)	(112)
Corporate bonds	-	(11,756)	-	108	-	(139)
Total	**(14,539)**	**(39,128)**	**99**	**349**	**(73)**	**(251)**

Contractual maturities

The amortized cost and estimated fair value of securities available for sale with fixed maturities as of December 31, 2018 by contractual maturity are as follows:

	Securities available-for-sale			
	Amortized cost		Market values	
	2018 € 1,000	2017 € 1,000	2018 € 1,000	2017 € 1,000
Contractual term to maturity:				
- due in year or less	76,391	27,823	77,674	28,201
- due after 1 year and in less than 5 years	227,485	230,529	251,225	254,663
- due after 5 years and in less than 10 years	71,829	105,529	86,724	122,096
- due after 10 years	189,123	168,475	201,912	188,851
Total	**564,828**	**532,356**	**617,535**	**593,811**

The actual maturities may deviate from the contractually defined maturities, because certain security issuers have the right to call or repay certain obligations ahead of schedule, with or without redemption or early repayment penalties.

6 Loans and advances to banks and customers

	Loans to private customers secured by mortgages	Loans to banks	Loans to banks secured	Loans to Allianz	Total
	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000
Value stated as of 01/01/2017	**569,555**	**292,576**	**738,654**	**5,000**	**1,605,785**
Purchases	109,083	10,590	56,380	-	176,053
Sales/redemptions	(60,174)	(24,837)	(118,864)	-	(203,875)
Value stated as of 12/31/2017	**618,464**	**278,329**	**676,170**	**5,000**	**1,577,963**
Purchases	257,768	21,380	47,627	-	326,775
Sales/redemptions	(50,096)	(27,623)	(113,471)	-	(191,190)
Value stated as of 12/31/2018	**826,136**	**272,086**	**610,326**	**5,000**	**1,713,548**

For further disclosure on fair values we refer to Note 33 Fair value.

7 Financial assets for unit-linked contracts

	2018 € 1,000	2017 € 1,000
Financial assets for unit-linked contracts	2,413,764	2,649,929
Total	**2,413,764**	**2,649,929**

These are investments held for risk and account of policyholders.

8 Deferred acquisition costs

	2018 € 1,000	2017 € 1,000
Value stated as of 1/1	**500**	**1,225**
Additions	2	11
Amortization	(332)	(736)
Value stated as of 12/31	**170**	**500**

9 Other assets

	2018 € 1,000	2017 € 1,000
Receivables		
Policyholders	9,070	3,757
Intermediaries	8,510	2,913
Reinsurers	14,646	8,728
Allowance for doubtful accounts	(81)	(692)
subtotal	32,145	14,706
Tax Receivables		
Other taxes	17	78
subtotal	17	78
Accrued dividends, interest and rent	15,464	15,475
Prepaid expenses	4,280	567
Receivables from Cash pooling	61,198	65,175
Receivables from group companies	17,409	29,606
Receivables on loans to private customers	28,382	27,377
Property and equipment		
Equipment	889	207
subtotal	889	207
Other	10,770	19,243
Total	170,554	172,434

In general all other assets expire within one year. Due to the short-term nature no interest is charged on the receivables from cash-pooling and receivables from group companies.

The net assets position from defined benefit plans is further explained in Note 15

Development of the provision allowance for doubtful accounts:

	2018 € 1,000	2017 € 1,000
Value stated as of 1/1	(692)	(909)
Additions	(116)	(137)
Release	727	354
Value stated as of 12/31	(81)	(692)

Property and Equipment

Development of the tangible fixed assets:

	2018 € 1,000	2017 € 1,000
Purchase price as of end of year	21,111	20,348
Depreciation as of end of year	(20,222)	(20,141)
Value stated as of 12/31	889	207
Value stated as of 1/1	207	293
Additions	763	8
Depreciation	(81)	(94)
Value stated as of 12/31	889	207

10 Intangible assets

Development of the intangible assets:

	2018 € 1,000	2017 € 1,000
Value stated as of 1/1	3,403	4,457
Impairment	(29)	(62)
Amortization	(705)	(992)
Value stated as of 12/31	2,669	3,403

The intangible assets represent acquired intermediary insurance portfolios. The portfolios are amortized over 10 years, which is the expected useful life.

Supplementary Information to the Consolidated Balance Sheet - equity and liabilities

11 Financial liabilities carried at fair value through income

	2018 € 1,000	2017 € 1,000
Financial liabilities in investment funds	30,326	34,705
Participation third party in investment funds	946	1,148
Total	**31,272**	**35,853**

The financial liabilities in investment funds are directly linked to the financial assets in investment funds reported in Note 4.

12 Liabilities to financial institutions

	2018 € 1,000	2017 € 1,000
Liabilities to banks	2,712	2,458
Other liabilities customers	10,461	5,318
Total	**13,173**	**7,776**

13 Financial liabilities for unit-linked contracts

Movement table for financial liabilities for unit linked contracts

	2018 € 1,000	2017 € 1,000
Balance as of 1/1	2,649,929	2,597,025
Net premiums	178,745	165,607
Benefits paid	(317,464)	(335,803)
Revaluations	(144,386)	171,139
Other	46,940	51,961
Balance as of 12/31	**2,413,764**	**2,649,929**

14 Insurance provisions

Movement table for long duration life insurance contracts

	2018			2017		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000
Balance as of 1/1	1,658,183	(10,049)	1,648,134	1,647,566	(13,772)	1,633,794
Benefits paid	(147,585)	1,782	(145,803)	(170,296)	1,319	(168,977)
Premiums received	207,820	(3,715)	204,105	174,146	(3,898)	170,248
Technical interest	29,351	(359)	28,992	33,714	(503)	33,211
Technical result	(47,182)	3,881	(43,301)	(26,947)	6,805	(20,142)
Balance as of 12/31	**1,700,587**	**(8,460)**	**1,692,127**	**1,658,183**	**(10,049)**	**1,648,134**

15 Other provisions

	2018 € 1,000	2017 € 1,000
Net liability for post-employment benefits	4.406	4,848
Provision restructuring plans	11,726	15,556
Miscellaneous accrued liabilities	15,409	28,699
Total	**31,541**	**49,103**

In 2018 the two Allianz Nederland pension funds, Stichting Pensioenfonds Allianz Nederland and Stichting Pensioenfonds Buizerdlaan, were merged into one fund under the name Stichting Pensioenfons Allianz Nederland Groep . The pension plan is financed through this pension fund. Contributions fixed in advance, based on salary, are paid to the pension fund. The beneficiary's right to benefits exists against this fund.

The board consists of at least 6 members. Three members are nominated by the management of the company. Two board members who are delegated on behalf of the participants are nominated by the Works Council, and one board member is elected and nominated by the pension beneficiaries. The board of the pension fund is required by law and by its articles of association to act in the interest of the fund and of all relevant stakeholders in the scheme, i.e. active employees, inactive employees, retirees, employers. The board of the pension fund is responsible for the investment policy with regard to the assets of the fund.

The net amount recognized for the Allianz Nederland defined benefit plans has developed as follows:

	2018 € 1,000	2017 € 1,000
Present value of defined benefit obligation pensions	(651,365)	(647,563)
Present value of defined benefit obligation health	(2,273)	(2,478)
Present value of defined benefit obligation total	**(653,638)**	**(650,041)**
Pension fund assets	649,232	645,193
Funded status	**(4,406)**	**(4,848)**

Movements in the present value of the defined benefit obligation were as follows:

	2018 € 1,000	2017 € 1,000
Value stated as of 01/01	**(650,041)**	**(622,973)**
Current service cost	(17,107)	(16,225)
Interest cost	(10,803)	(10,266)
Benefits paid	13,755	13,310
Past service cost - curtailments	1,928	-
Actuarial gain/ (loss) - due to change in demographic assumptions	7,422	4,195
Actuarial gain/ (loss) - due to change in discount rate	25,157	-
Actuarial gain/ (loss) - due to change pension increase assumptions	(31,903)	(25,902)
Actuarial gain/ (loss) - due to unexpected experience	7,954	7,820
Value stated as of 12/31	**(653,638)**	**(650,041)**

The past service cost - curtailment gain results from the increase of the pension target age from 67 to 68 for all participants born on or after 1 January 1950. The actuarial gain from change in demographic assumptions € 7,422 (2017: 4,195) was caused by the bi-annual update of the mortality table and by experience mortality rate results. The actuarial gain from change in discount rate was caused by an increase of the discount rate from 1.80% to 2.00%. The actuarial loss from changein pension increase assumptions is caused by an increase of the expected indexation rate from 0.85% to 1.10% . The actuarial gain due to unexpected experience is caused by several relative small adjustments.

