

Allianz Hungária Zrt.

Annual Report 2011

2011

Main indicators

	2009	2009	Change	2010	2010	Change	2011	2011
	HUF million	EUR million	%	HUF million	EUR million	%	HUF million	EUR million
Allianz Hungária Zrt.								
Gross premium income	165 502	611,1	0,9	167 074	599,4	-13,8	144 095	463,1
Gross claims paid	90 448	334,0	39,5	126 170	452,6	-13,5	109 118	350,7
Gross investment income	6 299	23,3	30,4	8 211	29,5	112,3	17 434	56,0
Registered capital	4 266	15,8	-	4 266	15,3	-	4 266	13,7
Equity	56 219	207,6	-8,1	51 659	185,3	-10,1	46 440	149,3
Retained profit for the year	1 398	5,2	-426,2	-4 560	-16,4	-111,5	525	1,7
Net technical reserves	220 138	812,8	-6,4	206 056	739,2	-8,9	187 734	603,4
Technical reserves following investments made for the benefit of life insurance policyholders	47 231	174,4	-6,1	44 365	159,2	-11,1	39 442	126,8
Total technical reserves	267 369	987,2	-6,3	250 421	898,4	-9,3	227 176	730,2

Welcome



Kisbenedek Péter
Chairman of the Board of Management and CEO

Dear Partners and Customers,

2011 was a special year for Allianz Hungária, because the company celebrated 25 years of history. Allianz Hungária has gone a long way since it was established. Building on portfolios inherited from its past under government ownership, the company has worked hard for years to become a comprehensive financial service provider, at the same time continuously maintained its market-leading position in the Hungarian insurance market since 1991. The operation of the company has been continually characterised by constant progress and successful adaptation to changing external conditions, even when changes in the external environment have left a long-term mark on the insurance sector as well.

No considerable improvement in economy was detected in 2011 and it was reflected by the results of the insurance sector as well. Hungarian insurers realised HUF 821 billion in revenues in 2011, down 2.7 percent from HUF 843.8 billion one year earlier. Premium incomes from life insurance branch stagnated, and those generated by the non-life branch declined approximately 5 percent last year.

Despite declining market results, Allianz Hungária Zrt. concluded a successful and profitable year both in the life and non-life branches due to disciplined cost reduc-

tion measures as well as to an improving loss ratio and favourable developments in loss frequency. Additionally, Hungary was affected by the usual summer storms at a lesser extent in 2011, which was also reflected in the annual figures.

Gross premium income changed to HUF 144.1 billion* in 2011 from HUF 167.1 billion one year earlier. In spite of the banking tax, profit from ordinary activities increased to HUF 17.4 billion from HUF -4.5 billion in 2010. The Company still maintains a stable capital position and appropriate reserves, and has a firm grip on its market-leading position with a 17.55-percent market share.

Premium income in the non-life branch of Allianz Hungária amounted to HUF 95.9 billion in 2011 after HUF 117.2 billion in the preceding year, owing to erosion in both the casco and the motor third-party liability insurance markets. With its 25.14 percent market share the company firmly maintains its market leading position in the non-life branch.

In 2011 the premium income of the Company's life insurance branch remained on the same level and amounted to HUF 48.2 billion despite the fact that the number of life insurance policies handled by Hungarian insurance companies decreased by 47,000 last year. In contradiction to market trends, premium income from

*The above figures of Allianz Hungária Zrt have been calculated in accordance with the provisions of the Hungarian Accounting Act.

the Company's life insurances with installed premium payment increased. Premium income from unit-linked life insurances increased significantly, by 28 percent, whose weight within the portfolio has been growing at an increasing rate. As a result, the Company still holds second position in the life insurance market with a market share of 11 percent.

The year of 2011 was all about constant renewal and change in order to meet customers' changing needs. Innovative upgrading of products in the non-life branch continued with success achieved with the e-MTPL product, implemented first by Allianz in 2010, which was followed by e-Casco and e-Home Insurance products in 2011, two designs made suitable for online administration. Considerable achievements were made by renewing the entire processes of claim adjustment and insurance benefit payment.

