Allianz Finance II B.V.

Condensed interim financial statements for the six-month period ended 30 June 2019

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Financial report

Interim report of the Management Board

Allianz Finance II B.V. (the ‘Company’) was formed on 8 May 2000. The Company’s registered office is Amsterdam. The Company is owned by Allianz SE, Munich, Germany.

The principal activity of Allianz Finance II B.V. is to issue bonds on behalf of and under a guarantee by its parent company, Allianz SE. Cash collected through a bond issue is loaned in full to Allianz SE or, if agreed so, to another entity within the Allianz Group.

On 15 January 2019, the Company issued EUR 1.5 billion senior bonds guaranteed by Allianz SE, Munich, Germany divided in EUR 0.75 billion 0.875% Fixed Rate Notes with maturity 15 January 2026 and EUR 0.75 billion 1.5% Fixed Rate Notes with maturity 15 January 2030. The proceeds were fully loaned to Allianz SE.

From the activities a profit after taxation of EUR 2.0 million was realised in the first six month period of 2019 (first six months 2018: profit EUR 1.9 million).

The Company has an exposure to credit, liquidity and market risk from its use of financial instruments. Reference is made to note 5 of the condensed interim financial statements for a description about the exposure of the Company to each of these risks.

Administration is carried out by local staff, which is employed by Allianz Europe B.V., and is located in Amsterdam.

We as Management Board of the Company hereby declare that, to the best of our knowledge:

- the condensed interim financial statements for the six month period ended 30 June 2019, which have been prepared in accordance with IAS 34 ‘Interim Financial Reporting’ as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- the interim report of the Management Board provides a true and fair view of the entity’s financial position, assets, liabilities and the result for the period, as required pursuant to section 5:25d, subsections 8 and 9 of the Dutch Act on Financial Supervision.

Amsterdam, 9 August 2019

Management Board:

C. Bunschoten J.C.M. Zarnitz

Interim statement of financial position

(before profit appropriation)

	Note	30 June 2019		31 December 2018	
		EUR 1.000	**EUR 1.000**	EUR 1.000	EUR 1.000
Non-current assets					
Loans to group companies (at amortized cost)	*6*	**7,285,439**		6,542,435	
Loans to group companies (at FVPL)	*6*	**3,633,234**		3,616,729	
Deferred tax assets	*7*	**147**		163	
			10,918,820		10,159,327
Current assets					
Loans to group companies (at amortized cost)	*6*	**2,248,739**		1,498,601	
Other receivables	*8*	**303,874**		267,624	
Income tax receivable	*9*	**311**		–	
Cash and cash equivalents	*10*	**50**		33	
			2,552,974		1,766,258
Total assets			**13,471,794**		11,925,585
Equity	*11*				
Issued capital		**2,000**		2,000	
Reserves		**6,230**		2,601	
Unappropriated result		**2,037**		3,629	
			10,267		8,230
Non-current liabilities					
Bearer bonds (at amortized cost)	*12*	**7,286,093**		6,543,008	
Bearer bonds (at FVPL)	*12*	**3,079,884**		3,064,369	
Registered note (at FVPL)	*13*	**553,350**		552,360	
			10,919,327		10,159,737
Current liabilities					
Bearer bonds (at amortized cost)	*12*	**2,248,801**		1,498,683	
Income tax payable	*9*	–		131	
Other liabilities	*14*	**293,399**		258,804	
			2,542,200		1,757,618
Total liabilities			**13,461,527**		11,917,355
Total equity and liabilities			**13,471,794**		11,925,585

The notes on pages 6 to 24 are an integral part of these condensed interim financial statements.

Interim statement of comprehensive income

		1 January 2019 - 30 June 2019		1 January 2018 - 30 June 2018	
		EUR 1.000	**EUR 1.000**	EUR 1.000	EUR 1.000
Interest income on loans valued at amortized cost and similar income	*16*	**129,506**		118,452	
Interest income on loans valued at FVPL	*16*	**99,236**		99,275	
Revaluation to FVPL		**15,789**		114,256	
Financial income			**244,531**		331,983
Interest expense on bonds valued at amortized cost and similar expenses	*17*	**(115,252)**		(106,180)	
Interest expense on bonds valued at FVPL	*17*	**(94,577)**		(94,615)	
Revaluation to FVPL		**(15,789)**		(114,256)	
Net impairment losses on financial assets valued at amortized cost		**(63)**		16	
Other financial expenses	*18*	**(15,938)**		(14,384)	
Financial expenses			**(241,619)**		(329,419)
Net financial income			**2,912**		2,564
Operating expenses	*19*		**(170)**		(105)
Profit before tax			**2,742**		2,459
Income tax expense	*20*		**(705)**		(605)
Profit for the period			**2,037**		1,854
Other comprehensive income			–		–
Total comprehensive income for the period			**2,037**		1,854
Total comprehensive income attributable to the owners of the Company			**2,037**		1,854

The notes on pages 6 to 24 are an integral part of these condensed interim financial statements.

