Allianz Finance II B.V.

Interim financial statements for the six-month period ended 30 June 2017

Contents

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. From this activity a profit after taxation of EUR 1.4 million was realised in the first six month period of 2017 (2016: EUR 1.5 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 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.

The Company called for redemption in whole of the EUR 1.4 billion 4.375% guaranteed undated subordinated fixed to floating rate callable bond of 2005 effective 17 February 2017 in accordance with the terms and conditions of the bonds. The corresponding loan to a group company also was redeemed on 17 February 2017.

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

- the interim financial statements for the six month period ended 30 June 2017, 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 includes a fair view statement required pursuant to section 5:25d, subsections 8 and 9 of the Dutch Act on Financial Supervision.

Amsterdam, 8 August 2017

Management Board:

C. Bunschoten J.C.M. Zarnitz

Interim statement of financial position as at 30 June 2017

(before profit appropriation)

	Note	30 June 2017		31 December 2016	
		EUR 1.000	**EUR 1.000**	EUR 1.000	EUR 1.000
Non-current assets					
Loans to group companies	*6*	**9,353,196**		9,872,730	
Deferred tax assets	*7*	**2**		3	
			9,353,198		9,872,733
Current assets					
Loans to group companies	*6*	**514,332**		1,414,202	
Other receivables	*8*	**286,335**		324,816	
Income tax receivable	*9*	**435**		–	
Cash and cash equivalents	*10*	**60**		44	
			801,162		1,739,062
Total assets			**10,154,360**		11,611,795
Equity	*11*				
Issued capital		**2,000**		2,000	
Reserves		**16,758**		13,556	
Unappropriated result		**1,417**		3,202	
			20,175		18,758
Non-current liabilities	*12*				
Bearer bonds		**8,853,205**		9,372,741	
Registered note		**500,000**		500,000	
			9,353,205		9,872,741
Current liabilities					
Bearer bonds	*12*	**499,832**		1,399,703	
Income tax payable	*9*	–		63	
Other liabilities	*13*	**281,148**		320,530	
			780,980		1,720,296
Total liabilities			**10,135,185**		11,593,037
Total equity and liabilities			**10,154,360**		11,611,795

The notes on pages 6 to 19 are an integral part of these interim financial statements

Interim statement of comprehensive income for the six-month period ended 30 June 2017

		1 January 2017 - 30 June 2017		1 January 2016 - 30 June 2016	
		EUR 1.000	**EUR 1.000**	EUR 1.000	EUR 1.000
Interest income and similar income	*15*	**220,638**		274,777	
Financial income			**220,638**		274,777
Interest expense and similar expenses	*16*	**(205,927)**		(257,829)	
Other financial expenses	*17*	**(12,692)**		(14,782)	
Financial expenses			**(218,619)**		(272,611)
Net financial income			**2,019**		2,166
Operating expenses	*18*		**(139)**		(204)
Profit before tax			**1,880**		1,962
Income tax expense	*19*		**(463)**		(480)
Profit for the period			**1,417**		1,482
Other comprehensive income			–		–
Total comprehensive income for the period			**1,417**		1,482
Total comprehensive income attributable to the owners of the Company			**1,417**		1,482

The notes on pages 6 to 19 are an integral part of these interim financial statements.

Interim statement of changes in equity for the six-month period ended 30 June 2017

	Issued capital EUR 1,000	Reserves EUR 1,000	Unappro-priated result EUR 1,000	Total EUR 1,000
As at 1 January 2016	2,000	10,711	2,845	15,556
Appropriation of result 2015	–	2,845	(2,845)	–
Profit for the period	–	–	1,482	1,482
As at 30 June 2016	2,000	13,556	1,482	17,038
As at 1 January 2017	**2,000**	**13,556**	**3,202**	**18,758**
Appropriation of result 2016	–	**3,202**	**(3,202)**	–
Profit for the period	–	–	**1,417**	**1,417**
As at 30 June 2017	**2,000**	**16,758**	**1,417**	**20,175**

The notes on pages 6 to 19 are an integral part of these interim financial statements.