As of December 31, 2018 the total post-retirement health benefits obligation amounted to €2.3 mn (2017: € 2.5 mn).

Movements in the fair value of the plan assets were as follows:

	2018 € 1,000	2017 € 1,000
Value stated as of 01/01	**645,193**	**618,680**
Interest income on plan assets	11,667	11,150
Return on plan assets greater/ (less) than expected	(12,584)	9,003
Actual employer contributions	17,671	18,589
Actual participant contributions	2,550	2,550
Benefits paid by fund	(13,515)	(13,029)
Admin cost paid by fund	(1,750)	(1,750)
Value stated as of 12/31	**649,232**	**645,193**

The fair value of the plan assets per asset class at the end of the reporting period are as follows:

	2018 € 1,000	2017 € 1,000
Level 1 (quoted market price):		
Cash and cash equivalents	5,540	2,629
Equity investments	141,662	167,578
Bonds corporate	-	3,352
Bonds government/ government agency	326,924	408,632
Real estate	-	27,679
Fixed income fund	50,919	-
Other assets	8,532	11,712
Level 2/3 (non-quoted market price)		
Debt instruments - mortgages	96,960	13,404
Bonds corporate	8,892	8,584
Real estate	-	1,623
Currency derivatives	151	-
Interest rate derivatives	9,652	-
	649,232	**645,193**
Debt instruments categorised by issuers' credit rating:		
AAA	16,253	175,290
AA	90,541	221,586
A	247,983	3,352
BBB and lower	69,107	20,340
not rated	59,811	13,404
	483,695	**433,972**

The fair values of level 1 equity, debt and real estate instruments are based on quoted market prices in active markets. Whereas the level 2/3 debt instruments and real estate are not based on quoted market prices in active markets.

The plan assets include shares of Allianz SE with an aggregate fair value of EUR 4,784 (31 December 2017: EUR 4,772)

The net periodic benefit costs (expenses minus income) include the following components:

	2018 € 1,000	2017 € 1,000
Current service cost	17,107	16,225
Interest income	(864)	(884)
Administration cost	1,750	1,750
Participant contributions	(2,550)	(2,550)
Curtailments	(1,928)	-
Total	**13,515**	**14,541**

During the year ended December 31, 2018 net periodic benefit costs of pension plans include costs related to post retirement health benefits of € 43 (2017: 43).

Expected contributions to post-employment benefit plans for the year ending 31 December 2019 are EUR 19,251.

Assumptions

For this year's valuation, the mortality table AG Prognosetafel 2018 has been applied (2017: AG Prognosetafel 2016). Projected fluctuations depending on age and length of service have also been used, as well as internal retirement projections.

The most recent actuarial valuation of the defined benefit obligation were carried out at 31 December 2018 by Willis Towers Watson. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

The principal assumptions used to determine the projected benefit obligation were as follows:

	2018 %	2017 %
Discount rate	2.00	1.80
Expected rate compensation increase	2.80	2.50
Expected future service years	14.90	14.10
Average duration of liabilities in years	20.20	20.50
Life expectancy of a man who is 65-year old	21.90	22.00
Life expectancy of a woman who is 65-year old	23.60	23.70

The discount rate of 1.80% per annum at the start and 2.00% per annum at the end of 2018 is based upon the yields available on high-quality corporate bonds with a term that matches that of the liabilities. The actual rate of pension increase in 2018 was 0.0% (2017: 0.0%).

By the end of 2018, the month-end coverage artio amounted 109.6% (2017: 111.3%) The 12-months average ratio amounted 112.1% per 31 December 2018 (2017: 109.1%).

It has been assumed that current and future pension payments will increase at an avarage rate of 1.10% per annum (2017: 0.85%).

Asset Liability Management

Based on the liability profile of the defined benefit obligation and on the regulatory funding requirements, the Allianz pension fund uses models to optimize the asset allocation from a risk-return perspective. In its investment policy, the fund makes use of financial derivatives to the extent appropriate. The portfolio structure and the risk profile, calculated including the economic effects of derivatives, must be within the limits set by the Pension fund Management Board. The fund uses derivatives mainly to hedge market risks.

Sensitivity analysis

The sensitivity analyses below have been determined based on changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 50 basis point higher (lower), the defined benefit obligation would decrease by EUR 63.6 mn (increase by EUR 73.9 mn)

- If the expected indexation is 25 basis point higher (lower), the defined benefit obligation would increase by EUR 33.8 mn (decrease by EUR 31.6 mn)

- If the life expectancy increases by one year for both men and women, the defined benefit obligation would increase by EUR 23.9 mn

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

Categories of pension fund assets

	2018 target	2018 actual	2017 actual
Equity securities	25.0%	21.8%	26.0%
Real estate	0.0%	0.0%	4.5%
Debt securities (incl derivatives)	75.0%	76.0%	67.3%
Other	0.0%	2.2%	2.2%
Total	**100.0%**	**100.0%**	**100.0%**

Provision restructuring plans

The development of the Provision restructuring plans are as follows:

	2018 € 1,000	2017 € 1,000
Value stated as of 1/1	15,556	407
Additions to existing provisions	-	18,093
Release of provisions via payments	(3,830)	(2,574)
Amount released	-	(370)
Value stated as of 12/31	**11,726**	**15,556**

In 2017 Allianz Benelux has set up a new restructuring plan in order to eliminate redundancies and improve cost competitiveness and efficiency. Of the EUR 18.1 mn total expected cost, an amount of EUR 2.8 mn is related to ANG, EUR 15.3 mn is related to the branch activities of Allianz Benelux N.V. in the Netherlands.

Miscellaneous accrued liabilities

	2018 € 1,000	2017 € 1,000
Staff related expenses	8,488	7,898
Other	6,921	20,801
Total	**15,409**	**28,699**

Since the development of the other accrued liabilities is uncertain, the other accrued liabilities are classified as long-term:

	2018	Staff related expenses	Other
	€ 1,000	€ 1,000	€ 1,000
Value stated as of 1/1	28,699	7,898	20,801
Additions to existing provisions	4,110	1,608	2,502
Release of provisions via payments	(847)	(847)	-
Amounts released	(16,553)	(171)	(16,382)
Value stated as of 12/31	**15,409**	**8,488**	**6,921**

Allianz Nederland Levensverzekering N.V. investigates all possibilities for effectively controlling the risks associated with the transparency and cost discussion of investment insurance. This includes various activities for policyholders and other stakeholders without precluding voluntary compensatory measures in advance.

16 Other liabilities

	2018 € 1,000	2017 € 1,000
Payables		
Policyholders	45,863	40,702
Agents	14,946	87
Reinsurance	14,237	7,732
Subtotal	**75,046**	**48,521**
Payables for social security	203	370
Tax payables		
Other taxes	9,537	9,836
Subtotal	**9,740**	**10,206**
Accrued interest and rent	795	903
Unearned income	75	233
Provisions		
Employee related	3,698	3,617
Subtotal	**4,568**	**4,753**
Liabilities from cash pooling	-	3,000
Liabilities for sales and services	12,756	12,674
Credit facilities from group companies	244,327	244,279
Payables to group companies from mortgage funding	227,140	105,960
Other liabilities	12,703	10,604
Total	**586,280**	**439,997**

The credit facilities from group companies € 244,327 (2017: € 244,279) are related to finance received by Allianz Vermogen B.V. for the acquisition of mortgages to private individuals.

The amounts payable to group companies from mortgage funding € 227,140 (2017: € 105,960) include an amount of € 100,000 (2017: € 64,000) which is due after more than one year.

17 Shareholders' equity

The shareholders' equity comprises the following:

	2018 € 1,000	2017 € 1,000
Issued capital	59,813	59,813
Share premium	76,667	76,667
Revenue reserves	29,462	38,189
Profit for the year	38,333	25,520
Revaluation reserve	42,253	46,161
Total	**246,528**	**246,350**

Issued and paid up capital amounted to € 59.8 mn. The company has issued only one type of shares which has a par value of € 1,000. The issued shares are owned by Allianz Europe B.V. in Amsterdam. Allianz SE in Munich (Germany) is the ultimate parent company. The development of capital and reserves is explained in the notes to the statutory statement of financial position. For the year ended December 31, 2018 the Management Board will propose to shareholders at the General Meeting the distribution of a dividend of € 2 mn (€ 33.44 per share).

There are no restrictions on the distribution to shareholders of the revaluation reserve relating to financial instruments that are not actively traded or quoted.