Interim statement of changes in equity

	Issued capital EUR 1,000	Reserves EUR 1,000	Unappropriated result EUR 1,000	Total EUR 1,000
As at 1 January 2018	2,000	(285)	2,886	4,601
Appropriation of result 2017	–	2,886	(2,886)	–
Profit for the period	–	–	1,854	1,854
As at 30 June 2018	2,000	2,601	1,854	6,455
As at 1 January 2019	**2,000**	**2,601**	**3,629**	**8,230**
Appropriation of result 2018	**–**	**3,629**	**(3,629)**	**–**
Profit for the period	**–**	**–**	**2,037**	**2,037**
As at 30 June 2019	**2,000**	**6,230**	**2,037**	**10,267**

The notes on pages 6 to 24 are an integral part of these condensed interim financial statements.

Interim statement of cash flows

		1 January 2019 - 30 June 2019 EUR 1.000	1 January 2018 - 30 June 2018 EUR 1.000
Cash flow from operating activities			
Bonds issued	*12*	**1,486,357**	–
Bonds redeemed	*12*	**–**	(500,000)
Loans granted to related parties	*6*	**(1,486,357)**	–
Loans repaid by related parties	*6*	**–**	500,000
Interest received	*16*	**187,723**	193,869
Interest paid	*17*	**(168,740)**	(174,641)
Guarantee fees paid	*18*	**(15,997)**	(16,311)
Cash paid to creditors	*14,19*	**(103)**	(56)
Income taxes paid	*9*	**(1,113)**	(1,008)
Change in cash pool	*8*	**(1,753)**	(1,822)
Net cash from operating activities		**17**	31
Net increase/(decrease) in cash and cash equivalents		**17**	31
Cash and cash equivalents at 1 January	*10*	**33**	1
Cash and cash equivalents as at 30 June	*10*	**50**	32

The notes on pages 6 to 24 are an integral part of these condensed interim financial statements.

Notes to the condensed interim financial statements

1 Reporting entity

Allianz Finance II B.V. (the ‘Company’) is a company domiciled in the Netherlands and was incorporated on 8 May 2000. The address of the Company’s registered office is Amsterdam. The file number at the Chamber of Commerce is 34134406. The Company is owned by Allianz SE, Munich, Germany, the ultimate parent company. The Company’s financial statements are included in the consolidated financial statements of Allianz SE. The principal activity of the Company is to issue bonds under a guarantee by its parent company, Allianz SE. Proceeds collected through a bond issue are loaned in full to Allianz SE or, if agreed so, to another entity within the Allianz Group.

These condensed interim financial statements should be read in conjunction with the financial statements as at and for the year ended 31 December 2018 as issued on 13 March 2019 and adopted on 2 April 2019.

2 Basis of preparation

(a) Statement of compliance

The condensed interim financial statements have been prepared in accordance with IAS 34 ‘Interim Financial Reporting’ as adopted by the European Union (IFRSs).

These condensed interim financial statements were authorised for issue by the Management Board on 9 August 2019.

(b) Basis of measurement

The condensed interim financial statements have been prepared on the historical cost basis except for financial instruments as described in note 3(b).

(c) Basis of preparation

The condensed interim financial statements have been drawn up on a going concern basis.

Assets and liabilities are only offset in the condensed interim financial statements if and to the extent that an enforceable legal right exist to offset the assets and liabilities and settle them simultaneously and the positive intention is to settle the assets and liabilities on a net basis or simultaneously.

(d) Functional and presentation currency

These condensed interim financial statements are presented in euros, which is the Company’s functional currency. All financial information presented in euros has been rounded to the nearest thousand.

(e) Use of estimates and judgements

The preparation of condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation and critical judgements in applying accounting policies that have a significant effect on the amount recognized in the condensed interim financial statements are described in the following notes:

- Note 13: Registered note.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses its judgement to select a variety of methods and make assumptions that are based on market conditions existing at the end of each reporting period. For details of the key assumptions used see note 4.

(f) Statement of cash flows

The statement of cash flows is prepared using the direct method. Cash flows in foreign currencies are translated into euros at the exchange rates at the dates of the transactions.

3 Significant accounting policies

The accounting policies set out below have been applied consistently in all periods presented in these condensed interim financial statements.

The accounting policies applied by the Company in these condensed interim financial statements are the same as those applied by the Company in its financial statements as at and for the year ended 31 December 2018.

