Allianz Finance II B.V.

Financial statements for the year 2016

This report was adopted in the General Meeting of Shareholders dated 14 March 2017

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Financial report

Report of the Supervisory Board

Pursuant to article 22 of the Articles of Association we are pleased to submit the financial statements for the year 2016 as drawn up by the Management Board for your adoption.

The financial statements, which both the Supervisory Board and the Management Board have signed, have been audited by BDO Audit & Assurance B.V. The independent auditor's report is included in the other information section.

We recommend you to adopt the financial statements.

Amsterdam, 6 March 2017

Supervisory Board:

Dr. D.F. Wemmer, Chairman

S.J. Theissing

Report of the Management Board

The Management Board of Allianz Finance II B.V. (the ‘Company’) herewith submits its financial report for the year ended 31 December 2016.

General

Allianz Finance II B.V. (the ‘Company’) was formed on 8 May 2000. The Company’s registered office is Keizersgracht 484, 1017 EH Amsterdam, the Netherlands. The Company is 100-% 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. The activities of the Company take place in the Netherlands.

Administration is carried out by local staff, which is employed by Allianz Europe B.V., and is located in Amsterdam. The Management Board of consists of 2 members and the Supervisory Board consists of 2 members. The Board of Management is responsible for the internal control and the management of risks within the Company.

Developments and financial performance

On 21 April 2016, the Company issued EUR 1.5 billion senior bonds guaranteed by Allianz SE, divided in EUR 0.75 billion 0.000% Fixed Rate Notes with maturity date 21 April 2020 and EUR 0.75 billion 1.375% Fixed Rate Notes with maturity date 21 April 2031. The proceeds were fully loaned to Allianz group companies.

On 23 November 2016 an outstanding senior bond of nominal EUR 1.5 billion and a loan issued to a group company for an equal amount matured and were repaid.

Total financial income 2016, mainly interest on loans to group companies, amounts to EUR 551.3 million (2015: EUR 559.2 million). Financial expenses 2016 (interest on bonds issued and guarantee commission related to the bonds) amounts to EUR 546.7 million (2015: EUR 555.1 million), resulting in a net financial income in 2016 of EUR 4.6 million (2015: EUR 4.1 million). After deduction of operating expenses, the profit before tax amounts to EUR 4.3 million (2015: EUR 3.8 million). Taking into account corporate income taxes, the net profit 2016 amounts to EUR 3.2 million (2015: EUR 2.8 million).

Shareholders’ equity increased by EUR 3.2 million (profit after tax 2016) to EUR 18.8 million at year end 2016. The General Meeting of Shareholders will be asked to approve that the profit after tax for the financial year 2016 of EUR 3.2 million will be added to the reserves.

Net cash flow 2016 arising from financing and operating activities of EUR 0.9 million was withdrawn from the cash pool with Allianz SE (2015: EUR 8.0 million withdrawn from the cash pool).

Principal risks and uncertainties

The principal risks and uncertainties facing the Company for risk management purposes are outlined below.

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 11. 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 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.

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 year. 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.

Future outlook and post-balance sheet events

It is expected that the financing activities will develop in line with the strategy of the parent company.

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 will also be redeemed on 17 February 2017.

Activities in the field of research and development

The Company is not engaged in such activities.

Market environment

The Company issues bonds under a guarantee by its parent company, Allianz SE, Munich, Germany and therefore is exposed to the market conditions which affect the parent company as well.
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).

Management Board declaration

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

- the financial statements 2016 give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company;
- the report of the Management Board gives a true and fair view of the Company as per the balance sheet date and the state of affairs during the financial year to which the report relates; and
- The report of the Management Board describes the material risks the issuer is facing.

Amsterdam, 6 March 2017

Management Board:

C. Bunschoten

J.C.M. Zarnitz

Statement of financial position as at 31 December 2016

(before profit appropriation)

	Note	**2016**		2015	
		EUR 1,000	**EUR 1,000**	EUR 1,000	EUR 1,000
Non-current assets					
Loans to group companies	*6*	**9,872,730**		9,918,984	
Deferred tax assets	*7*	**3**		9	
			9,872,733		9,918,993
Current assets					
Loans to group companies	*6*	**1,414,202**		1,498,128	
Other receivables	*8*	**324,816**		326,770	
Income tax receivable		–		18	
Cash and cash equivalents	*9*	**44**		17	
			1,739,062		1,824,933
			11,611,795		11,743,926
Equity	*10*				
Share capital		**2,000**		2,000	
Reserves		**13,556**		10,711	
Unappropriated result		**3,202**		2,845	
			18,758		15,556
Non-current liabilities	*11*				
Bearer bonds		**9,372,741**		9,408,005	
Registered note		**500,000**		500,000	
			9,872,741		9,908,005
Current liabilities					
Bearer bonds	*11*	**1,399,703**		1,498,135	
Income tax payable	*12*	**63**		–	
Other liabilities	*13*	**320,530**		322,230	
			1,720,296		1,820,365
Total liabilities			**11,593,037**		11,728,370
Total equity and liabilities			**11,611,795**		11,743,926

The notes on pages 12 to 28 are an integral part of these financial statements.