Supplementary Information to the Consolidated Income Statement

18 Premiums earned (net)

	Total	
	2018 € 1,000	2017 € 1,000
Premiums written (gross):	423,576	381,638
Reinsurance ceded	(8,445)	(9,423)
Premiums written (net)	**415,131**	**372,215**

19 Interest, dividend and similar income

	2018 € 1,000	2017 € 1,000
Income from:		
- securities available-for-sale/interest	16,398	16,370
- securities available-for-sale/dividend	12	66
- lending and loans	64,181	68,962
- other income	(132)	62
Total	**80,459**	**85,460**

20 Other income from investments

	2018 € 1,000	2017 € 1,000
Realized gains on securities available-for-sale	99	349
Realized gains loans to Banks Customer	-	4,731
Realized gains from disposal of consolidated affiliated enterprises	1,605	-
Realized losses on securities available-for-sale	(73)	(251)
Realized losses Loans to Banks and Customers	-	(4,731)
Total	**1,631**	**98**

21 Investment result for risk of policyholders

	2018 € 1,000	2017 € 1,000
Investment result for risk of policyholders	136,612	171,113
Total	**136,612**	**171,113**

22 Fee and commission income

	2018 € 1,000	2017 € 1,000
Fee and commission income other service agreements	6,644	6,837
Fee and commission income asset management activities	30,813	31,182
Total	**37,457**	**38,019**

23 Insurance benefits (net)

Insurance benefits in Life comprise the following:

	2018 € 1,000	2017 € 1,000
Benefits paid Gross	483,422	504,413
Benefits paid Reinsurance	(4,570)	(8,026)
Benefits paid Net	**478,852**	**496,387**

24 Change technical provisions

	2018 € 1,000	2017 € 1,000
Change technical provisions Gross	87,294	63,588
Change technical provisions Reinsurance	1,527	3,656
Change technical provisions Net	**88,821**	**67,244**

25 Interest and similar expenses

	2018 € 1,000	2017 € 1,000
Interest expenses liabilities to banks and customers	126	102
Interest expenses for other certificated Liabilities	102	145
Interest expenses intercompany loans	8,657	10,308
Interest expenses other	356	171
Total	**9,241**	**10,726**

The interest expenses intercompany loans are related to the credit facilities from group companies.

26 Movement in financial assets and liabilities carried at fair value through income (net)

	2018 € 1,000	2017 € 1,000
Results on derivates	(150)	79
Movement in financial assets and liabilities at FV through income (net)	(911)	1,553
Total	**(1,061)**	**1,632**

Income from financial assets and liabilities carried at fair value through income includes received dividends and realized and unrealized results on securities.

27 Investment expenses

	2018 € 1,000	2017 € 1,000
Investment management expenses	5,490	1,727
Foreign currency losses (net)	167	2
Total	**5,657**	**1,729**

28 Acquisition costs and administrative expenses

	2018 € 1,000	2017 € 1,000
Acquisition costs incurred	4,638	7,403
Acquisition costs ceded	(2,210)	(2,231)
Deferrals of acquisition costs	(2)	(12)
Total acquisition costs	**2,426**	**5,160**
Amortization of deferred acquisition costs	332	737
Administrative expenses	23,991	29,276
Acquisition costs and administrative expenses	**26,749**	**35,173**

Acquisition costs and administrative expenses include the staff and operating costs of the insurance business allocated to the functional areas 'Acquisition of insurance policies', 'Administation of insurance policies' and 'Asset Management'. Other personnel and operating costs in the insurance business are included in insurance benefits and in other expenses.

All personnel and operating costs in the asset management business are reported under Acquisition costs and administrative expenses.

An overview of personnel expenses is provided in Note 35.

29 Fee and commission expenses

	2018 € 1,000	2017 € 1,000
From service agreements	5,850	5,980
From asset management activities	6,512	3,326
Total	**12,362**	**9,306**

30 Reorganization charges

	2018 € 1,000	2017 € 1,000
New restructuring provision	-	2,434
Total	**-**	**2,434**

Further details with regard to the reorganization charges are provided in Note 15.

31 Taxes

The Group's taxes are comprised of the following:

	2018 € 1,000	2017 € 1,000
Current taxes	(12,780)	(9,511)
Deferred taxes	3,658	(1,803)
Total	**(9,122)**	**(11,314)**

The company constitutes a single tax entity together with group companies mentioned in Note 47. The corporate tax is stated for each company according to the portion for which the company involved would be assessed if it were an independent tax payer, taking into account of any tax relief facilities available to the company.

Tax deferrals are recognized if a future reversal of the difference is expected. Deferred taxes on losses carried forward are recognized as an asset to the extent sufficient future taxable profits are available for realization.

The recognized tax charge for 2018 is € 2,742 lower (2017 : € 237 higher) than the expected tax charge. This is related to the change in tax rate overtime.

The following table shows the reconciliation of the expected tax charge and the tax charge effectively recognized:

	2018 € 1,000	2017 € 1,000
Anticipated tax rate in %	25.0%	25.0%
Expected income tax charge	11,864	11,077
Tax exempt (revenues)/cost	(375)	152
Effect change tax rate	(2,367)	-
Effect of adjustments previous years	-	85
Current tax charge	**9,122**	**11,314**
Effective tax rate	**19.2%**	**25.5%**

Deferred tax assets and liabilities comprise the following statement of financial position items:

	2018 € 1,000	2017 € 1,000
Deferred tax assets		
Insurance provisions	3,043	4,087
Pensions and similar provisions	2,330	6,463
Deferred acquisition costs	2,399	3,540
Total	**7,772**	**14,090**
Netting deferred tax assets/ liabilities within fiscal unity	(7,772)	(14,090)
Net deferred tax assets	**-**	**-**
Deferred tax liabilities		
Investments	(11,654)	(16,378)
Other liabilities	(15,473)	(21,084)
Total	**(27,127)**	**(37,462)**
Netting deferred tax assets/ liabilities within fiscal unity	7,772	14,090
Net deferred tax liabilities	**(19,355)**	**(23,372)**

The above mentioned deferred tax assets and liabilities are valued based upon a tax rate of 20.5%.

Deferred tax recognized directly in equity amounted to € -361 (2017 : € -6,742) of which € 4,494 (2017: € 4,766) relates to unrealized gains/losses on investments.

Additional Information to the Consolidated Financial Statements

32 Risk management

Introduction

A coherent and effective risk management system is of vital importance to a financial services company. Risk management entails the identification and assessment of risks together with the formulation and execution of mitigation measures. The ultimate aim of our risk management is to safeguard capital adequacy, thereby protecting the interests of our customers. At the same time it supports the creation of sustainable shareholder value by optimizing the risk-return trade-off, while ensuring that risks taken stay within our risk appetite. The risk management system of Allianz Nederland Groep N.V. (further abbreviated as ANG) forms an integrated part of the risk management system of Allianz Group (Allianz SE).

Most of figures in the sections below relate the life insurance company Allianz Nederland Levensverzekering N.V. (ANL) as required by the Solvency II regulation. Note that the other subsidiaries of ANG are non-regulated entities. Their balance total is marginal compared to that of ANG. Therefore, as well as in view of their activities, they carry negligible limited (operational) risk, which is covered by the internal control system.

The governance described below applies to ANL and ANG, commonly referred to as Allianz Nederland.

Risk governance

The Risk Governance framework of Allianz consists of three components:

- The four key functions as prescribed by Solvency-II regulation, that is, the Risk function, the Actuarial function, the Compliance function and the Audit Function;
- Interacting committees overseeing the full scope of risks and supporting the two-tier board;
- Risk management processes.

The roles and responsibilities for the functions, committees and processes are organised as follows

Two-tier board

- The Supervisory Board has a monitoring role. It provides support and advice to the Board of Management. As part of its supervisory tasks, the Supervisory Board pays special attention to the effectiveness of the risk management system and on an annual basis it approves the risk appetite as laid down in the ORSA report.
- The Supervisory Board is equipped with an Audit Committee where the functioning of the risk management system is assessed in more detail.
- The Board of Management is ultimately accountable for ensuring that the company is equipped with an effective risk management system. Whereas specific implementing measures and risk management activities can be delegated to specialized functions and/or committees, the Board of Management remains responsible for defining the risk appetite and the risk-return strategy.

Key functions within "three lines of defence" model

- The risk governance framework aligns with the "three lines of defence" model adopted throughout all Allianz entities worldwide. In this model, the business represents the first-line of defence. Business managers are ultimately responsible for the profitability and risk profile of their business.
- The independent key functions Risk, Compliance and Actuarial comprise the second-line of defence. They are responsible for setting the framework within which the business can operate and take risks. They also have a facilitating role: where needed they can support the business in activating the framework.
- Internal Audit acts as the third-line of defence and ensures that the framework is adhered to: as part of the audit scope, the Internal Audit department periodically carries out audits in order to assess the effectiveness of the framework and its compliance with regulatory and internal standards.