IFRS 16 Leases is effective for annual reporting periods beginning on or after 1 January 2019. IFRS 16 changes the classification and accounting of lease contracts in the financial statements. Since the Company has no operating or finance leases, the application of IFRS 16 has no impact on the financial statements of the Company.

(a) Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in the interim statement of comprehensive income.

Exchange rates applicable as at 30 June 2019 are as follows:
1 GBP = EUR 1.12 (31 December 2018: EUR 1.11).

The average exchange rates in the six-month period ended 30 June 2019 are as follows:

1 GBP = EUR 1.15 (six-month period ended 30 June 2018: EUR 1.14)

(b) Non-derivative financial instruments

Non-derivative financial instruments compromise loans to group companies, other receivables, cash and cash equivalents, bearer bonds, registered notes and other liabilities.

Non-derivative financial instruments are recognized initially at fair value, less attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognized if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognized if the Company's obligations specified in the contract expire or are discharged or cancelled.

Loans to group companies, bearer bonds and registered notes

Loans to group companies, bearer bonds and registered notes are recognized initially at fair value.

The Company classifies its loans to group companies as debt instruments held to collect contractual cash flows (measured at amortized cost) only if both of the following criteria are met: the asset is held within a business model whose objective is to collect the contractual cash flows, and the contractual items give rise to cash flows that are solely payments of principal and interest (SPPI). The Company has determined that all senior loans to group companies meet the conditions for classification as debt instruments held to collect contractual cash flows and accordingly the senior loans to group companies are measured at amortized cost.

The Company concluded that the subordinated loans to group companies do not meet the conditions for classification as financial assets measured at amortized cost due to their cash flow characteristics and accordingly the subordinated loans are measured at fair value through profit and loss ('FVPL') This conclusion is based on the characteristics of the related subordinated bonds.

The subordinated bonds issued by the Company are issued under German law. As is market standard for such subordinated bonds issued by insurance groups, the terms and conditions of these subordinated bonds contain clauses that (i) allow the optional deferral of interest in certain circumstances and (ii) require the mandatory deferral of interest in certain other circumstances. Such deferred interest is not lost for investors, rather the Company is obliged to pay any such deferred interest at a later stage in certain circumstances, but in any case at the latest upon redemption of the respective bond. However, under German law, the issuer is legally prohibited to pay any interest on deferred interest. Please note that while clauses that allow or require the deferral of interest are very common for these types of subordinated bonds, the actual deferral of interest is highly unusual in practice.

The Company typically uses the proceeds from its bond issuances to provide on-loans to Allianz Group entities. The on-loans closely match the terms and conditions of the bonds and are therefore also issued under German law. The on-loans related to the subordinated bonds foresee the same interest deferral clauses, and there is no interest on deferred interest. IFRS 9 requires the Company to value assets such as the subordinated loans that (i) potentially allow or require the deferral of interest but (ii) do not foresee interest on deferred interest on a mark-to-market basis.

To avoid any undue impact on the Company's shareholder's equity, management has decided to apply the fair value option to the subordinated bonds issued by the Company. As a result, both the subordinated bonds and the related subordinated loans are marked-to-market.

Other receivables

Other receivables consists of a cash pool with a group company and accrued interest. The cash pool with the group company is stated at face value.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances. Cash and cash equivalents are stated at face value.

Other liabilities

Other liabilities consists of accrued interest, guarantee fees and expenses.

(c) Impairment

The Company assesses on a forward looking basis the expected credit losses ('ECL') associated with its receivables (both current and non-current) valued at amortized cost. This requires management judgement due to the need to factor in forward looking information when estimating the appropriate amount of provisions.

The ECL is measured on either a 12-month (Stage 1) or Lifetime basis (Stage 2) depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure of Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining lifetime of the obligation.
- EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.
- LGD represents the Company's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. exposure has not prepaid or defaulted in earlier monnth). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Company considers loans to group companies as (still) performing assets as long as the credit rating of the group company is BBB or higher (“investment grade”). Based on the analysis of the change in credit quality since initial recognition, the loans to group companies are (still) performing assets, classified in Stage 1. As a result, the 12 months ECL is reported.

For receivables and cash positions, a simplified ECL calculation method is applied, taking into account the probability of default, the loss given default and the remaining maturity as fraction of one year.

(d) Financial income and expenses

Financial income comprises interest income on loans and foreign currency gains. Interest income is recognized as it accrues, using the effective interest method.

Financial expenses comprise interest expenses on borrowings, foreign currency losses and impairment losses on financial assets. Interest expenses are recognized in the interim statement of comprehensive income using the effective interest method.

For the loans measured at FVPL, the Company separated the interest income from the fair value gain or loss.

