Allianz Nederland Groep N.V.

Annual Report 2016

Allianz

Contents

Introduction

Allianz Nederland Groep N.V. (ANG) has had a successful 2016. Growth has accelerated in all our revamped product lines and our margins are on a healthy level. In this we see a clear confirmation that the strategic choices we've made are paying off. Although 2016 has been a positive year for us we are still faced with a very challenging market environment. The prolonged low interest rate environment is impacting our results. We tackle this by a very high cost efficiency which also led to some impactful decisions, for example to outsource part of our back office services. We're glad to see we were able to do all of this with full support of our workers council and with the utmost respect for the employees involved. We continue to closely monitor the unit linked transparency discussion.

True customer centricity

At the heart of our strategy is our customer. It's clear that they are in the driving seat. In product development and customer services their input is of high value. Therefore we constantly monitor our performance based on a closed feedback loop and most importantly we act on that feedback where possible.

Almost all product lines of ANG require advice. Brokers are key in providing this to our customers and thus are highly valued by us. We are very happy that we are again loyalty leader P&C in broker NPS research in 2016 and are looking forward to further build on that.

Employees

Each year we conduct an employee engagement survey. In 2016 this survey reaffirmed that our employees appreciate the new Benelux setup and the strategic choices that were the result of this integration. They value being part of a large and solid international group which can also offer international career opportunities for those who seek such a challenge.

ESG

Allianz has a worldwide reputation of being a leading company in sustainability. In the insurers category we've been in the top of the Dow Jones Sustainability Index for years and we're actively pushing ourselves to stay there. Locally we fully support these efforts and actively worked together with Allianz SE to implement our worldwide ESG Framework in July 2016. This was also taken into account and appreciated by the Fair Insurance Guide in their research over 2016 which saw Allianz move up the ranks.

Performance

Life

Our life business has truly outperformed our expectations for 2016. In 2015 we decided to focus our new business initiatives on Self Employed and SME. We tailored our product lines, for example our director and major shareholder pension and immediate pension annuities to these target groups. This has paid off in all our active product lines. In 2016 a lot of effort was again put in recovery advice for our clients. We've focused on enabling mortgage and pension bound (3rd pillar) accrual policies and other unit linked policies.

As highlighted above a decision was made to outsource some back office services in Life to guarantee good customer service in the future on our closed book and remain cost efficient. This has taken effect as of January 1st 2017.

Allianz Nederland Asset Management

At Allianz Nederland Asset Management, the focus remains on non-banking activities. Our mortgage business has been solid, and our investment activities are also performing well. As announced in 2015 we have decided to sell our banking activities. We've been working on this throughout 2016 and expect to execute this in 2017.

Other entities

In 2016 Havelaar had ambitious goals to meet. In the retail market it focussed and succeeded to keep our portfolio size in a difficult market environment. The SME portfolio has potential for further growth with deepsell opportunites. In 2016 a new strategic plan up to 2020 was developed, focussing on increasing presence in the SME market, the business line Mortgages was stopped and Havelaar sold its credit portfolio as a result of the new focussed strategy. Helviass continued its growth path. The management of Havelaar and Helviass are confident that with all the changes to be established in 2017 the companies are fit for the future and will be able to meet there targets.

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, 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.

In the Benelux Allianz has sales of 3.2 billion euros, and approximately 2,100 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 Nederland Asset Management B.V. (ANAM) 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, life insurance cover and immediate annuities. Bank savings products and mortgages are developed and offered by Allianz Nederland Asset Management. It also offers a complete range of investment funds via investment accounts.

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 regional offices.

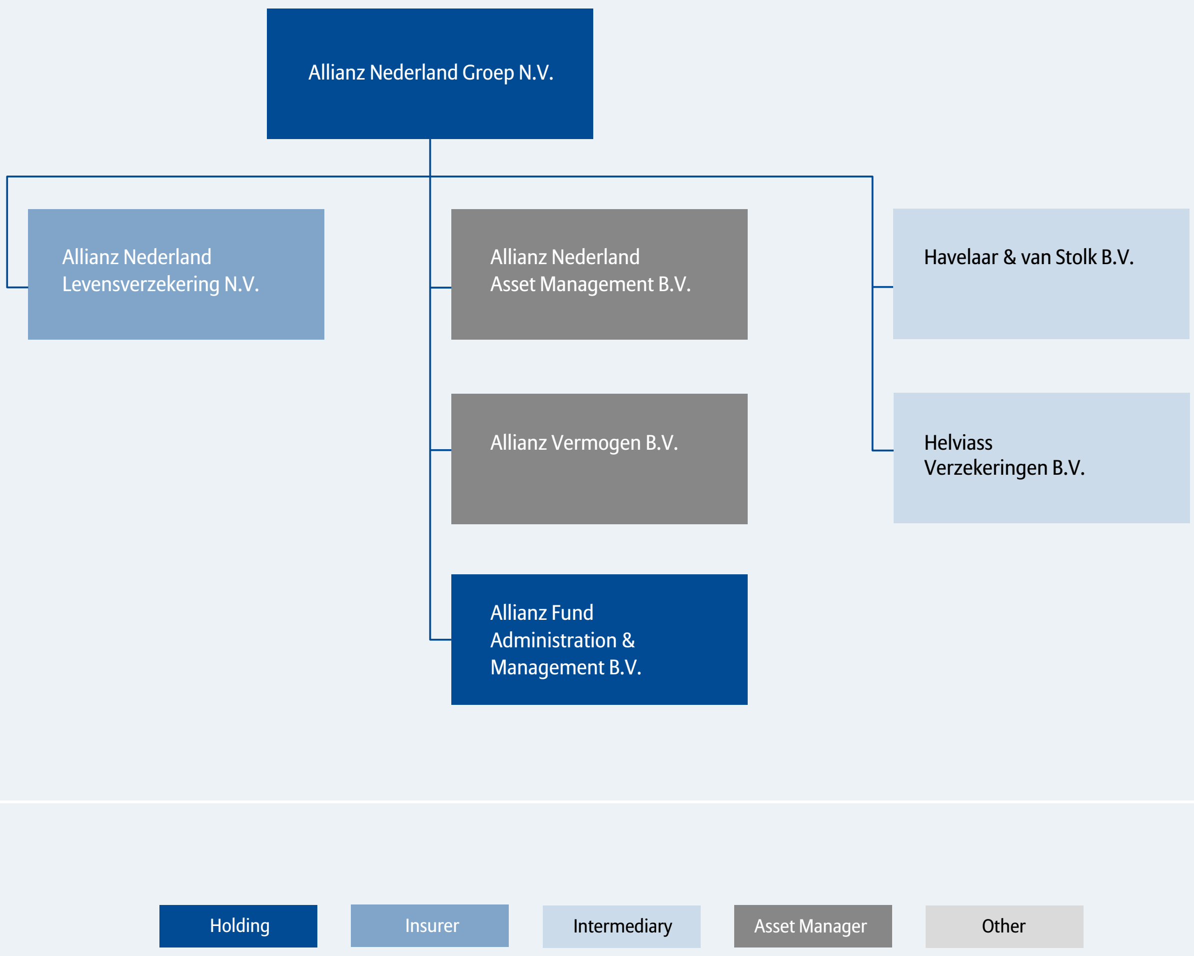
Assets under management by Allianz Nederland Asset Management totalled € 3.1 billion at the end of 2016.

CO_2 footprint

We think it is a good idea to share information on our efforts to protect the environment because it is important to us to do our part to reduce greenhouse gases and fight waste. The most important categories that affect our CO_2 footprint in the Netherlands are travel and vehicle fleet at 82% (2015: 80%) and energy in our offices at 10% (2015: 9%). At 7%, paper consumption is becoming increasingly negligible, due in part to the progressive digitalization of our business processes. In 2016 our activities were responsible for CO_2 emissions of 1,703 t (2015: 1,374 t of CO_2). Travel by car is clearly the primary cause of CO_2 emissions. We aim to reduce these emissions by using video conferencing more frequently, and by including sustainable means of transport in our vehicle fleet. We now have 32 electric or hybrid cars.

The number of air trips is also point for attention (114 t CO_2 versus 88 t CO_2 in 2015).

Organizational chart of Allianz Nederland Groep N.V.



Key figures

(€ mln)	2016	2015	2014 1)	2013 2)	2012
Income					
Gross premiums written					
- Property-Casualty	-	-	319	700	714
- Life	331	252	251	277	276
Total gross premiums written	**331**	**252**	**570**	**977**	**990**
Investment income	93	83	243	141	159
Other income	7	15	17	**29**	**29**
Income	**431**	**350**	**830**	**1,147**	**1,178**
Net premiums written	319	241	524	904	914
Operating result	25	57	85	107	92
Profit before taxes					
Property-Casualty	-	-	25	37	22
Life	22	53	58	65	80
Asset management	4	4	8	7	9
Other profit/loss	-	-	125	3	1
Total result before taxes	**26**	**57**	**216**	**112**	**112**
Total result from continuing operations after taxes	20	43	193	88	83
Return on equity	6%	13%	39%	13%	12%
Investments					
At the risk of the company	603	696	1,467	2,388	2,669
At the risk of the policyholders	2,597	2,662	3,151	3,068	2,976
Total investments	**3,200**	**3,358**	**4,618**	**5,456**	**5,645**
Technical provisions					
Gross	4,245	4,306	4,348	5,366	5,315
Net	4,231	4,290	4,333	5,202	5,151
Shareholders' equity					
Paid-up capital	60	60	60	60	60
Reserves	230	254	267	596	650
	290	**314**	**327**	**656**	**710**
Average number of staff 3) (converted to full-time equivalent)	**878**	**906**	**927**	**1,024**	**1,085**

1 Property-Casulty for period January 1 - April 23 2014.

2 Allsecur transferred to Allianz Benelux SA in October 2013.

3 Thereof 632 FTE's to be allocated to the branch office of Allianz Benelux N.V. in 2016.

Report from group management

Strategy

Renewal agenda
Our strategy is linked to our group wide renewal agenda. The five key levers areas:

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.

Mission
Allianz seeks to empower people to move on and up in their life.

Vision
Our vision is to create the strongest financial community. We deliver on our reliability by sharing our knowledge and skills with our customers so that they can organize their life as they see fit.

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

Heritage and Renewal; with these words Oliver Bäete, CEO of the Allianz Group, introduced not only a new strategic agenda, but also a culture to enable the realization of those goals.

Inclusive Meritocracy (IM) is a combination of inclusiveness and meritocracy. The first, underlining the importance of diversity of minds. Our world, our market, our customers are diverse, therefore we need a broad perspective to address those needs. Creativity starts to flow when people challenge each other's ideas and concepts, leading to 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.

Understanding the meaning of IM and how it is related to all of the elements in the renewal agenda, an interactive Virtual Class has been developed. Our executives are participating in this new way of learning. Taking these 'learning journeys' to our entire population is part of the ambition for 2017.

In a culture where People and Performance matter we take development very seriously. Together we need to ensure that our employees are ready to face the future, whatever that may hold. Allianz Benelux Lifetime Employability (ABLE) is a concept that triggers people to think about their careers, ambition and work-life balance. Naturally both managers and HR are on board to support employees and facilitate specific actions.

Leadership development

Allianz believes that leadership is key in changing the organizational culture. Collaborative Leadership, one of the People Attributes, plays a central role in development initiatives that were launched in 2016. After being implemented in Belgium in 2015, My Lead kicked off in the Netherlands, spring 2016. Every person with a leading role participated in a three (mid) day course. The program focused on sharing experiences and practicing managerial techniques such as giving feedback in a constructive, transparent manner. Providing and receiving honest feedback , being not by coincidence an element of the Inclusive Meritocracy culture. Professional actors created a setting that came close to day-to-day life. Additional to this class room type of learning, mid 2016 'e My Lead' was introduced. Here all our managers could brush off their knowledge, get tips and practice a little more. For next year a follow up on the program is planned.

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 for the first time at Allianz Benelux Level. We had an 86 per cent response rate. The level of engagement was 73 per cent. The Work Well Index had the same score as in 2015: 64 per cent. The Inclusive Meritocracy Index has risen from 66 to 69 per cent.

These high scores are the result of our continuing efforts to understand what is important to our employees. The points for improvement from the AES are addressed in every discussion of how they are doing and how their work is progressing. This has in fact resulted in the roll out of homeworking in the company. This year 75% of our employees started with working from home. The results are positive. During our annual Work Well Week we focused on vitality, employability skills and the prevention of primarily work-related stress. This year also additional vitality workshops, boot camps and health checks were provided as part of the Allianz Benelux Work Well and Vitality program. In September, we once again organized a festive Employee Day as a token of gratitude to our employees. All these initiatives help employees feel welcome and happy in our company. Employee satisfaction almost always leads to 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 about their skills, ambition and opportunities. Allianz Benelux takes his job serious when it comes to empowering people to face the future. We stimulate and invest to make, and keep our employees 'ABLE'. In 2016 we launched workshops on building a personal development plan which were well visited and much appreciated. Naturally this program will continue in 2017.