Risk Function

- The Risk function is responsible for designing, implementing and maintaining the risk management system within Allianz Nederland, thereby taking into consideration Allianz Group requirements and local specifics (e.g. local regulation on governance).
- Using qualitative and quantitative methods, risks are systematically monitored, analysed and reported to the Risk Committee and the Board of Management.
- The Risk function operates under the direction of the Chief Risk Officer (CRO) who executes independent risk oversight and stands for the daily effective operation of the risk management system. To this end, he plays an interfacing role between the key functions and other stakeholders. He has a functional reporting line to the CEO and the Audit Committee of Allianz Nederland and a hierarchical reporting line to the CFO of Allianz Benelux.

Committees

Allianz Nederland is equipped with the following committees:

- The Risk Committee has specialized focus on the risks that Allianz Nederland is exposed to. It has an advisory role to the Board of Management regarding the Top Risk Assessment, new products, model parameters and assumptions, reinsurance and capital management.
- The Asset-Liability Management Committee is responsible for matching the insurance liabilities with matching assets for the traditional life book and for the part of the unit-linked book that carries a minimum return guarantee. It operates within an ALM mandate that is approved by the Risk Committee and ultimately by the Board of Management.
- The Operational Risk Management Committee supervises the operational risk management activities. This committee is setup at the level of Allianz Benelux as this facilitates dealing with overarching and cross-border risk topics. It is an advisory sub-committee of the ANL Risk Committee. To cover the broad scope of operational risk, all key domains of the value chain are represented in this committee.

Risk Management Processes

ANL conducts on an annual basis the Own Risk and Solvency Assessment (ORSA), which entails a comprehensive and forward looking assessment of the current and future solvency needs, this in relation to the risks ANL is exposed to. It incorporates both a quantitative and a qualitative view, for which it makes use of the following underlying processes:

- Calculation of the Solvency Capital Requirement (SCR), by means of the Solvency-II standard formula.
- Top Risk Assessment:, which is a structured process ensuring that all our top risks are identified, assessed and managed.

The ORSA also includes the risk appetite and according capital management plan for the upcoming year. The resulting report is submitted to the regulator.

Risk appetite

Risk appetite and risk tolerance are key considerations in our risk management approach. Allianz Group determines the overarching framework and boundaries for risk taking. Within this framework, the operating entity is responsible for further substantiation of the risk appetite within the local context. The risk appetite is approved by the Supervisory Board on an annual basis in adherence with existing governance practises. The following elements together shape our risk appetite:

- Setting tolerance levels for all identified top risks: this ensures that the top risks are monitored and managed in accordance with the risk appetite as defined by the tolerance level.
- Defining levels for adequate capitalisation: on a yearly basis a management capital ratio and action thresholds around it are determined. This yearly calibration takes into account general and company-specific stress scenarios.
- To manage concentration risks, we additionally define quantitative limits for disproportionally large risks (e.g. counterparty exposure and strategic asset allocation including leeways around the limits).
- Minimum standards, guidelines and policies further shape the overall risk appetite, this by defining minimum risk management requirements for the various business processes

Capitalization

In the interest of our policyholders we are dedicated to be adequately capitalized at all times. We closely monitor our capital position and carry out stress tests on a quarterly basis. This allows us to anticipate pro-actively on changing market conditions. ANL is well capitalized, above its internal management ratio, as of December 31, 2018.

Regulatory capital position

€ mn	2018	2017
Available financial resources	339	316
Capital requirement	158	164
Capital ratio (available/required)	214%	193%
Internal management ratio	170%	170%

Stress testing

We perform stress tests on our regulatory capital position to assess whether these solvency requirements will also be met under predefined shock scenarios. These so-called stress tests act as early-warning indicators and provide valuable additional information on the potential vulnerability of our capital buffers. Also they are used as a basis to determine the management ratio, which serves as the anchor level around which capital thresholds are defined. In case of a downward breach of a capital threshold, the capital management policy prescribes a set of management actions aimed at preserving and subsequently restoring the capital position.

The table below shows a selection of stress scenarios showing the sensitivity position under equity and interest rate movements.

Regulatory capital ratio	2018	2017
Base case	214%	193%
Equity -30%	210%	178%
Interest rates +100 bps	208%	187%
Interest rates -100 bps	257%	195%
Equity -15% and interest rates +100 bps	208%	180%

The following sections elaborate further on the risk profile of ANL, this by qualifying ANL´s exposure towards the various risk types that are typical for a life insurance company.

Market risk

Market risk is the risk that the net position of our assets and liabilities is adversely affected by changes in equity prices, interest rates, credit spreads, foreign exchange rates or real estate prices.

Equity risk

In preceding years we significantly downsized our position in equity investments. Therefore, ANL has nearly no direct exposure to equity, but runs only indirect equity risk. The latter is because future profits, earned through management fees over equity-linked unit-linked funds, are sensitive to equity movements.

Interest rate risk

The market value balance sheet of an insurer is by nature sensitive to interest rate movements. This sensitivity originates primarily from minimum return guarantees and optionality that may be embedded in the life products. By matching the expected liability cash flows with corresponding assets, the interest rate sensitivity can be optimized. ANL applies this technique of Asset-Liability Management and has setup an ALM committee to quarterly monitor the matching process.

ANL has two historically grown advantages in this context: the major part of our portfolio of unit-linked investment policies does not carry guarantees, while a substantial part of the guarantees on unit-linked business is matched by means of a long-term agreement with a medium sized Dutch bank (see further below under Credit risk). As a consequence, the vulnerability of the in-force book to the current low interest rate environment is relatively low.

Traditional life segment - our traditional life book comprises endowment-type policies with guaranteed maturity benefits and immediate annuities with guaranteed payments.

Unit-linked segment - Allianz Nederland has been offering a wide range of investment funds to its policyholders with a unit-linked contract. The investment risk of the majority of these funds is carried by the policyholder. However, a few funds offer a minimum-return guarantee, either continuously accrued, or, at end-date of the policy and linked to a bond fund. Over the past years, ANL has decreased the minimum guarantee rates in line with the declining interest rate environment. At this moment it is no longer possible to enter into new contracts carrying a minimum guarantee, but existing contractual agreements, in which a guarantee feature is embedded, are continued.

Note that similarly as explained for equity risk, the unit-linked segment is also exposed to indirect interest rate risk: an increase in interest rates will reduce the value of fixed-income funds and thereby also the earned management fees, while in addition also the future profits will be discounted a higher discount rate, leading to a lower present value of them.

Currency risk

Currency risk relates to losses incurred due to fluctuations in foreign currency exchange rates. ANL has a negligible, indirect exposure on currency risk. This relates primarily to an old endowment product (sold between 1983 and 1995) allowing the policyholder to invests in some foreign currencies (AUD, GBP, USD).

Real estate risk

Real estate risk is the risk of changes in the market value of real estate property. Currently, ANL does not have any investments in real estate.

Credit risk

Credit risk relates to losses occurring in the event that a counterparty turns out to be unable to fully meet its obligations towards Allianz Nederland. An insurance company is exposed to four types of counterparties: intermediaries and customers paying insurance premiums, investment counterparties and reinsurers providing cash flows covering insurance liabilities. For a life insurance company the latter two lead to the most material credit risk, in particular if combined with concentration risk. Within Allianz Nederland Leven, the most relevant credit risks are the following:

Within Allianz Nederland Leven, the most relevant credit risks are the following:

Investment credit risk

- In combination with concentration risk: Allianz Nederland has relatively large counterparty exposure to a medium-sized Dutch private bank with total market value of around EUR 308 mn. This investment is designed to match with a formerly offered guarantee product and therefore provides a hedge on the interest rate risk inherent to this product. This risk is monitored closely as part of the top risk management process.

- NHG mortgages: from 2011 till 2013 ANL had been originating mortgages with a so-called National Mortgage Guarantee (NHG). Since 2013, mortgages are only originated by Allianz Management B.V. and from July 2017 by its successor Allianz Vermogen B.V. These mortgages are sold further to ANL (as well as to Allianz Benelux and more recently also to other insurance entities within Allianz Group), where they are used to match liability cash flows. Some portion of mortgages have also remained on the book of Allianz Vermogen B.V. These were funded by Allianz Benelux

The NHG guarantee is covered by the "Waarborgfonds Eigen Woning"[1] (WEW). This is a private institution with fallback agreements with the government and municipalities. The guarantee largely covers the loss on the outstanding principal that could arise after a foreclosure sale, the accrued unpaid interest and disposal costs.