Interim statement of cash flows for the six-month period ended 30 June 2017

		1 Jan. 2017 - 30 June 2017 EUR 1.000	1 Jan. 2016 - 30 June 2016 EUR 1.000
Cash flow from operating activities			
Cash paid to creditors	*13,18*	**(30)**	(128)
Income taxes paid	*9*	**(944)**	(977)
Change in cash pool	*8*	**(1,986)**	(904)
Net cash from operating activities		**(2,960)**	(2,009)
Cash flow from investing activities			
Loans granted to group companies	*6*	–	(1,493,160)
Loans repaid by group companies	*6*	**1,400,000**	–
Interest received	*15*	**256,386**	246,492
Net cash from investing activities		**1,656,386**	(1,246,668)
Cash flow from financing activities			
Bonds issued	*12*	–	1,493,160
Bonds redeemed	*12*	**(1,400,000)**	–
Interest paid	*16*	**(235,135)**	(229,651)
Guarantee fees paid	*17*	**(18,275)**	(14,793)
Net cash from financing activities		**(1,653,410)**	1,248,716
Net increase/(decrease) in cash and cash equivalents		**16**	39
Cash and cash equivalents at 1 January	*10*	**44**	17
Cash and cash equivalents as at 30 June	*10*	**60**	56

The notes on pages 6 to 19 are an integral part of these interim financial statements.

Notes to the interim financial statements for the six-month period ended 30 June 2017

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 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 interim financial statements should be read in conjunction with the financial statements as at and for the year ended 31 December 2016 as issued on 6 March 2017 and adopted on 14 March 2017.

2 Basis of preparation

(a) Statement of compliance

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

These interim financial statements were authorised for issue by the Management Board on 8 August 2017.

(b) Basis of measurement

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

Assets and liabilities are only offset in the 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 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 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 recognised 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 recognised in the interim financial statements are described in the following notes:

- Note 6 - Loans to group companies.
- Note 12 - Non-current liabilities.

(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 interim financial statements.

The accounting policies applied by the Company in these 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 2016.

(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 amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised 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 recognised in the interim statement of comprehensive income.

Exchange rates applicable as at 30 June 2017 are as follows:
1 GBP = EUR 1.14 (31 December 2016: EUR 1.17)

The average exchange rates in the six-month period ended 30 June 2017 are as follows:
1 GBP = EUR 1.16 (six-month period ended 30 June 2016: EUR 1.27)

(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 recognised 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 recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised 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 derecognised 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 recognised initially at fair value. Subsequent to initial recognition, loans to group companies, bearer bonds and registered notes are stated at amortised cost using the effective interest method with any difference between cost and redemption value being recognised in the income statement over the period of the loans and borrowings on an effective interest basis as per inception date.

Cash and cash equivalents

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

(c) Impairment

At each balance sheet date the Company assesses whether there is objective evidence that financial assets are impaired.

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the interim statement of comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the interim statement of comprehensive income.

(d) Financial income and expenses

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

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

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 recognised in the interim statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised 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 recognised 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 recognised 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 realised.

(g) Segment reporting

Segment information is not separately reported because the primary activity of the Company is solely financing the parent company.

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 disclosure purposes, is determined by reference to their quoted bid price at the reporting date. If no quoted bid price at the reporting date is available, the fair value is based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

(b) Registered note

The fair value of the registered note, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

(c) Loans

Facing the fact that the net proceeds from each issue of the bonds and notes by the Company only is applied towards the purposes of on lending to Allianz SE (or other group companies) and that the interest rates and other interest conditions on these loans and borrowings are practically equal to these on the long-term loans to Allianz SE (or other group companies), the fair value of these non-current assets is equal to the fair value of the long-term interest-bearing bonds and notes.

(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. Based on the currently agreed loan agreement 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 counter party 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 and no allowance for impairment for incurred losses in respect of receivables is recognised.

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).

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.

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.

The Company operates in one reportable segment.

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).

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 2017. The Company is not subject to externally imposed capital requirements.

Sensitivity analysis

The management considers the above-mentioned risks to be minimal and therefore has not performed a sensitivity analysis.

6 Loans to group companies

The movements in loans to group companies were as follows:

	30 June 2017	31 December 2016
	EUR 1,000	EUR 1,000
Opening balance	**11,286,932**	11,417,112
Issued	–	1,494,026
Redeemed	**(1,400,000)**	(1,500,000)
Amortisation	**4,700**	12,634
Exchange differences	**(24,104)**	(136,840)
	9,867,528	11,286,932
Receivables < 1 year (current assets)	**(514,332)**	(1,414,202)
Closing balance	**9,353,196**	9,872,730

This item relates to interest bearing loans to Allianz SE or other entities within the Allianz Group with a nominal amount of EUR 9.1 billion and GBP 750 million as at 30 June 2017 (31 December 2016: EUR 10.5 billion and GBP 750 million). The interest bearing loans have stated interest rates varying from 0.09% to 6.56% (31 December 2016: 0.09% to 6.56%).

During the first half year 2017, one loan with a total notional amount of EUR 1.4 billion was repaid within the Allianz Group.

As at 30 June 2017, one perpetual loan is outstanding. The non-perpetual loans have scheduled redemption from 2017 to 2043.