These transactions are primarily denominated in Euro and Great Britain Pound (GBP).

(e) Other expenses

Other expenses are recognized in the year to which they are related.

(f) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the interim statement of comprehensive income 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 recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(g) Segment reporting

No disaggregated segment information of the Company is presented as the Company only engages in one type of business activity (issuing bonds and financing the parent company). The results of the Company are reviewed by its management as a whole and not allocated to underlying sub-components and as such the Company is considered to represent only one segment.

4 Determination of fair values

A number of the accounting policies and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Bearer bonds

The fair value of bearer bonds, which is determined for measurement and/or disclosure purposes, is determined by reference to their quoted prices or Index quotes (iBoxx) at the reporting date.

(b) Registered note

The fair value of the registered note, which is determined for measurement and/or disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest of a comparable listed bond having similar characteristics at the reporting date.

(c) Loans

Due to the close relationship of the loans to group companies and the bearer bonds and registered note (all market conditions are mirrored), the starting point for the calculation of the fair value of the loans, which is determined for measurement and/or disclosure purposes, is discounting the cash flows of the loans with the mark-to-market yield of the corresponding bonds, using the same maturity assumptions. Since the coupon on the loans is always marginally higher than the coupon of the corresponding bonds, in principal the fair value of the loans is always marginally higher than the fair value of the corresponding bonds.

For the loans to the parent company, the loans, the guarantees of the parent company on the related issued bonds and the obligation for the Company to provide services to the parent company can be accounted for under the ‘one unit of account’ methodology in line with Guidance on implementing IFRS 9 Financial Instruments – Section B Definitions – BN.6. since the following conditions are met:

- They are entered at the same time and in contemplation to one another. The loan with the parent company, the guarantee on the externally issued bond and the obligation to provide services to the parent company are inherently interconnected and issued on the same point in time, also considering that the conditions are equal for the related bonds.
- They have the same counterparty, being the parent company.
- They relate to the same risk (credit risk on the parent company).

- There is no apparent economic need or substantive business purpose for structuring the transactions separately that could not also have been accomplished in a single transaction. The transactions are executed on the same time and have no separate business purpose besides the fact that they have separate contracts.

By applying this methodology, the fair value of the loans to the parent company equals the fair value of the corresponding bonds.

For the loans provided to other group companies, the Company cannot apply the ‘one unit of account’ methodology. Since the credit risk of these entities is slightly higher than the credit risk of the parent company, the discount rate on these loans would also be slightly higher than the discount rate on the loans to the parent company, resulting in a fair value of these loans being equal to the fair value of the corresponding bonds.

(d) Other assets and liabilities

For other assets and liabilities the carrying value is assumed to reflect the fair value.

5 Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk.
- Liquidity risk.
- Market risk.

This note presents information about the exposure of the Company to each of the above risks, the Company’s objectives, policies and processes for measuring and managing risk, and the Company’s management of capital.

Exposure to credit risks and interest rate risks is mainly arising in the course of the Company’s business from the issuing of bonds. These terms are described in note 12 and 13. Based on the currently agreed loan agreements with the parent company, the Company effectively covers its currency and liquidity risks originating from the issuing of bonds and limits its credit risk to Allianz SE or other Allianz related entities.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company’s receivables. The Company’s exposure to credit risk is influenced mainly by the default risk of the parent company Allianz SE.

The Company reviews the creditworthiness of the parent company by reviewing external publications and external ratings. This risk has not occurred yet.

The long-term credit ratings of Allianz SE are Aa3 with a stable outlook (Moody’s), AA with a stable outlook (Standard & Poor’s) and A+ with a stable outlook (A.M. Best).

The Company analysed the credit risk exposure for loans to group companies, for which an ECL allowance is recognized. The gross carrying amount of these loans also represents the Company’s maximum exposure to credit risk on these assets. The credit rating of all counterparties are considered investment grade. The gross carrying amount of these loans as at 30 June 2019 is EUR 9.5 billion, the loss allowance is EUR 716 thousand (31 December 2018: gross carrying amount EUR 8.0 billion, loss allowance EUR 653 thousand).

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

The Company ensures that it has sufficient cash to meet expected interest payments and/or redemptions of bonds.

Due to the close relationship between the loans to group companies and the issued bonds, the cash flows on the issued bonds mirror the cash flows on the loans to group companies. The maturity of the issued bonds is disclosed in note 12 and 13.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

The Company issues bonds. The cash collected through a bond issue is loaned in full to Allianz SE or, if agreed so, to another entity within the Allianz Group. The interest rate on such an intra-group loan is determined on the basis of the coupon of the bond issued and a profit margin (spread). The other conditions of the loan are exactly the same as the issued bond. As a result, market risks are naturally hedged.