Note that investments in mortgages involve, next to credit risk, also a specific type of market risk, namely prepayment risk, which may arise if the mortgage is fully or partly paid off before maturity and if reinvestment possibilities are less favourable at the time of prepayment than at the date of mortgage origination. Just like for credit risk, also a charge for prepayment risk is included in the mortgage rate.

NHG mortgages originated in 2018 totalled EUR 1.360 mn, of which EUR 115 mn has been purchased by ANL as investments to match liabilities (and the remainder by other entities in Allianz Benelux). Ultimo 2018 the total principal value of NHG mortgage debt amounted to EUR 421 mn on the book of Allianz Nederland Leven. The corresponding market value is EUR 457mn.

- Other fixed income assets: The table below provides information on the fixed income investments at year-end 2018. The information is ranked according to the S&P counterparty credit ratings and split between corporate and government debt:

€ mn	AAA	AA	A	≤BBB	Total
Government	264	162	20	14	460
Corporate	52	25	66	16	159
Total	**316**	**187**	**86**	**30**	**619**
2018	51%	30%	14%	5%	100%

€ mn	AAA	AA	A	≤BBB	Total
Government	242	147	5	23	416
Corporate	58	33	70	13	174
Total	**300**	**180**	**74**	**36**	**590**
2017	51%	31%	12%	6%	100%

Reinsurance credit risk

Reinsurance credit risk is the risk of reinsurers not fulfilling their contractual obligations to the primary insurer. Allianz Group has established a dedicated Security Vetting Team responsible for collecting information on the creditworthiness of reinsurers. This Security Vetting Team establishes a list of reinsurers with which Allianz subsidiaries may reinsure their risks. In case a reinsurer is not on the list, special approval is needed by the Security Vetting Team of the Group prior to final placement. In this way Allianz Nederland benefits from the reinsurance expertise available within the Allianz Group. Furthermore, it ensures that counterparty risk on reinsurers is fully controlled on group level.

Actuarial risk

Actuarial risk emerges when actual rates of mortality, surrender and morbidity deviate from their expected rates leading to negative financial consequences for the insurer. This risk is managed using modelling techniques for pricing, underwriting discipline and the calculation of adequate reserves.

Within the actuarial discipline, a distinction is made between pricing and reserving. With regard to pricing, Allianz Group has defined minimum standards that include requirements on methodology, assumption setting, control process, validation and sign-off. Consequently, a consistent pricing process is ensured within the Group.

Under Solvency II, the value of the Technical Provisions as the sum of the Best Estimate Liabilities and the Risk Margin is calculated as defined in the Solvency II guidelines and the Group guidelines. Control measures are put in place to facilitate a correct calculation of the Technical Provisions. Special effort has been made to harmonize the actuarial models and to reduce end-user computing risk.

The setting of the Best Estimate assumptions is now fully described in the Assumption Report, which is also discussed with and approved by the Life Risk Committee, specifically for the impact on the Technical Provisions and the SCR. Furthermore, the Best Estimate

1. Homeownership Guarantee Fund

The following table shows the estimated insurance liabilities after reinsurance grouped to the date of payment

Life (EUR m)	Total	Less 1 year	1-5 years	5-15 years	> 15 years
2018	4,558	417	1,685	2,081	375
2017	4,812	428	1,391	2,105	888

assumptions are also reviewed externally.
For specific risks, such as the mortality and morbidity risks, risk-mitigating measures are in place in the form of a number of reinsurance contracts which cover the loss in excess of a certain threshold. Working closely together with the reinsurance company also gives access to more experience data on mortality and morbidity, to support the underlying assumption setting process.

For the lapse risk, a specific split is made in the unit-linked portfolio for funds with and without guarantee. This resulted in lower lapse assumptions for the guaranteed funds, and higher lapse assumptions for the funds without guarantee. This development will be monitored closely.

Liquidity risk

Liquidity risk is the risk that current or future payment obligations cannot be met due to the lack of assets that can be (easily) converted into cash. This risk arises from mismatches in the timing between incoming and outgoing cash flows. Insurance companies by their very nature are less exposed to liquidity risk than retail banks, as policyholders cannot withdraw their funds overnight. Specifically for Allianz Nederland, the liquidity risk is limited due to the following:

- ANL has a healthy capital position and is not financed with debt. Consequently it doesn't face any refinancing risk.
- ANL has immediate access to a credit line of EUR 10 mn via the cash pool agreement with the ultimate parent Allianz SE.
- On a quarterly basis, a liquidity risk analysis is conducted and reported to Allianz Group. In this analysis the current liquidity needs are compared with three types of stress situations: distressed markets, premium income disruption, elevated claims (e.g. due to peak in mortality or lapse). This report has a horizon up to 1 year. It shows that ANL retains sufficient liquid assets in all considered stress situations

Hierarchy disclosure

IFRS requires that transparency is given into the fair value hierarchy of all financial instruments which are valued at fair value. This fair value hierarchy consists of three levels and grades the trustworthiness of the underlying information which is used to determine this fair value.

- Level 1: Quoted market prices (unadjusted) in an active market for identical instruments.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

IFRS 13 hierarchy	2018 € mn				2017 € mn			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Financial investments Available for Sale	-	627	-	627	-	601	2	603
Financial Assets for unit-linked Contracts	2,414	-	-	2,414	2,650	-	-	2,650
Financial Assets designated at Fair Value through income	41	-	-	41	45	-	-	45
Liabilities								
Financial liabilities for unit-linked Contracts	2,414	-	-	2,414	2,650	-	-	2,650
Financial liabilities carried at fair alue through income	31	-	-	31	36	-	-	36

Note that according to IFRS rules, the government and corporate bonds do not classify in the fair value hierarchy at level 1, as for the valuation third party consensus pricing has been applied.

- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instruments valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below depicts the financial instruments measured at fair value at the end of 2017, by the level in the fair value hierarchy into which the fair value measurement is categorised.

Operational risk

Operational risk arises from human error, process or system failure and from external events. It includes the improper handling of confidential information and the so-called compliance risk when regulatory and legal requirements are not met. The primary responsibility for the effective identification, management, and monitoring of operational risk lies with the line management. In addition, the Operational Risk Management Committee supervises the operational risk management activities, which are based on two cornerstones:

a) Forward-looking – A Risk and Control Self Assessment (RCSA) is carried out by all departments to identify and assess key operational risks and to assure that risk mitigation measures including key controls are in place and sufficiently robust. This assessment also provides input to the risk register collecting all types of risks that are material. The most material risks, with potentially high impact, are reported in the top risk assessment process and monitored on a quarterly basis in the Risk Committee.
b) Backward-looking (learning from experience) – The Allianz Group operational loss database is populated with all operational losses and 'near misses' exceeding a certain threshold. Learning from historical operational losses is essential in the identification of process or system weaknesses. Moreover, it facilitates sharing of information between operating entities.

An important operational risk stems from the ongoing developments in the Dutch market in the context of the transparency discussion (i.e. in relation to investment policies). In the course of 2018 ANL has finalized the settlement reached earlier with three major claims foundations. Also some smaller claims foundations have been approached resulting in a few more settlements in the beginning of 2019. The risk of large operational losses has thereby been substantially mitigated.

Also the findings raised by AFM in 2017 about ANL's execution of the so-called recovery advice have been handled successfully in the course of 2018.

Allianz uses outsourcing for various business activities, including investment management, mortgage portfolio servicing, closed book servicing and IT system hosting. Outsourcing is both done with companies within the Allianz Group and external service providers. Outsourcing risk includes discontinuity of outsourced services e.g. bankruptcy, disruption of services, or standard of service level agreements not being met. Allianz manages outsourcing risks via dedicated service level managers, contract management, service level reports, site visits, assurance report reviews and periodic meetings. In addition an Outsourcing department is in place.

Reputational risk

Reputational risk is the risk of financial loss resulting from reputational damage. Given the potential business impact of reputational damage, reputational risk has become a standard agenda item at the Risk Committee meetings. We have a structured process in place to analyse and follow-up on operational events. Furthermore we pro-actively define risk tolerances with regard to sensitive areas. Reputational risk assessment forms an integral part of our top risk assessment process.

Diversification of risks

Diversification is key to our business model. Diversification helps us to manage our risks effectively by limiting the economic impact of any single event. The degree to which the diversification effect can be realized depends not only on the correlation between risks, but also on the relative concentration level of those risks. Therefore, our aim is to maintain a balanced risk profile without any disproportionately large risks.

