Allianz Nederland Groep N.V.

Annual Report 2017

Allianz

Contents

Introduction

2017 was an important year for Allianz Nederland Groep N.V. (ANG). We've seen our business performance build on the outstanding year 2016 and our focus on continuous small improvements in our product lines are recognized and valued by our brokers and clients leading to above market growth in our key markets.

Next to the very solid business performance, 2017 was also the year of a significant breakthrough in the unit-linked transparency discussion. Allianz deliberately choose to avoid the route of continued legal battles and reached an out of court agreement with the foundations to the satisfaction of both clients, foundations and Allianz.

But 2017 has also been the year for Allianz to get in to gear to keep the momentum. Society and our markets are changing more and more rapidly. We've started an internal program 'Xcelerate' to keep up and use those changes for Allianz to be able to also intercept market opportunities in the future. With the added challenges of low interest in the Life markets in our view a must.

True customer centricity

The corner stone of our strategy is to deliver the best for our customers. We monitor this on a daily basis both with clients and with brokers. These closed feedback loops give us a clear direction on where to improve our services and products.

Almost all product lines of ANG require advice. Brokers are key for us to provide this to our customers. This is why we highly value our nomination of best Commercial Pension Insurer 2016 by Adfiz, the broker association. This has been a boost for our teams to keep the momentum of continuous improvements going. As it is clearly appreciated by our brokers.

Employees

Our yearly employee engagement survey is a consistent method to get an objective insight in how our employees feel about our client servicing, their working environment, career opportunities and collaboration in the company and with external parties. In 2017 our survey was more or less in line with 2016. Our employees especially value being part of a large and solid international group that has the means to adapt to the changing environment we see in our markets.

ESG

Allianz has a worldwide reputation of being a leading company in sustainability and is investing a lot of resources to do even better every year. In September 2017 Allianz was ranked Industry Leader in the insurers category of the Dow Jones Sustainability Index. Locally we fully support these efforts and use these as a basis to collaborate with the leading NGO on financial investments in the Netherlands, the Fair Insurance Guide.

Performance

Life

Our life business has again outperformed our expectations. In 2017 we stayed on course focusing on Self Employed and SME. We further tweaked our product lines, for these groups. This has paid off in all our active product lines. Next to new business a lot of effort was put in "recovery advice" ("Hersteladvies") for our clients throughout the year on the 5th phase of recovery advice to the category 'others' but after feedback by our regulator we've also additionally informed our clients with mortgage and pension bound (3rd pillar) accrual policies.

In 2016 we decided to partially outsource back office services in Life effective as of January 2017. Looking back this decision paid off well. We were able to improve our client servicing by having a dedicated external party on the closed book whilst becoming even more cost effective.

Other entities

In 2017 Havelaar & van Stolk succeeded to keep the retail market portfolio size stable in a difficult market environment. The online retail market is growing rapidly and brokers in general see that effect in their portfolios. The overall SME portfolio declined, mainly due to the still declining portfolio of former MIO Insurances. Havelaar has made huge steps in developing a corporate culture focused on effective relationship management and customer focus. This resulted in a strong boost in the results of the yearly employee engagement survey.

Helviass continued its growth path in a growing market.

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.

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

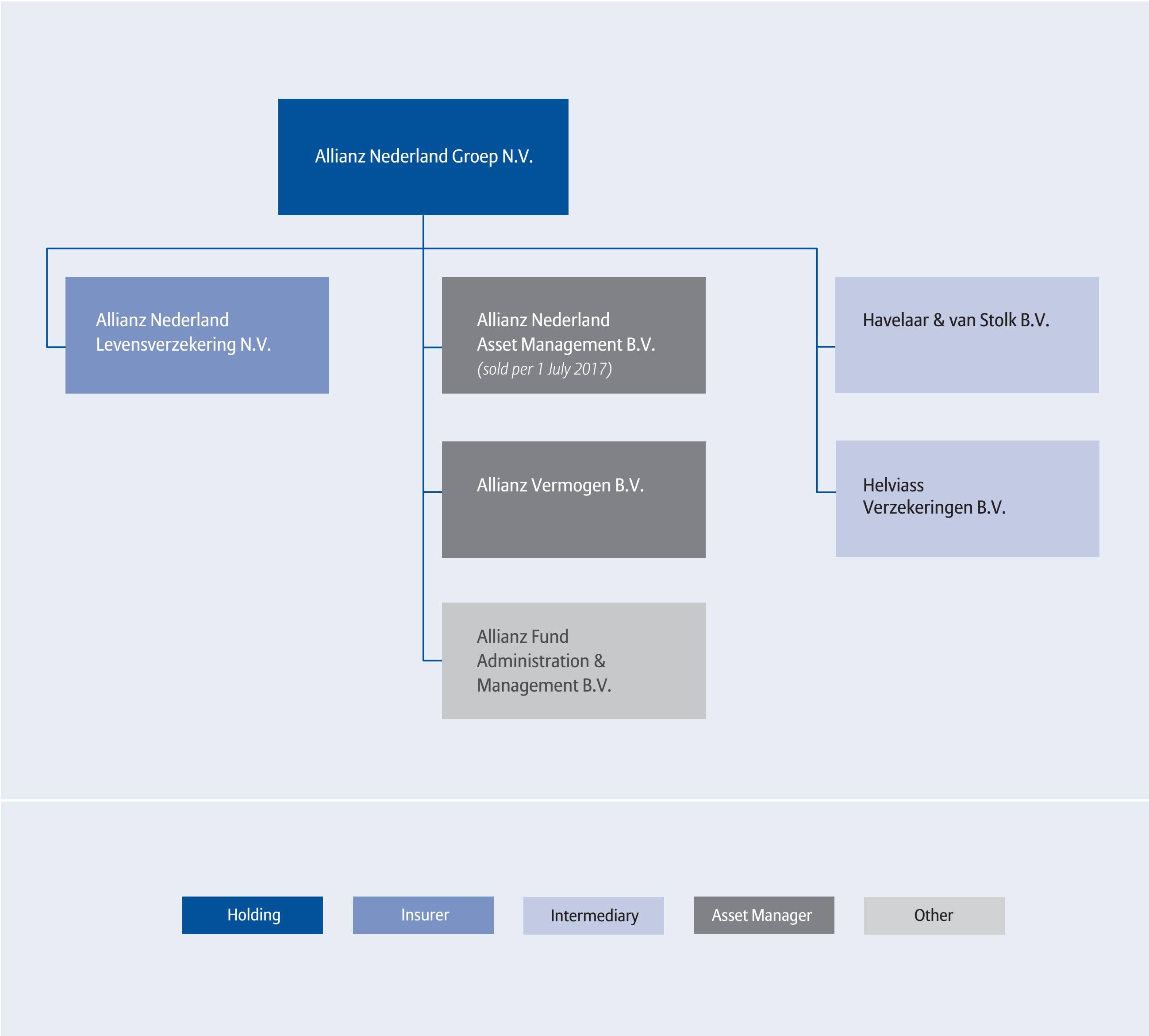
In the financial statements included in this annual report, Allianz Nederland Groep N.V. (ANG) officially accounts for the financial results of Allianz Nederland Groep N.V., Allianz Nederland Levensverzekering N.V., Allianz Vermogen, Allianz Fund Administration & Management B.V. and intermediary activities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

Core activities

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

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

Organizational chart



Key figures

(€ mn)	2017	2016	2015	2014 [1]	2013 [2]
Income					
Gross premiums written					
- Property-Casualty	-	-	-	319	700
- Life	382	331	252	251	277
Total gross premiums written	**382**	**331**	**252**	**570**	**977**
Investment income	85	93	83	243	141
Other income	6	7	15	17	**29**
Income	**473**	**431**	**350**	**830**	**1,147**
Net premiums written	372	319	241	524	904
Operating result	46	25	57	85	107
Profit before taxes					
Property-Casualty	-	-	-	25	37
Life	39	22	53	58	65
Asset management	6	4	4	8	7
Other profit/loss	(8)	-	-	125	3
Total result before taxes	**37**	**26**	**57**	**216**	**112**
Total result from continuing operations after taxes	33	20	43	193	88
Return on equity	12%	6%	13%	39%	13%
Investments					
At the risk of the company	603	603	696	1,467	2,388
At the risk of the policyholders	2,650	2,597	2,662	3,151	3,068
Total investments	**3,253**	**3,200**	**3,358**	**4,618**	**5,456**
Technical provisions					
Gross	4,308	4,245	4,306	4,348	5,366
Net	4,298	4,231	4,290	4,333	5,202
Shareholders' equity					
Paid-up capital	60	60	60	60	60
Reserves	219	230	254	267	596
	279	**290**	**314**	**327**	**656**
Average number of staff [3] (converted to full-time equivalent)	**897**	**930**	**944**	**961**	**1,024**

1 Property-Casulty for period January 1 - April 23 2014.
2 Allsecur transferred to Allianz Benelux SA in October 2013.
3 Thereof 686 FTE's to be allocated to the branch office of Allianz Benelux N.V. in 2017.

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.

Xcelerate

In 2017 we've launched our 'Xcelerate' program in the Benelux. This program aims to speed up the local implementation of the Renewal Agenda levers. Our program is focused on business strategy, strategic workforce planning, unlocking potential in the Benelux and culture.

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. In 2017, these "learning journeys" have been taken to our entire population and interactive sessions with professional actors were held to expose our population to this new way of working.

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. Naturally both managers and HR are on board to support employees and facilitate specific actions. As part of the Xcelerate program, initiated to be fit for the future, internal mobility has been promoted carefully. In 2018 we will build on this further and launch an Allianz Benelux wide mobility program.

Leadership development

Allianz believes that leadership is key in changing the organizational culture. The "My Lead Sessions" kick started in 2016 for our line managers have been continued in 2017. Objective of these sessions is to help our managers to better understand their role and responsibilities in managing their people and provide support to do so, and help HR to better understand the issues the managers are facing on a daily basis related to these topics and improve our HR services accordingly. In 2017 managers were invited for sessions on the "Wet Werk & Zekerheid", the performance evaluation rounds, absence management, etc. Additional to the class room sessions, e-learning was provided through the, 'e My Lead' portal via which our managers could brush off their people management skills and get tips and best practices. Continuation is foreseen in 2018.