Currency risk

The net proceeds from each issue of interest-bearing bonds and notes by the Company only will be applied towards the purposes of on-lending within the Allianz Group (for equal currency). Therefore the Company is not exposed to currency risk on investments and borrowings that are denominated in a currency other than the functional currency of the Allianz group.

The currencies in which these transactions primarily are denominated are Euro and Great Britain Pounds (GBP). As at 30 June 2019, loans respectively bonds to a total amount of nominal EUR 12.1 billion are denominated in Euro (31 December 2018: EUR 10.6 billion); loans respectively bonds to an amount of GBP 750 million are denominated in GBP (31 December 2018: GBP 750 million).

Concentration risk

Concentration risk is the risk that the concentration of loans is not diversified and concentrated. The concentration risk is discussed under credit risk and currency risk.

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as going concern in order to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. No additional capital is needed to finance the activities of the Company. The interest margin on the outstanding loans and bonds covers the expenses of the Company. The outstanding loans and bonds have identical characteristics. No impairments are to be expected.

There were no changes in the Company's approach to capital management during the six-month period ended 30 June 2019. The Company is not subject to externally imposed capital requirements.

Sensitivity analysis

The Company's main sensitivity is related to the interest rate risk arising from loans to group companies and bonds held. These assets and liabilities have an off-setting effect in respect to the interest rate risk and the net exposure is therefore due to the difference in the interest rate between the loans to group companies and the bonds issued. As all the bonds and loans except for the subordinated bonds and related loans are at amortized cost, the sensitivity of the Company to the changes in the interest is limited to the fair value of those subordinated bonds and related loans. Since the related loans are provided to the parent company, the fair value of the loans and the corresponding subordinated bonds are equal due to the fact that they have exact similar conditions and risk profiles (note 4). Therefore a movement in the market interest would have no impact on the equity and results of the Company.

6 Loans to group companies

This item is divided in 'Loans to group companies (at amortized cost)' and 'Loans to group companies (at FVPL)':

	30 June 2019	31 December 2018
	EUR 1,000	EUR 1,000
Loans to group companies (at amortized cost)	**9,534,178**	8,041,036
Loans to group companies (at FVPL)	**3,633,234**	3,616,729
	13,167,412	11,657,765

This item relates to interest bearing loans to Allianz SE or other entities within the Allianz Group with a nominal amount of EUR 12.1 billion and GBP 750 million as at 30 June 2019 (31 December 2018: EUR 10.6 billion and GBP 750 million). The interest bearing loans have fixed interest rates varying from 0.32% to 6.56% (31 December 2018: 0.32% to 6.56%) with the exception of one loan with a notional amount of EUR 0.5 billion with a variable interest of EURIBOR three-month euro deposits plus 0.815% per annum as at 30 June 2019 and 31 December 2018.

During the first half year 2019, the Company issued loans to Allianz Group companies with a total nominal amount of EUR 1.5 billion.

As at 30 June 2019, one perpetual loan is outstanding. The non-perpetual loans have scheduled redemption from 2019 to 2043, similar to the redemption schedule of the bonds.

The conditions of the loans to group companies are similar to the conditions of the bonds. For more information about the bonds, see note 12 and 13.

Loans to group companies (at amortized cost)

The movements in loans to group companies (at amortized cost) can be specified as follows:

	30 June 2019	31 December 2018
	EUR 1,000	EUR 1,000
Opening balance	**8,041,036**	8,542,880
Issued	**1,486,357**	–
Redeemed	**–**	(500,000)
Amortisation	**4,315**	7,274
Exchange differences	**2,533**	(9,189)
Movement ECL	**(63)**	71
	9,534,178	8,041,036
Receivables < 1 year (current assets)	**(2,248,739)**	(1,498,601)
Closing balance	**7,285,439**	6,542,435

Based on the analysis of the change in credit quality since initial recognition, the loans to group companies are (still) performing assets, classified in Stage 1. As a result, the 12 months ECL is reported. The external credit rating is AA; the estimated gross carrying amount at default as at 30 June 2019: EUR 9,534.9 million; the carrying amount net of impairment provision: EUR 9,534.2 million; expected credit loss rate: 0.008%.

Loans to group companies (at FVPL)

The movements in loans to group companies (at FVPL) can be specified as follows:

	30 June 2019	31 December 2018
	EUR 1,000	EUR 1,000
Opening balance	**3,616,729**	3,788,208
Amortisation	**716**	1,442
Revaluation to fair value	**15,789**	(172,921)
Closing balance	**3,633,234**	3,616,729

A change in the credit risk of the counterparty of the loans at FVPL is mirrored by the change in the bearer bonds at FVPL, hence there is no net impact on the Equity of the Company.