The conditions (including redemption schedule) of the loans to group companies are similar to the conditions of the bonds. For more information about the bonds, see note 12. Exception on this is one loan with a nominal value of EUR 14.5 million, which is not offset by a bond. This loan has an interest rate of 0.0886% and a scheduled redemption in 2017.

7 Deferred tax assets and liabilities

For the six-month period ended 30 June 2017, deferred tax assets and liabilities are attributable to the following:

	Balance as at 1 Jan. 2017 EUR 1,000	Recognized in income EUR 1,000	Balance as at 30 June 2017 EUR 1,000
Loans to group companies	**154**	**(114)**	**40**
Bearer bonds	**(151)**	**113**	**(38)**
	3	**(1)**	**2**

8 Other receivables

This item mainly relates to accrued interest on loans to group companies of EUR 283.1 million (31 December 2016: EUR 323.6 million) and the cash pool with group company Allianz SE, Munich, Germany of EUR 3.2 million (31 December 2016: EUR 1.3 million). 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 Jan. 2017 EUR 1,000	Corporation tax paid/ (received) in the first six months of 2017 EUR 1,000	Calculated corporation tax in the first six months of 2017 EUR 1,000	Late interest/ discount corporation tax in the first six months of 2017 EUR 1,000	Balance as at 30 June 2017 EUR 1,000
2015	**18**	**(18)**	–	–	–
2016	**(81)**	–	–	–	**(81)**
2017	–	**962**	**(462)**	**16**	**516**
	(63)	**944**	**(462)**	**16**	**435**

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 2017, the issued share capital comprised 2,000 (31 December 2016: 2,000) ordinary shares with a nominal value of EUR 1,000 each.

12 Non-current liabilities

The table below provides information about the contractual terms of the Company's bearer bonds. As at 30 June 2017, the Company has 9 bearer bonds with a nominal amount of EUR 8.6 billion and GBP 750 million outstanding (31 December 2016: 10 bearer bonds with a nominal amount of EUR 10.0 billion and GBP 750 million outstanding). As at 30 June 2017, one bond with a nominal amount of EUR 0.5 billion is due within one year and reported as current liabilities (31 December 2016: one bond with nominal amount of EUR 1.4 billion).

Through private placement an amount of EUR 0.5 billion is outstanding as at 30 June 2017 (31 December 2016: 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.

Bearer bonds

Bearer bonds can be specified as follows:

Reference number of bonds	Issue currency	Nominal amount x 1,000	Interest rate %	Date of issuance	(Scheduled) maturity date	Issue price %	Repayment rate %	Amount as at 30 June 2017 EUR 1,000	Amount as at 31 Dec. 2016 EUR 1,000
18[1)]	EUR	1,400,000	4.375	17-02-2005	–	98.92	100.00	–	1,399,703
19[2)]	EUR	800,000	5.375	03-03-2006	–	100.00	100.00	**800,000**	800,000
23	EUR	1,500,000	4.750	22-07-2009	22-07-2019	98.81	100.00	**1,495,125**	1,493,954
24[3)]	EUR	2,000,000	5.750	08-03-2011	08-07-2041	99.66	100.00	**1,994,189**	1,993,474
26	EUR	1,500,000	3.500	14-02-2012	14-02-2022	99.26	100.00	**1,492,728**	1,491,951
28	EUR	500,000	1.375	13-03-2013	13-03-2018	99.89	100.00	**499,832**	499,713
29	EUR	750,000	3.000	13-03-2013	13-03-2028	97.95	100.00	**737,242**	736,657
30	GBP	750,000	4.500	13-03-2013	13-03-2043	98.67	100.00	**841,505**	865,359
31	EUR	750,000	0.000	21-04-2016	21-04-2020	99.56	100.00	**746,346**	745,703
32	EUR	750,000	1.375	21-04-2016	21-04-2031	99.73	100.00	**746,070**	745,930
								9,353,037	10,772,444
Current liabilities (bond 28 respectively 18)								**(499,832)**	(1,399,703)
Non-current liabilities								**8,853,205**	9,372,741

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

1) The company called for redemption in whole effective 17 February 2017 in accordance with the terms and conditions of the bond.
2) 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.
3) 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.

13 Other liabilities

This item can be specified as follows:

	30 June 2017	31 Dec. 2016
	EUR 1,000	EUR 1,000
Accrued interest bonds	**266,984**	300,891
Guarantee fees	**14,044**	19,627
Accrued expenses other	**120**	12
	281,148	320,530

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

14 Financial instruments

Fair values

The fair values of financial assets and liabilities with a difference between the carrying amount and the fair value, are as follows:

	Carrying amount 30 June 2017	**Fair value 30 June 2017**	Carrying amount 31 Dec. 2016	Fair value 31 Dec. 2016
	EUR 1,000	**EUR 1,000**	EUR 1,000	EUR 1,000
Bearer bonds and registered note	**(9,853,037)**	**(11,201,620)**	(11,272,444)	(12,637,162)

Due to the close relationship of the loans to group companies and the bearer bonds and registered note (all market conditions are mirrored) the difference between the fair value and the carrying value of the loans to group companies are estimated not to differ significantly from the difference between the fair value and the carrying value of the bearer bonds and registered note.