New ways of learning are explored and offered. From digitalization to agile, virtual classes and 'gamification', all themes that are on the development agenda for the upcoming years. Ensuring the ability of our employees to keep fit for the future.

Wft
To be compliant with the new Wft requirements (as part of the revised Act 'Wet Financieel Toezicht') and as part of the Allianz best people strategy, all Allianz employees with customer contact participated in the Allianz Wft program, offered in cooperation with trusted partner Dukers & Baelemans. In total 690 Allianz customer staff studied for Wft certificates and kept their Wft professional competences up to date. In 2015 and 2016, 486 Wft courses were successfully completed. By the end of 2016, all Allianz advisors and other customer staff of which their position requires Wft knowledge, were certified.

Opportunities for everyone
We believe it is important to promote diversity throughout our organizations from top to bottom. We have a 604:473 ratio of males to females in our company (2015: 602:501).

The right employees
To achieve our renewed strategic goals, behaviors that are crucial to succeed have been defined. With these People Attributes, (Collaborative Leadership, Trust, Entrepreneurship and Customer & Market Excellence) we have a specific profile to search for when hiring new staff. Assessment centers are founded on these behaviors as well as job interviews. The implementation of the People Attributes in all HR processes is a topic that will be further addressed in 2017.

To provide a proper onboarding, each quarter an introduction day is being held. New employees get to know each other and our company. To strengthen our market position, Allianz bought the corporate P&C portfolio of Aegon midst 2016. As a consequence we were happy to onboard 64 former Aegon employees. Due to the outsourcing of some Life activities, we had to let some colleagues go. It goes without saying that this process was carefully executed.

Terms of employment aligned
We commenced a major project within the Benelux to ensure that employees with the same job can be employed at multiple locations. This makes it necessary to align the terms of employment for certain jobs.

January 2015 saw the implementation of the new pension scheme incorporating recent changes to the law and collective agreements. Further changes were implemented in 2016 and the same is expected for 2017. To keep employees well informed of these changes, we have launched a special pension information page on our intranet.

Contributing to society
As a socially relevant company, we enable 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 (NL Doet). As of this year, participating in social responsible activities were introduced as part of teambuilding sessions.

Enactus
Another initiative that was born this year is the collaboration with Enactus. Enactus is a global organization that facilitates students that are interested in social entrepreneurship. Worldwide social startups are kicked off after being matured in the Enactus incubator. Allianz contributes not only via funding but also provides mentors and business advisors to help the students succeed.

Our business performance in 2016

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 (Dutch central bank and AFM), 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.

We are a member of the Dutch Association of Insurers, the Dutch Insurance Exchange Association 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 2016.

Main productlines and distribution

Allianz invested in new distribution models to reach the customer effectively. Allianz started a strategic partnership with Bright Pension to improve the distribution reach to the interesting selfemployed segment. Moreover Allianz and Yarden launched a combined solution for protection and funeral insurance as well as an online tooling in order to increase the awareness of the financial risks consumers face during their lives.

In 2016 growth in our life business was accelerated by our key productlines, Group life, Individual term and Annuities. Our efforts in the life business have not remained unnoticed. Allianz was nominated as the best pension provider in the Netherlands by Adfiz.

New propositions in 2016

Allianz has considerably improved the products for its target segments in the self employed, DGA and SME market. Improved pension propositions, which are more customer – centric and offer additional individual options and improved lifecycle-investments, were launched for the SME and DGA segments.

Moreover a brand new decumulation product was launched for retiring employees to fulfill their needs for a (partly) investment-based and potentially higher, variable pension. Much attention was paid to digitalization for and communication to both the broker and the end-customer. For example by introducing a new sophisticated employee portal in pensions and an online orientation tooling in decumulation

Managing the semi-closed books

Due to maturity and surrenders the Retail Closed Book of Allianz Nederland Levensverzekering is declining each year. Since nearly all internal cost measures have already been taken, management has been searching for further opportunities to counter the increasing costs per policy and to implement a variable cost structure. After identifying and analysing the possible strategies a Business Process Outsourcing Program has been started to meet the objectives.

A major part of the Business Process of Servicing and Claims Operations will be outsourced, service commencement date 1-1-2017, 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.

In scope services are high level transactional activities of the Servicing and Claims departments of Operations Life. After a pre-assessment, a Due Diligence and the Transition phase the Service commentment will take place as from January 1st 2017. The Transition phase involved the Process documentation, Knowledge Transfer and Training to Infosys. A Parallel run, November 2016 – December 2016, was planned to ensure completion of the processes with no impact to Allianz service delivery.

Out of scope services are all mail room activities, Indexation and Front Office operations. All Policy Administration systems and applications in scope will be maintained, shared and decided by Allianz Nederland Levensverzekering for the execution of the processes.

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.

A Risk Assessment for the Program has been made in the Due Diligence phase, April 2016 – May 2016, and risk description, mitigation measures and owners are defined. In the Transition phase, September 2016 to December 2016, a Risk and Control System for the Business Process Outsourced has been defined and implemented.

Aftercare

Early 2016 we successfully enabled the last few non-accrual unit-linked policies. Furthermore our actions on After Care in 2016 were focused on enabling mortgage and pension bound (3rd pillar) accrual policies and other unit linked policies.

We succeeded to enable 100% of our mortgage and pension bound (3rd pillar) accrual policies and in doing so we've acted in line with the deadlines set by the AFM. In the 'Other' categorie we've enabled 86,2% of our policies. We have up to end of 2017 to push this to 100%, but we aim to finalize before mid 2017. Furthermore we've introduced an annual check to identify new non-accural policies in our portfolio. We've identified a total of 338 clients who have been approached to enable them for their non-accrual unit-linked policy. We expect to achieve a 100% enablement on that group in March 2017.

Asset management

Given the developments in the financial markets, it is difficult for insurers to achieve good investment results. Our asset manager, Allianz Nederland Asset Management (ANAM), continues to pursue a prudent investment policy with a balanced and careful spread of risks and return. ANAM conforms in this respect to the sustainable investment strategy and related ESG policy of Allianz Group.

Mortgages

For several years now, ANAM has been originating mortgage loans with the National Mortgage Guarantee to private individuals via selective distribution. These NMG 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. In 2016, Allianz further increased the portfolio by more than 12% in comparison with 2015 to €997 million. The improving economic conditions, rising price of homes and lower rate of employment have been having a positive effect on the housing market. This has made investing in mortgages less risky, and thus an attractive alternative to other fixed-income securities.

Performance of Allianz's investment funds

ANAM offers customers an investment account where they have a choice of a series of sub-funds from the Allianz Umbrella Fund. In total, ANAM manages eight investment funds with the majority having a good long term track record. Morningstar gives the Allianz Selection Fund, our flagship fund with total assets over 1,5 billion, five stars. Our funds have received four stars on average from Morningstar. Because of the unstable year, the investment results for 2015 in the Allianz Umbrella Funds varied considerably. Fixed-income securities generated a low negative return. US equities performed good in 2016, driven by solid profits and a lower US dollar, while European shares declined. Equity markets were extremely volatile, due to major events during the year, like the BREXIT and the election of Donald Trump as president of the United States. This has lead to a relative underperformance of our regional equity funds.

A general trend is that, given the extremely low interest rate on savings, people have turned to a form of investment or are paying off more of their mortgage. Yet in the year under review we saw no great change in the portfolio; participation in the Allianz Umbrella Funds remained stable. However we did observe higher prepayments on mortgage loans.

Bank saving

Allianz Nederland Asset Management has a banking license and offers bank saving in combination with a selection from its investment funds, whereby the accumulated capital may be used to supplement a pension, as a mortgage repayment or as a nest egg. Worldwide, Allianz places the focus on its core activity of insurance. Allianz will continue to focus on insurance as its core business. Consequently it is the intention to sell the ANAM banking activities (savings and investment accounts). It has an agreement on the sale of these activities. The closing is pending on a regulatory approval by DNB and ECB. ANG will accept a book loss at closing of the sale on these activities as these were sub-scale. ANG will continue the mortgages activities in Allianz Vermogen B.V. and the fund and administration business in Allianz Fund Administration and Management B.V.

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.

Complaints register

Investors can submit any complaints they may have about the Allianz Umbrella Fund to the complaints coordinator of Allianz Nederland Asset Management. The complaints coordinator replies with an answer to complaints within a period of three weeks. Investors who are not satisfied with the answer from the complaints coordinator can direct their claim within a period of six weeks to the board of management of Allianz Nederland Asset Management.

The board of management will reply with an answer within six weeks. We received no complaints in 2016.

Other entities

In 2016 Havelaar had a good business performance. In the retail market it focussed and succeeded to keep the portfolio size stable in a difficult market environment. The SME portfolio declined, mainly due to the still declining portfolio of former MIO Insurances. In 2016 a new strategic plan up to 2020 was developed, focussing on increasing presence in the SME market.

The business line Mortgages was stopped in 2016 and Havelaar sold its credit portfolio.

Helviass continued its growth path even though the plans for Service Providing were put on hold.

Financial results

Income, expenses, result

Total income increased strongly in 2016 to € 431 mln (2015: €350 mn). Total operating result decreased from € 57 mln to € 25 mln, which was mainly caused by incidental items.

In our Life business premium income increased with 31% (2016: € 331 mln / 2015: € 252 mln), biggest part of this increase is related to the successful introduction of immediate annuities on pensions. In comparison with 2015, the profits were lower than in 2016 due to:

- Outflow of the old portfolio leads to lower profits and are not (yet) compensated by the increase of the new products, impact € 7 mln.
- Incidental items in 2015 and 2016 with a total impact of € 25 mln.

Asset management operating result, including the activities held for sale, was lower than in 2015. Firstly due to a lower interest margin as the total savings book has decreased and secondly due to the expenses, which did not decrease in the same pace due to project costs for the sale of the banking activities. The sale of the related bonds matched for savings resulted in realized gains supporting the profit before tax. Solvency of the bank remained very high at 54%.

Financial result for Allianz Nederland Levensverzekering

(€ mln)	2016	2015
Premium income	331	252
Operating result	22	52
Profit before tax	23	53

The Solvency II ratio of Allianz Nederland Levensverzekering amounted to 210% at the end of 2016.

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

(€ mln)	2016	2015
Operating result	3	4
Profit before tax	3	4
Tier 1 Ratio for Allianz Bank	54%	55%

Financial results Other activities

(€ mln)	2016	2015
Income from intermedary activities	6,6	7,0
Income from other activities	-	6,9

Income from other activities 2015 was related to ITEB, which was sold in 2015.

Risk management

Risk profile

Allianz Nederland is exposed to a variety of risks through its 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 Allianz Nederland has chosen to focus primarily on unit-linked business, while embedded guarantees are managed on an ongoing basis through asset-liability matching. As a consequence the vulnerability of the in-force book to the current 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.

Solvency II

The Solvency II regulatory framework finally came into effect on January 1, 2016. Allianz Nederland is well prepared for the new risk based regime. With a Solvency II capital ratio of 210% (as of end 2016), Allianz Nederland Leven has a very strong capitalization. The Own Risk and Solvency Assessment (ORSA) shows that even under a wide range of severe stress scenarios the Solvency II capital ratio will remain well above 100%. Based on these stress scenarios, a management ratio for the solvency capital is derived, which forms the anchor point of the capital management plan. For 2017, the management ratio is determined at 180%.

Internal control framework

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

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

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 overseen by a s eparate 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 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

Since the formation of Allianz Benelux in 2012, Allianz has struck out on a new course, where we have redesigned our strategy, policy and way of doing business. The Benelux markets offer excellent prospects for employing Allianz's financial services to the benefit of customers and advisers. Our strategy is applied on a consistent basis, as can be seen by our results, investments in new systems, rising customer satisfaction and increasing employee engagement. This report relates to the activities of Allianz in the Netherlands by Allianz Nederland Groep N.V. and its subsidiaries.

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 2016. The responsibilities of the Supervisory Board include the following:

1. Approval of the annual report, 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 also passes resolutions on the proposals of the Compensation Committee and the Audit Committee. It also lays down the remuneration policy.

The standing orders also 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 requirements for the necessary knowledge and experience and their annual evaluation for both the Board of Management and the Supervisory Board itself.

Meetings of the Supervisory Board

During the year, 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 2016. There is a standard annual routine where structural topics are addressed. Between the meetings, there is frequent contact between individual members of the Supervisory Board and the Board of Management, senior management and representatives of the Works Council. For instance, 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 generally provided an explanation, 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.