7 Deferred tax assets

For the six-month period ended 30 June 2019, deferred tax assets are attributable to the following:

	Balance as at 31 December 2018 EUR 1,000	Recognized in income EUR 1,000	Balance as at 30 June 2019 EUR 1,000
Loans to group companies	**(79,972)**	**11,166**	**(68,806)**
Bearer bonds and registered note	**80,135**	**(11,182)**	**68,953**
	163	**(16)**	**147**

8 Other receivables

This item can be specified as follows:

	30 June 2019 EUR 1,000	31 December 2018 EUR 1,000
Cash pool	**7,800**	6,037
Accrued interest on loans to group companies	**296,074**	261,587
	303,874	267,624

There are no specific conditions with regard to the cash pool, also offsetting is not applicable. The duration of the other receivables is less than one year.

9 Income tax receivable

This item relates to Dutch income tax and can be specified as follows:

Year	Balance as at 1 January 2019 EUR 1,000	Corporation tax paid/ (received) in the first six months of 2019 EUR 1,000	Calculated corporation tax in the first six months of 2019 EUR 1,000	Late interest/ discount corporation tax in the first six months of 2019 EUR 1,000	Balance as at 30 June 2019 EUR 1,000
2017	**23**	**(23)**	**–**	**–**	**–**
2018	**(154)**	**154**	**–**	**–**	**–**
2019	**–**	**982**	**(689)**	**18**	**311**
	(131)	**1,113**	**(689)**	**18**	**311**

10 Cash and cash equivalents

Cash and cash equivalents are freely disposable to the Company.

11 Equity

The Company's capital consists of one or more shares with a nominal value of EUR 1,000 each. As at 30 June 2019, the issued share capital comprised 2,000 (31 December 2018: 2,000) fully paid-in ordinary shares with a nominal value of EUR 1,000 each.

12 Bearer bonds

This item can be specified as follows:

	30 June 2019	31 December 2018
	EUR 1,000	EUR 1,000
Bearer bonds (at amortized cost)	**9,534,894**	8,041,691
Bearer bonds (at FVPL)	**3,079,884**	3,064,369
	12,614,778	11,106,060

The table below provides information about the contractual terms of the Company's bearer bonds. As at 30 June 2019, the Company has 13 bearer bonds with a nominal amount of EUR 11.6 billion and GBP 750 million outstanding (31 December 2018: 11 bearer bonds with a nominal amount of EUR 10.1 billion and GBP 750 million outstanding). As at 30 June 2019 there are two bearer bonds with a total nominal amount of EUR 2.3 billion due within one year and reported as current liabilities (31 December 2018: one bearer bond with a nominal amount of EUR 1.5 billion).

For more information about the Company's exposure to interest rate and foreign currency risk, see note 5.

Bearer bonds

Bearer bonds can be specified as follows:

Reference number of bonds	**ISIN**	**Issue currency**	**Nominal amount**	**Interest rate**	**Date of issuance**	**(Scheduled) maturity date**	**Issue price**	**Repayment rate**	**Carrying amount 30 June 2019**	Carrying amount 31 December 2018
			x 1,000	**%**			**%**	**%**	**EUR 1,000**	EUR 1,000
19[1)]	DE000A0GNPZ3	EUR	800,000	5.375	03-03-2006	–	100.00	100.00	**858,688**	845,384
23	DE000A1AKHB8	EUR	1,500,000	4.750	22-07-2009	22-07-2019	98.81	100.00	**1,499,857**	1,498,683
24[2)]	DE000A1GNAH1	EUR	2,000,000	5.750	08-03-2011	08-07-2041	99.66	100.00	**2,221,196**	2,218,985
26	DE000A1G0RU9	EUR	1,500,000	3.500	14-02-2012	14-02-2022	99.26	100.00	**1,495,865**	1,495,086
29	DE000A1HG1K6	EUR	750,000	3.000	13-03-2013	13-03-2028	97.95	100.00	**739,608**	739,021
30	DE000A1HG1L4	GBP	750,000	4.500	13-03-2013	13-03-2043	98.67	100.00	**826,712**	823,942
31	DE000A180B72	EUR	750,000	0.000	21-04-2016	21-04-2020	99.56	100.00	**748,944**	748,299
32	DE000A180B80	EUR	750,000	1.375	21-04-2016	21-04-2031	99.73	100.00	**746,638**	746,497
33[3)]	DE000A19S4T0	EUR	500,000	Variable	06-12-2017	07-12-2020	101.38	100.00	**502,811**	503,782
34	DE000A19S4U8	EUR	750,000	0.250	06-12-2017	06-06-2023	99.49	100.00	**746,180**	745,700
35	DE000A19S4V6	EUR	750,000	0.875	06-12-2017	06-12-2027	98.91	100.00	**741,195**	740,681
36	DE000A2RWAX4	EUR	750,000	0.875	15-01-2019	15-01-2026	99.31	100.00	**743,427**	–
37	DE000A2RWAY2	EUR	750,000	1.500	15-01-2019	15-01-2030	99.42	100.00	**743,657**	–
									12,614,778	11,106,060
Current liabilities (bond 23 / 31)									**(2,248,801)**	(1,498,683)
Non-current liabilities									**10,365,977**	9,607,377

All bearer bonds are guaranteed by Allianz SE and are listed on the Luxembourg Stock Exchange.