Employee engagement

Employees who feel included in our strategy and renewal agenda will be more apt to adopt the desired customer-minded attitude. This explains why we keep careful track of how engaged our employees are within our company. This was measured at Allianz Benelux Level. We had an 82% response rate. The level of engagement was 71%. The Inclusive Meritocracy Index had the same score as in 2016: 69%. The Work Well Index had the same score as in 2015 and 2016: 64%.

These high scores are the result of our continuing efforts to understand what is important to our employees. Clear follow-up is organized through discussions with management and employees. In 2017 80% of our employees have the possibility to work from home with positive feedback and results. We organized more vitality workshops and boot camps throughout the year as part of the Allianz Benelux Work Well and Vitality program making our employees aware of their vitality, employability and the prevention of primarily work-related stress. In September, we once again organized a festive Employee Day as a token of gratitude to our employees. This time our employees enjoyed a new festive concept while 'going underground' to the Allianz garage transformed into a high end party environment. In November around 500 employees and children attended the annual "Sinterklaas event". This year an edition of the "Vet Coole Sinterklaasshow" in the WTC was offered especially to Allianz employees. All these initiatives help employees feel welcome and happy in our company. Employee satisfaction is important to us and also to our customers as there is a positive link with customer satisfaction.

The development of talent

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

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. As of 2017 employees can participate in Agile Awareness, Agile Product Owner and Scrum master trainings. For 2018 a new training journey is being developed 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. By the end of 2016, 486 Wft courses were successfully completed. All Allianz advisors and other customer staff of which their position requires Wft knowledge, were certified. All 690 Allianz customer staff keep their Wft knowledge up to date by maintaining their "status Permanent Actueel" in their specific subject area. In 2017 the contract with Dukers & Baelemans was renewed. As a result, our employees with customer contact will keep their Wft knowledge up to date with Dukers & Baelemans during the new Permanent Education round from April 2017 to April 2019. By the end of 2017 all Allianz customer staff was "Permanent Actueel". Already 30% of our customer staff with advisory tasks, or informing tasks of which their position requires Wft knowledge, renewed their Wft certificates (via PE exams). Furthermore, there is an increase noticeable of employees with no direct customer contact on financial products that are studying for Wft certificates for employability purposes.

Opportunities for everyone

We believe it is important to promote diversity throughout our organizations from top to bottom. We have a 596:451 ratio of males to females in our company (2016: 604:473).

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). In 2017 departments also participated in social responsible activities as part of teambuilding sessions.

Our business performance in 2017

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

In 2017 there was again strong growth in our life business from our main product lines: Pension Insurance, Term Life Insurance and Direct Entry Annuities. Our efforts in the life business have not remained unnoticed. In the Netherlands, Allianz has again been nominated by Adfiz as the best pension provider in the country.

Allianz also invested further in broadening distribution and in new distribution models to reach customers effectively. We now do business with more advisers and we have introduced Do It Yourself for the term life insurance.

New propositions in 2017

Allianz has considerably improved the products for its target segments. And we have also invested further in a new proposition in the field of annuities. 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.

A major part of the Business Process of Servicing and Claims Operations is 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.

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

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

Aftercare

The AFM has conducted a survey on the execution of the regulations related to recovery advice ("hersteladvies") by the insurance sector. The results from this survey were unsatisfactory for ANL. For mortgage (phase 3) and pension (phase 4) related unit-linked business, AFM assessed that ANL did not comply with all aspects of the relevant legal requirements. Therefore AFM has communicated on November 1, 2017 to ANL that it is intending to impose a disciplinary measure, and is discussing internally whether this disciplinary measure will be executed. ANL has explained her viewpoint and approach to the AFM, remained in close contact with the AFM and has taken all necessary measures to adequately and timely remediate the findings. ANL will undertake the same actions for another category of clients with 'other' unit-linked policies.

Asset management

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

Mortgages

For several years now, Allianz Vermogen (as successor of ANAM due to the sale of the banking activities) has been originating mortgage loans with Nationale Hypotheek Garantie (NHG or National Mortgage Guarantee) to private individuals via selective distribution. These NHG loans provide an attractive return at an acceptable risk. Moreover, these investments are good for the insurer's capitalization. The program has been running for several years now and is a success. In 2017, Allianz further increased the portfolio by more than 10% in comparison with 2016 to €1.2 billion. The economic upturn of the Dutch economy boosting the confidence of consumers, low interest rates, rising price of homes and lower rate of employment gave a significant positive effect on the housing market. This has made investing in mortgages again less risky and as a result a it remained an attractive alternative to other fixed-income securities.

Performance of Allianz's investment funds

Until July 2017 ANAM offered customers an investment account where they have a choice of a series of sub-funds from the Allianz Umbrella Fund. The same funds are also used by Allianz Nederland Levensverzekering for its unit-linked products. Allianz Fund Administration and Management (AFAM) took over the role of ANAM, before the sale of ANAM. In total AFAM manages eight actively managed investment funds with a long term track record. Morningstar gives the Allianz Selection Fund, our flagship fund with total assets over 1,3 billion, five stars. Our funds have received three stars on average from Morningstar. The investment results for 2017 in the Allianz Umbrella Funds varied considerably. Fixed-income securities generated a low positive return. Equities performed well in 2017, driven by solid profits on the back of globale economic upturn.

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 Fund Administration and Management.

The board of management will reply with an answer within six weeks. We received four complaints in 2017.

Other entities

In 2017 Havelaar & van Stolk succeeded to keep the retail market portfolio size stable in a difficult market environment. The online retail market is growing rapidly. The SME portfolio declined, mainly due to the still declining portfolio of former MIO Insurances. Havelaar has made huge steps in a cultural transformation which result in effective relationship management and a positive effect on customer focus. The employee engagement survey showed an overall strong increase.

Helviass continued its growth path in a growing market.

Financial results

Income, expenses, result

Total income increased strongly in 2017 to € 473 mn (2016: € 431 mn). Total operating result increased from € 25 mn to € 46 mn, which was mainly caused by incidental items.

In our Life business premium income increased with 15% (2017: 382 mn / 2016: 331 mn), biggest part of this increase is related to the succesful introduction of immediate annuities on pensions in 2016 and an expansion on this product in 2017, impact 30mn. Another main driver is a big Pension contract (FAR arrangement) in 2017, impact 19mn.

In comparison with 2016, the operating result of Life increased in 2017 with 19mn; mainly due to an incidental item in 2016, impact 20 mn.

Asset management business was in line with 2016, mainly due to its interest margin on the small but stable portfolio. Before the sale of ANAM in July 2017, the mortgage activities were spun off to Allianz Vermogen and the investment fund management activities to AFAM. Allianz Vermogen originates NHG mortgages and distributes them to other Allianz entities, after which it remains doing the servicing and management of the portfolio. Consequently it earns a servicing fee and not an interest margin. Due to the rapid growth of the mortgage portfolio the results were almost break-even. AFAM had a good year as the assets under management stayed above 3 billion almost till the end of the year. The operating result of asset management includes the ANAM result from the first 6 months of 2017. After that it was sold to Brand New Day.

Havelaar & van Stolk succeeded to keep the retail market portfolio size stable in a difficult market environment. The online retail market is growing rapidly. The SME portfolio declined, mainly due to the still declining portfolio of former MIO Insurances. Helviass continued its growth path in a growing market.

Financial result for Allianz Nederland Levensverzekering

(€ mn)	2017	2016
Premium income	381,6	330,8
Operating result	41,1	22,0
Profit before tax	39,2	22,6

The Solvency II ratio of Allianz Nederland Levensverzekering amounted to 193% (2016: 211%)

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

Financial result for Allianz Nederland Asset Management

(€ mn)	2017	2016
Operating result	5,1	3,6
Profit before tax	6,5	4,5

Financial results Other activities

(€ mn)	2017	2016
Income from intermedary activities	6,2	6,6
Operating result	0,5	0,3
Profit before tax	(0,6)	(0,9)

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

With a Solvency II capital ratio of 193% (as of end 2017), 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 2018, the management ratio is determined at 170%.

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

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

Supervisory Board

Introduction

Allianz has struck out on a new course, where Allianz has redesigned its 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. Allianz applies the strategy 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 2017. 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 2017. There is a standard annual routine where structural topics are addressed. Between the meetings, there was frequent contact between individual members of the Supervisory Board and the Board of Management, senior management and representatives of the Works Council. 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 2017, 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 or via videoconference.

Topics discussed by the Supervisory Board in 2017 included the following:

1. The financial statements for 2016 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 2016
3. The budget for 2017
4. Risk management and the system of governance and internal control for the Dutch activities
5. The integration of a large insurance portfolio into Allianz Benelux
6. The sale of Allianz Nederland Asset Management B.V.
7. Trends in results and movements in solvency and the technical provisions
8. The developments in reporting in accordance with Solvency II requirements
9. The Allianz Group Renewal Agenda & the Xcelerate program
10. The strategy for the life insurance activities in the Netherlands, both in terms of business development and risk management
11. The pricing and underwriting policy for the various markets in relation to the market developments and the main competitors

12. Trends in digitalization and IT and the IT change agenda
13. Migration to new IT systems for both the life and non-life activities
14. Employee engagement and development prospects for employees
15. Changes to the composition of the Supervisory Board
16. The planned Auditor Rotation per 1 January 2018

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, Actuarial and Risk. This included discussing the recommendations from these functions and determining the status of prior recommendations. Where necessary, the Supervisory Board ensured that the agreed actions are pursued.

Performance evaluation

In the presence of the Board of Management, the Supervisory Board evaluated its own performance, that of its individual members and that of the Audit Committee and Compensation Committee. This took place in a plenary session without external assistance. The evaluation also covered 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 were: more time for meetings of the Supervisory Board, briefer input, focus placed on relevant items for its supervision and the possibility for the Board of Management to provide feedback to the Supervisory Board. The Supervisory Board experienced its relationship with the Board of Management as positive. The information that was provided to the Supervisory Board was of high quality and took account of the interests of everyone involved in the company. The Supervisory Board appreciated the way in which the Board of Management dealt 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 sessions about performing its oversight functions for the areas set out in the Audit Charter. A report on every meeting of the Audit Committee is given in the broader Supervisory Board.