During 2016, nearly all the meetings were attended by all members of the Supervisory Board. Nearly all members of the Board of Management also attended the meetings. Members who did not attend gave their input to the meeting beforehand and authorized another member to exercise their vote at the meeting. All meetings took place at the headquarters of Allianz Nederland Groep N.V. in Rotterdam.

Topics discussed by the Supervisory Board in 2016 included the following:

1. The financial statements for 2015 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 2015
3. Trends in results and movements in solvency and the technical provisions
4. The budget for 2016
5. Risk management and the system of governance and internal control for the Dutch activities
6. The acquisition of a large insurance portfolio by Allianz Benelux and effects for Allianz Nederland Groep
7. The developments in reporting in accordance with Solvency II requirements
8. The Allianz Group renewal agenda
9. The strategy for the life insurance activities in the Netherlands
10. The pricing and underwriting policy for the various markets in relation to the market developments and the main competitors

11. Trends in digitalization and IT and the IT change agenda
12. Migration to new IT systems for both the life and non-life activities
13. Employee engagement and development prospects for employees
14. Changes to the composition of the Supervisory Board

The Supervisory Board also approved 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 Internal Audit, Compliance, Actuarial and Risk. This included discussing the recommendations from these functions and determining the status of prior recommendations. Where necessary, the Supervisory Board ensures 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 its cooperation with the Board of Management and the provision of information from the Board of Management. No separate evaluations were made 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 also 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. This reporting year, the Supervisory Board saw no need to modify its profile. Points for improvement that emerged from the evaluation: more time for meetings of the Supervisory Board, briefer input and the possibility for the Board of Management to give feedback to the Supervisory Board

The Supervisory Board experiences 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. The Supervisory Board appreciates the way in which the Board of Management deals with pressure from society and the market, the reputational cases and external supervision.

Report from the Audit Committee

The Audit Committee advises the Supervisory Board in plenary session 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 Mr Fritz Fröhlich (chairman) and Mrs Gotovats. Thus, the Committee possessed sufficient knowledge and experience to perform its activities.

All meetings were also attended by the CEO, CFO and the aforementioned heads of the risk functions as well as the external auditors. The Audit Committee met twice according to its routine schedule. At each of the two meetings, 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 2015 including the findings of the external auditor and the audit report to the Supervisory Board
2. The developments in reporting in accordance with Solvency II requirements, including a mandatory assessment of Solvency II day 1 reporting
3. The movements in solvency and the technical provisions
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

With effect from 1 January 2016, BDO Audit & Assurance B.V. has become the new auditor of Allianz Nederland Groep N.V. and its subsidiaries. Allianz made its choice after a tender process and decided to rotate auditors even though as from 1 January 2016 public-interest organizations are no longer required by law to rotate auditors.

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

The Compensation Committee met three times in 2016 according to its routine schedule. This was always in the presence of the CEO. Routine members of the meeting were also the directors of HR for Benelux and the Netherlands and the head of the Legal and Compliance 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. Structure of the remuneration of the Board of Management and the Supervisory Board
3. Remuneration report for reporting year 2015
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 the 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. A detailed remuneration report can be found on the website www.allianz.nl. In 2016, a review was commenced to determine whether the remuneration of the Supervisory Board and underlying Audit and Compensation Committees are at arm's length. The remuneration of the members of the Board of Management remained the same in 2016.

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 Dien De Boer-Kruyt, member of the Supervisory Board, recommended on behalf of the Works Council. She stepped down from the Supervisory Board with effect from 24 May 2016.
3. Mr Fritz Fröhlich, member of the Supervisory Board and chairman of the Audit Committee.
4. Mrs Sirma Gentcheva Gotovats, member of the Supervisory Board, member of the Compensation Committee, member of the Audit Committee and recommended on behalf of the shareholder. She was appointed to the Supervisory Board with effect from 1 January 2016.
5. Mrs Jacqueline Monique Bodde, member of the Supervisory Board and recommended on behalf of the Works Council. She was appointed to the Supervisory Board with effect from 1 August 2016.

Mrs Gotovats 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 completely independent. Owing to the number of members of the Supervisory Board, Allianz satisfied the

Retirement rotap

Name of member of the Supervisory Board	Function within the Supervisory Board	Date of current appointment	End date of current appointment
R.J.W. Walvis	Chairman of the Supervisory Board Chairman of the Compensation Committee	19-11-2011	First meeting of the shareholders after 19-11-2015*
G.J. de Boer-Kruyt	Member of the Supervisory Board	19-11-2011	Stepped down with effect from 24-5-2016
F.W. Fröhlich	Member of the Supervisory Board Chairman of the Audit Committee	19-11-2011	First meeting of the shareholders after 19-11-2015*
S.G. Gotovats	Member of the Supervisory Board Member of the Compensation Committee Member of the Audit Committee	1-1-2016	First meeting of the shareholders after 1-1-2020
J.M. Bodde	Member of the Supervisory Board	1-8-2016	First meeting of the shareholders after 1-8-2020

* 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 Supervisory Director at a time.

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'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.

Allianz also aims for female diversity. Now that Mrs Gotovats and Mrs Bodde have joined the Supervisory Board in 2016, half of the Supervisory Board is composed of women.

Lifelong learning

The chairman ensures that a lifelong learning programme is established. The aim of the programme 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 programme, which is reviewed annually. One meeting was held in the reporting year. The topics of the programme 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 sitting on 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 managers and staff for all their hard work and encourages them to carry on.

R.J.W. Walvis
Chairman of the Supervisory Board
Rotterdam, June 30, 2017

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 2016.

Under the Articles of Association and the Financial Supervision Act, the Board of Management must be made up of at least two people. The Board of Management remained unchanged in 2016.

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
6. Mr Wilfried Neven, member, Technical P&C

The appointment of all members of the Board of Management was made with the consent of the Dutch central bank. This shows that the Dutch central bank also 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 programme for the Supervisory Board. We refer to the information on this session provided in the section on 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. The 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 various 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.

Growing importance was placed on risk management in the reporting year. There is now greater awareness of risk management and compliance. New risk governance has also been established for the holding company and the subsidiaries on the basis of risk analyses. 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. But this has become so time-consuming that a re-evaluation is in order. Moreover, it can be difficult to take responsive action when in-formation often is not made available in a timely manner. 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 and the analysis and control of integrity risks and preparations for Solvency II, UCITS V, new pension regulation, MiFID II and PRIIPS, Common Reporting Standards and data protection regulations.

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

Audit

The organization of Internal Audit meets the standards of the Code of Conduct for Insurers. 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 analysed and improved as concerns governance and staffing and is now better able to fulfil the role expected by all stakeholders. Further improvements will be made in 2017. The main developments in compliance relate to the introduction of new policies with regard to anti-corruption, economic sanctions, data privacy and anti-money laundering. For each of these topics, impact and risk analyses have been made in accordance with the compliance cycle and implementation of the identified measures is ongoing. A number of reports have been received under the speak-up scheme, which have been handled by the Integrity Committee. Compliance also reports directly to the Supervisory Board and the Audit Committee.

Remuneration policy

Allianz has its own remuneration policy. In 2016, the remuneration policy of Allianz Nederland Groep was further updated as part of its progressive revision to keep pace with new and changing legislation and regulations. Allianz Nederland is thus in compliance with the requirements for a sound remuneration policy in accordance with the Financial Supervision Act, the Act on Remuneration Policies of Financial Undertakings and the Code of Conduct for Banks. The policy has been effectively implemented for some years now and continues to be revised to keep pace with new and changing legislation and regulations. Detailed information about the remuneration policy can be found on the governance page of the website www.allianz.nl.

Suitability and reliability assessment

In 2015, the suitability and reliability assessment was extended to the managers of the risk functions, the second echelon. All function holders involved passed the internal and external assessments.

Oath or promise

In 2015, the oath or promise for the financial sector was further extended to 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. As at 1 January 2016, 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 in the Netherlands 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. SpeakUp! 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 centre; this takes place completely outside Allianz's IT systems. Allianz is allowed to ask follow-up and verification questions, also after an investigation has been launched. 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. As part of the new scheme, an Integrity Committee has been formed (Heads of Compliance, Legal, Fraud, Risk, Audit, Communications, HRM) that follows up on and monitors all reports. In 2016, no reports were filed via SpeakUp!

Compliance

Solvency II

As at 1 January 2016, Solvency II has taken force for European insurance companies. A more in-depth explanation of how Allianz Nederland Groep has implemented this directive is given on page 13.

FATCA

Allianz Nederland Groep complies with the US Foreign Account Tax Compliance Act (FATCA). We report to the Dutch tax authorities on the assets of customers who are US nationals. The tax authorities pass this information to the US Internal Revenue Service.

In 2016 the reporting obligation was extended to all foreign customers. This is the result of the covenant among OESO countries with a view to preventing tax evasion. They have established the Common Reporting Standards to this end.

UCITS V

As at March 2016, the Allianz Umbrella Fund satisfies the requirements of UCITS V (undertakings for the collective investment in transferable securities).

MiFID II

As from 3 January 2018, Allianz Nederland Asset Management must comply with the revised Markets in Financial Instruments Directive (MiFID) and the new Markets in Financial Instruments Regulation (MiFIR), together known as MiFID II. Although MIFID II has been postponed, we continue working to be in a position to satisfy the new requirements. A number of objectives of the new MiFID rules:

- Better protection for retail investors and greater transparency in the financial markets.
- Trading of standardized OTC derivatives via an electronic platform including central clearing and reporting obligations (EMIR).
- Increased know-your-customer requirements.
- Implementation of additional rules on the requirement to make and keep records in relation to services rendered and transactions carried out.

CRD IV

During the year under review, CRD IV Capital Requirements Directive (was) an important item on ANAM's agenda. The low risk profile and conservative position taken by the bank are in line with the developments in the legislation and regulations for banks. With its high solvency ratio, ANAM more than satisfies the requirements under CRD IV. Because of this high ratio in combination with highly liquid investments, hardly any changes had to be made to policy. The internal risk control framework was strengthened, however.

Data Privacy

As at 1 January 2016, a law has taken force under which financial institutions are required to report data misuse directly to the Data Protection Authority. This Authority also evaluates whether we have taken sufficient steps to solve the problem and prevent it in the future. Examples are the loss of a USB stick with customer data or successful attempts to commit cybercrime. If we are unable to furnish sufficient proof of steps taken to make improvements or get the situation under control, we risk large fines. In 2016, five cases have been reported to the Data Protection Authority. No fines have been imposed. These can amount to 10 per cent of the worldwide annual revenue with a maximum of €100 million in 2017. In 2016 the fines are lower but still considerable. We have been discussing with other insurers how we can work together as a sector to tackle and prevent cybercrime. In 2016, a project has been started on a Benelux level to implement new European legislation that will come into force in 2018, with the help of Group Compliance of Allianz SE.

Missing persons protocol

In our sector a protocol for missing persons is in place. There are only several cases this year, with a big impact on family and friends. We see it as our duty to society that insurance matters are properly handled for the family of the missing person.

Outlook

Economy
The economy is putting the crisis years behind. The forecasts for the Dutch economy are positive. The CPB (Netherlands Bureau for Economic Policy Analysis) projects 1.7 per cent growth for 2017 and unemployment is expected to further decline.

Allianz
In 2016 we have seen that our efforts to outpace market average growth has been successful. Due to our pooled strength within Allianz Benelux we were also able to deliver on our cost targets and at the same time further invest in our digital ambitions. We remain consistent in our ambition to autonomously grow faster than the market average in our target segments. Listening very carefully to the feedback of our clients and key stakeholders is key to achieve this as we have experienced over the last year. We will continue to do so.

For our semi-closed life insurance books keeping costs under control remains essential for its continuity. Recovery advise for unit-linked insurances will remain important and we will continue our discussions with the major stakeholders in the transparency discussion on our semi-closed book.

Profiting from economies of scale
After the first year of Solvency II in the European insurance market, we have seen the importance of scale and financial strength. With our Benelux structure, we are able to make the necessary investments to keep fit for the future. We see this as a major competitive advantage.

Commercial market
Self-employed persons will keep on being the strongest growing part of the business community in the Netherlands. Together with the SME market these entrepreneurs will remain in the heart of our business focus.

Our investment policy
Our expectation that the financial market will remain volatile is pertinent to our investment activities. The interest rates on government bonds are artificially low due to the purchase program of the European Central Bank. Expectations are that interest rates will remain low in Europe and will gradually increase, as inflation is increasing in various European countries.

The global economy is back on track and the demand for raw materials has reverted including the price of products. We are moderately positive about equities, even though higher volatility cannot be ruled out. For bonds, the prospects are clouded given the low level of interest rates and inflation expectations. ANAM will therefore continue to pursue a prudent investment policy, maintaining careful diversification across the various investment categories on the basis of the specified risk profile.