Top priority has been given to restructuring the operation of the company in terms of digitalisation, in which area there are still lots of tasks ahead of us in the next period. As a climate-conscious corporation, it is important for us to reduce environmental impacts by employing online contracting and administration services, also achieving a considerable reduction on mailing and printing costs.

A new-generation online claims report interface was launched in the summer of 2011, making it more convenient for retail customers to report losses in property, third-party liability and casco insurances, at the same time ensuring easier processing for the claim adjusters. Thanks to the Customer Portal launched in 2010 and augmented by additional online products in 2011, today not only contracts can be concluded simply and comfortably, but also additional services are provided electronically via the customer interface, such as contract modification, premium payment and loss reporting. By implementing the application Synaptel, losses in the personal lines could be adjusted via smartphones from 2012 on. Service standards of the Company are improved further by this new technology, and we hope to see increasing customer satisfaction levels as a result.

In the life insurance branch, great emphasis has been laid on providing customers with most recent information about the development of the value of their investments, or even about current services. As one of the

recent innovations that have reaped success, customers can now decide about placing or transferring investments on the basis of text or email messages sent by the Company. Customer support applications have been developed continuously, among them a successfully implemented Pension Calculator, which is designed to provide better visualisation of developments and ensure better orientation in an often complicated regulatory environment.

Allianz Call Center has become the best insurance customer care centre in the country in just a year. As a result of dedicated and persevering work of our staff, among the Hungarian insurance companies, Allianz was awarded Best Call Centre in all categories and in aggregate. This professional recognition does support the achievements of our work and development efforts, as well as our successful adaptation to customer demands.

In 2011, Allianz Hungária was recognised by additional awards as well. The Company was awarded as the insurance company with the best reputation and was named Superbrands for the seventh time and Business Superbrands for the fourth time.

In the past 25 years numerous people worked on making the brand Allianz Hungária as the market-leading insurance company synonymous for our customers to stability and reliability. The biggest honour for the work of our predecessors is if we ourselves do everything we can to preserve and augment this reputation. Our objective in 2012 is to remain the market leader also in terms of insurance professionalism and service innovation. We believe this could be one of the keys to retain our superior position in the insurance market. Our focus continues to be directed at our customers and their demand in every way. It is important for us to make promises for customers that we can keep, also demonstrating we are a stable and reliable partner that customers can count on anytime and in any situation.

Budapest, July 2012

Best regards,



Péter Kisbenedek
CEO

Supervisory Board and Board of Directors

Supervisory board

Dr. Werner Zedelius

Chairman of the Supervisory Board, Allianz Hungária Zrt. until 14th April, 2011

Dr. Herold József

Member of the Supervisory Board, Allianz Hungária Zrt.

Manuel Eberhard Bauer

Member of the Supervisory Board, Allianz Hungária Zrt., then Chairman of the Supervisory Board from 4th October, 2011

Bruce Anthony Bowers

Member of the Supervisory Board, Allianz Hungária Zrt. from 1st September, 2011

dr. Susanne Irena Doboczky

Member of the Supervisory Board, Allianz Hungária Zrt. from 7th November, 2011

Dr. Varga Béla Gábor

Member of the Supervisory Board, Allianz Hungária Zrt. from 7th November, 2011

Harold Michael Thomas Langley-Poole

Member of the Supervisory Board, Allianz Hungária Zrt. from 7th November, 2011

Board of directors

Péter Kisbenedek

Chairman of the Board of Management and CEO

Andrea Horváth

Non-life business

Zoltán Pásti

Sales and network

András Kozek

Investments, life and pension

Ildikó Láng

Finance

István Végh

Operation and IT

Balance sheet and profit and loss statement of Allianz Hungária Zrt.