In the reporting year, the Audit Committee comprised of Mr. Fritz Fröhlich (chairman) and Mrs. Boshnakova. 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 2016 including the findings of the external auditor and the audit report to the Supervisory Board
2. The movements in solvency and the technical provisions
3. The developments in reporting in accordance with Solvency II requirements
4. The appropriation of profit and the dividend proposal
5. Risk management, the underlying risk analyses and the main risks for Allianz
6. Preparation of the Supervisory Board's approval of the risk appetite determined by the Board of Management
7. Determining whether Allianz's activities are in line with its risk appetite
8. Design and operation of the internal control systems including the three lines of defense
9. The annual plan of the auditor and follow-up on prior recommendations
10. The annual planning, the results of the internal audits and follow-up on the recommendations of Internal Audit

11. Confirmation of the independence of the external auditor and of Internal Audit
12. Compliance with laws and regulations and handling of legal claims and cases; most of these were claims in respect of unit-linked policies
13. Compliance with statutory and company requirements and the internal rules, including the code of conduct

Until 31 December 2017, BDO Audit & Assurance B.V. is the auditor of Allianz Nederland Groep N.V. and its subsidiaries. Allianz made a choice after a tender process to rotate to PriceWaterhouseCooper Accountants N.V. per 1 January 2018, as did Allianz Group in general.

In the reporting year, the charter of the Audit Committee changed. The main changes are: that Allianz Nederland Asset Management B.V. has been brought out of scope, the reporting of the various risk functions has been aligned, composition requirements have been updated to the new Dutch Governance Code and the authorities and responsibilities have been updated to the latest developments in regulation, the code mentioned, audit firm rotation and the ORSA review role for the Audit Committee.

Report from the Compensation Committee

The Compensation Committee comprised of Mr. Walvis The Compensation Committee comprised of Mr. Walvis (chairman), and Mrs. Boshnakova. 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 2017 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 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 2016
4. Developments in the collective labour agreement
5. Bringing the pension scheme up to date with new legal and tax requirements
6. Redundancy payments in effect
7. Application of the claw-back scheme and/or changes to variable remuneration
8. The awarding and payment of variable remuneration on the basis of agreed financial and non-financial targets for the short, medium and long term for all groups with variable remuneration
9. Setting new financial and non-financial targets, such as for employee engagement, leadership and customer loyalty
10. Developments in the terms of employment at Allianz itself and sector-wide

The remuneration of the Board of Management and the Supervisory Board are in line with Allianz's policy. A detailed remuneration report can be found on the website www.allianz.nl. In 2017, 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 2017.

Composition of the Supervisory Board

Members of the Supervisory Board in the reporting year:

1. Mr. Robert Walvis, chairman of the Supervisory Board and chairman of the Compensation Committee.
2. Mrs. Monique Bodde, member of the Supervisory Board and recommended on behalf of the Works Council.
3. Mr. Fritz Fröhlich, member of the Supervisory Board and chairman of the Audit Committee.
4. Mrs. Sirma Boshnakova, member of the Supervisory Board, member of the Compensation Committee, member of the Audit Committee and recommended on behalf of the shareholder.

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

Retirement rotap

Name of member of the Supervisory Board	Function within the Supervisory Board	Date of current appointment	End date of current appointment
Mr. R.J.W. Walvis	Chairman of the Supervisory Board Chairman of the Compensation Committee	19-11-2011	19-11-2015
Mr. F.W. Fröhlich	Member of the Supervisory Board Chairman of the Audit Committee	19-11-2011	19-11-2015
Mrs. S.G. Boshnakova	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
Mrs. 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.

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

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

Per 1 January 2018, Mr. N.J.M. van Ommen will be member of the Supervisory Board. The shareholder intends to appoint Mr. Van Ommen as Chairman of the Audit Committee as of March 12, 2018. At the same date, the intention is that Mr. F.W. Fröhlich will step down from the Supervisory Board.

Lifelong learning

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

Remuneration and dedication

The members of the Supervisory Board receive a fixed remuneration for 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 staff and managers for all their hard work and encourages them to carry on.

R.J.W. Walvis
Chairman of the Supervisory Board
Rotterdam, April 25, 2018

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. For 2017 the Company intends to change the Board of Management, whereby Mr. J. Weber will leave the Board to assume another position within Allianz Group.

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 program 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. The number of tasks that the company is asked to perform in relation to oversight have grown and, by definition, take high priority. This places great pressure on the company. Priority cases included aftercare in relation to unit-linked policies, improving customer information, economic sanctions and anti-money laundering and counter terrorism financing compliance, the analysis of internal risks and controls and preparations for implementing the General Data Protection Regulation, the Insurance Distribution Directive (Sales Compliance), new pension regulations, MiFID II and PRIIPS.

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

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

Compliance
The design and operation of the Compliance function has been analyzed and improved with regard to governance and staffing and is now better able to fulfil the role expected by all stakeholders. Further improvements have been made in the reporting year. The main developments in compliance relate to the successful completion of the economic sanctions projects, the activities for the Allianz Privacy Renewal Project (in light of the GDPR), the roll-out of the anti-corruption program and the periodic assessment of the internal risk and control system and Compliance Program Maturity. Compliance also reports directly to the Chairman of the Supervisory Board and the Audit Committee.

Remuneration policy
Allianz has its own remuneration policy. In 2017, 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 and Allianz Group policies. Allianz Netherlands is thus in compliance with the requirements for a sound remuneration policy in accordance with the Financial Supervision Act and the Act on Remuneration Policies of Financial Undertakings and the Code of Conduct. The policy has been effectively implemented for some years now and continues to be revised to keep pace with the changing environment. Detailed information about the remuneration policy can be found on the governance page of the website www.allianz.nl.

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. The SpeakUp! tool is hosted by a third party specialized in systems for reporting and handling abuses.

Cases can be reported by telephone and internet 24/7 without having to go through a call center; this takes place completely outside of Allianz's IT systems.

The Compliance Officer of 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, the Integrity Committee, consisting of the heads of Compliance, Legal, Fraud, Risk, Audit, Communications and HR, follows up on and monitors all reports.

Compliance

FATCA/ CRS

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.

With the Common Reporting Standards 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.

MiFID II

With the sale of Allianz Nederland Asset Management B.V., the revised Markets in Financial Instruments Directive (MiFID) and the new Markets in Financial Instruments Regulation (MiFIR), together known as MiFID II are not directly applicable within Allianz Netherlands. Actions have however been taken to be able to deal with request of business partners.

Data Privacy

As at 1 January 2016, a law has taken force under which financial institutions are required to report data leaks with serious consequences 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 2017, seven cases have been reported to the Data Protection Authority. No fines have been imposed. We have been discussing with other insurers how we can work together as a sector to tackle and prevent cybercrime. The project was initiated in 2016 on Benelux level and continued in 2017 in order to be compliant in May 2018 with the new Data Privacy Legislation, the General Data Protection Regulation.

Missing persons protocol

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

Outlook

Allianz is well positioned for 2018. Market circumstances are improving and the momentum for our business performance is a positive. We expect to improve on the 2017 results.

Economy

The forecasts for the Dutch economy are very positive. The CPB (Netherlands Bureau for Economic Policy Analysis) projects above 3.0% growth for 2018 and unemployment is expected to further decline below 4%.

Market and business environment

The main challenges for life insurers in the Netherlands continue to be the low interest rate environment as well as potential new developments in the transparency discussion. Business opportunities have shifted from individual insurance towards collective insurance products and to pension related products, both for accumulation and decumulation of pension in the 2nd or 3rd pillar. It is our ambition to gradually increase our market share in these products, while also optimally servicing the closed-book portfolio. In doing so Allianz uses its expertise to design products that are well-adapted to the world of entrepreneurs.
Over the past years the focus has been on distributing growth products to individual clients and to SME businesses. Over the coming years this effort will be expanded towards MidCorp as well, thereby taking into account the additional requirements that apply for larger businesses.

We will intensify our follow-up on recovery advice ("hersteladvies") in relation to the conclusion of the AFM market survey and their negative opinion regarding the quality of the information provided to the client to make an informed decision to change the unit linked insurance or not. Furthermore the archive and monitoring function of the process of the recovery advise will be improved. And next to this we will keep a close eye on developments in the transparency discussion.

Strategic developments

Digitalisation:
Allianz will further enhance the digital distribution channel, either pure execution-only or hybrid (i.e. initial contact is through a portal after which a broker takes over). The strategy is to balance digital and broker driven distribution depending on the nature and complexity of the product.

Partnerships:
We will actively seek to further extend our product distribution and we are also engaging in strategic partnerships:

Outsourcing of operational processes:
The Business Process Outsourcing (BPO) project is well on track and performs well: first wave started in August 2017, control framework is in place and service level agreements are on target. A second wave is planned to start beginning 2018. The ultimate goal of this project is to outsource all operational processes of the closed-book business.

Further Benelux integration
This will improve Allianz its strategic position and importance, allowing also to optimize the risk profile by diversifying risks and reducing concentration risks. This strategic step has been further explored during 2017 whereby various alternative scenarios have been identified. We are aiming for a final implementation in 2018.

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. The current environment of synchronized, above-trend global economic growth and low but gently rising inflation will likely persist in 2018. Expectations are that interest rates will gradually increase, as inflation is increasing in various European countries.

We are moderately positive about equities vs. bonds on relative valuation grounds and driven by the supportive environment: growth rates are expected to remain above trend, while inflation rates will be only slowly rising. This allows central banks to tighten in a very gradual way, that will not weigh too much on equities

We 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.

Life long learning

For our employees we will continue our investments in education. Knowledge and customer focus will remain top priorities in our learning programs, but in 2018 we will also add components on agility, digitalization and data analysis.