Within the individual risk categories, we use supplementary approaches to manage those concentration risks. For market and credit risk in line with our risk appetite, the following measures are in place:

- Bottom-up process for controlling the actual asset allocation across investment categories, by means of annually reviewed strategic asset allocation limits.
- Allianz Group has designed a platform to manage counterparty concentrations relating to credit and equity exposures on a group-consistent basis. Within this system, limits for counterparty exposures are pre-allocated to all operating entities but they can be set lower by the local CRO. In this way, each counterparty has a total exposure (i.e. at the level of Allianz Group) that stays within a predefined group limit, while also the risk appetite of the operating entity is acknowledged.

33 Fair value

The fair value of a financial instrument is defined as the price that would be received to sell an asset or paid to transfer or settle a liability in an orderly transaction between market participants at the measurement date. If market prices are not available, the fair value is based on estimates using the present value of future cashflows method or another appropriate valuation method. These methods are significantly influenced by the assumptions made, including the discount rate applied and the estimates of future cashflows. Specific financial instruments are discussed below.

Allianz Nederland uses the following methods and assumptions to determine fair values:

Cash and cash equivalents

The carrying amount corresponds to the fair value due to its short term nature.

Investments (including trading assets and liabilities)

The fair value of fixed-term securities is based on market prices, provided these are available. If fixed-term securities are not actively traded, the fair value is determined on the basis of valuations by independent data suppliers. The fair value of equities is based on their stock-market prices. The carrying amount and the fair value for fixed-term securities and equities do not include the fair value of derivative contracts used to hedge the related fixed-term securities and securities.

The fair value of derivatives is derived from the value of the underlying assets and other market parameters. Exchange-traded derivative financial instruments are valued using the fair value method and based on publicly quoted market prices. Valuation models established in financial markets (such as present value models or option pricing models) are used to value OTC-traded derivatives. In addition to interest rate curves and volatilities, these models also take into account market and counterparty risks. Fair value represents the capital required to settle or transfer in full all the future rights and obligations arising from the financial contract.

Financial assets and liabilities carried at fair value through income

The fair values of the assets were determined using the market value of the underlying investments. Fair values of separate account liabilities are equal to the fair value of the separate account assets.

34 Contingent Liabilities, commitments and guarantees

Group companies are involved in legal proceedings, involving claims by and against them, which arise in the ordinary course of their business. It is not feasible to predict or determine the ultimate outcome of the pending or threatened proceedings. Management does not believe that the outcome of the proceedings will have a material effect on the financial position or results of operations of the Group, after consideration of any applicable provisions.

Allianz Nederland occupies leased premises and has entered into various operating leases covering the long term use of real estate, motor vehicles, data processing equipment and other office items.

As of the date of the statement of financial position an amount equal to € 60 mn (2017: € 5 mn) related to rental, lease contracts and other long term agreements.

As of December 31, 2018 the future minimum lease payments under non-cancellable operating leases were as follows:

	€ 1,000
Due in 1 year or less	1,620
Due in more than 1 and up to 5 years	12,046
Due in more than 5 years	44,201
Total	**57,867**

As of the end of the year, an amount equal to € 2 mn (2017: € 2 mn), has been granted in respect of guarantees.

35 Employee information

At the end of 2018 Allianz Nederland employed a total of 992 (2017: 959) employees.

Personnel expenses

	2018 € 1,000	2017 € 1,000
Salaries and wages	62,755	61,496
Social security contributions and employee assistance	7,907	7,542
Expenses for pensions and other post-retirement benefits	10,427	11,174
Total	**81,089**	**80,212**
Personel expenses charged to non consolidated group companies	(59,788)	(59,418)
Personel expenses consolidated group companies	**21,301**	**20,794**

Further details with regard to the pension expenses are provided in Note 15.

The personnel expenses charged to non consolidated group companies are expenses of personnel employed by Allianz Nederland Groep related to services for the branch Allianz Benelux.

36 Share based compensation plans and management compensation

Share based compensation plans

Share Purchase plans for employees

Shares in Allianz SE are offered to qualified employees within predefined timeframes at favourable conditions. In order to qualify employees must have been employed in continuous service, or had a position as an apprentice, for a period of six months prior to share offer and notice of termination of employment must not have been served. Share purchase plans also include restrictions relating to the amount that the employee can invest in purchasing shares.

The shares are freely disposable after the expiration of the minimum holding period of one year. The number of shares sold to employees under these plans was 3,967 (2017 : 2,742). The difference between the exercise price and the market price of Allianz shares of € 45.86 (2017 : € 35.77) was reported as part of compensation expense.

Restricted Stock Units (RSU) plan

The RSU granted to a plan participant obligate the Allianz Group to pay in cash the average closing price of an Allianz SE share on the last day of the vesting period and the prior nine trading days, or to convert one RSU into one Allianz SE share. The payout is capped at a 200 % share price growth above the grant price. The restricted stock units vest after five years. Allianz Group will exercize the restricted stock units on the first stock exchange day after their vesting date. On the exercise date Allianz Group can choose the settlement method for each restricted stock unit. In addition, upon the death of a plan participant, a change of control or notice for operational reasons, the RSUs vest immediately and will be exercised by the company. The RSUs are virtual stocks without dividend payments and a capped payout.

A summary of the number and the weighted-average grant date fair value of the nonvested restricted stock units are as follows:

	2018		2017	
	Number	Weighted average grant date fair value (€)	Number	Weighted average grant date fair value (€)
Nonvested as of 1/1	11,983	116.95	12.130	106,48
Granted	3,186	148.65	2.767	135,40
Exercised	(3,152)	98.71	(2.914)	90,90
Nonvested as of 12/31	12,017	130.14	11.983	116,95

The fair value is calculated by subtracting the net present value of expected future dividend payments until maturity as well as the fair value of the cap from the prevailing share price as of the valuation date. The cap is valued as a European short call option, using prevailing market data as of the valuation date.

The following table provides the assumptions used in calculating the fair value of the RSU 's at grant date:

		2018	2017
Share price	€	183.80	167.45
Average dividend yield	%	4.8	4.8
Average interest rate	%	(0.1)	(0.1)
Expected volatility	%	20.2	22.9

The restricted stock units are accounted for as cash settled plans as Allianz Group intends to settle in cash. Therefore Allianz Group accrues the fair value of the restricted stock units as compensation expense over the vesting period. During the year ended December 31, 2018, Allianz Group recognized compensation expense related to the nonvested restricted stock units of € 431 (2017: € 752). Taking into account the expired portion of the vesting period, a provision of € 1,347 (2017: € 1,517) was established on December 31, 2018 and reported under the heading Other accrued liabilities for the three board members in service of Allianz Nederland Groep.

Compensation management board

	2018 € 1,000	2017 € 1,000
Short-term employee benefit	377	353
Expenses for pensions and other post-retirement benefits	38	40
Stock-based compensation	83	78
Total remuneration	**498**	**471**

As of December 31, 2018 the management board had six (2017 : six) members.

The information on compensation concerns the members of the management board who were active at the end of the year.

Pensions and similar benefits

Allianz Nederland paid € 82 (2017: € 109) premiums to pension funds for active member of the management board.

As of December 31, 2018 the pension provisions and provisions for similar benefits for the then active members of the management board amounted to € 1,635 (2017: € 1,576).

Remuneration for the supervisory board

In fiscal year 2018, remuneration for the supervisory board amounted to € 128 (2017: € 128). This board has four (2017: five) members.

37 Related parties transactions

In the normal course of business Allianz Nederland Groep enters into various transactions with related parties. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions. Transactions with related parties have taken place at arm's length basis.

Transactions with key management personnel (management board and supervisory board) and post-employment benefit plans are transactions with related parties. These transactions are disclosed in Note 9 Other assets, Note 15 Other provisions and Note 36 Share based compensation plans and management compensation.

All employees of Allianz Nederland as well as the employees of the Netherlands Branch of Allianz Benelux NV are employed by Allianz Nederland Groep NV. Consequently Allianz Nederland Groep NV is responsible for the personnel and salary administration.

The vendor administration of Allianz Nederland and the Netherlands Branch of Allianz Benelux NV is centrally organized in Allianz Nederland Groep NV. Costs which are directly related to the participating companies, are directly assigned. Costs of Allianz Nederland Groep NV are allocated to the participating entities via allocation keys.

For it's IT operations and services, Allianz Nederland uses the in-house services of Allianz's global operating shared services company.

Allianz Nederland Groep NV is part of the fiscal unity corporate tax Allianz Europe BV, Allianz Europe BV is responsible for the corporate tax declaration of the fiscal unity. For the settlement of corporate tax payments between Allianz Nederland Groep and Allianz Europe BV it is decided to act as if the legal entities are individually liable for corporate tax.