Balance sheet at 31 December, 2011*

Assets

	2010	2011	2011	2011	2011
	HUF million	HUF million	HUF million	HUF million	HUF million
		Life insurance	Non-life insurance	Non insurance business	Total
A Intangible assets	5 240	21	9 444	0	9 465
B Investments (financial assets) (I-VI)	241 258	68 328	165 138	1 023	234 489
I. Land and buildings	20 416	0	17 224	0	17 224
II. Investments in related companies	5 642	0	0	1 000	1 000
III. Other investments	215 083	68 328	147 785	23	216 136
IV. Deposit receivables from reinsurance business assumed	117	0	129	0	129
V. Adjustments for investments	0	0	0	0	0
VI. Valuation difference for investments	0	0	0	0	0
C Investments made for the benefit of life insurance policyholders who bear the investment risk	44 365	39 442	0	0	39 442
D Receivables	12 778	614	6 165	2 637	9 416
E Other assets	6 148	1 238	2 834	98	4 170
F Prepaid expenses and accrued income	11 003	3 707	8 651	68	12 426
Total assets (A+B+C+D+E+F)	320 792	113 350	192 232	3 826	309 408

Equity and liabilities

	2010	2011	2011	2011	2011
	HUF million	HUF million	HUF million	HUF million	HUF million
		Life insurance	Non-life insurance	Non insurance business	Total
A Equity (I-VII)	51 659	7 050	36 783	2 607	46 440
I. Registered capital	4 266	750	3 516	0	4 266
II. Registered but unpaid capital (-)	0	0	0	0	0
III. Capital reserve	11 145	4 666	6 428	88	11 182
IV. Accumulated profit reserve (±)	40 808	1 634	26 728	2 105	30 467
V. Non-distributable reserves	0	0	0	0	0
VI. Valuation reserve	0	0	0	0	0
VII. Retained profit (±)	-4 560	0	111	414	525
B Subordinated loan capital	0	0	0	0	0
C Technical reserves	206 056	58 173	129 561	0	187 734
D Technical reserves for investments executed for life insurance policyholders who carry the investment risk (unit-linked)	44 365	39 442	0	0	39 442
E Provisions	1 047	107	918	8	1 033
F Deposit receivables from reinsurance business ceded	92	0	104	0	104
G Liabilities	11 330	7 475	19 899	1 211	28 585
H Accrued expenses and deferred income	6 243	1 103	4 967	0	6 070
Total equity and liabilities (A+B+C+D+E+F+G+H)	320 792	113 350	192 232	3 826	309 408

*The summary includes the lines marked with letters in the Balance Sheet described in Annex 1 of the Government Decree 192/2000; in case of equity and investment positions, the summary represents the lines marked with Roman numerals in the Decree.

Profit and Loss Statement at 31 December, 2011*

	2010 HUF million	2011 HUF million	2011 HUF million	2011 HUF million
		Life insurance	Non-life insurance	Total
01. Net earned premiums, without reinsurance	151 739	48 180	80 326	128 506
Gross premiums	167 074	48 247	95 848	144 095
Gross premiums ceded (-)	15 974	74	15 185	15 259
Net change in reserves for unearned premiums (±)	-639	-7	337	330
02. Allocated investment return to policyholders	1 103	0	49	49
03. Technical income from investments	7 372	8 607	0	8 607
04. Investment income allocated from life insurance (-)	971	967	0	967
05. Non-realised income from investments	2 298	387	0	387
06. Other technical income	745	400	1 431	1 831
07. Claim expenses	118 445	51 131	39 657	90 788
Claims paid and settlement costs	127 989	51 027	57 283	108 310
Change in reserves for outstanding claims (±)	-9 544	104	-17 626	-17 522
08. Change in actuarial reserves (±)	-2 216	-4 452	265	-4 187
09. Change in other technical reserves (±)	-4 434	-4 832	2 968	-1 864
10. Net operating costs	39 816	8 556	23 552	32 108
Acquisition costs	27 647	7 403	16 247	23 650
Administrative expenses	13 851	1 167	9 124	10 291
Commissions and profit sharings assumed from reinsurers (-)	1 682	14	1 819	1 833
11. Investment expenses	921	1 357	0	1 357
12. Non-realised losses from investments	548	3 407	0	3 407
13. Other technical expenses	1 947	8	1 675	1 683
A TECHNICAL RESULT (+01+02+03-04+05+06-07±08±09-10-11-12-13)	7 259	1 432	13 689	15 121
14. Net investment income	22 786			23 389
15. Investment expenses	22 908			9 267
I. Investment profit (+14-15)	-122			14 122
16. Other income	2 451			1 581
17. Other expenses	14 091			13 428
II. Result of other non-technical activities (+16-17)	-11 640			-11 847
B Profit from ordinary activities (+A+I+II)	-4 503			17 396
18. Extraordinary income	0			0
19. Extraordinary costs	25			32
III. Extraordinary result (+18-19)	-25			-32
C PRE-TAX PROFIT (+B+III)	-4 528			17 364
IV. Tax payable	32			2 297
D PROFIT AFTER TAX (+C-IV)	-4 560			15 067
V. Payment of dividends and shares from profit reserve	0			5 561
VI. Dividend and shares paid (approved)	0			20 103
E RETAINED PROFIT FOR THE YEAR (+D+V-VI)	-4 560			525