Optimizing growth and performance
We will continue to invest in educational programs to further equip our employees in knowledge and service orientation. With our strong and knowledgeable team we are fit for the challenges ahead and look forward to renewed business success in 2017.

Rotterdam, June 30, 2017

Management board	**Supervisory board**
S.L. Laarberg (chairman)	R.J.W. Walvis (chairman)
C.M.A. Coste-Lepoutre	J.M. Bodde
K.L. Van den Eynde	G.J. de Boer-Kruyt
W. Neven	F.W. Fröhlich
C.J.A.M. Schneijdenberg	S.G. Gotovats
J. Weber	

Financial Statements 2016 Allianz Nederland Groep

Consolidated balance sheet

ASSETS	Note	2016 € 1,000	2015 € 1,000
Cash and cash equivalents	3	11,107	21,793
Financial assets carried at fair value through income	4	501,874	536,821
Investments: available for sale	5	602,533	599,764
Loans and advances to banks and customers	6	1,605,785	1,626,175
Financial assets for unit-linked contracts	7	2,597,025	2,662,062
Amounts ceded to reinsurers from insurance provisions	13	13,772	14,839
Deferred acquisition costs	8	1,225	2,592
Other assets	9	175,733	139,084
Assets of disposal groups classified as held for sale	39	139,921	140,221
Intangible assets	10	4,457	6,013
Total assets		5,653,432	5,749,364

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	2016 € 1,000	2015 € 1,000
Financial liabilities carried at fair value through income	11	494,021	529,025
Liabilities to financial institutions	12	2,119	4,768
Financial liabilities for unit-linked contracts	7	2,597,025	2,662,062
Insurance provisions	13	1,647,566	1,643,451
Deferred tax liabilities	31	27,780	40,584
Other provisions	14	26,254	15,254
Other liabilities	15	439,149	410,182
Liabilities of disposal groups classified as held for sale	39	129,921	130,221
Total liabilities		5,363,835	5,435,547
Shareholders' equity	16	289,597	313,807
Total equity and liabilities		5,653,432	5,749,364

Before appropriation of result.

Consolidated income statement

	Note	2016 € 1,000	2015 [2] € 1,000
Premiums written		330,846	252,281
Ceded premiums written		(11,817)	(11,696)
Premiums earned (net)	17	319,029	240,585
Interest, dividend and similar income	18	91,903	103,648
Other income from investments	19	1,260	5,093
Movement in financial assets and liabilities carried at fair value through income (net)	26	626	1,932
Investment result for risk of policyholders	20	66,999	167,166
Fee and commission income	21	32,664	36,673
Other income	22	6,561	14,636
Total income		519,042	569,733
Claims and insurance benefits incurred (gross)		(475,262)	(498,992)
Claims and insurance benefits incurred (ceded)		5,082	7,114
Insurance benefits (net)	23	(470,180)	(491,878)
Change technical provisions	24	59,855	55,993
Interest and similar expenses	25	(11,805)	(12,284)
Impairments of investments	5	(13)	(1,212)
Acquisition costs and administrative expenses	27	(59,330)	(39,822)
Fee and commission expenses	28	(3,545)	(6,232)
Reorganization charges	29	-	(475)
Other expenses	30	(8,122)	(16,797)
Total expenses		(493,140)	(512,707)
Income before taxes		25,902	57,026
Taxes	31	(6,297)	(14,447)
Net income from continuing operations		19,605	42,579
Net income (loss) from discontinued operations, net of income taxes	39	(716)	-
Net income [1]		18,889	42,579

1. There is no minority interest to which the result of period under review can be ascribed.
2. Figures have been adjusted for comparison reasons, further information is given in Note 40.

Statement of profit or loss and other comprehensive income

	2016 € 1,000	2015 € 1,000
Net income	18,889	42,579
Other comprehensive income		
Items that may be reclassified to profit or loss in future periods		
Changes in the fair value of available for sale investments	2,183	(21,885)
Income tax relating to the revaluation of available for sale investments	(546)	5,471
Total items that may be reclassified to profit or loss in future periods	**1,637**	**(16,414)**
Items that may never be reclassified to profit or loss		
Changes in actuarial gains and losses on defined benefit plans	(2,061)	23,847
Income tax relating to the actuarial gains and losses	515	(5,962)
Total items that may never be reclassified to profit or loss	**(1,546)**	**17,885**
Total other comprehensive income, net of tax	**91**	**1,471**
Total comprehensive income	**18,980**	**44,050**

Figures have been adjusted for comparison reasons

Consolidated statement of changes in shareholders' 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 31/12/2014	**59,813**	**76,667**	**(78,173)**	**75,238**	**193,157**	**326,702**
Net income	-	-	-	-	42,579	42,579
Other comprehensive income	-	-	17,885	(16,414)	-	1,471
Transfer profit previous years to reserves	-	-	193,157	-	(193,157)	-
Shareholders' dividend 2014	-	-	(46,200)	-	-	(46,200)
Balance as of 31/12/2015	**59,813**	**76,667**	**86,669**	**58,824**	**42,579**	**324,552**
Change in accounting rules	-	-	(10,735)	-	-	(10,735)
Balance as of 31/12/2015 revised	**59,813**	**76,667**	**75,934**	**58,824**	**42,579**	**313,817**
Net income	-	-	-	-	18,889	18,889
Other comprehensive income	-	-	(1,546)	1,637	-	91
Transfer profit previous years to reserves	-	-	42,579	-	(42,579)	-
Shareholders' dividend 2015	-	-	(43,200)	-	-	(43,200)
Balance as of 31/12/2016	**59,813**	**76,667**	**73,767**	**60,461**	**18,889**	**289,597**

The change in accounting rules is related to the technical provisions. This change has been implemented to comply with the amended provisions in the Richlijnen voor de Jaarverslaggeving. Further explanation is given in Note 13 Technical provisions.

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

Consolidated cash flow statement

	2016 € 1,000	2015 € 1,000
Operating activities		
Net income	18,889	42,579
Change in aggregate policy provision	5,182	(46,068)
Change in deferred acquisition costs	1,367	3,573
Change in accounts receivable/payable on reinsurance business	4,099	(4,969)
Change in trading securities [1)]	(57)	636
Change in liabilities to banks and customers	(2,649)	3,532
Change in other receivables and liabilities	67,757	(24,067)
Change in deferred tax assets/liabilities [2)]	(6,322)	8,370
Non-cash investment income/expenses	308	743
Other non-cash income/expenses	10,715	14,354
Other	473	78
Net cash flow provided by operating activities	**99,762**	**(1,239)**
Investing activities		
Proceeds from sale of available for sale investments	(311,667)	(116,441)
Payments for the purchase of available for sale investments	224,029	153,313
Change in loans and advances to banks	20,390	5,939
Net cash flow provided by investing activities	**(67,248)**	**42,811**
Financing activities		
Change in investments held on account and at risk of life insurance policyholders	65,037	9,924
Change in insurance provision for life insurance where investment risk is carried by policyholders	(65,037)	(9,924)
Dividend payouts	(43,200)	(46,200)
Net cash flow provided by financing activities	**(43,200)**	**(46,200)**
Change in cash and cash equivalents	(10,686)	(4,628)
Cash and cash equivalents at beginning of period	21,793	26,421
Cash and cash equivalents at end of period	**11,107**	**21,793**

1. Including trading liabilities.
2. Without change in deferred tax assets/liabilities from unrealized investment gains and losses
   Figures have been adjusted for comparison reasons

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 (€).

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% 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 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.

Subsidiaries

Subsidiaries are those entities controlled by Allianz Nederland Groep. Control exists when Allianz Nederland Groep has the power, directly or indirectly, to govern the financial and operating policies of an 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. The nature of the entities operations and its principal activities are Life insurance, Asset management and Intermediary activities.

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 ore 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 financial statements have been prepared as at 31 December 2016. The policy systems were closed on 16 December 2016. This impacts in the Balance sheet the positions Investments for policyholders' risk and Technical provisions for insurance contracts for risk of policyholders. In the Profit and loss account the positions Unrealized profit on investments and Changes in technical provisions are impacted. The impact of this on assets and results is not material. As a result, this also has no effect 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, balances with central banks, cheques and cash on hand, treasury bills (to the extent that they are not included in trading assets), and bills of exchange which are eligible for refinancing at central banks, subject to a maximum term of six months from the date of acquisition. Cash funds are stated at their face value, with holdings in foreign notes and coins 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

Investments include securities held-to-maturity and securities available-for-sale. Securities held-to-maturity are comprised of fixed income securities of which Allianz Nederland Groep has the positive intent and ability to hold to maturity. These securities are carried at amortized cost and the related premium or discount is amortized using the effective interest rate method over the life of the security. Amortization of premium or discount is included in interest income. Securities available-for-sale are securities that are not classified as held-to-maturity or financial assets carried at fair value through income. 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 equity 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

Investments lent under securities lending arrangements continue to be recognized in the Balance Sheet and are measured in accordance with the accounting policy for assets 'At fair value through income statement' or 'Available-for-sale' as appropriate. Received cash collateral is recognized under 'Liabilities to financial institutions'. The reinvested cash collateral is recognized under 'Loans and advances to banks'. Income and expenses arising from the securities borrowing and lending business are recognized on an accrual basis over the period of the transactions and are included in interest income or expense. Loans and receivables with fixed maturities, including mortgage loans, are recognised on the balance sheet when cash is advanced to borrowers. Measurement of these loans and receivables is based on amortised 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. 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. In the case of property-casualty insurance contracts, the amortization period is calculated for each insurance portfolio, based on the average term of the relevant policies. 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.

Change in system of accounting rules

The provision for minimum guarantees under the technical provision is recognized at fair value from January 1, 2016. This provision is now calculated on the basis of the present value of all future benefits. In the past, this provision for minimum guarantees was annually raised with the promised guarantee rate. This change has been implemented to comply with the amended provisions in the Richtlijnen voor de Jaarverslaggeving. The change in accounting rules caused per January 1 an increase in technical provision with € 14,314. After deduction of corporate tax, this resulted in a decrease in equity of € 10,735.

Supplementary information on equity and liabilities

Liabilities to financial institutions and customers

Interest-bearing liabilities are accounted for at amortised 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 liability 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 identifieds 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). The principal assumptions used are included in Note 17.

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 transparancy 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 amortised 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 utilised. 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 held-to-maturity). 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 share based remuneration plans are cash settled plans. Allianz Nederland accrues the fair value of the award as compensation expense over the vesting period. In Note 36 further information on the equity remunerations plans is provided.

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 recognised 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 consolidated financial statements as of 1 January 2016:

- IAS 1, Disclosure initiative,
- IAS 16 & IAS 38, Clarification of Acceptable Methods of Depreciation and Amortization,
- Amendments to IAS 19, Defined Benefit Plans: Employee Contributions,
- Annual Improvements to IFRSs 2010 – 2012 Cycle,
- Annual Improvements to IFRSs 2012 – 2014 Cycle.

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

Recently issued accounting pronouncements

IFRS 9, Financial Instruments

IFRS 9, Financial Instruments, was issued by the IASB in July 2014 and will replace IAS 39 with a new standard. IFRS 9 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 impairment model for debt instruments and provides new rules for hedge accounting. The effective date is 1 January 2018.

In 2016, the IASB issued an amendment to IFRS 4 which permits insurers to apply IAS 39, rather than IFRS 9, for annual periods beginning before 1 January 2021, provided certain preconditions are met. These preconditions, relating to insurance being the dominant activity of a reporting entity, are not yet fulfilled by Allianz Nederland. 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 profit and loss as well as from the new impairment model. In this context, interdependencies with the not-yet-issued IFRS 17 have to be considered to come to a final conclusion on the combined impact of both standards.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue-related interpretations. With the introduction of IFRS 15, the IASB pursued the objective of developing a single revenue standard containing comprehensive principles for recognizing revenue. The effective date is 1 January 2018. Allianz Nederland has completed an initial assessment of the potential impact of the adoption of IFRS 15 on its consolidated financial statements and does not expect that there will be a significant impact.

IFRS 16, Leases

In January 2016, the IASB issued IFRS 16, Leases, which supersedes IAS 17. IFRS 16 eliminates the classification of leases as either operating or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases under IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases and leases of low-value assets.

Allianz Nederland currently plans to apply IFRS 16 initially on 1 January 2019. Allianz Nederland has not yet determined which transition approach to apply and has not yet quantified the impact on its reported assets and liabilities of adoption of IFRS 16.

Further amendments and interpretations

In addition to the above-mentioned accounting pronouncements recently issued, the following amendments and revisions to standards and interpretations have been issued by the IASB but are not yet effective for or adopted early.