Rotterdam, April 25, 2018

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	S.G. Boshnakova
W.T.M.H. Neven	F.W. Fröhlich
C.J.A.M. Schneijdenberg	
J. Weber	

Financial Statements 2017 Allianz Nederland Groep

Consolidated balance sheet

ASSETS	Note	2017 € 1,000	2016 € 1,000
Cash and cash equivalents	3	37,735	11,107
Financial assets carried at fair value through income	4	44,657	36,492
Investments	5	603,113	602,533
Loans and advances to banks and customers	6	1,577,963	1,605,785
Financial assets for unit-linked contracts	7	2,649,929	2,597,025
Amounts ceded to reinsurers from insurance provisions	14	10,049	13,772
Deferred acquisition costs	8	500	1,225
Other assets	9	213,184	170,999
Intangible assets	10	3,403	4,457
Assets of disposal groups classified as held for sale	39	-	605,303
Total assets		5,140,533	5,648,698

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	2017 € 1,000	2016 € 1,000
Financial liabilities carried at fair value through income	11	35,853	28,639
Liabilities to financial institutions	12	7,776	7,046
Financial liabilities for unit-linked contracts	13	2,649,929	2,597,025
Insurance provisions	14	1,658,183	1,647,566
Deferred tax liabilities	31	23,372	27,780
Other provisions	15	46,733	30,869
Other liabilities	16	439,997	424,873
Liabilities of disposal groups classified as held for sale	39	-	595,303
Total liabilities		4,861,843	5,359,101
Shareholders' equity	17	278,690	289,597
Total equity and liabilities		5,140,533	5,648,698

Before appropriation of result.

Figures have been adjusted for comparison reasons, further information is given in Note 40.

Consolidated income statement

	Note	2017 € 1,000	2016 [2] € 1,000
Premiums written		381,638	330,846
Ceded premiums written		(9,423)	(11,817)
Premiums earned (net)	18	372,215	319,029
Interest, dividend and similar income	19	85,460	91,895
Other income from investments	20	98	1,260
Movement in financial assets and liabilities carried at fair value through income (net)	26	1,632	626
Investment result for risk of policyholders	21	171,113	66,999
Fee and commission income	22	38,019	40,085
Total income		**668,537**	**519,894**
Claims and insurance benefits incurred (gross)		(504,413)	(480,179)
Claims and insurance benefits incurred (ceded)		8,026	5,082
Insurance benefits (net)	23	(496,387)	(475,097)
Change technical provisions	24	(67,244)	59,855
Interest and similar expenses	25	(10,726)	(11,799)
Impairments of investments	5	(178)	(13)
Investment expenses	27	(1,729)	(1,040)
Acquisition costs and administrative expenses	28	(35,173)	(54,398)
Fee and commission expenses	29	(9,306)	(10,260)
Amortization/Disposals gains & losses intangible assets	10	(1,054)	(1,240)
Reorganization charges	30	(2,434)	-
Total expenses		**(624,231)**	**(493,992)**
Income before taxes		44,306	25,902
Taxes	31	**(11,314)**	**(6,297)**
Net income from continuing operations		32,992	19,605
Net income (loss) from discontinued operations, net of income taxes	39	**(7,472)**	**(716)**
Net income [1]		**25,520**	**18,889**

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

	2017 € 1,000	2016 € 1,000
Net income	25,520	18,889
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	(19,067)	2,183
Income tax relating to the revaluation of available for sale investments	4,767	(546)
Total items that may be reclassified to profit or loss in future periods	(14,300)	1,637
Items that may never be reclassified to profit or loss		
Changes in actuarial gains and losses on defined benefit plans	(7,903)	(2,061)
Income tax relating to the actuarial gains and losses	1,976	515
Total items that may never be reclassified to profit or loss	(5,927)	(1,546)
Total other comprehensive income, net of tax	(20,227)	91
Total comprehensive income	5,293	18,980

Figures have been adjusted for comparison reasons

Consolidated statement of changes in shareholders' equity

	Paid-in capital	Share premium	Revenue reserves	Unrealized gains and losses	Net income	Shareholders' equity
	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000
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
Total comprehensive income	-	-	(1,546)	1,637	18,889	18,980
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**
Net income	-	-	-	-	25,520	25,520
Other comprehensive income	-	-	(5,927)	(14,300)	-	(20,227)
Total comprehensive income	-	-	(5,927)	(14,300)	25,520	5,293
Transfer profit previous years to reserves	-	-	18,889	-	(18,889)	-
Shareholders' dividend 2016	-	-	(16,200)	-	-	(16,200)
Balance as of 31/12/2017	**59,813**	**76,667**	**70,529**	**46,161**	**25,520**	**278,690**

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

Consolidated cash flow statement

	2017 € 1,000	2016 € 1,000
Operating activities		
Net income	25,520	18,889
Change in aggregate policy provision	14,341	5,182
Change in deferred acquisition costs	725	1,367
Change in accounts receivable/payable on reinsurance business	702	4,038
Change in trading securities [1]	(8,165)	34,948
Change in liabilities to banks and customers	730	(985)
Change in deferred tax assets/liabilities	(173)	(16,398)
Change in other receivables and liabilities	(2,262)	(44,799)
Change in accrual interest on assets/liabilities	358	(9)
Non-cash investment income/expenses	126	13
Other non-cash income/expenses	1,148	1,261
Net cash flow provided by operating activities	33,050	3,507
Investing activities		
Proceeds from sales of available for sale investments	39,030	224,029
Payments for the purchase of available for sale investments	(57,074)	(215,412)
Change in investments held on account and at risk of life insurance policyholders	(52,904)	65,037
Change in insurance provision for life insurance where investment risk is carried by policyholders	52,904	(65,037)
Change in loans and advances to banks / purchases	(176,053)	(165,776)
Change in loans and advances to banks / sales and redemptions	203,875	186,166
Net cash flow provided by investing activities	9,778	29,007
Financing activities		
Dividend payouts	(16,200)	(43,200)
Net cash flow used in financing activities	(16,200)	(43,200)
Change in cash and cash equivalents	26,628	(10,686)
Cash and cash equivalents at beginning of period	11,107	21,793
Cash and cash equivalents at end of period	37,735	11,107
Supplementary information on the Cash Flow Statement		
Operating activities		
Income taxes paid	(9,698)	(10,734)
Dividends received	66	80
Interest received	86,685	91,816
Interest paid	(11,998)	11,799

1. Including trading liabilities.
2. Without change in deferred tax assets/liabilities from unrealized investment gains and losses

Supplementary Information to the Consolidated Financial Statements

1 Consolidation principles

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

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

Group relationships

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

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

Investments in associated enterprises and joint ventures

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

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

Transactions eliminated on consolidation

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

Use of estimates and assumptions

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

Closing date policy systems

The policy systems are closed as per 15 December 2017 (2016: 16 December). As a result the premiums and single premiums received in the period between 15 December 2017 and 31 December 2017 and the related changes in the technical provision are not included in the financial statements (2016: 16 December 2016 – 31 December 2016). The value of the Unit Linked policies is based on the number of units as per the pre closing date and the share price as per 31 December 2017 (2016 both based on the situation as per 16 December). The impact on result and equity is not material. As a consequence it also has no impact on the solvency ratio.

Foreign currency translation

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

2 Summary of significant accounting and valuation policies

Supplementary information on assets

Cash and cash equivalents

Cash and cash equivalents include balances with banks payable on demand, 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 three 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

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

Impairment of financial assets

Held-to-maturity and available-for-sale debt securities are impaired if there is objective evidence that the cost may not be recovered. If all amounts due according to the contractual terms of the security are not considered collectible, typically due to deterioration in the creditworthiness of the issuer, the security is considered to be impaired. An impairment is not recorded as a result of decline in fair value resulting from general market interest or exchange rate movements. If there is objective evidence that the cost may not be recovered, an available-for-sale debt security is considered to be impaired. Objective evidence that the cost may not be recovered, in addition to qualitative impairment criteria, includes a significant or prolonged decline in the fair value below cost. In a subsequent period, if the amount of the impairment previously recorded on a debt security decreases and the decrease can be objectively related to an event occurring after the impairment, such as an improvement in the debtor's credit rating, the impairment is reversed through other income from investments.

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

Loans and advances to banks and customers

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

Reinsurance

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

Deferred acquisition costs

Deferred acquisition costs related to Life business generally consist of commissions which are directly related to the acquisition of new insurance contracts. These acquisition costs are deferred, to the extent they are recoverable and are amortized based on policy revenues which differ per product. 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.

Supplementary information on equity and liabilities

Liabilities to financial institutions and customers

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

Insurance provisions

Classification of contracts

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

Long duration insurance contracts provision

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

Liability adequacy test

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

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

Investment contracts

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

Unit-linked products

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

Deferred taxes

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

Other accrued liabilities

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

Employee benefits

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

Accrued taxes

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

Provisions for restructuring

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

Provision investment policies

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

Other liabilities

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

Shareholders' equity

Paid-up capital

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

Share premium

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

Revenue reserves

Revenue reserves include the retained earnings of Allianz Nederland Groep.

Revaluation reserve

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

Supplementary information on net income

Life insurance

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

Interest, dividend and other income from investments

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

Income from investments in associated enterprises

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

Taxes

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

Investment contracts income

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

Fee and commission income

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

Other supplementary information

Consolidated statement of cash flows

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

Leases

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

Share based remuneration plans

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

Discontinued operations

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

Recently adopted accounting pronouncements

The following amendments and revisions to existing standards became effective for the Allianz Nederland Group consolidated financial statements as of 1 January 2017:

- IAS 7, Disclosure Initiative
- IAS 12, Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvements to IFRSs 2014-2016 Cycle (Amendments to IFRS 12)

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

Recently issued accounting pronouncements

IFRS 17, Insurance Contracts and IFRS 9, Financial Instruments
IFRS 17 Insurance Contracts was issued by the IASB in May 2017 with the effective date of 1 January 2021 (retrospective application). IFRS 17 provides comprehensive guidance on accounting for insurance contracts and investment contracts with discretionary participation features. Further, IFRS 17 will change the presentation of insurance contract revenue, a gross written premium will no longer be presented in the statement of comprehensive income.

For long duration life insurance contracts IFRS 17 is expected to have a significant impact on actuarial modeling as more granular cash flow projections and regular updates of all assumptions will be required either resulting in profit or loss volatility or impacting the 'contractual service margin', a separate component of the insurance liability representing unearned profits from in-force contracts. Further, IFRS 17 introduces different measurement approaches for the insurance contract liabilities reflecting a different extent of policyholder participation in investment or insurance entity performance. Due to the strong interaction between underlying assets held and the measurement of direct participating insurance contracts, the Allianz Group decided to use the option to defer the full implementation of IFRS 9 until IFRS 17 becomes effective on 1 January 2021. The amendment to IFRS 4, which allows this deferral, has been endorsed by the EU in November 2017.