*The lines of the Income Statement correspond to the regulation of 192/2000. Government Decree with the difference that the life and non-life insurance segments are presented side by side.

Balance sheet in euros at 31 December, 2011

Assets

	2010 € 000s	2011 € 000s	2011 € 000s	2011 € 000s	2011 € 000s
		Life insurance	Non-life insurance	Non insurance business	Total
A Intangible assets	18 798	68	30 352	0	30 420
B Investments (financial assets) (I-VI)	865 499	219 610	530 769	3 289	753 668
I. Land and buildings	73 241	0	55 361	0	55 361
II. Investments in related companies	20 240	0	0	3 214	3 214
III. Other investments	771 599	219 610	474 993	75	694 678
IV. Deposit receivables from reinsurance business assumed	419	0	415	0	415
V. Adjustments for investments	0	0	0	0	0
VI. Valuation difference for investments	0	0	0	0	0
C Investments made for the benefit of life insurance policyholders who bear the investment risk	159 155	126 771	0	0	126 771
D Receivables	45 844	1 975	19 814	8 475	30 264
E Other assets	22 055	3 979	9 112	314	13 405
F Prepaid expenses and accrued income	39 474	11 915	27 805	219	39 939
Total assets (A+B+C+D+E+F)	1 150 825	364 318	617 852	12 297	994 467

Equity and liabilities

	2010 € 000s	2011 € 000s	2011 € 000s	2011 € 000s	2011 € 000s
		Life insurance	Non-life insurance	Non insurance business	Total
A Equity (I-VII)	185 325	22 659	118 225	8 380	149 264
I. Registered capital	15 304	2 411	11 301	0	13 712
II. Registered but unpaid capital (-)	0	0	0	0	0
III. Capital reserve	39 980	14 995	20 662	283	35 940
IV. Accumulated profit reserve (±)	146 399	5 253	85 905	6 766	97 924
V. Non-distributable reserves	0	0	0	0	0
VI. Valuation reserve	0	0	0	0	0
VII. Retained profit (±)	-16 358	0	357	1 331	1 688
B Subordinated loan capital	0	0	0	0	0
C Technical reserves	739 212	186 973	416 421	0	603 394
D Technical reserves for investments executed for life insurance policyholders who carry the investment risk (unit-linked)	159 155	126 771	0	0	126 771
E Provisions	3 754	345	2 949	26	3 320
F Deposit receivables from reinsurance business ceded	333	0	333	0	333
G Liabilities	40 646	24 026	63 957	3 891	91 874
H Accrued expenses and deferred income	22 400	3 544	15 967	0	19 511
Total equity and liabilities (A+B+C+D+E+F+G+H)	1 150 825	364 318	617 852	12 297	994 467

The revaluation of the Hungarian currency figures was done according to the National Bank of Hungary middle rate of exchange on 31 December 2010 and 30 December 2011.