Standard/Interpretation	Effective date
IFRS 2, Classification and Measurement of Share-based Payment Transactions	Annual periods beginning on or after 1 January 2018
IFRS 15, Clarification to IFRS 15	Annual periods beginning on or after 1 January 2018
IAS 7, Disclosure Initiative	Annual periods beginning on or after 1 January 2017
IAS 12, Recognition of Deferred Tax Assets for Unrealised Losses	Annual periods beginning on or after 1 January 2017
IAS 40, Transfers of Investment Property	Annual periods beginning on or after 1 January 2018
IFRIC 22, Foreign Currency Transactions and Advance Consideration	Annual periods beginning on or after 1 January 2018
Annual Improvements to IFRSs 2014 – 2016	Annual periods beginning on or after 1 January 2017/2018

The amendments and interpretations are not expected to have a material impact on the financial position and financial results of Allianz Nederland. Early adoption is generally allowed but not intended by Allianz Nederland.

Supplementary Information to the Consolidated Balance Sheet - assets

3 Cash and cash equivalents

	2016 € 1,000	2015 € 1,000
Balances with banks payable on demand	11,107	21,793
Total	**11,107**	**21,793**

The effective interest rate on deposits/call money at the statement of financial position date is 0,07% (2015: 0,309%).

4 Financial assets carried at fair value through income

The financial assets in investment funds are held on account for and at risk of third party investors.

Group entities keep these investments separate from other investments and invest them separately, in accordance with the requests of third party investors. The financial assets in investment funds are directly linked to the financial liabilities in investment funds reported in Note 11

	2016 € 1,000	2015 € 1,000
Financial assets in investment funds	492,829	528,032
Fund units held for own account	7,282	7,073
Financial assets held for trading	1,763	1,716
Total	**501,874**	**536,821**

Financial assets held for trading

	Derivatives	Other trading	Total
	€ 1,000	€ 1,000	€ 1,000
Value stated as of 12/31/2014	**186**	**1,870**	**2,056**
Purchases	-	360	360
Sales	-	(912)	(912)
Revaluation	(186)	398	212
Value stated as of 12/31/2015	**-**	**1,716**	**1,716**
Purchases	-	356	356
Sales	-	(331)	(331)
Revaluation	-	22	22
Value stated as of 12/31/2016	**-**	**1,763**	**1,763**

5 Investments

Securities available-for-sale

	Equity securities	Investment Funds	Government bonds	Corporate bonds	Government loans	Corporate loans	Total
	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000
Value stated as of 12/31/2014	**-**	**9,624**	**519,531**	**151,067**	**22,418**	**59,157**	**761,797**
Purchases	-	4,859	62,158	26,515	22,909	-	116,441
Sales/redemptions		(1,612)	(90,760)	(20,390)	(18,791)	(21,760)	(153,313)
Reclassification held for sale[1]	-	-	(58,365)	(37,890)	-	-	(96,255)
Reclassification	-	(6,376)	-	-	-	-	(6,376)
Impairment	-	(1,212)	-	-	-	-	(1,212)
Amortization	-	-	(1,070)	(114)	895	758	469
Revaluation	-	(1,292)	(14,612)	(3,722)	(97)	(2,064)	(21,787)
Value stated as of 12/31/2015	**-**	**3,991**	**416,882**	**115,466**	**27,334**	**36,091**	**599,764**
Purchases	321	500	92,256	122,335	-	-	215,412
Sales/redemptions	(71)	6	(102,378)	(67,779)	(23,803)	(30,004)	(224,029)
Reclassification held for sale[1]	-	-	7,591	1,066	-	-	8,657
Impairment	-	(13)	-	-	-	-	(13)
Amortization	-	-	(1,148)	853	-	-	(295)
Revaluation	-	131	4,242	8,282	(3,531)	(6,087)	3,037
Value stated as of 12/31/2016	**250**	**4,615**	**417,445**	**180,223**	**-**	**-**	**602,533**

1) This reclassification concerns investments held for sale by Allianz Nederland Asset Management, which are reclassified to held for sale assets (Note 39).

Investment funds categories

	2016 € 1,000	2015 € 1,000
Equity securities	305	1,516
Bonds	4,310	2,475
Total	**4,615**	**3,991**

	(Amortized) cost		Unrealized gains		Unrealized losses		Market values	
	2016 € 1,000	2015 € 1,000	2016 € 1,000	2015 € 1,000	2016 € 1,000	2015 € 1,000	2016 € 1,000	2015 € 1,000
Equity securities	250	-	-	-	-	-	250	-
Investment funds	4,370	3,877	245	139	-	(25)	4,615	3,991
Government bonds	358,226	361,906	60,368	57,895	(1,149)	(2,919)	417,445	416,882
Corporate bonds	161,194	104,718	19,396	10,748	(367)	-	180,223	115,466
Government loans	-	23,803	-	3,531	-	-	-	27,334
Corporate loans	-	30,004	-	6,087	-	-	-	36,091
Total	**524,040**	**524,308**	**80,009**	**78,400**	**(1,516)**	**(2,944)**	**602,533**	**599,764**

	Proceeds from sales		Realized gains		Realized losses	
	2016 € 1,000	2015 € 1,000	2016 € 1,000	2015 € 1,000	2016 € 1,000	2015 € 1,000
Equity securities	(63)	-	-	-	(8)	-
Investment funds	6	(3,266)	-	1,654	-	-
Government bonds	(101,234)	(94,219)	1,154	3,730	(9)	(368)
Corporate bonds	(67,655)	(20,462)	123	74	-	(2)
Government loans	(23,803)	(18,791)	-	-	-	-
Corporate loans	(30,004)	(21,765)	-	5	-	-
Total	**(222,753)**	**(158,503)**	**1,277**	**5,463**	**(17)**	**(370)**

Contractual maturities

The amortized cost and estimated fair value of securities available for sale with fixed maturities as of December 31, 2016 by contractual maturity are as follows:

	Securities available-for-sale			
	Amortized cost		Market values	
	2016 € 1,000	2015 € 1,000	2016 € 1,000	2015 € 1,000
Contractual term to maturity:				
- due in year or less	12,966	40,701	13,184	41,215
- due after 1 year and in less than 5 years	196,308	165,940	218,676	184,704
- due after 5 years and in less than 10 years	168,902	217,151	199,442	253,725
- due after 10 years	141,244	96,639	166,366	116,129
Total	**519,420**	**520,431**	**597,668**	**595,773**

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. Investments that are not due at a single maturity buckets, but are shown within their final contractual maturity dates.

6 Loans and advances to banks and customers

	2016 € 1,000	2015 € 1,000
Loans to private customers secured by mortgages	569,555	515,138
Loans to banks	292,576	297,156
Loans to banks secured	738,654	808,881
Loans to Allianz SE	5,000	5,000
Total	1,605,785	1,626,175

7 Financial assets for unit-linked contracts

	2016 € 1,000	2015 € 1,000
Financial assets for unit-linked contracts	2,597,025	2,662,062
Total	2,597,025	2,662,062

This are investments held for risk and account of policyholders.

8 Deferred acquisition costs

	2016 € 1,000	2015 € 1,000
Value stated as of 1/1	2,592	6,165
Additions	12	96
Amortization	(1,379)	(3,669)
Value stated as of 12/31	1,225	2,592

9 Other assets

	2016 € 1,000	2015 € 1,000
Equipment and inventories	293	323
Accounts receivable on insurance business	14,664	16,287
Other receivables	160,776	122,474
Total	175,733	139,084

Equipment and inventories

Development of the tangible fixed assets:

	2016 € 1,000	2015 € 1,000
Purchase price as of end of year	20,340	20,192
Depreciation as of end of year	(20,047)	(19,869)
Value stated as of 12/31	293	323
Value stated as of 1/1	323	464
Additions	148	117
Disposals	-	(15)
Depreciation	(178)	(243)
Value stated as of 12/31	293	323

Accounts receivable on insurance business

Specification of receivables from insurance:

	2016 € 1,000	2015 € 1,000
Policyholders	1,643	3,416
Intermediaries	2,355	3,959
Reinsurers	11,575	9,890
Allowance for doubtful accounts	(909)	(978)
Value stated as of 12/31	14,664	16,287

Development of the provision allowance for doubtful accounts:

	2016 € 1,000	2015 € 1,000
Value stated as of 1/1	(978)	(2,310)
Additions	(347)	(363)
Release	416	1,695
Value stated as of 12/31	(909)	(978)

Other receivables

Specification of other receivables:

	2016 € 1,000	2015 € 1,000
Interest and rental receivables	15,863	15,911
Receivables related to investments	2,462	2,784
Net asset position defined benefit plans	44,530	43,947
Receivables from group companies	58,741	35,357
Receivables on Loans to private customers	15,716	9,587
Prepaid expenses	2,200	3,924
Depot leaseplan	2,899	3,649
Other	18,365	7,315
Value stated as of 12/31	**160,776**	**122,474**

The net assets position from defined benefit plans is further explained in Note 14.

The amount receivables from group companies includes 44,586 (2015: 23,177) related to cashpool Allianz SE.

10 Intangible assets

Development of the intangible assets:

	2016 € 1,000	2015 € 1,000
Value stated as of 1/1	6,013	7,868
Disposals	(473)	-
Impairment	(60)	(800)
Amortization	(1,023)	(1,055)
Value stated as of 12/31	**4,457**	**6,013**

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 Liabilities carried at fair value through income

	2016 € 1,000	2015 € 1,000
Financial liabilities in investment funds	492,829	528,032
Participation third party in investment funds	1,192	993
Total	**494,021**	**529,025**

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

	2016 € 1,000	2015 € 1,000
Liabilities to banks	2,119	4,768
Total	**2,119**	**4,768**

13 Insurance provisions

Movement table for long duration life insurance contracts

	2016			2015		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000
Balance as of 1/1	1,643,451	(14,839)	1,628,612	1,675,692	(15,326)	1,660,366
Benefits paid	(166,708)	1,539	(165,169)	(153,998)	1,824	(152,174)
Premiums received	172,223	(3,653)	168,570	96,617	(3,972)	92,645
Technical interest	40,048	(549)	39,499	44,319	(577)	43,742
Technical result	(41,448)	3,730	(35,718)	(33,493)	3,212	(30,281)
Change accounting rules	-	-	-	14,314	-	14,314
Balance as of 12/31	**1,647,566**	**(13,772)**	**1,621,480**	**1,643,451**	**(14,839)**	**1,628,612**

The change in accounting rules is related to the technical provision for minimum guarantees. This provision is now calculated on the basis of the present value of all future benefits. Until 2015 this provision for minimum guarantees was annually raised with the promised guarantee rate. This change has been implemented to comply with the amended provisions in the Richlijnen voor de Jaarverslaggeving.

14 Other provisions

	2016 € 1,000	2015 € 1,000
Provisions for post-employment benefits	2,684	2,636
Provision restructuring plans	407	3,607
Miscellaneous accrued liabilities	23,163	9,011
Total	**26,254**	**15,254**

Allianz Nederland has two defined pension plans and two long-term service plans. The pension plans are financed through two pension funds. Contributions fixed in advance, based on salary, are paid to these institutions. The beneficiary's right to benefits exists against these pension funds. The pension funds involved are Stichting Pensioenfonds Allianz Nederland and Stichting Pensioenfonds Buizerdlaan.

The board of each pension fund is composed of 4 representatives from employer, 3 representatives from employees of each fund and one representative from retirees of each fund. 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:

	2016 € 1,000	2015 € 1,000
Present value of defined benefit obligation	(576,834)	(525,711)
Pension fund assets	618,680	567,022
Funded status	**41,846**	**41,311**
Liability recognized in Note 14 Other provisions	(2,684)	(2,636)
Asset recognized in Note 9 Other receivables	44,530	43,947
Net position arising from defined benefit obligation	**41,846**	**41,311**

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

	2016 € 1,000	2015 € 1,000
Value stated as of 12/31 prior year	**(525,711)**	**(534,305)**
Current service cost	(13,708)	(13,528)
Interest cost	(11,689)	(10,493)
Benefits paid	12,762	12,358
Past service cost - curtailments	-	3,473
Actuarial gain/ (loss) - due to change in demographic assumptions	(1,410)	-
Actuarial gain/ (loss) - due to change in discount rate	(49,890)	26,927
Actuarial gain/ (loss) - due to change pension increase assumptions	1,673	(6,411)
Actuarial gain/ (loss) - due to unexpected experience	11,139	(3,732)
Value stated as of 12/31	**(576,834)**	**(525,711)**

The actuarial loss from change in demographic assumptions is caused by the change of the mortality table from Prognosetafel AG 2014 to Prognosetafel AG 2016 (mortality experience rates included).

The decrease in the discount rate from 2.25% to 1,80% resulted in a loss of € 49.8 mn

The actuarial gain from change in pension increase assumptions is caused by an increase of the expected inflation rate from 1.25% to 1.50% and a decrease of the expected individual salary increase rate from 1.50% to 1.25%

The actuarial gain due to unexpected experience is mainly caused by lower than expected salary increases in 2016 and a salary cap of 100,000 that was assumed in previous valuation to increase every year in line with price inflation.