1) The annual interest rate of 5.375% is fixed for life. Starting 3 March 2011, the bonds are redeemable (in whole but not in part) at the option of the issuer on each interest payment date. For measurement purposes it is assumed that the bond will be redeemed at the first possible redemption date.
2) The annual interest rate of 5.75% is fixed until 8 July 2021. After this date it becomes variable at a rate equal to the EURIBOR three-month euro deposits plus 3.349% per annum. The scheduled maturity date of the notes is 8 July 2041, unless called earlier.
3) The interest rate is variable at a rate equal to the EURIBOR three-month euro deposits plus 0.50% per annum. The interest is payable quarterly

Bearer bonds (at amortized cost)

The movements in bearer bonds (at amortized cost) were as follows:

	30 June 2019	31 December 2018
	EUR 1,000	EUR 1,000
Opening balance	**8,041,691**	8,543,611
Issued	**1,486,357**	–
Redeemed	**–**	(500,000)
Amortisation	**4,313**	7,269
Exchange differences	**2,533**	(9,189)
	9,534,894	8,041,691
Liabilities < 1 year (current liabilities)	**(2,248,801)**	(1,498,683)
Closing balance	**7,286,093**	6,543,008

Bearer bonds (at FVPL)

The movements in bearer bonds (at FVPL) can be specified as follows:

	30 June 2019	31 December 2018
	EUR 1,000	EUR 1,000
Opening balance	**3,064,369**	3,204,863
Amortisation	**716**	1,442
Revaluation to fair value	**14,799**	(141,936)
	3,079,884	3,064,369
Liabilities < 1 year (current liabilities)	**–**	–
Closing balance	**3,079,884**	3,064,369

13 Registered note (at FVPL)

Through private placement an amount of EUR 0.5 billion is outstanding as at 30 June 2019 (31 December 2018: EUR 0.5 billion). The annual interest rate of 6.271% is fixed until 8 July 2021. After this date it becomes variable at a rate equal to the EURIBOR three-month euro deposits plus 3.147%. The bond will be callable at the option of the issuer on 8 July 2021 and on each interest payment date thereafter, with final maturity date 8 July 2041.

For more information about the Company’s exposure to interest rate and foreign currency risk, see note 5.

The movements in this item can be specified as follows:

	30 June 2019	31 December 2018
	EUR 1,000	EUR 1,000
Opening balance	**552,360**	583,345
Revaluation to fair value	**990**	(30,985)
Closing balance	**553,350**	552,360

14 Other liabilities

This item can be specified as follows:

	30 June 2019	31 December 2018
	EUR 1,000	EUR 1,000
Accrued interest	**276,661**	241,996
Guarantee fees	**16,639**	16,776
Accrued expenses	**99**	32
	293,399	258,804

The duration of the other liabilities is less than one year.

15 Financial instruments

Fair values

The fair values of financial assets and liabilities with a difference between the carrying amount and the fair value (excluding loans, bonds and notes valued at FVPL), are as follows:

	30 June 2019		31 December 2018	
	Carrying amount EUR 1,000	**Fair value EUR 1,000**	Carrying amount EUR 1,000	Fair value EUR 1,000
Loans to group companies (at amortized cost)	**9,534,178**	**10,490,581**	8,041,036	8,672,229
Bearer bonds and registered note (at amortized cost)	**(9,534,894)**	**(10,490,581)**	(8,041,691)	(8,672,229)
	(716)	–	(655)	–

IFRS 7 specifies a fair value hierarchy that identifies the following hierarchy levels:

- Level 1: Fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities

- Level 2: Fair values measured using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: Fair values measured using inputs for the assets or liability that are not based on observable market date (unobservable inputs).

The applicable levels for the financial instruments are as follows;

- Bearer bonds: level 1
- Registered note: level 2
- Loans to group companies: level 2

The method used in determining the fair values of the loans to group companies, bearer bonds and the registered note are described in note 4.