Allianz Nederland Groep NV is part of the fiscal unity VAT Allianz Nederland, Allianz Nederland Groep NV is responsible for the VAT declaration of it's subsidiary companies as well as of the Netherlands Branch of Allianz Benelux NV, Allianz Nederland Groep NV is liable for VAT liabilities of the fiscal unity.

Allianz Nederland Groep NV is involved in the Allianz SE Cashpool facilities to transfer available liquidities on a daily basis.

Allianz Vermogen B.V. is responsible for the asset management of the investments of the Netherlands Branch and of Allianz Nederland Leven N.V. as well as for the pension funds Stichting Pensioenfonds Allianz Nederland and Stichting Pensioenfonds Buizerdlaan.

Allianz Nederland Levensverzekering N.V. has entered into reinsurance involved related party transactions with Allianz SE reinsurance and Allianz Vie SA. Ceded reinsurance premiums totals € 3.5 mn (2017: € 3.9 mn).

38 Independant auditor's fees

Independant auditor's fees can be specified as follows:

	2018	2017
	PwC € 1,000	BDO € 1,000
Year end audit services	336	396
Other audit services	-	24
Total	**336**	**420**

The audit fee disclosed in 2018 solely relates to the statutory audit of Allianz Nederland Groep and Allianz Nederland Levensverzekering.

39 Held for sale assets and liabilities

Held for sale assets and liabilities are related to bank activities from subsidiary Allianz Nederland Asset Management B.V. which are sold to a third party in 2017.

Net loss from Held for Sale operations:

	2018 € 1,000	2017 € 1,000
Total income	-	3,223
Total expenses	-	(2,519)
Net result sale participation	-	(8,000)
Loss before taxes	-	**(7,296)**
Taxes	-	(176)
Net loss from discontinued operations, net of income taxes	-	**(7,472)**

40 Adjustments of IAS 19 accounting treatment

The indexation included in the initial calculation for 2018 and in prior years had been set too low. As a result prior period disclosure in accordance with IAS 8 had to be applied.

The error has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

Balance sheet (extract)	31 dec 2017	Increase / (Decrease)	**31 dec 2017 (Restated)**	31 dec 2016 € 1,000	Increase / (Decrease)	**1 Jan 2017 (Restated)** € 1,000
Other assets	213,184	(40,750)	**172,434**	170,999	(44,530)	**126,469**
Deferred tax liabilities	(23,372)	10,780	**(12,592)**	(27,780)	11,534	**(16,246)**
Other provisions	(46,733)	(2,370)	**(49,103)**	(30,869)	(1,609)	**(32,478)**
Shareholders' equity	(278,690)	32,340	**(246,350)**	(289,597)	34,605	**(254,992)**

Corporate Financial Statements

41 Statutory statement of financial position

as at 31 December 2018

ASSETS		2018 € 1,000		2017 € 1,000
Financial assets				
Participations in group companies and subsidiaries		265,942		263,764
Current assets				
Deferred tax assets		903		-
Receivables				
Receivables from group companies	27,872		34,136	
Tax receivable	-		74	
Receivable Cashpool	24,890		24,850	
Other receivables	6,617		9,375	
Other assets	4,019		41,204	
		63,398		109,639
Investments		1,933		2,149
Cash and cash equivalents		870		548
Total assets		**333,046**		**376,100**

LIABILITIES AND SHAREHOLDERS' EQUITY		2018 € 1,000		2017 € 1,000
Payables				
Payables to group companies	32,776		34,053	
Taxes payable	7,139		7,389	
Other payables and accrued liabilities	20,091		20,774	
		60,006		62,216
Provisions				
Deferred tax liability	-		9,568	
Other provisions	26,512		25,626	
		26,512		35,194
Shareholders' equity				
Paid in capital	59,813		59,813	
Share premium	76,667		76,667	
Revaluation reserves of subsidiaries	42,253		46,161	
Revenue reserves	29,462		70,529	
Profit for the year	38,333		25,520	
		246,528		278,690
Total liabilities and equity		**333,046**		**376,100**

42 Statutory income statement

	2018 € 1,000	2017 € 1,000
Result of subsidiaries	**46,413**	**53,158**
Operating expenses	**(369)**	**(372)**
Interest cost and similar expenses	(44)	(383)
Revaluation of investments held for trading	(150)	79
Result sale participations	1,605	(8,000)
Interest cost and similar expenses	-	-
Result before taxes	**47,455**	**44,482**
Taxes	(9,122)	(11,490)
Net income from continuing operations	**38,333**	**32,992**
Net loss from discontinued operations	-	(7,472)
Net income	**38,333**	**25,520**

43 Notes to the corporate financial statements

General

The corporate financial statements are part of the 2018 financial statements of Allianz Nederland Groep N.V. With reference to the corporate profit and loss account of Allianz Nederland Groep N.V., use has been made of the excemption pursuant to Section 402 of Book 2 of the Dutch Civil Code (BW2).

Principles for the measurement of assets and liabilities and the determination of the result

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its corporate financial statements, Allianz Nederland Groep N.V. makes use of the option provided in section 2:362 (8) of The Netherlands Civil Code. This means that the principles for recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the corporate financial statements of Allianz Nederland Groep N.V. are the same as those applied for the consolidated EU-IFRS financial statements. Participating interests over which significant influence is exercised, are stated on the basis of the equity method. These consolidated EU-IFRS financial statements are prepared according to the standards laid down by the International Accounting Standards Board and adopted by the European Union (hereinafter referred to as EU-IFRS). Please see the Notes to the Consolidated financial Statements for a description of these principles.

The share in the result op participating interests consists of the share of Allianz Nederland Groep N.V. in the result of these participating interests. Results on transactions, where the transfer of assets and liabilities between Allianz Nederland Groep N.V. and its participating interests and mutually between participating interests themselves, are not incorporated insofar as they can be deemed to be unrealized.

44 Notes to the statutory statement of financial position

The development of participations in group companies and subsidiaries is as follows:

	2018 € 1,000	2017 € 1,000
Value stated as of 1/1	263,764	291,499
Disposals	0	(10,000)
Revaluation result	(3,908)	(14,300)
Result after tax	34,086	34,249
Dividends received	(28,000)	(37,684)
Value stated as of 12/31	265,942	263,764

The disposal concerns the sale of Allianz Nederland Asset Management B.V.

Deferred tax assets

Tax deferrals are recognized if a future reversal of the difference is expected.

Receivables from group companies

The receivables from group companies are generally due in less than one year.

Receivable Cashpool

This is a treasury account with Allianz SE, which is used to invest temporary cash surplusses of the Allianz Nederland Groep and its subsidiaries. The portion held by the subsidiaries is reported under liabilities cashpool. The cashpool balance is payable on demand.

Other receivables

The other receivables are generally due in less than one year.

Other assets

	2018 € 1,000	2017 € 1,000
Prepaid expenses	4,019	454
Pensions funded status (note 15)	-	40,750
Total	4,019	41,204

Investments

Development of the investments during the year is as follows:

	2018 € 1,000	2017 € 1,000
Value stated as of 1/1	2,149	1,763
Additions	474	374
Sales	(602)	(482)
Revaluation	(88)	494
Value stated as of 12/31	1,933	2,149

Cash and cash equivalents

Cash and cash equivalents include balances with banks payable on demand, checks and cash on hand.

Shareholders' equity

Paid in capital

Company capital amounted to € 113.4 mn, of which € 59.8 mn issued capital. The company has issued only one type of share which has a par value of € 1,000. The issued shares are owned by Allianz Europe B.V. in Amsterdam.

Revaluation reserves of subsidiaries

	2018 € 1,000	2017 € 1,000
Value stated as of 1/1	46,161	60,461
Effect of tariff change	(2,392)	-
Revaluation result	(1,516)	(14,300)
Value stated as of 12/31	42,253	46,161

Revenue reserves

	2018 € 1,000	2017 € 1,000
Value stated as of 1/1	70,529	73,767
Adjustment opening	(32,340)	-
Addition from profit	25,520	18,889
Dividend final	(28,000)	(16,200)
Pensions IAS-19 gains/losses through equity	(6,247)	(5,927)
Value stated as of 12/31	29,462	70,529

The adjustment of the opening concerns a material adjustment in the indexation assumption of the IAS-19 defined benefit obligation calculation per 31 December 2017.

Deferred tax liabilities

Tax deferrals are recognized if a future reversal of the difference is expected.

Other provisions

Other provisions are comprised of the following:

	2018 € 1,000	2017 € 1,000
Provisions for post-employment benefits	2,273	2,478
Net liability position defined benefit plan	2,133	-
Provision restructuring plans	11,726	15,556
Other staff related provisions	6,533	6,074
Other	3,847	1,518
Total	**26,512**	**25,626**

The other provisions are explained in the Note 15 to the Consolidated Statement of financial position.