As of December 31, 2016 the total post-retirement health benefits obligation amounted to €2.7 mn (2015: € 2.6 mn). The increase is caused by the decrease of the discount rate from 2.25% at the start of 2016 to 1.80% at the end of 2016.

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

	2016 € 1,000	2015 € 1,000
Value stated as of 12/31 prior year	**567,022**	**546,166**
Interest income on plan assets	12,795	10,970
Return on plan assets greater/ (less) than expected	36,427	7,062
Actual employer contributions	13,715	14,672
Actual participant contributions	2,476	1,542
Benefits paid by fund	(12,505)	(12,140)
Admin cost paid by fund	(1,250)	(1,250)
Value stated as of 12/31	**618,680**	**567,022**

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

	2016 € 1,000	2015 € 1,000
Level 1 (quoted market price):		
Cash and cash equivalents	1,872	1,718
Equity investments	163,259	147,462
Bonds corporate	9,896	11,146
Bonds government/ government agency	384,809	347,040
Real estate	21,435	20,308
Other assets	11,886	13,071
Level 2/3 (non-quoted market price)		
Debt instruments - mortgages	15,180	16,685
Bonds corporate	8,803	8,121
Real estate	1,540	1,471
	618,680	**567,022**
Debt instruments categorised by issuers' credit rating:		
AAA	141,843	174,893
AA	237,487	167,041
A	3,615	3,500
BBB and lower	20,563	20,873
not rated	15,180	16,685
	418,688	**382,992**

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 3,912 (31 December 2015: Eur 2,535)

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

	2016 € 1,000	2015 € 1,000
Current service cost	13,708	13,528
Interest (income)/expenses	(1,106)	(477)
Past service cost - curtailments	-	(3,473)
Administration cost	1,250	1,250
Participant contributions	(2,476)	(1,542)
Total	**11,376**	**9,286**

During the year ended December 31, 2016 net periodic benefit costs of pension plans (exclusive gains from curtailment) include costs related to post retirement health benefits of € 0.1 mln (2015: 0.1 mln).

Assumptions

For this year's valuation, the mortality table AG Prognosetafel 2016 has been applied. 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 2016 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:

	2016 %	2015 %
Discount rate/return on assets	1.80	2.25
Central agreed rate of compensation increase	1.25	1.25
Expected career increases	1.25	1.50
Cost of living adjustments active participants	0.25	0.25
Cost of living adjustments non-active participants	0.25	0.25
Expected future service years	14.22	13.41
Average duration of liabilities in years	20.4	21.29
Life expectancy of a man who is 65-year old	21.95	21.70
Life expectancy of a woman who is 65-year old	24.64	24.30

The discount rate of 2.25% per annum at the start and 1,80% per annum at the end of 2016 is based upon the yields available on high-quality corporate bonds with a term that matches that of the liabilities. IAS assumptions reflect the market yield at the statement of financial position date of high-quality fixed income investments corresponding to the average duration of the liabilities. The actual rate of pension increase in 2016 was 0.0% (2015: 0.0%).

It has been assumed that current and future pension payments will increase at an avarage rate of 0.25% per annum.

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 55.0 mn (increase by Eur 63.9 mn)

- If the bond yield is 25 basis point higher (lower), the defined benefit obligation would decrease by Eur 16.9 mn (increase by Eur 17.7 mn)

- If the expected indexation is 25 basis point higher (lower), the defined benefit obligation would increase by Eur 25.6 mn (decrease by Eur 24.0 mn)

- If the life expectancy increases by one year for both men and women, the defined benefit obligation would increase by Eur 18.9 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

	2016 target	2016 actual	2016 actual
Equity securities	25.0%	26.4%	23.4%
Real estate	5.0%	3.7%	3.4%
Debt securities	67.5%	67.7%	70.5%
Other	2.5%	2.2%	2.7%
Total	**100.0%**	**100.0%**	**100.0%**

Provision restructuring plans

The provision for restructuring is related to the execution of the Allianz 2013 restructuring plan.

The development of the Provision restructuring plans are as follows:

	2016 € 1,000	2015 € 1,000
Value stated as of 1/1	3,607	5,729
Additions	-	1,000
Release of provisions via payments	(3,200)	(2,244)
Amounts released	-	(878)
Value stated as of 12/31	**407**	**3,607**

Miscellaneous accrued liabilities

	2016 € 1,000	2015 € 1,000
Staff related expenses	1,047	6,892
Other	22,116	2,119
Total	**23,163**	**9,011**

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

	2016 € 1,000	Staff related expenses € 1,000	Other € 1,000
Value stated as of 1/1	**9,011**	**6,892**	**2,119**
Additions	20,384	-	20,384
Release of provisions via payments	(537)	(206)	(331)
Transfer other liabilities	(5,605)	(5,605)	-
Amounts released	(90)	(34)	(56)
Value stated as of 12/31	**23,163**	**1,047**	**22,116**

Allianz Nederland Leven N.V. provided a provision for legal and operational risks and related actions in 2016. For this purpose an amount of € 20mn was added to the other provisions.

Allianz Nederland Leven 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.

15 Other liabilities

	2016 € 1,000	2015 € 1,000
Accounts payable on direct insurance business	31,276	31,762
Accounts payable on reinsurance business	9,816	4,032
Accounts payable to suppliers	12,537	2,678
Interest and rental liabilities	933	990
Tax liabilities	8,384	9,841
Amounts payable to group companies	27,689	10,323
Credit facilities from group companies	311,432	329,874
Expenses to be paid	440	5,049
Staff-related expenses	9,630	2,958
Liabilities related to mortgages	16,959	4,172
Fees to be paid	1,108	710
Brokerage to be paid	481	891
Other	8,464	6,902
Total	**439,149**	**410,182**

Accounts payable on direct business and accounts payable on reinsurance business are due within one year. Of the remaining liabilities stated under Other Liabilities € 398,057 (2015 : € 373,476) is due within one year and € 0 (2015 : € 0) is due after more than one year.

Of the tax liabilities € 0 (2015: € 1,537) is attributable to corporate tax.

Credit facilities from group companies, are related to finance received by Allianz Nederland Asset Management B.V. for the acquisition of mortgages to private individuals.

16 Shareholders' equity

The shareholders' equity comprises the following:

	2016 € 1,000	2015 € 1,000
Issued capital	59,813	59,813
Share premium	76,667	76,667
Revenue reserves	73,767	75,934
Revaluation reserve	60,461	58,824
Profit for the year	18,889	42,579
Total	**289,597**	**313,817**

Issued and paid up capital amounted to € 59.8 mln. 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. The development of capital and reserves is explained in the notes to the statutory statement of financial position. For the year ended December 31, 2016 the Management Board will propose to shareholders at the General Meeting the distribution of a dividend of € 15 mln (€ 251 per share).

Supplementary Information to the Consolidated Income Statement

17 Premiums earned (net)

	Total	
	2016 € 1,000	2015 € 1,000
Premiums written (gross):	330,846	252,281
Reinsurance ceded	(11,817)	(11,696)
Premiums written (net)	**319,029**	**240,585**

18 Interest, dividend and similar income

	2016 € 1,000	2015 € 1,000
Income from:		
- securities available-for-sale	16,570	19,155
- lending and loans	75,178	83,445
- interest from Cashpool	59	195
- other income	96	853
Total	**91,903**	**103,648**

Income from securities available-for-sale include dividend income of € 0 (2015 : € 58).

19 Other income from investments

	2016 € 1,000	2015 € 1,000
Realized gains on securities available-for-sale	1,277	5,463
Realized losses on securities available-for-sale	(17)	(370)
Total	**1,260**	**5,093**

20 Investment result for risk of policyholders

	2016 € 1,000	2015 € 1,000
Investment result for risk of policyholders	66,999	167,166
Total	**66,999**	**167,166**

21 Fee and commission income

	2016 € 1,000	2015 € 1,000
Fee and commission income	32,664	36,673
Total	**32,664**	**36,673**

22 Other income

Other income consists of the following items:

	2016 € 1,000	2015 € 1,000
Foreign currency gains	1	745
Income from service activities	6,560	6,984
Income from service activities ITEB	-	6,907
Total	**6,561**	**14,636**

The losses on foreign currency positions are reported in Other expenses (Note 30). Income from service activities is related to income from intermediary activities.

23 Insurance benefits (net)

Insurance benefits in Life comprise the following:

	2016 € 1,000	2015 € 1,000
Benefits paid Gross	475,262	498,992
Benefits paid Reinsurance	(5,082)	(7,114)
Benefits paid Net	**470,180**	**491,878**

24 Change technical provisions

	2016 € 1,000	2015 € 1,000
Change technical provisions Gross	(60,829)	(56,974)
Change technical provisions Reinsurance	974	981
Change technical provisions Net	**(59,855)**	**(55,993)**

25 Interest and similar expenses

	2016 € 1,000	2015 € 1,000
Other interest expenses	273	479
Interest expenses Cashpool	-	104
Interest expenses intercompany loans	11,532	11,701
Total	**11,805**	**12,284**

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)

	2016 € 1,000	2015 € 1,000
Results on derivates	-	(127)
Results on other trading assets	(47)	(6)
Movement in financial assets and liabilities at FV through income (net)	673	2,065
Total	**626**	**1,932**

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

27 Acquisition costs and administrative expenses

	2016 € 1,000	2015 € 1,000
Life	51,725	32,274
Asset Management	7,605	7,548
Total	**59,330**	**39,822**

	Life	
	2016 € 1,000	2015 € 1,000
Acquisition costs:		
- payments	6,190	4,416
- change in deferred acquisition costs	1,367	3,573
Subtotal	**7,557**	**7,989**
Administrative expenses	46,512	26,914
Underwriting costs (gross)	**54,069**	**34,903**
Less commissions and profit-sharing received on reinsurance business ceded	(3,280)	(3,581)
Underwriting costs (net)	**50,789**	**31,322**
Expenses for management of investments	936	952
Acquisition costs and administrative expenses	**51,725**	**32,274**

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'. The increase in administration expenses was mainly due to a provision formed to cover potential charges from policyholders and other stakeholders. 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.

28 Fee and commission expenses

	2016 € 1,000	2015 € 1,000
Fee and commission expenses	3,545	6,232
Total	**3,545**	**6,232**

29 Restructuring charges

	2016 € 1,000	2015 € 1,000
New restructuring provision	-	475
Total	**-**	**475**

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

30 Other expenses

Other expenses are comprised of the following:

	2016 € 1,000	2015 € 1,000
Expenses for service activities	7,506	14,394
Foreign transactions currency losses	105	620
Change provision doubtful debts	228	363
Other	283	1,420
Total	**8,122**	**16,797**

The gains on foreign currency positions are reported in other income (Note 22).

31 Income taxes

The Group's taxes are comprised of the following:

	2016 € 1,000	2015 € 1,000
Current taxes	(10,714)	(11,941)
Deferred taxes	4,417	(2,506)
Total	**(6,297)**	**(14,447)**

The company constitutes a single tax entity together with group companies mentioned in Note 48. 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 2016 is € 179 lower (2015 : € 190 higher) than the expected tax charge.

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

	2016 € 1,000	2015 € 1,000
Anticipated tax rate in %	25.0%	25.0%
Expected income tax charge	6,476	14,257
Tax exempt (revenues)/cost	87	190
Effect of adjustments previous years	(266)	-
Current tax charge	**6,297**	**14,447**
Effective tax rate	**24.3%**	**25.3%**

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

	2016 € 1,000	2015 € 1,000
Deferred tax assets		
Insurance provisions	4,086	4,756
Pensions and similar provisions	4,487	3,972
Deferred acquisition costs	4,540	5,878
Total	**13,113**	**14,606**
Netting deferred tax assets/ liabilities within fiscal unity	(13,113)	(14,606)
Net deferred tax assets	-	-
Deferred tax liabilities		
Investments	(20,092)	(20,313)
Other liabilities	(20,801)	(34,877)
Total	**(40,893)**	**(55,190)**
Netting deferred tax assets/ liabilities within fiscal unity	13,113	(14,606)
Net deferred tax liabilities	**(27,780)**	**(40,584)**

Deferred tax recognized directly in equity amounted to € 31 (2015 : € - 2,596) of which € 546 (2015: € -5.471) 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 forms an integrated part of the risk management system of Allianz Group (Allianz SE).

Risk governance

The Risk Governance framework of Allianz Nederland Leven (ANL) 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.

Roles and responsibilities 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 risk management system. The Supervisory Board is equipped with an Audit Committee where risk management is addressed 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 by Allianz. 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 well-functioning 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 Leven and a hierarchical reporting line to the CRO of Allianz Benelux.