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 3
- Loans to group companies: level 2

The method used in determining the fair values of bearer bonds and the registered note are described in note 4.

15 Interest income and similar income

This item can be specified as follows:

	1 Jan. 2017 - 30 June 2017 EUR 1,000	1 Jan. 2016 - 30 June 2016 EUR 1,000
Interest loans to group companies	**220,621**	274,759
Other interest income	**17**	18
	220,638	274,777

16 Interest expense and similar expenses

This item can be specified as follows:

	1 Jan. 2017 - 30 June 2017 EUR 1,000	1 Jan. 2016 - 30 June 2016 EUR 1,000
Interest bearer bonds and registered note	**205,925**	257,829
Other interest expense and currency loss	**2**	–
	205,927	257,829

17 Other financial expenses

This item relates to guarantee commission concerning bearer bonds.

18 Operating expenses

This item can be specified as follows:

	1 Jan. 2017 - 30 June 2017 EUR 1,000	1 Jan. 2016 - 30 June 2016 EUR 1,000
Management fee	**56**	56
Audit fees	**74**	113
Legal and tax fees	**4**	31
Other operating expenses	**5**	4
	139	204

19 Income tax expense

	1 Jan. 2017 - 30 June 2017 EUR 1,000	1 Jan. 2016 - 30 June 2016 EUR 1,000
Current tax expense		
Current year	**462**	477
Prior years	**–**	–
	462	477
Deferred tax expense		
Due to temporary differences carrying amount vs. tax base	**1**	3
	463	480

Reconciliation of effective tax rate

	1 Jan. 2017 – 30 June 2017		1 Jan. 2016 – 30 June 2016	
	%	**EUR 1,000**	%	EUR 1,000
Result before taxation		**1,880**		1,962
Tax using the Company's domestic tax rate	**20-25**	**460**	20-25	480
Tax effect of:				
• Adjustment taxable interest		**3**		–
Change in estimates related to prior years		**–**		–
Tax on profit	**24.6**	**463**	24.5	480

	1 Jan. 2017 – 30 June 2017		1 Jan. 2016 – 30 June 2016	
	%	**EUR 1,000**	%	EUR 1,000

The domestic tax rate is 20% (for taxable income up to EUR 200,000) respectively 25% (for taxable income higher than EUR 200,000).

20 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.

As at 30 June 2017, the carrying amount of the loans provided to Allianz SE and to other group companies is EUR 7.4 billion plus GBP 750 million (31 December 2016: EUR 8.8 billion plus GBP 750 million) and EUR 1.6 billion (31 December 2016: EUR 1.6 billion), respectively.

For the six-month period ended 30 June 2017, the Company recognised interest for a total amount of EUR 198.2 million (30 June 2016: EUR 225.7 million) from Allianz SE and EUR 22.4 million (30 June 2016: EUR 49.1 million) from other entities within the Allianz Group.

As at 30 June 2017, the Company has a cash pool arrangement with Allianz SE, Munich, Germany of EUR 3.2 million (31 December 2016: EUR 1.3 million).

For the management support the Company has a service contract with Allianz Europe B.V., Amsterdam, the Netherlands. As at 30 June 2017, the Company accrued EUR 56 thousand (30 June 2016: EUR 56 thousand).

21 Personnel

The Company did not employ any personnel during the period (30 June 2016: nil). No remuneration was paid to the Management Board or Supervisory Board in the six-month periods ended 30 June 2017 and 30 June 2016, respectively.

22 Contingencies

As at 30 June 2017 and 31 December 2016, there are no contingencies to report.

Amsterdam, 8 August 2017

Management Board:

C. Bunschoten J.C.M. Zarnitz

Review report

To: the General Meeting and the Management Board of Allianz Finance II B.V.

Engagement
We have reviewed the accompanying interim financial information of Allianz Finance II B.V., Amsterdam, which comprises the statement of financial position as at 1 January 2017 up to and including 30 June 2017, the statements of comprehensive income, changes in equity, and cash flows for the six-month period then ended, and the notes. The Management Board is responsible for the preparation and presentation of this 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 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 Dutch Standards on Auditing 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 interim financial information for the six-month period ended 30 June 2017 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

Amstelveen, 8 August 2017

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

sgd.
drs. M.F. Meijer RA