IFRS 9, issued by the IASB in July 2014, will fully replace IAS 39 and provides a new approach on how to classify financial instruments based on their cash flow characteristics and the business model under which they are managed. Furthermore, the standard introduces a new forward looking impairment model for debt instruments and provides new rules for hedge accounting. It can be assumed that the main impact from IFRS 9 will arise from the new classification rules leading to more financial instruments being measured at fair value through profit and loss as well as from the new impairment model. In this context, interdependencies with IFRS 17 have to be considered to come to a final conclusion on the combined impact of both standards. Allianz Nederland Groep is currently assessing the impact of the application of both IFRS 17 and IFRS 9. As at the date of the publication of these consolidated financial statements it is not practicable to quantify the effect on the consolidated financial statements.

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, IAS 11, 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 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Allianz Nederland currently plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach.

As at 31 December 2017, the Allianz Nederland future minimum lease payments under non-cancellable operating leases amounted to EUR 3.8 million, on an undiscounted basis (see Note 34). Allianz Nederland does not expect that there will be a significant impact of the adoption of IFRS 16 on its consolidated financial statements.

Supplementary Information to the Consolidated Balance Sheet - assets

3 Cash and cash equivalents

	2017 € 1,000	2016 € 1,000
Balances with banks payable on demand	37,735	11,107
Total	**37,735**	**11,107**

The effective interest rate on deposits/call money at the statement of financial position date is -0,08% (2016: 0,07%). The deposits/call money matures within three months.

4 Financial assets carried at fair value through income

	2017 € 1,000	2016 € 1,000
Financial assets in investment funds	34,704	27,447
Fund units held for own account	7,804	7,282
Financial assets held for trading	2,149	1,763
Total	**44,657**	**36,492**

Development of the financial assets in investment funds

	2017 € 1,000	2016 € 1,000
Value stated as of 1/1	27,447	31,606
Purchases	10,931	1,593
Sales	(4,012)	(5,005)
Result	338	(747)
Value stated as of 12/31	**34,704**	**27,447**

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

5 Investments

Securities available-for-sale

	Equity securities	Investment Funds	Government bonds	Corporate bonds	Government loans	Corporate loans	Total
	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000
Value stated as of 12/31/2015	**-**	**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**
Purchases	250	4,518	44,665	7,641	-	-	57,074
Sales/redemptions	-	-	(27,243)	(11,787)	-	-	(39,030)
Impairment	-	(178)	-	-	-	-	(178)
Amortization	-	-	(1,245)	903	-	-	(342)
Revaluation	-	(153)	(12,045)	(4,746)	-	-	(16,944)
Value stated as of 12/31/2017	**500**	**8,802**	**421,577**	**172,234**	**-**	**-**	**603,113**

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

	2017 € 1,000	2016 € 1,000
Equity securities	292	305
Bonds	8,510	4,310
Total	**8,802**	**4,615**

	(Amortized) cost		Unrealized gains		Unrealized losses		Market values	
	2017 € 1,000	2016 € 1,000	2017 € 1,000	2016 € 1,000	2017 € 1,000	2016 € 1,000	2017 € 1,000	2016 € 1,000
Equity securities	500	250	-	-	-	-	500	250
Investment funds	8,710	4,370	92	245	-	-	8,802	4,615
Government bonds	374,403	358,226	49,266	60,368	(2,092)	(1,149)	421,577	417,445
Corporate bonds	157,951	161,194	14,552	19,396	(269)	(367)	172,234	180,223
Total	**541,564**	**524,040**	**63,910**	**80,009**	**(2,361)**	**(1,516)**	**603,113**	**602,533**

	Proceeds from sales		Realized gains		Realized losses	
	2017 € 1,000	2016 € 1,000	2017 € 1,000	2016 € 1,000	2017 € 1,000	2016 € 1,000
Equity securities	-	(63)	-	-	-	(8)
Investment funds	-	6	-	-	-	-
Government bonds	(27,372)	(101,234)	241	1,154	(112)	(9)
Corporate bonds	(11,756)	(67,655)	108	123	(139)	-
Government loans	-	(23,803)	-	-	-	-
Corporate loans	-	(30,004)	-	-	-	-
Total	**(39,128)**	**(222,753)**	**349**	**1,277**	**(251)**	**(17)**

Contractual maturities

The amortized cost and estimated fair value of securities available for sale with fixed maturities as of December 31, 2017 by contractual maturity are as follows:

	Securities available-for-sale			
	Amortized cost		Market values	
	2017 € 1,000	2016 € 1,000	2017 € 1,000	2016 € 1,000
Contractual term to maturity:				
- due in year or less	27,823	12,966	28,201	13,184
- due after 1 year and in less than 5 years	230,529	196,308	254,663	218,676
- due after 5 years and in less than 10 years	105,529	168,902	122,096	199,442
- due after 10 years	168,473	141,244	188,851	166,366
Total	**532,354**	**519,420**	**593,811**	**597,668**

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

	Loans to private customers secured by mortgages	Loans to banks	Loans to banks secured	Loans to Allianz	Total
	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000
Value stated as of 12/31/2015	**515,137**	**297,157**	**808,881**	**5,000**	**1,626,175**
Purchases	92,134	11,550	62,092	-	165,776
Sales/redemptions	(37,716)	(16,131)	(132,319)	-	(186,166)
Value stated as of 12/31/2016	**569,555**	**292,576**	**738,654**	**5,000**	**1,605,785**
Purchases	109,082	10,590	56,380	-	176,052
Sales/redemptions	(60,174)	(24,837)	(118,864)	-	(203,875)
Value stated as of 12/31/2017	**618,464**	**278,329**	**676,170**	**5,000**	**1,577,963**

7 Financial assets for unit-linked contracts

	2017 € 1,000	2016 € 1,000
Financial assets for unit-linked contracts	2,649,929	2,597,025
Total	**2,649,929**	**2,597,025**

8 Deferred acquisition costs

	2017 € 1,000	2016 € 1,000
Value stated as of 1/1	**1,225**	**2,592**
Additions	11	12
Amortization	(736)	(1,379)
Value stated as of 12/31	**500**	**1,225**

9 Other assets

	2017 € 1,000	2016 € 1,000
Receivables		
Policyholders	3,757	1,643
Intermediaries	2,913	2,355
Reinsurers	8,728	11,575
Allowance for doubtful accounts	(692)	(909)
subtotal	14,706	14,664
Tax Receivables		
Other taxes	78	4
subtotal	78	4
Accrued dividends, interest and rent	15,475	15,863
Prepaid expenses	567	2,200
Net asset position defined benefit plans	40,750	44,530
Receivables from Cash pooling	65,175	40,586
Receivables from group companies	29,606	18,276
Receivables on loans to private customers	27,377	15,716
Property and equipment		
Equipment	207	293
subtotal	207	293
Other	19,243	18,867
Total	213,184	170,999

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

Development of the provision allowance for doubtful accounts:

	2017 € 1,000	2016 € 1,000
Value stated as of 1/1	(909)	(978)
Additions	(137)	(347)
Release	354	416
Value stated as of 12/31	(692)	(909)

Property and Equipment

Development of the tangible fixed assets:

	2017 € 1,000	2016 € 1,000
Purchase price as of end of year	20,348	20,340
Depreciation as of end of year	(20,141)	(20,047)
Value stated as of 12/31	207	293
Value stated as of 1/1	293	323
Additions	8	148
Depreciation	(94)	(178)
Value stated as of 12/31	207	293

10 Intangible assets

Development of the intangible assets:

	2017 € 1,000	2016 € 1,000
Value stated as of 1/1	4,457	6,013
Disposals	-	(316)
Impairment	(62)	(60)
Amortization	(992)	(1,180)
Value stated as of 12/31	3,403	4,457

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

	2017 € 1,000	2016 € 1,000
Financial liabilities in investment funds	34,705	27,447
Participation third party in investment funds	1,148	1,192
Total	35,853	28,639

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

	2017 € 1,000	2016 € 1,000
Liabilities to banks	2,458	2,119
Other liabilities customers	5,318	4,927
Total	7,776	7,046

13 Financial liabilities for unit-linked contracts

Movement table for long duration life insurance contracts

	2017 € 1,000	2016 € 1,000
Balance as of 1/1	2,597,025	2,662,062
Net premiums	165,607	116,192
Benefits paid	(335,803)	(291,180)
Revaluations	171,139	66,999
Other	51,961	42,952
Balance as of 12/31	2,649,929	2,597,025

14 Insurance provisions

Movement table for long duration life insurance contracts

	2017			2016		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000
Balance as of 1/1	1,647,566	(13,772)	1,633,794	1,643,451	(14,839)	1,628,612
Benefits paid	(170,296)	1,319	(168,977)	(166,708)	1,539	(165,169)
Premiums received	174,146	(3,898)	170,248	172,223	(3,653)	168,570
Technical interest	33,714	(503)	33,211	40,048	(549)	39,499
Technical result	(26,947)	6,805	(20,142)	(41,448)	3,730	(37,718)
Balance as of 12/31	1,658,183	(10,049)	1,648,134	1,647,566	(13,772)	1,633,794

15 Other provisions

	2017 € 1,000	2016 € 1,000
Provisions for post-employment benefits	2,478	2,684
Provision restructuring plans	15,556	407
Miscellaneous accrued liabilities	28,699	27,778
Total	**46,733**	**30,869**

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:

	2017 € 1,000	2016 € 1,000
Present value of defined benefit obligation	(606,921)	(576,834)
Pension fund assets	645,193	618,680
Funded status	**38,272**	**41,846**
Liability recognized in Note 14 Other provisions	(2,478)	(2,684)
Asset recognized in Note 9 Other receivables	40,750	44,530
Net position arising from defined benefit obligation	**38,272**	**41,846**

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

	2017 € 1,000	2016 € 1,000
Value stated as of 12/31 prior year	**(576,834)**	**(525,711)**
Current service cost	(16,225)	(13,708)
Interest cost	(10,266)	(11,689)
Benefits paid	13,310	12,762
Actuarial gain/ (loss) - due to change in demographic assumptions	4,195	(1,410)
Actuarial gain/ (loss) - due to change in discount rate	-	(49,890)
Actuarial gain/ (loss) - due to change pension increase assumptions	(28,921)	-
Actuarial gain/ (loss) - due to unexpected experience	7,820	12,812
Value stated as of 12/31	**(606,921)**	**(576,834)**

The actuarial gain from change in demographic assumptions is caused by changes in the experience mortality rate assumptions

The actuarial loss from change in pension increase assumptions is caused by an increase of the expected indexation rate from 0.25% to 0.50%

The actuarial gain due to unexpected experience is caused by several relative small adjustments.