Committees

Allianz Nederland Leven is equipped with the following committees:

- The ANL Risk Committee has specialized focus on the risks that Allianz Nederland Leven 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 of Allianz Nederland Leven 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 Board of Management.
- The ALM committee of Allianz Nederland Asset Management is responsible for matching the client deposits with matching assets. It meets every two weeks.

Some of the committees are setup at a holding level, i.e. at the level of Allianz Benelux or at the level of Allianz Nederland Group (ANG). This is beneficial for committees dealing with transversal matters, thereby allowing better oversight and interaction on group related risks. These committees always have a statutory representation, i.e. by one of the board members of Allianz Nederland Leven and also the relevant key functions are member or guest. It concerns the following committees:

- The Operational Risk Management Committee supervises the operational risk management activities. It is an advisory sub-committee of the Risk Committee at ANG level and it also provides input to the ANL Risk Committee. To cover the broad scope of operational risk, all key domains of the value chain are represented in this committee. It is chaired by the Chief Operating Officer of Allianz Benelux and co-chaired by the Chief Risk Officer of ANL.
- The Risk Committee at ANG level supervises the overall risk management processes, ensuring that all risks are addressed and managed in an integrated manner. The CEOs of the insurance entity Allianz Nederland Leven and the banking entity Allianz Nederland Asset Management are members of this board-level committee. In this role they serve as linking pin with the statutory entities. The Risk Committee promotes comprehensive risk awareness and has an advisory role towards Allianz Nederland Groep as well as to the statutory entities.

Risk Management Processes

Allianz Nederland Leven conducts on a yearly basis the Own Risk and Solvency Assessment, which entails a comprehensive and forward looking assessment of the current and future solvency needs, this in relation to the risks Allianz Nederland Leven 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.

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 of Allianz Nederland Groep on a yearly basis in adherence with the "Code of Conduct for Insurers". The next elements together shape our risk appetite:

- Setting tolerance levels for risk themes and for the 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).
- 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. Allianz Nederland Leven is well capitalized and meets its target Solvency-II capital ratio as of December 31, 2016.

Regulatory capital position	Life	
	2016	2015
Available financial resources	343	365
Capital requirement	162	147
Capital ratio (available/required)	211%	248%
Internal target ratio	180%	180%

As from January 1st 2016, Solvency-II has come into effect. Allianz Nederland Leven calculates the Solvency Capital Requirement (SCR) with the standard formula. Future profits of the in-force book are recognised in the Solvency-II economic balance sheet. As a consequence available capital increases under the new regime. At the same time, the determination of the required capital has become more risk based, thereby better reflecting the real risk profile of the company. In the course of the past few years, ANL has reviewed the standard formula's appropriateness in relation to the own risk profile. This has led to a few changes of input data, either in how it is used in the standard formula, or by refining the underlying actuarial calculation.

Stress testing

We stress 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 prescribes a set of management actions aimed at preserving and subsequently restoring the capital position.

The table below shows the effect of a selection of shock scenarios on our regulatory capital position:

Regulatory capital ratio	2016
Base case	211%
Equity -30%	195%
Interest rates +100 bps	198%
Interest rates -100 bps	242%
Equity -15% and interest rates +100 bps	191%

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. We consolidated our marginal equity position already in 2015. Since then no renewed equity position has been taken.

Interest rate risk

The market value balance sheet of an insurer is by nature sensitive to interest rate movements. This sensitivity can be reduced by matching the expected liability cash flows with corresponding assets. In the course of 2016, ANL has refined its asset-liability matching methods. The current prolonged low interest rate environment makes it difficult to reinvest assets at an adequate return to match long-term guarantees. However, Allianz Nederland Leven 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 are matched by means of a long-term agreement with a medium sized Dutch bank. 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. The ALM committee manages the interest rate risk by matching cash flows or, if this is not possible by matching duration.

Unit-linked segment - Allianz Nederland offers 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. As from 2017 it is no longer possible to enter a contract carrying a minimum guarantee. Existing contractual agreements in which a guarantee feature was embedded are continued.

Asset management - Allianz Nederland Asset Management (ANAM) faces interest rate risk as a consequence of holding a bond portfolio to cover the clients' deposits. The ALM committee of Allianz Nederland Asset Management meets every two weeks. Stress tests and Value-at-Risk measures provide the ALM committee with insight into the sensitivity of the fixed income assets to interest rate movements, and allow the committee to act in a timely manner. These VaR limits define the maximum loss that we are willing to accept at a given confidence level for daily, weekly and monthly time horizons.

Currency risk

Currency risk relates to losses incurred due to fluctuations in foreign currency exchange rates. Allianz Nederland has a small exposure to this type of risk via a EUR 4 mn investment in Australian government bonds, which is related to a small traditional life product on the closed book. This exposure is within the boundaries as set for currency risk in our limit framework.

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 direct 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 combines with concentration risk.

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 372 mn (2015: EUR 335 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 Allianz Nederland Leven has been originating mortgages with a so-called National Mortgage Guarantee (NHG). As of 2013, they are only originated by Allianz Nederland Asset Management, who sells the mortgages further to ANL (among other entities within Allianz Benelux), where they are used to match liability cash flows. The credit risk on these mortgages is very limited due to the National Mortgage Guarantee. The NHG mortgages on the book of Allianz Nederland Asset Management are funded by external parties within Allianz Group.
  - This NHG guarantee is covered by the "Waarborgfonds Eigen Woning" (WEW). This is a private institution with fallback agreements with the government and municipalities. The guarantee covers the loss on the outstanding principal that could arise after a foreclosure sale, the accrued unpaid interest and disposal costs, all of this with the following limitations:
  - The NHG guarantee decreases on an annuity basis over a period of thirty years irrespective of the actual pay-off scheme of the mortgage as it is chosen by the home owner.
  - For mortgages initiated after 1st January 2014 the originator bears 10% of the loss.
  - Until 1st January 2013 Allianz Nederland offered NHG mortgages where up to 50% of the mortgage loan was interest only, implying repayment of the principal at maturity. As a consequence Allianz Nederland could be exposed to some residual exposure which is not covered under the National Mortgage Guarantee.
  - After 1st January 2013, only annuity or linear mortgages have been sold, implying no guarantee mismatch after that date.

  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 favorable 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 2016 totalled EUR 177 mn (2015: EUR 159 mn), of which 92 mn has been purchased by ANL as investments to match liabilities (and the remainder by other entities in Allianz Benelux). Ultimo 2016 the total principal value of NHG mortgage debt amounted to 241 mn on the book of Allianz Nederland

- *Other fixed income assets:* The table below provides information on the fixed income investments as at year-end 2016. The information is ranked according to the S&P counterparty credit ratings and split between corporate and government debt:

Bond portfolio ranked according to counterparty credit rating

	AAA	AA+	AA	AA-	A+	A	A-	≤BBB	Total
Government	242	36	84	27	2	-	3	24	418
Corporate	22	31	-	36	6	53	14	18	180
Total	**269**	**36**	**85**	**64**	**9**	**17**	**17**	**43**	**598**
2016	50%	7%	16%	12%	2%	3%	3%	8%	100%
2015	53%	3%	22%	6%	3%	4%	1%	7%	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, we calculate the value of the Technical Provisions as the sum of the Best Estimate Liabilities and the Risk Margin, 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 assumptions are also reviewed externally.

For specific risks, such as the mortality and morbidity risks, we have risk-mitigating measures 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 us access to more experience data on mortality and morbidity, to support our assumption setting process.

For the lapse risk, we have made a specific split in our 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 (2015: EUR 10 mn) via the cash pool agreement with the ultimate parent Allianz SE.
- On a monthly basis the treasury department prepares a cash flow plan with a 12-month projection period. Aim is to ensure that sufficient liquid assets are held for both the short and the long term. Based on this cash flow planning, the amount of cash available for investments is determined.

To further monitor the liquidity risk, Allianz Group has designed a liquidity risk analysis tool and report, in which the current liquidity needs are assessed and compared with three types of stress situations:

- distressed markets,
- premium income disruption,
- elevated claims (e.g. due to peak in mortality or lapse).

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
2016	4,562	397	1,627	1,847	691
2015	4,827	439	1,613	2,011	764

IFRS 13 hierarchy	2016 € mn				2015 € mn			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial investments Available for Sale	-	601	2	603	4	596	-	600
Financial Assets for unit-linked Contracts	2,597	-	-	2,662	2,662	-	-	2,662
Loans and advances to banks and customers	-	-	2,039	2,039	-	-	2,023	2,023
Total	**2,597**	**601**	**2,041**	**5,239**	**2,666**	**596**	**2,023**	**5,285**

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.

This report is made by ANL on a quarterly basis and has a horizon up to 1 year. It shows that ANL retains sufficient liquid assets in all considered stress situations

IFRS 13 hierarchy disclosure

IFRS 13 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.
- 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 above depicts the financial instruments measured at fair value at the end of 2016, by the level in the fair value hierarchy into which the fair value measurement is categorised.

The table below shows the movements for the Level 3 investments.

Level 3 available for sale investments	2016
Opening value stated as of 1/1	403
Gains (losses) recognized in OCI	(120)
Transfers into (out of) level 3	1,096
Purchases	329
Sales	(71)
Closing value stated as of 31/12	**1,637**

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 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). Allianz Nederland Leven has elaborated on this risk in the Own Risk and Solvency Assessment, in which the main conclusion is that this locally-specific operational risk is not adequately reflected in the standard formula. For this reason it is included in the determination of the solvency management ratio.

Also, in the course of 2016, Allianz Nederland Leven has put full effort in repairing defective investment policies in line with the requirements of AFM.

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 determining the asset allocation including leeways. In this way exposure to single market risk type is restricted.
- 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 amount for which a financial instrument could be exchanged between two willing parties in the ordinary course of business. If market prices are not available, the fair value is based on estimates using the present value of future cashflows method or another approciate 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 in full all the future rights an 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 € 4 mln (2015 : € 8,0 mln) related to rental, lease contracts and other long term agreements.

As of December 31, 2016 the future minimum lease payments under non-cancellable operating leases were as follows:

	€ 1,000
2017	1,159
2018	870
2019	580
2020	290
Total	**2,899**

As of the end of the year, an amount equal to € 2 mln (2015 : € 2 mln), has been granted in respect of guarantees.

35 Employee information

At the end of 2016 Allianz Nederland employed a total of 959 (2015: 973) employees.

Personnel expenses

	2016 € 1,000	2015 € 1,000
Salaries and wages	62,429	59,386
Social security contributions and employee assistance	7,622	7,375
Expenses for pensions and other post-retirement benefits	9,279	8,254
Total	**79,330**	**75,015**
Personel expenses charged to non consolidated group companies	(54,186)	(47,432)
Personel expenses consolidated group companies	**25,144**	**27,583**

Salaries and wages increased from € 59.4 mn to € 62.4 mn, of this increase € 2.8 mn is caused by higher severance payments. Further details with regard to the pension expenses are provided in Note 14.

The decrease in personnel expenses of consolidated group companies is mainly due to the sale of ITEB in 2015.

The personel expenses charged to non consolidated group companies are expenses of personel 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 be qualified, 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 1,612 (2015 : 2,392). The difference between the exercise price and the market price of Allianz shares of € 27,01 (2015 : € 28,12) was reported as part of compensation expense.

Restricted Stock Units (RSU) plan

De restricted stock units (RSU) granted to a plan participant obligate Allianz group to pay in cash the average market price of an Allianz SE share in the ten trading days preceding the vesting date or issue one Allianz SE share, or other equivalent equity instrument, for each restricted stock unit granted. 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.

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

	Number	Weighted average grant date fair value (€)
Nonvested as of 1/1	**11,313**	**97.43**
Granted	3,215	110.67
Forfeited/Exercised	(2,398)	69.38
Nonvested as of 12/31	**12,130**	**106.48**

The fair market value is calculated based on the ten-day average Xetra closing price of the Allianz stock following the financial press conference on the annual results. As RSUs are virtual stocks without dividend payments, the average Xetra closing price is reduced1 by the net present value of the expected future dividend payments during the vesting period.

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 5 year vesting period. During the year ended December 31, 2016, Allianz Group recognized compensation expense related to the nonvested restricted stock units of € 384 (2015: € 686). Taking into account the expired portion of the vesting period, a provision of € 1,248 (2015: € 1,195) was established on December 31, 2016 and reported under the heading Other accrued liabilities for the three board members in service of Allianz Nederland Groep.

Compensation management board

	2016 € 1,000	2015* € 1,000
Short-term employee benefit	493	489
Expenses for pensions and other post-retirement benefits	43	45
Stock-based compensation	84	96
Total remuneration	620	630

*figures have been adapted for comparison reasons.