Other payables and accrued liabilities

	2018 € 1,000	2017 € 1,000
Accounts payable to suppliers	12,756	12,589
Expenses to be paid	211	203
Payables to employees	4,509	4,448
Other	2,615	3,534
Total	**20,091**	**20,774**

Liabilities not included in the statement of financial position

With regard to shares held by the company in the subsidiaries there is a conditional obligation to pay up in full to a total of € 20,4 mn (2017: € 20.4 mn).

With regard to group companies, guarantees have been given for an amount of € 2.0 mn (2017: € 1.7 mn).

Allianz Nederland Groep forms part of a corporate tax fiscal unity, and therefore can be held liable for the tax liabilities from the fiscal unity.

The available solvency margin expressed as a percentage of the required solvency (SCR) amounted to 214% at the end of 2018 (2017: 193%). Further information is provided in the risk management paragraph (Note 32).

45 Notes to the statutory income statement

Revaluation of investments held for trading

The revaluation of investments held for trading is explained in Note 4 to the Consolidated Statements of financial position.

Taxes

Taxes are explained in Note 31 to the Consolidated Statement of financial position.

Result sale particiations

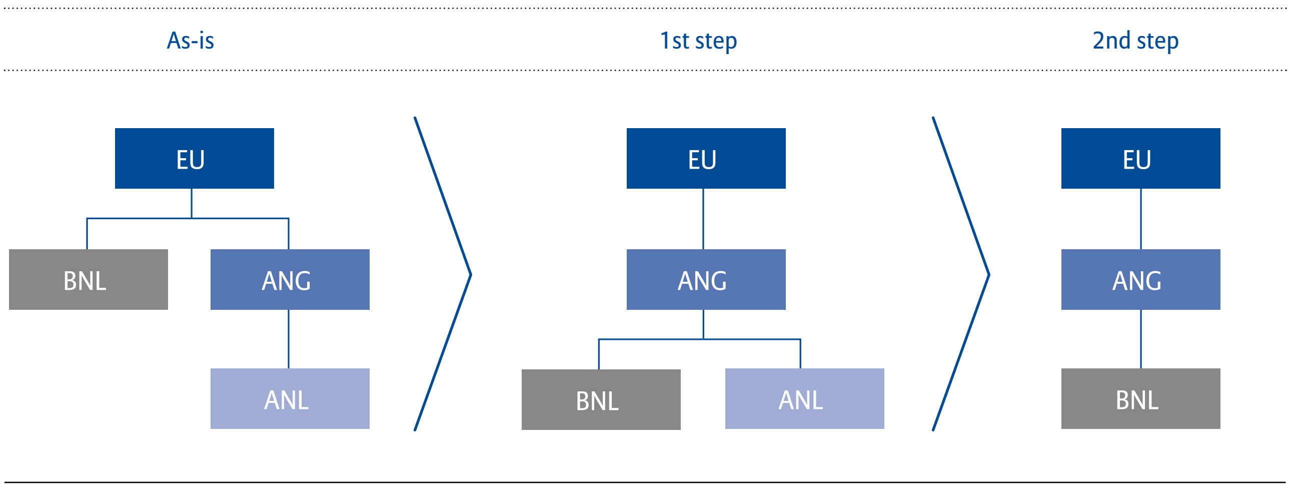
Net result on sale of the banking activities

46 Subsequent events

As a next step in the 'One Benelux' strategy, a decision was taken in 2018 to integrate Allianz Nederland Levensverzekering N.V. (ANL) into Allianz Benelux N.V.. This merger was effectuated on March 26, 2019 after receiving the required regulatory approvals.

The legal restructuring operation consisted of two steps:
1. Transfer of the shares of Allianz Benelux N.V. by the previous majority shareholder Allianz Europe B.V. (EU) to Allianz Nederland Groep N.V. (ANG). The method of transfer was via a capital increase of EUR 1,779 mn through contribution in kind of ANG via share premium.
2. A cross-border merger between sister companies Allianz Benelux N.V. and Allianz Nederland Levensverzekering N.V.. Allianz Benelux N.V. has issued 543,982 new shares to Allianz Nederland Groep N.V. in exchange for the 40,841 shares in the capital of Allianz Nederland Levensverzekering N.V. The value of Allianz Benelux was converted to a price per share (Allianz Benelux N.V. value divided by the number of shares). The same method was applied to the company being acquired. The value of one share in the capital of the company being acquired divided by the value of one share in the capital of the acquiring company delivers the exchange ratio of 13.3195 shares in the capital of the acquiring company for one share in the capital of the company being acquired.

On the 1st of July 2019 the final dividend of Allianz Nederland Groep N.V. for the year has been declared of € 164.320.000. The difference between this amount and the amount as included in note 48 is due to the fact that subsequent to balancesheet date Allianz Benelux SA became a subsidiary of Allianz Nederland Groep N.V. and the final dividend has been determined taking into account the results of subsidiary Allianz Benelux SA.



Next to two steps mentioned above, the Dutch branch office of Allianz Benelux N.V. has also obtained the approval to perform Life activities in the Netherlands. The composite status of the Life and Non-Life branch will not harm the company's duty to manage and account for Life and Non-Life businesses separately as required by EU and Belgian regulatory rules.

47 Consolidated subsidiaries

	% owned
Allianz Nederland Levensverzekering N.V., Rotterdam[1]	100
Allianz Vermogen B.V., Rotterdam [1] [2]	100
Allianz Fund Administration and Management B.V., Rotterdam [1] [2]	100
Havelaar & van Stolk B.V., Rotterdam[1] [2]	100
Helviass Verzekeringen B.V., Rotterdam [1] [2]	100

All consolidated subsidiaries are located in The Netherlands.

1) Subsidiary forms part of the fiscal unity of Allianz Europe.

2) General guarantees as referred to in section 403, book 2, of the Dutch Civil Code, have been given by Allianz Nederland Groep N.V. to these subsidiaries.

48 Appropriation of result

Proposed profit appropriation

In accordance with article 35 of the articles of association, the General Meeting of Shareholders can dispose of the profit.

The proposed profit appropriation over 2018 is as follows:

	2018 € 1,000
Dividend final	2,000
Addition to the other reserves	36,333
Total profit to be appropriated	**38,333**

Rotterdam, July 1, 2019

Management board
S.L. Laarberg (chairman)
B. Bourgeois, CFO (from March 1, 2019)
A.J. Bradshaw (from January 1, 2019)
C.M.A. Coste-Lepoutre (until March 1, 2019)
K.L. Van den Eynde (until January 1, 2019)
W. Neven
C.J.A.M. Schneijdenberg (until December 31, 2018)

Supervisory board
N.J.M. van Ommen (Chairman)
J.M. Bodde (until January 1, 2019)
S.G. Boshnakova (until April 1, 2019)
M.D. Donga (from January 1, 2019)
R.J.W. Walvis (until March 18, 2019

Other information

49 Independent auditor's report

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Independent auditor's report

To: the general meeting and the supervisory board of Allianz Nederland Groep N.V.

Report on the financial statements 2018

Our opinion

In our opinion:

- Allianz Nederland Groep N.V.'s consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- Allianz Nederland Groep N.V.'s company financial statements give a true and fair view of the financial position of the Company as at 31 December 2018 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2018 of Allianz Nederland Groep N.V., Rotterdam ('the Company'). The financial statements include the consolidated financial statements of Allianz Nederland Groep N.V. together with its subsidiaries ('the Group') and the company financial statements.

The consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2018;
- the following statements for 2018: the consolidated income statement and the consolidated statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising significant accounting policies and other supplementary information.

The company financial statements comprise:

- the statutory statement of financial position as at 31 December 2018;
- the statutory income statement for the year then ended;
- the notes, comprising the accounting policies applied and other supplementary information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

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The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of Allianz Nederland Groep N.V. in accordance with the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the reporting from Group Management including the Management Board report and the Supervisory Board report;
- the introduction;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Responsibilities for the financial statements and the audit

Responsibilities of management and the supervisory board for the financial statements

Management is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going-concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 1 July 2019
PricewaterhouseCoopers Accountants N.V.

Originally signed by A.R. Vermeulen RA

Appendix to our auditor's report on the financial statements 2018 of Allianz Nederland Groep N.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. 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. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

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

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Credits and feedback

Imprint

We would very much appreciate hearing what you think about this annual report and welcome your feedback via the following email address: communicatie@allianz.nl.

Publication

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