As of December 31, 2017 the total post-retirement health benefits obligation amounted to €2.5 mn (2016: € 2.7 mn).

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

	2017 € 1,000	2016 € 1,000
Value stated as of 12/31 prior year	**618,680**	**567,022**
Interest income on plan assets	11,150	12,795
Return on plan assets greater/ (less) than expected	9,003	36,427
Actual employer contributions	18,589	13,715
Actual participant contributions	2,550	2,476
Benefits paid by fund	(13,029)	(12,505)
Admin cost paid by fund	(1,750)	(1,250)
Value stated as of 12/31	**645,193**	**618,680**

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

	2017 € 1,000	2016 € 1,000
Level 1 (quoted market price):		
Cash and cash equivalents	2,629	1,872
Equity investments	167,578	163,259
Bonds corporate	3,352	9,896
Bonds government/ government agency	408,632	384,809
Real estate	27,679	21,435
Other assets	11,712	11,886
Level 2/3 (non-quoted market price)		
Debt instruments - mortgages	13,404	15,180
Bonds corporate	8,584	8,803
Real estate	1,623	1,540
	645,193	**618,680**
Debt instruments categorised by issuers' credit rating:		
AAA	175,290	141,843
AA	221,586	237,487
A	3,352	3,615
BBB and lower	20,340	20,563
not rated	13,404	15,180
	433,972	**418,688**

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

The plan assets include shares of Allianz SE with an aggregate fair value of Eur 4,772 (31 December 2016: Eur 3,912)

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

	2017 € 1,000	2016 € 1,000
Current service cost	16,225	13,708
Interest (income)/expenses	(884)	(1,106)
Administration cost	1,750	1,250
Participant contributions	(2,550)	(2,476)
Total	**14,541**	**11,376**

During the year ended December 31, 2017 net periodic benefit costs of pension plans include costs related to post retirement health benefits of € 43 (2016: 57).

Expected contributions to post-employment benefit plans for the year ending 31 December 2018 are EUR 18.200 (2017: 19.450)

Assumptions

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

The most recent actuarial valuation of the defined benefit obligation were carried out at 31 December 2017 by 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:

	2017 %	2016 %
Discount rate/return on assets	1.80	1.80
Expected rate compensation increase	2.50	2.50
Cost of living adjustments active participants	0.50	0.25
Cost of living adjustments non-active participants	0.50	0.25
Expected future service years	14.10	14.22
Average duration of liabilities in years	20.50	20.4
Life expectancy of a man who is 65-year old	22.00	21.95
Life expectancy of a woman who is 65-year old	23.70	24.64

The discount rate of 1.80% per annum at the start and 1.80% per annum at the end of 2017 is based upon the yields available on high-quality corporate bonds with a term that matches that of the liabilities. The actual rate of pension increase in 2017 was 0.0% (2016: 0.0%).

It has been assumed that current and future pension payments will increase at an avarage rate of 0.50% 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 58.1 mn (increase by Eur 67.4 mn)

- If the bond yield is 25 basis point higher (lower), the defined benefit obligation would decrease by Eur 18.2 mn (increase by Eur 19.0 mn)

- If the expected indexation is 25 basis point higher (lower), the defined benefit obligation would increase by Eur 30,8 mn (decrease by Eur 28.8 mn)

- If the life expectancy increases by one year for both men and women, the defined benefit obligation would increase by Eur 20.9 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

	2017 target	2017 actual	2016 actual
Equity securities	25.0%	26.0%	26.4%
Real estate	5.0%	4.5%	3.7%
Debt securities	67.5%	67.3%	67.7%
Other	2.5%	2.2%	2.2%
Total	**100.0%**	**100.0%**	**100.0%**

Provision restructuring plans

The development of the Provision restructuring plans are as follows:

	2017 € 1,000	2016 € 1,000
Value stated as of 1/1	407	3,607
Additions	18,093	-
Usage	(2,574)	(3,200)
Amount released	(370)	-
Value stated as of 12/31	**15,556**	**407**

Allianz Benelux has set up a new restructuring plan in order to eliminate redundancies and improve cost competitiveness and efficiency. This restructuring is planned to be realized in 2018. Of the Eur 18,1 mn total expected cost, an amount of Eur 2,8 mn is related to ANG, Eur 15,3 mn is related to the branch activities of Allianz Benelux N.V. in the Netherlands.

Miscellaneous accrued liabilities

	2017 € 1,000	2016 € 1,000
Staff related expenses	7,898	5,242
Other	20,801	22,536
Total	**28,699**	**27,778**

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

	2017 € 1,000	Staff related expenses € 1,000	Other € 1,000
Value stated as of 1/1	27,778	6,910	20,868
Additions	1,943	1,943	-
Usage	(965)	(955)	(10)
Amount released	(57)	-	(57)
Value stated as of 12/31	**28,699**	**7,898**	**20,801**

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

16 Other liabilities

	2017 € 1,000	2016 € 1,000
Payables		
Policyholders	40,702	30,427
Agents	87	134
Reinsurance	7,732	9,816
Subtotal	**48,521**	**40,377**
Payables for social security	370	452
Tax payables		
Other taxes	7,539	6,791
Tax provision for uncertainties	2,297	1,593
Subtotal	**9,836**	**8,384**
Accrued interest and rent	903	933
Unearned income	233	481
Provisions		
Employee related	3,617	4,563
Subtotal	**3,617**	**4,563**
Liabilities from cash pooling	3,000	-
Liabilities for sales and services	12,674	12,537
Credit facilities from group companies	244,279	311,432
Amounts payable to group companies	88,882	27,689
Other liabilities	27,682	18,025
Total	**439,997**	**424,873**

The amounts payable to group companies € 88,882 (2016: € 27,689) include an amount of € 64,000 (2016: € 0) which is due after more than one year. The credit facilities from group companies € 244,279 (2016: € 311,342) are related to finance received by Allianz Vermogen B.V. for the acquisition of mortgages to private individuals.

Of the remaining liabilities stated under Other Liabilities € 106,836 (2016 : € 85,752) is due within one year and € 0 (2016 : € 0) is due after more than one year.

17 Shareholders' equity

The shareholders' equity comprises the following:

	2017 € 1,000	2016 € 1,000
Issued capital	59,813	59,813
Share premium	76,667	76,667
Revenue reserves	70,529	73,767
Profit for the year	25,520	18,889
Revaluation reserve	46,161	60,461
Total	**278,690**	**289,597**

Issued and paid up capital amounted to € 59.8 mn divided into 59,813 shares. The company has issued only one type of shares which has a par value of € 1,000. The issued shares are owned by Allianz Europe B.V. in Amsterdam. Allianz SE in Munich (Germany) is the ultimate parent company. The development of capital and reserves is explained in the notes to the statutory statement of financial position. For the year ended December 31, 2017 the Management Board will propose to shareholders at the General Meeting the distribution of a dividend of € 28 mn (€ 468,12 per share).

Supplementary Information to the Consolidated Income Statement

18 Premiums earned (net)

	Total	
	2017 € 1,000	2016 € 1,000
Premiums written (gross):	381,638	330,846
Reinsurance ceded	(9,423)	(11,817)
Premiums written (net)	**372,215**	**319,029**

19 Interest, dividend and similar income

	2017 € 1,000	2016 € 1,000
Income from:		
- securities available-for-sale	16,436	16,570
- lending and loans	68,962	75,178
- other income	62	147
Total	85,460	91,895

Income from securities available-for-sale include dividend income of € 0 (2016 : € 0).

20 Other income from investments

	2017 € 1,000	2016 € 1,000
Realized gains on securities available-for-sale	349	1,277
Realized losses on securities available-for-sale	(251)	(17)
Total	98	1,260

21 Investment result for risk of policyholders

	2017 € 1,000	2016 € 1,000
Investment result for risk of policyholders	171,113	66,999
Total	171,113	66,999

22 Fee and commission income

	2017 € 1,000	2016 € 1,000
Fee and commission income other service agreements	6,837	7,420
Fee and commission income asset management activities	31,182	32,665
Total	38,019	40,085

Income from service activities is related to income from intermediary activities.

23 Insurance benefits (net)

Insurance benefits in Life comprise the following:

	2017 € 1,000	2016 € 1,000
Benefits paid Gross	504,480	480,272
Benefits paid Reinsurance	(8,026)	(5,082)
Benefits paid Net	**496,454**	**475,190**

24 Change technical provisions

	2017 € 1,000	2016 € 1,000
Change technical provisions Gross	63,588	(60,829)
Change technical provisions Reinsurance	3,656	974
Change technical provisions Net	67,244	(59,855)

25 Interest and similar expenses

	2017 € 1,000	2016 € 1,000
Interest expenses liabilities to banks and customers	102	81
Interest expenses for other certificated Liabilities	145	191
Interest expenses intercompany loans	10,308	11,441
Interest expenses other	171	86
Total	10,726	11,799

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)

	2017 € 1,000	2016 € 1,000
Results on derivates	79	(47)
Movement in financial assets and liabilities at FV through income (net)	1,553	673
Total	1,632	626

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

27 Investment expenses

	2017 € 1,000	2016 € 1,000
Investment management expenses	1,727	936
Foreign currency losses (net)	2	104
Total	1,729	1,040

28 Acquisition costs and administrative expenses

	2017 € 1,000	2016 € 1,000
Acquisition costs incurred	7,403	6,619
Acquisition costs ceded	(2,231)	(3,280)
Deferrals of acquisition costs	(12)	(12)
Total acquisition costs	**5,160**	**3,327**
Amortization of deferred acquisition costs	737	1,379
Administrative expenses	29,276	49,692
Acquisition costs and administrative expenses	**35,173**	**54,398**

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

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

An overview of personnel expenses is provided in Note 35.