16 Interest income on loans and similar income

This item can be specified as follows:

	1 January 2019 - 30 June 2019 EUR 1,000	1 January 2018 - 30 June 2018 EUR 1,000
Interest income on loans to group companies valued at amortized cost	**129,488**	118,435
Other interest income	**18**	17
Total interest income on loans valued at amortized cost and similar income	**129,506**	118,452
Interest on loans to group companies valued at FVPL	**99,236**	99,275
	228,742	217,727

17 Interest expense and similar expenses

This item can be specified as follows:

	1 January 2019 - 30 June 2019 EUR 1,000	1 January 2018 - 30 June 2018 EUR 1,000
Interest expense on bearer bonds and registered note valued at amortized cost	**115,251**	106,176
Other interest expense and currency loss	**1**	4
Interest expense on bonds valued at amortized cost and similar expenses	**115,252**	106,180
Interest expense on bonds valued at FVPL	**94,577**	94,615
	209,829	200,795

18 Other financial expenses

This item relates to guarantee commission concerning bearer bonds.

19 Operating expenses

This item can be specified as follows:

	1 January 2019 - 30 June 2019 EUR 1,000	1 January 2018 - 30 June 2018 EUR 1,000
Management fee	**56**	56
Audit fees	**91**	31
Legal and tax fees	**8**	12
Other operating expenses	**15**	6
	170	105

20 Income tax expense

	1 January 2019 - 30 June 2019 EUR 1,000	1 January 2018 - 30 June 2018 EUR 1,000
Current tax expense		
Current year	**689**	600
Prior years	–	–
	689	600
Deferred tax expense		
Due to temporary differences carrying amount vs. tax base	**16**	5
	705	605

Reconciliation of effective tax rate

	1 January 2019 – 30 June 2019		1 January 2018 – 30 June 2018	
	%	**EUR 1,000**	%	EUR 1,000
Result before taxation		**2,742**		2,459
Tax using the Company's domestic tax rate	**19-25**	**673**	20-25	605
Effect reduction tax rate on deferred tax asset	**20.5**	**32**		–
Tax on result	**25.7**	**705**	24.6	605

The domestic tax rate 2019 is 20% (for taxable income up to EUR 200,000) respectively 25% (for taxable income higher than EUR 200,000). The domestic tax rate will decrease from 25% in 2019 to 20.5% in 2021. Since the Company's deferred taxes mainly relate to the longer term, the deferred tax positions have been recalculated as per 30 June 2019 using the expected tax rate as from 2021.

21 Related parties

The main activity of Allianz Finance II B.V. is to issue bonds. The proceeds are fully loaned to the parent company (Allianz SE) or to other entities within the Allianz Group. All related party transactions took place at an arm's length basis.

The carrying amount of loans provided to group companies and the recognized interest income on these loans can be specified as follows:

	Loans		Interest income	
	30 June 2019	31 December 2018	**1 January 2019 – 30 June 2019**	1 January 2018 – 30 June 2018
	EUR 1,000	EUR 1,000	**EUR 1,000**	EUR 1,000
Allianz SE, Munich, Germany	**11,556,303**	10,047,483	**206,301**	195,261
Allianz Holding France SAS, Paris, France	**1,486,122**	1,485,398	**19,204**	19,230
Allianz Europe BV, Amsterdam, the Netherlands	**124,987**	124,884	**3,219**	3,219

The terms and conditions of the loans have been disclosed in note 6 (Loans to group companies).

As at 30 June 2019, the Company has a cash pool arrangement with Allianz SE, Munich, Germany of EUR 7.8 million (31 December 2018: EUR 6.0 million).

For the management support the Company has a service contract with Allianz Europe B.V., Amsterdam, the Netherlands. As at 30 June 2019, the Company accrued EUR 56 thousand (30 June 2018: EUR 56 thousand).

22 Personnel

The Company did not employ any personnel during the period (30 June 2018: nil). No remuneration was paid to the Management Board or Supervisory Board in the six-month periods ended 30 June 2019 and 30 June 2018, respectively.

23 Contingencies

As at 30 June 2019 and 31 December 2018, there are no contingencies to report.

Amsterdam, 9 August 2019

Management Board:

C. Bunschoten J.C.M. Zarnitz

Review report

To: the management board and the supervisory board of Allianz Finance II B.V.

Introduction

We have reviewed the accompanying condensed interim financial information for the six-month period ended 30 June 2019 of Allianz Finance II B.V., Amsterdam, which comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the period then ended and the notes, comprising a summary of significant accounting policies and other explanatory notes. The management board is responsible for the preparation and presentation of this (condensed) interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.
Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410, Review of Interim Financial Information Performed by the Independent Auditor of the entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information for the six-month period ended 30 June 2019 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

Amsterdam, 9 August 2019
PricewaterhouseCoopers Accountants N.V.

Original has been signed by A. van der Spek RA

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