Profit and Loss Statement in euros at 31 December, 2011

	2010 € 000s	2011 € 000s	2011 € 000s	2011 € 000s
		Life insurance	Non-life insurance	Total
01. Net earned premiums, without reinsurance	544 354	154 854	258 174	413 028
Gross premiums	599 370	155 070	308 063	463 133
Gross premiums ceded (-)	57 305	240	48 805	49 045
Net change in reserves for unearned premiums (±)	-2 289	-24	1 084	1 060
02. Allocated investment return to policyholders	3 955	0	158	158
03. Technical income from investments	26 449	27 663	0	27 663
04. Investment income allocated from life insurance (-)	3 484	3 107	0	3 107
05. Non-realised income from investments	8 244	1 245	0	1 245
06. Other technical income	2 674	1 285	4 600	5 885
07. Claim expenses	424 911	164 340	127 460	291 800
Claims paid and settlement costs	459 152	164 005	184 112	348 117
Change in reserves for outstanding claims (±)	-34 241	335	-56 652	-56 317
08. Change in actuarial reserves (±)	-7 949	-14 310	851	-13 459
09. Change in other technical reserves (±)	-15 908	-15 531	9 539	-5 992
10. Net operating costs	142 841	27 498	75 700	103 198
Acquisition costs	99 181	23 792	52 220	76 012
Administrative expenses	49 692	3 751	29 327	33 078
Commissions and profit sharings assumed from reinsurers (-)	6 032	45	5 847	5 892
11. Investment expenses	3 305	4 363	0	4 363
12. Non-realised losses from investments	1 965	10 951	0	10 951
13. Other technical expenses	6 987	25	5 386	5 411
A TECHNICAL RESULT (+01+02+03-04+05+06-07±08±09-10-11-12-13)	26 040	4 604	43 996	48 600
14. Net investment income	81 744			75 173
15. Investment expenses	82 182			29 784
I. Investment profit (+14-15)	-438			45 389
16. Other income	8 794			5 080
17. Other expenses	50 550			43 159
II. Result of other non-technical activities (+16-17)	-41 756			-38 079
B Profit from ordinary activities (+A+I+II)	-16 154			55 910
18. Extraordinary incomes	0			0
19. Extraordinary costs	91			102
III. Extraordinary result (+18-19)	-91			-102
C PRE-TAX PROFIT (+B+III)	-16 245			55 808
IV. Tax payable	113			7 382
D PROFIT AFTER TAX (+C-IV)	-16 358			48 426
V. Payment of dividends and shares from profit reserve	0			17 875
VI. Dividend and shares paid (approved)	0			64 613
E RETAINED PROFIT FOR THE YEAR (+D+V-VI)	-16 358			1 688

The revaluation of the Hungarian currency figures was done according to the National Bank of Hungary middle rate of exchange on 31 December 2010 and 30 December 2011.

Auditor's report



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This is an English translation of the Independent Auditors' Report on the Summary Financial Statements Report of Allianz Hungária Zrt. issued in Hungarian. If there are any differences, the Hungarian language original prevails.

Independent Auditor's Report on the Summary Financial Statements

To the shareholder of Allianz Hungária Zrt.

The accompanying summary financial statements presented on the 7th and 8th page of the annual report, which comprise the summary balance sheet as at December 31, 2011, the summary income statement for the year then ended, and related notes, are derived from the audited statutory financial statements of Allianz Hungária Zrt (hereinafter referred to as "the Company") for the year ended December 31, 2011. We expressed an unmodified audit opinion on that statutory financial statements in our report dated March 30, 2012. Those statutory financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those statutory financial statements.

The summary financial statements do not contain all the disclosures required by the Act on Accounting and accounting principles generally accepted in Hungary. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Allianz Hungária Zrt.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of a summary of the audited statutory financial statements in accordance with the methodology described on the 7th and 8th page of the annual report.

Auditor's Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements".

Opinion

In our opinion, the summary financial statements presented on the 7th and 8th page of the annual report, derived from the audited statutory financial statements of Allianz Hungária Zrt for the year ended December 31, 2011 are consistent, in all material respects, with those statutory financial statements for the year ended December 31, 2011, in accordance with the methodology described on the 7th and 8th page of the annual report.

Budapest, July 5, 2012

KPMG Hungária Kft.
Registration number: 000202

Leposa Csilla
Leposa Csilla
Partner

Dr. Eperjesi Ferenc
Dr. Eperjesi Ferenc
Professional Accountant
Registration number: 003161