29 Fee and commission expenses

	2017 € 1,000	2016 € 1,000
From service agreements	5,980	6,698
From asset management activities	3,326	3,562
Total	9,306	10,260

30 Restructuring charges

	2017 € 1,000	2016 € 1,000
New restructuring provision	2,804	-
Release from closed restructuring	(370)	-
Total	2,434	-

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

31 Taxes

The Group's taxes are comprised of the following:

	2017 € 1,000	2016 € 1,000
Current taxes	(9,511)	(10,714)
Deferred taxes	(1,803)	4,417
Total	(11,314)	(6,297)

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 2017 is € 237 higher (2016 : € 179 lower) than the expected tax charge.

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

	2017 € 1,000	2016 € 1,000
Anticipated tax rate in %	25.0%	25.0%
Expected income tax charge	11,077	6,476
Tax exempt (revenues)/cost	152	87
Effect of adjustments previous years	85	(266)
Current tax charge	11,314	6,297
Effective tax rate	25.5%	24.3%

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

	2017 € 1,000	2016 € 1,000
Deferred tax assets		
Insurance provisions	4,087	4,086
Pensions and similar provisions	6,463	4,487
Deferred acquisition costs	3,540	4,540
Total	14,090	13,113
Netting deferred tax assets/ liabilities within fiscal unity	(14,090)	(13,113)
Net deferred tax assets	-	-
Deferred tax liabilities		
Investments	(16,378)	(20,092)
Other liabilities	(21,084)	(20,801)
Total	(37,462)	(40,893)
Netting deferred tax assets/ liabilities within fiscal unity	14,090	13,113
Net deferred tax liabilities	(23,372)	(27,780)

Deferred tax recognized directly in equity amounted to € 6,742 (2016 : € 31) of which € 4,766 (2016: € 546) 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.

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

Two-tier board

- The Supervisory Board has a monitoring role. It provides support and advice to the Board of Management. As part of its supervisory tasks, the Supervisory Board pays special attention to the effectiveness of the risk management system and on an annual basis it approves the risk appetite as laid down in the ORSA report. The Supervisory Board is equipped with an Audit Committee where 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 and a hierarchical reporting line to the CFO of Allianz Benelux.

Committees

Allianz Nederland is equipped with the following committees:

- The ANL Risk Committee has specialized focus on the risks that Allianz Nederland is exposed to. It has an advisory role to the Board of Management regarding the Top Risk Assessment, new products, model parameters and assumptions, reinsurance and capital management.
- The Asset-Liability Management Committee of Allianz Nederland 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 ANL Risk Committee and ultimately by the Board of Management.

- The Operational Risk Management Committee supervises the operational risk management activities. This committee is setup at the level of Allianz Benelux as this facilitates dealing with transversal matters by allowing better oversight and interaction on overarching risk topics. It is an advisory sub-committee of the ANL Risk Committee. To cover the broad scope of operational risk, all key domains of the value chain are represented in this committee. It is chaired by the Chief Operating Officer of Allianz Benelux, while the Chief Risk Officer of ANL is a permanent member.

Risk Management Processes

Allianz Nederland 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 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 on a yearly basis in adherence with existing governance practises. The next elements together shape our risk appetite:

- Setting tolerance levels for all identified top risks: this ensures that the top risks are monitored and managed in accordance with the risk appetite as defined by the tolerance level.
- Defining levels for adequate capitalisation: on a yearly basis a management capital ratio and action thresholds around it are determined. This yearly calibration takes into account general and company-specific stress scenarios.
- To manage concentration risks, we additionally define quantitative limits for disproportionally large risks (e.g. counterparty exposure and strategic asset allocation including leeways).
- 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 is well capitalized and meets its target Solvency-II capital ratio as of December 31, 2017.

Regulatory capital position	2017	2016
Available financial resources	316	343
Capital requirement	164	162
Capital ratio (available/required)	193%	211%
Internal target ratio	170%	180%

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 a selection of stress scenarios showing the sensitivity position under equity and interest rate movements for reasonably possible changes.

Regulatory capital ratio	2017	2016
Base case	193%	211%
Equity -30%	178%	195%
Interest rates +100 bps	187%	198%
Interest rates -100 bps	195%	242%
Equity -15% and interest rates +100 bps	180%	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. Therefore, ANL has nearly no direct exposure to equity, but runs only indirect equity risk. The latter is because future profits, earned through management fees over equity-linked unit-linked funds, are sensitive to equity movements.

Interest rate risk
The market value balance sheet of an insurer is by nature sensitive to interest rate movements. This sensitivity is reduced by matching the expected liability cash flows with corresponding assets.

Allianz Nederland 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 an 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. It is no longer possible to enter new contracts carrying a minimum guarantee, while existing contractual agreements, in which a guarantee feature is embedded, are continued. Note that similarly as explained for equity risk, the unit-linked segment is also exposed to indirect interest rate risk: an increase in interest rates will reduce the value of fixed-income funds and thereby also the earned management fees, while in addition also the future profits will be discounted a higher discount rate, leading to a lower present value of them.

Currency risk
Currency risk relates to losses incurred due to fluctuations in foreign currency exchange rates. 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 combined with concentration risk.

Within Allianz Nederland, 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 343 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:* these mortgages are originated by Allianz Vermogen B.V. They are sold further to ANL, where they are used to match liability cash flows. Some portion of mortgages have also remained on the book of Allianz Vermogen B.V. These were funded by Allianz Benelux. As explained below, the credit risk on these mortgages is very limited due to the National Mortgage Guarantee.
  - 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:
  - This NHG guarantee is covered by the "Waarborgfonds Eigen Woning"[1] (WEW). This is a private institution with fallback agreements with the government and municipalities. The guarantee 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:

1. Homeownership Guarantee Fund

- 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 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 (i.e. implying a bullet repayment of the principal at maturity). As a consequence the redemption scheme of the mortgage does not fully align with the NHG limitation. Therefore, 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 NHG redemption mismatch for newly initiated[2] mortgages 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.

- *Other fixed income assets:* The table below provides information on the fixed income investments as at year-end 2017. 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	A	≤BBB	Total
Government	242	147	4	23	416
Corporate	58	33	70	13	174
Total	**300**	**180**	**74**	**36**	**590**
2017	51%	31%	13%	6%	100%

2. However, note that customers are allowed to transfer their existing mortgages from another provider to Allianz Vermogen. Therefore these transferred mortgages may still contain a bullet part.

	AAA	AA	A	≤BBB	Total
Government	242	147	5	24	418
Corporate	22	67	73	18	180
Total	**264**	**214**	**78**	**42**	**598**
2016	44%	36%	13%	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 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).

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

Hierarchy disclosure

IFRS requires that transparency is given into the fair value hierarchy of all financial instruments. 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 below depicts the financial instruments measured at fair value at the end of 2017, by the level in the fair value hierarchy into which the fair value measurement is categorised.

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
2017	4,812	428	1,391	2,105	888
2016	4,562	397	1,627	1,847	691

	2017 € mn				2016 € mn			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Financial investments Available for Sale	-	601	2	603	-	688	2	690
Financial Assets for unit-linked Contracts	2,650	-	-	2,650	2,597	-	-	2,597
Financial Assets designated at Fair Value through income	45	-	-	45	36	-	-	36
Liabilities								
Financial liabilities for unit-linked Contracts	2,650	-	-	2,650	2,597	-	-	2,597
Financial liabilities carried at fair alue through income	36	-	-	36	29	-	-	29

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.

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 has elaborated on this risk in the Own Risk and Solvency Assessment. In the course of 2017 ANL has reached a settlement with three major claims foundations. ANL expects this will substantially reduce the related operational risk.

Also, in the course of 2017, Allianz Nederland has put full effort in repairing defective investment policies. A survey conducted by AFM pointed out unsatisfactory results for mortgage and 3rd pillar pension policies. ANL will take all necessary measures to timely remediate these findings.

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

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

Cash and cash equivalents

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

Investments (including trading assets and liabilities)

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

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

Financial assets and liabilities carried at fair value through income

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

Fair value information about financial assets and liabilities not carried at fair value

The following table compares the carrying amount and fair value of the financial assets and liabilities not carried at fair value.

	2017		2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	€ 1,000	€ 1,000	€ 1,000	€ 1,000
Loans to private customers secured by mortgages	619	685	570	645
Loans to banks	278	343	293	367
Loans to banks secured	676	870	739	1,021
Loans to Allianz SE	5	5	5	6
Financial Assets	**1,578**	**1,904**	**1,606**	**2,039**
Liabilities to financial institutions	8	8	7	8
Financial Liabilities	**8**	**8**	**7**	**8**

The loans to banks and private customers and the liabilities to financial institutions are classified as level 3 investment. The fair value of these assets is based on the income approach, using deterministic cash flows with credit spreads as primary non-market obeservable input. The loans to Allianz SE are classified as level 2 investment.

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 € 5 mn (2016 : € 4 mn) related to rental, lease contracts and other long term agreements.

As of December 31, 2017 the future minimum lease payments under non-cancellable operating leases were as follows:

	€ 1,000
2018	1,714
2019	1,223
2020	607
2021	221
2022	42
Total	**3,807**

As of the end of the year, an amount equal to € 2 mn (2016 : € 2 mn), has been granted in respect of guarantees.

35 Employee information

At the end of 2017 Allianz Nederland Groep employed a total of 968 (2016: 1,013) employees.

Personnel expenses

	2017 € 1,000	2016 € 1,000
Salaries and wages	61,496	62,429
Social security contributions and employee assistance	7,542	7,622
Expenses for pensions and other post-retirement benefits	11,174	9,279
Total	**80,212**	**79,330**
Personel expenses charged to non consolidated group companies	(59,418)	(54,186)
Personel expenses consolidated group companies	**20,794**	**25,144**

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

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 2,472 (2016 : 1,612). The difference between the exercise price and the market price of Allianz shares of € 35,77 (2016 : € 27,01) was reported as part of compensation expense.