As of December 31, 2016 the management board had six (2015 : 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 € 84 (2015: € 81) premiums to pension funds for members of the management board in service of Allianz Nederland Groep.

As of December 31, 2016 the pension provisions and provisions for similar benefits for the then active members of the management board in service of Allianz Nederland Groep amounted to € 1,534 (2015: € 1,202).

Remuneration for the supervisory board

In fiscal year 2016, remuneration for the supervisory board amounted to € 165 (2015: € 135). This board has five (2015: four) 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 on 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 16 Other provisions and Note 40 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 cs, 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 Nederland Asset Management B.V. is responsible for the asset management of the investments of the Netherlands Branch of Allianz Benelux N.V. as well as for the pension funds Stichting Pensioenfonds Allianz Nederland and Stichting Pensioenfonds Buizerdlaan.

Allianz Nederland Leven NV has entered into reinsurance involved related party transactions with Allianz RE and Allianz Vie SA. Ceded reinsurance premiums totals € 5.4 mln.

38 Auditor's fees

Auditor's fees can be specified as follows:

	2016	2015
	BDO € 1,000	KPMG € 1,000
Year end audit services	406	420
Other audit services	102	-
Other non-audit services	82	-
Total	**590**	**420**

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 expected to be sold to a third party in 2017.

The Held for Sale assets and liabilities have been reclassified from the following lines:

	2016 € 1,000	2015 € 1,000
Cash and cash equivalents	7,240	2,003
Investments: available for sale	87,598	96,255
Loans and advances to banks	37,302	33,051
Other assets	7,781	8,912
Held for sale assets	**139,921**	**140,221**
Liabilities to customers	129,280	129,302
Other liabilities	641	919
Held for sale liabilities	**129,921**	**130,221**

The income and expenses from Held for Sale operations, net of income taxes have been reclassified from the following lines:

	Note	2016 € 1,000
Interest, dividend and similar income	18	371
Other income from investments	19	703
Fee and commission income	21	762
Other income	22	127
Total income		**1,963**
Acquisition costs and administrative expenses	27	820
Fee and commission expenses	28	2,069
Other expenses	30	28
Total expenses		**2,917**
Net income (loss)		**(954)**
Taxes		**238**
Net income (loss) from discontinued operations, net of income taxes		**(716)**

Consolidated Income Statement

40 Reclassifications

	Note	2015 old € 1,000	Effect of change € 1.000	2015 revised € 1,000
Premiums written		252,281	-	252,281
Ceded premiums written		(11,696)	-	(11,696)
Premiums earned (net)	17	240,585	-	240,585
Interest, dividend and similar income	18	101,902	1,746	103,648
Other income from investments	19	5,093	-	5,093
Movement in financial assets and liabilities carried at FV through income (net)	26	-	1,932	1,932
Investment result for risk of policyholders	20	-	167,166	167,166
Fee and commission income		32,185	4,488	36,673
Other income	22	14,636	0	14,636
Total income		**394,401**	**175,332**	**569,733**
Claims and insurance benefits incurred (gross)		(502,291)	3,299	(498,992)
Claims and insurance benefits incurred (ceded)		7,114	-	7,114
Change in reserves (net)		225,422	(169,429)	55,993
Insurance benefits (net)	23	**(269,755)**	**(166,130)**	**(435,885)**
Interest and similar expenses	25	(12,284)	-	(12,284)
Impairments of investments	5	(1,212)	-	(1,212)
Movement in financial assets and liabilities carried at FV through income (net)	26	(133)	133	-
Acquisition costs and administrative expenses	27	(36,722)	(3,100)	(39,822)
Fee and commission expenses	28	-	(6,232)	(6,232)
Reorganization charges	29	(475)	-	(475)
Other expenses	30	(16,794)	(3)	(16,797)
Total expenses		**(337,375)**	**(175,332)**	**(512,707)**
Income before taxes		57,026	-	57,026
Taxes	31	(14,447)	-	(14,447)
Total expenses		**42,579**	**-**	**42,579**

To improve the insight in the composition of the result the following changes were made to the Income Statement:

All income and expenses from financial assets and liabilities carried at fair value through income reported on a separate line.

Investment result for risk of policyholders is reported on a separate line

Some minor changes to get a better fit with the underlying reporting definitions.

Corporate Financial Statements

41 Statutory statement of financial position

ASSETS	Note		2016 € 1,000		2015 € 1,000
Financial assets					
Participations in group companies and subsidiaries	44		291,499		311,452
Current assets					
Receivables					
Receivables from group companies	44	25,022		22,485	
Tax receivable		-		1	
Receivable Cashpool	44	1,650		1,700	
Other receivables	44	8,481		5,241	
Other assets	44	46,471		47,352	
			81,624		76,779
Investments	44		1,763		1,716
Cash and cash equivalents	44		198		3,221
Total assets			375,084		393,168

LIABILITIES AND SHAREHOLDERS' EQUITY	Note		2016 € 1,000		2015 € 1,000
Payables					
Payables to group companies		35,847		10,000	
Taxes payable		6,765		7,733	
Other payables and accrued liabilities	44	21,592		22,236	
			64,204		35,827
Provisions					
Deferred tax liability	44	10,462		27,699	
Other provisions	44	10,821		11,683	
			21,283		43,524
Shareholders' equity					
Paid in capital	44	59,813		59,813	
Share premium		76,667		76,667	
Revaluation reserves of subsidiaries	44	60,461		58,824	
Revenue reserves	44	73,767		75,934	
Profit for the year	44	18,889		42,579	
			289,597		313,817
Total liabilities and equity			375,084		393,168

42 Statutory income statement

	2016 € 1,000	2015 € 1,000
Result of subsidiaries	**25,472**	**57,325**
Operating expenses	**(316)**	**(283)**
Interest income and similar revenue	77	206
Revaluation of investments held for trading	(47)	(6)
Interest cost and similar expenses	-	(216)
Result before taxes	**25,186**	**57,026**
Taxes	6,297	14,447
Result after taxes	**18,889**	**42,579**

43 Notes to the corporate financial statements

General

The corporate financial statements are part of the 2016 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 th 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:

	2016 € 1,000	2015 € 1,000
Value stated as of 1/1	311,452	341,383
Additions	-	1,816
Revaluation result	1,637	(16,414)
Result after tax	18,910	42,794
Dividends received	(40,500)	(46,125)
Change due to mergers	-	(1,267)
Change of accounting rules	-	(10,735)
Value stated as of 12/31	**291,499**	**311,452**

The Eur 10,735 change of accounting rules is related to the the technical provision, further explanation is given in Note 13 Insurance provisions.

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

	2016 € 1,000	2015 € 1,000
Prepaid expenses	1,941	3,405
Pensions funded status (note 14)	44,530	43,947
Total	**46,471**	**47,352**

Investments

Development of the investments during the year is as follows:

	2016 € 1,000	2015 € 1,000
Value stated as of 1/1	1,716	1,929
Additions	356	359
Sales	(331)	(989)
Revaluation	22	417
Value stated as of 12/31	**1,763**	**1,716**

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

	2016 € 1,000	2015 € 1,000
Value stated as of 1/1	58,824	75,238
Revaluation result	1,637	(16,414)
Value stated as of 12/31	**60,461**	**58,824**

Revenue reserves

	2016 € 1,000	2015 € 1,000
Value stated as of 1/1	75,934	(78,292)
Addition from profit	42,579	193,157
Dividend final	(43,200)	(46,200)
Transferred to legal reserves	-	119
Pensions IAS-19 gains/losses through equity	(1,546)	17,885
Reclassification	-	(10,735)
Value stated as of 12/31	**73,767**	**75,934**

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:

	2016 € 1,000	2015 € 1,000
Provisions for post-employment benefits	2,684	2,636
Provision restructuring plans	407	3,607
Other staff related provisions	6,482	4,245
Other	1,248	1,195
Total	**10,821**	**11,683**

The other provisions are explained in the Note 16 to the Consolidated Statement of financial position.

Other payables and accrued liabilities

	2016 € 1,000	2015 € 1,000
Accounts payable to suppliers	12,494	2,678
Expenses to be paid	31	4,217
Payables to employees	4,348	5,775
Other	4,719	9,566
Total	**21,592**	**22,236**

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 mln (2015: € 20.4 mln).

With regard to group companies, guarantees have been given for an amount of € 1.2 mln (2015: € 1.2 mln).

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.

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.

46 Subsequent events

On June 9th 2017 agreement was reached on a dispute over the transition of a cooperation agreement and related commission fees. On the basis of the identification agreement, Allianz Nederland Levensverzekering will pay an amount of EUR 2 mn to the counterparty for final discharge. The amount will be booked in 2017 against the result of Allianz Nederland Levensverzekering.

Allianz received approval from DNB and ECB for the divestment of the banking activities of Allianz Nederland Asset Management BV. The split of the activity and the sale will be settled in July. We expect a negative result from this transaction of about EUR 6.6 mn.

47 Consolidated subsidiaries

	% owned
Allianz Nederland Levensverzekering N.V., Rotterdam[1]	100
Allianz Nederland Asset Management B.V., Rotterdam[1]	100
Allianz Vermogen B.V., Rotterdam [1] [2]	100
Allianz Fund Administration and Management B.V. [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 2016 is as follows:

	2016 € 1,000
Dividend final	16,200
Addition to the other reserves	2,689
Total profit to be appropriated	**18,889**

Rotterdam, June 30, 2017

Management board	Supervisory board
S.L. Laarberg (chairman)	R.J.W. Walvis (chairman)
C.M.A. Coste-Lepoutre	J.M. Bodde
K.L. Van den Eynde	G.J. de Boer-Kruyt
W. Neven	F.W. Fröhlich
C.J.A.M. Schneijdenberg	S.G. Gotovats
J. Weber	

Other information

49 Independent auditor's report

To: the shareholders and Supervisory Board of Allianz Nederland Groep N.V.

A. Report on the audit of the financial statements 2016

Our opinion

We have audited the financial statements 2016 of Allianz Nederland Groep N.V., based in Rotterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- the enclosed consolidated financial statements give a true and fair view of the financial position of Allianz Nederland Groep N.V. as at 31 December 2016 and of its result and its cash flows for 2016 in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.
- the enclosed company financial statements give a true and fair view of the financial position of Allianz Nederland Groep N.V. as at 31 December 2016 and of its result for 2016 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. the consolidated statement of financial position as at 31 December 2016;
2. the following consolidated statements for 2016: statements of profit and loss and other comprehensive income, changes in equity and cash flows for the year then ended; and
3. the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. the company balance sheet as at 31 December 2016;
2. the company profit and loss account for 2016; and
3. the notes comprising a summary of the applicable accounting policies and other explanatory information.

Basis for our opinion

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

We are independent of Allianz Nederland Groep N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

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

B. Report on other information included in the annual report

Next to the financial statements and our opinion thereon, the annual report consists of other information, including:

- Introduction
- Report from group management

Based on the procedures as mentioned below, we are of the opinion that the other information:

- is consistent with the financial statements and contains no material deficiencies;
- includes all information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information and based on our knowledge and understanding obtained from the audit of the financial statements or otherwise, we have considered if the other information contains material deficiencies.

With these procedures, we have complied with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Auditing Standard 720. These procedures do not have the same scope as our audit procedures on the financial statements.

Management is responsible for the preparation of the other information including the preparation of the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code.

C. Description of responsibilities for the financial statements

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 Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible 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 errors or fraud.

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 objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from errors or fraud and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, 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 errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the 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, whether a material uncertainty exists related to events 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. However, future events or conditions may cause the company ceasing 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.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

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 findings in internal control that we identify during our audit.

Amstelveen, 30 June 2017

For and on behalf of BDO Audit & Assurance B.V.,

sgd
drs L.M. Jansen RA

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About this report

Scope

Allianz Nederland Groep reports in its annual report and accompanying financial statements on the financial performance of Allianz Nederland Levensverzekering and Allianz Nederland Asset Management. This is also the case for the efforts made by Allianz in the Netherlands in the realm of society and the environment.

Reporting policy

Every year, Allianz Nederland Groep publishes an annual report in accordance with the applicable statutory requirements and the standards promulgated by the Dutch Council for Annual Reporting. Given our function in society, we find it important to include information about our efforts in the realm of society and the environment. We have yet to go so far as to adopt social reporting guidelines such as those in the Global Reporting Initiative.

In 2016, we asked an external agency to evaluate whether our annual report for 2015 lives up to the transparency benchmark of the Ministry of Economic Affairs. Based on the outcome, we have made a number of quality improvements to our annual report.

Reporting process

We have an annual reporting committee which determines the structure of the report and the accountability index. The report is generated on the basis of discussions with the Board of Management and managers and underlying documentation. This data-collection process is connected to the balanced scorecards used by the company in its regular business reviews. The final text and financial data are approved by the Board of Management.

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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Design

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