Restricted Stock Units (RSU) plan

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

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

	2017		2016	
	Number	Weighted average grant date fair value (€)	Number	Weighted average grant date fair value (€)
Nonvested as of 1/1	12.130	106,48	11.313	97,43
Granted	2.767	135,40	3.215	110,67
Exercised	(2.914)	90,90	(2.398)	69,38
Forfeited	-	-	-	-
Nonvested as of 12/31	11.983	116,95	12.130	106,48

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

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

		2017	2016
Share price	€	167,45	141,15
Average dividend yield	%	4,8	4,9
Average interest rate	%	(0,1)	(0,2)
Expected volatility	%	22,9	23,5

The restricted stock units are accounted for as cash settled plans as Allianz Group intends to settle in cash. Therefore Allianz Group accrues the fair value of the restricted stock units as compensation expense over the vesting period. During the year ended December 31, 2017, Allianz Group recognized compensation expense related to the nonvested restricted stock units of € 752 (2016: € 384). Taking into account the expired portion of the vesting period, a provision of € 1,518 (2016: € 1,248) was established on December 31, 2017 and reported under the heading Other accrued liabilities for the three board members in service of Allianz Nederland Groep.

Compensation management board

	2017 € 1,000	2016 € 1,000
Short-term employee benefit	353	493
Expenses for pensions and other post-retirement benefits	40	43
Stock-based compensation	78	84
Total remuneration	471	620

As of December 31, 2017 the management board had six (2016 : 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 € 96 (2016: € 84) premiums to pension funds for active member of the management board.

As of December 31, 2017 the pension provisions and provisions for similar benefits for the then active members of the management board amounted to € 1,678 (2016: € 1,534).

Remuneration for the supervisory board

In fiscal year 2017, remuneration for the supervisory board amounted to € 128 (2016: € 165). This board has four (2016: five) members.

37 Related parties transactions

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

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

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

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

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

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

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

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

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

Allianz Nederland Leven NV has entered into reinsurance involved related party transactions with Allianz SE reinsurance and Allianz Vie SA. Ceded reinsurance premiums totals € 3.9 mn.

38 Auditor's fees

Auditor's fees can be specified as follows:

	2017	2016
	BDO € 1,000	BDO € 1,000
Year end audit services	396	406
Other audit services	24	102
Other non-audit services	-	82
Total	**420**	**590**

39 Held for sale assets and liabilities

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

	2017 € 1,000	2016 € 1,000
Cash and cash equivalents	-	7,240
Financial assets carried at fair value through income	-	465,382
Investments: available for sale	-	87,598
Loans and advances to banks	-	37,302
Other assets	-	7,781
Held for sale assets	-	**605,303**
Liabilities to customers	-	129,280
Financial liabilities carried at fair value through income	-	465,382
Other liabilities	-	641
Held for sale liabilities	-	**595,303**

Net income from Held for Sale operations:

	2017 € 1,000	2016 € 1,000
Total income	3,223	1,963
Total expenses	(2,519)	(2,917)
Net result sale participation	(8,000)	-
Income before taxes	**(7,296)**	**(954)**
Taxes	(176)	238
Net income (loss) from discontinued operations, net of income taxes	**(7,472)**	**(716)**

Consolidated Income Statement

40 Reclassifications

To improve the transparancy of the balance sheet and the income statement, some reclassifications were made. These reclassifications are in the balance sheet mainly concentrated in the other assets and other liabilities lines and in other income and other expenses in the income statement.

Assets & Liabilities impacted by reclassification	Note	2016 old € 1,000	2016 revised € 1,000	Change € 1,000
Other assets	9	175,733	170,999	(4,734)
Total assets				**(4,734)**
Liabilities to financial institutions	12	2,119	7,046	4,927
Other provisions	15	26,254	30,869	4,615
Other liabilities	16	439,149	424,873	(14,276)
Total liabilities				**(4,734)**

Income & Expenses impacted by reclassification	Note	2016 old € 1,000	2016 revised € 1,000	Change € 1,000
Interest, dividend and similar income	19	91,903	91,895	(8)
Fee and commission income	22	32,664	40,085	7,421
Other income		6,561	-	(6,561)
Total income				**852**
Claims and insurance benefits incurred (gross)		475,262	480,179	4,917
Interest and similar expenses	25	11,805	11,799	(6)
Investment expenses	27	-	1,040	1,040
Acquisition costs and administrative expenses	28	59,330	54,398	(4,932)
Fee and commission expenses	29	3,545	10,260	6,715
Amortization/Disposals gains & losses intangible assets		-	1,240	1,240
Other expenses		8,122	-	(8,122)
Total expenses				**852**

Corporate Financial Statements

41 Statutory statement of financial position

ASSETS	Note		2017 € 1,000		2016 € 1,000
Financial assets					
Participations in group companies and subsidiaries	44		263,764		291,499
Current assets					
Receivables					
Receivables from group companies	44	34,136		25,022	
Tax receivable		74		-	
Receivable Cashpool	44	24,850		1,650	
Other receivables	44	9,375		8,481	
Other assets	44	41,204		46,471	
			109,639		81,624
Investments	44		2,149		1,763
Cash and cash equivalents	44		548		198
Total assets			**376,100**		**375,084**

LIABILITIES AND SHAREHOLDERS' EQUITY	Note		2017 € 1,000		2016 € 1,000
Payables					
Payables to group companies		34,053		35,847	
Taxes payable		7,389		6,765	
Other payables and accrued liabilities	44	20,774		21,592	
			62,216		64,204
Provisions					
Deferred tax liability	44	9,568		10,462	
Other provisions	44	25,626		10,821	
			35,194		21,283
Shareholders' equity					
Paid in capital	44	59,813		59,813	
Share premium		76,667		76,667	
Revaluation reserves of subsidiaries	44	46,161		60,461	
Revenue reserves	44	70,529		73,767	
Profit for the year	44	25,520		18,889	
			278,690		289,597
Total liabilities and equity			**376,100**		**375,084**

42 Statutory income statement

	2017 € 1,000	2016 € 1,000
Result of subsidiaries	53,158	26,188
Operating expenses	(372)	(316)
Interest income and similar revenue	(383)	77
Revaluation of investments held for trading	79	(47)
Result before taxes	44,482	25,902
Taxes	11,490	6,297
Net income from continuing operations	32,992	19,605
Net income (loss) from discontinued operations	(7,472)	(716)
Net income	25,520	18,889

43 Notes to the corporate financial statements

General

The corporate financial statements are part of the 2017 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:

	2017 € 1,000	2016 € 1,000
Value stated as of 1/1	291,499	311,452
Disposals	(10,000)	-
Revaluation result	(14,300)	1,637
Result after tax	34,249	18,910
Dividends received	(37,684)	(40,500)
Value stated as of 12/31	263,764	291,499

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

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

	2017 € 1,000	2016 € 1,000
Prepaid expenses	454	1,941
Pensions funded status (note 14)	40,750	44,530
Total	41,204	46,471

Investments

Development of the investments during the year is as follows:

	2017 € 1,000	2016 € 1,000
Value stated as of 1/1	1,763	1,716
Additions	374	356
Sales	(482)	(331)
Revaluation	494	22
Value stated as of 12/31	2,149	1,763

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

	2017 € 1,000	2016 € 1,000
Value stated as of 1/1	60,461	58,824
Revaluation result	(14,300)	1,637
Value stated as of 12/31	46,161	60,461

Legal reserve

The legal reserve relates to internally generated software capitalized per year-end.

Revenue reserves

	2017 € 1,000	2016 € 1,000
Value stated as of 1/1	73,767	75,934
Addition from profit	18,889	42,579
Dividend final	(16,200)	(43,200)
Pensions IAS-19 gains/losses through equity	(5,927)	(1,546)
Value stated as of 12/31	70,529	73,767

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:

	2017 € 1,000	2016 € 1,000
Provisions for post-employment benefits	2,478	2,684
Provision restructuring plans	15,556	407
Other staff related provisions	6,074	6,482
Other	1,518	1,248
Total	25,626	10,821

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

Other payables and accrued liabilities

	2017 € 1,000	2016 € 1,000
Accounts payable to suppliers	12,589	12,494
Expenses to be paid	203	31
Payables to employees	4,448	4,348
Other	3,534	4,719
Total	20,774	21,592

Solvency

Liabilities not included in the statement of financial position

With regard to shares held by the company in the subsidiaries there is a conditional obligation to pay up in full to a total of € 20,4 mn (2016: € 20.4 mn).

With regard to group companies, guarantees have been given for an amount of € 1.7 mn (2016: € 1.2 mn).

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

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.

Net income from discontinued operations

Net result on sale of the banking activities, details are provided in Note 39.

46 Subsequent events

Between the balance sheet date and the date when the annual report was authorized for issue (25 April, 2018) by the Supervisory Board no events have ocurred that should be mentioned in this paragraph.

47 Consolidated subsidiaries

	% owned
Allianz Nederland Levensverzekering N.V., Rotterdam[1]	100
Allianz Vermogen B.V., Rotterdam [1) 2)]	100
Allianz Fund Administration and Management B.V., Rotterdam [1) 2)]	100
Allianz Nederland Asset Management B.V.[1)] (until 7 July 2017)	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 2017 is as follows:

	2017 € 1,000
Dividend final	28,000
Addition to the other reserves	(2,480)
Total profit to be appropriated	**25,520**

Rotterdam, April 25, 2018

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	F.W. Fröhlich (leaving as per March 12, 2018)
W. Neven	S.G. Bohnakova
C.J.A.M. Schneijdenberg	N.J.M. van Ommen (incoming as of January 1, 2018)
J. Weber	

Other information

49 Independent auditor's report

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The Netherlands

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 2017

Our opinion

We have audited the financial statements 2017 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 financial statements give a true and fair view of the financial position of Allianz Nederland Groep N.V. as at 31 December 2017 and of its result and its cash flows for 2017 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 consolidated financial statements comprise:
1. the consolidated statement of financial position as at 31 December 2017;
2. the following consolidated statements for 2017: 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 2017;
2. the company profit and loss account for 2017; 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 Wet toezicht accountantsorganisaties (Wta), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence regulations 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;
- other information.

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 skepticism 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.

We communicate with those charged with governance 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

Utrecht, 25 April 2018

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

Sgd.

W.J.P. Hoeve 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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