Statement of comprehensive income for the year 2016

		2016		2015	
		EUR 1,000	**EUR 1,000**	EUR 1,000	EUR 1,000
Interest income and similar income	*15*	**551,339**		559,150	
Financial income			**551,339**		559,150
Interest expense and similar expenses	*16*	**(516,233)**		(526,180)	
Other financial expenses	*17*	**(30,516)**		(28,908)	
Financial expenses			**(546,749)**		(555,088)
Net financial income			**4,590**		4,062
Operating expenses	*18*		**(307)**		(244)
Profit before tax			**4,283**		3,818
Income tax expense	*19*		**(1,081)**		(973)
Profit for the year			**3,202**		2,845
Other comprehensive income			**–**		–
Total comprehensive income for the year			**3,202**		2,845
Total comprehensive income attributable to the owners of the Company			**3,202**		2,845

The notes on pages 12 to 28 are an integral part of these financial statements.

Statement of changes in equity for the year 2016

The movements can be summarised as follows:

	Issued capital EUR 1,000	**Reserves EUR 1,000**	**Unappro-priated result EUR 1,000**	**Total EUR 1,000**
As at 1 January 2015	2,000	7,619	3,092	12,711
Appropriation of result 2014	–	3,092	(3,092)	–
Profit for the year 2015	–	–	2,845	2,845
As at 31 December 2015	2,000	10,711	2,845	15,556
As at 1 January 2016	**2,000**	**10,711**	**2,845**	**15,556**
Appropriation of result 2015	**–**	**2,845**	**(2,845)**	**–**
Profit for the year 2016	**–**	**–**	**3,202**	**3,202**
As at 31 December 2016	**2,000**	**13,556**	**3,202**	**18,758**

The notes on pages 12 to 28 are an integral part of these financial statements.

Statement of cash flows for the year 2016

		2016	2015
		EUR 1,000	EUR 1,000
Cash flow from operating activities			
Cash paid to creditors	*13*	**(339)**	(262)
Income taxes paid	*12*	**(977)**	(1,021)
Change in cash pool	*8*	**882**	7,957
Net cash from operating activities		**(434)**	6,674
Cash flow from financing activities			
Bonds issued	*11*	**1,493,160**	–
Bonds redeemed	*11*	**(1,500,000)**	(1,000,000)
Interest paid	*16*	**(503,689)**	(572,476)
Interest received	*15*	**536,165**	608,031
Guarantee fees paid	*17*	**(28,543)**	(31,254)
Net cash from financing activities		**(2.907)**	(995.699)
Cash flow from investing activities			
Loans granted to related parties	*6*	**(1,496,632)**	(11,000)
Loans repaid by related parties	*6*	**1,500,000**	1,000,000
Net cash from financing activities		**3.368**	989.000
Net (decrease)/increase in cash and cash equivalents		**27**	(25)
Cash and cash equivalents at 1 January		**17**	42
Cash and cash equivalents as at 31 December	*9*	**44**	17

The notes on pages 12 to 28 are an integral part of these financial statements.

Notes to the financial statements for the year 2016

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.

2 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and with Part 9 of Book 2 of the Netherlands Civil Code.

The financial statements are authorised for issue by the Management Board on 6 March 2017.

(b) Basis of measurement

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

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

- Note 6: loans to group companies.
- Note 11: 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 financial statements.

(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 statement of comprehensive income.

Exchange rates applicable as at 31 December 2016 are as follows:
1 GBP = EUR 1.17 (31 December 2015: EUR 1.36)

The average exchange rates in 2016 are as follows:
1 GBP = EUR 1.22 (2015: EUR 1.38)

(b) Non-derivative financial instruments

Non-derivative financial instruments comprise 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 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 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 statement of comprehensive income using the effective interest method.

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

(e) Other expenses

Other expenses are recognised 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 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 substantially 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 substantially 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 difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(g) Segment reporting

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

(h) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statements. Those which may be relevant are set out below. The company does not plan to adopt these standards early.

IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 15.

IFRS 7 Disclosure initiative

The amendments in Disclosure Initiative (Amendments to IAS 7) come with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. To achieve this objective, the IASB requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

IAS 7 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted.

The Company is assessing the potential impact on its financial statements.

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 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 11. 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 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.

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 year. 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:

	2016 EUR 1,000	2015 EUR 1,000
Balance at 1 January	11,417,112	12,344,032
Issued	1,494,026	11,009
Redeemed	(1,500,000)	(1,000,000)
Amortisation	12,634	11,735
Exchange differences	(136,840)	50,336
	11,286,932	11,417,112
Receivables < 1 year (current assets)	(1,414,202)	(1,498,128)
Balance at 31 December	9,872,730	9,918,984

This item relates to interest bearing loans to Allianz SE or other entities within the Allianz Group with a carrying amount of EUR 10.4 billion and GBP 750 million as at 31 December 2016 (2015: EUR 10.4 billion and GBP 750 million). The interest bearing loans have stated interest rates varying from 0.09% to 6.56% (2015: 0.17% to 6.56%).

During the year 2016, loans with a notional amount of EUR 1.5 billion were repaid within the Allianz Group. The Company issued loans to Allianz group companies with a total notional amount of EUR 1.5 billion.

As at 31 December 2016, two perpetual loans are outstanding. The non-perpetual loans have scheduled redemption from 2018 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 11. 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 year 2016, deferred tax assets and liabilities are attributable to the following:

	Balance as at 1 Jan. 2016 EUR 1,000	**Recognised in income EUR 1,000**	**Balance as at 31 Dec. 2016 EUR 1,000**
Loans to group companies	**828**	**(674)**	**154**
Bearer bonds	**(819)**	**668**	**(151)**
	9	**(6)**	**3**

For the year 2015, deferred tax assets and liabilities are attributable to the following:

	Balance as at 1 Jan. 2015 EUR 1,000	Recognised in income EUR 1,000	Balance as at 31 Dec. 2015 EUR 1,000
Loans to group companies	776	52	828
Bearer bonds	(758)	(61)	(819)
	18	(9)	9

8 Other receivables

This item mainly relates to accrued interest on loans to group companies of EUR 323.6 million (2015: EUR 324.6 million) and the cash pool with group company Allianz SE, Munich, Germany of EUR 1.3 million (2015: EUR 2.1 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 Cash and cash equivalents

Cash and cash equivalents are freely disposable to the Company.

10 Equity

The Company’s capital consists of one or more shares with a nominal value of EUR 1,000 each. As at 31 December 2016, the issued share capital comprised 2,000 (2015: 2,000) ordinary shares with a nominal value of EUR 1,000 each.

11 Non-current liabilities

The table below provides information about the contractual terms of the Company's bearer bonds. As at 31 December 2016, the Company has 10 bearer bonds with a nominal amount of EUR 10.0 billion and GBP 750 million outstanding (31 December 2015: 9 bearer bonds with a nominal amount of EUR 10.0 billion and GBP 750 million outstanding). As at 31 December 2016, EUR 1.4 billion is due within one year and reported as current liabilities (31 December 2015: EUR 1.5 billion).

Through private placement an amount of EUR 0.5 billion is outstanding as at 31 December 2016 (31 December 2015: 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 31 Dec. 2016 EUR 1,000**	Amount as at 31 Dec. 2015 EUR 1,000
18[1)]	EUR	1,400,000	4.375	17-02-2005	–	98.92	100.00	**1,399,703**	1,397,443
19[2)]	EUR	800,000	5.375	03-03-2006	–	100.00	100.00	**800,000**	800,000
20	EUR	1,500,000	4.000	23-11-2006	23-11-2016	98.98	100.00	–	1,498,135
23	EUR	1,500,000	4.750	22-07-2009	22-07-2019	98.81	100.00	**1,493,954**	1,491,589
24[3)]	EUR	2,000,000	5.750	08-03-2011	08-07-2041	99.66	100.00	**1,993,474**	1,992,029
26	EUR	1,500,000	3.500	14-02-2012	14-02-2022	99.26	100.00	**1,491,951**	1,490,382
28	EUR	500,000	1.375	13-03-2013	13-03-2018	99.89	100.00	**499,713**	499,472
29	EUR	750,000	3.000	13-03-2013	13-03-2028	97.95	100.00	**736,657**	735,475
30	GBP	750,000	4.500	13-03-2013	13-03-2043	98.67	100.00	**865,359**	1,001,615
31	EUR	750,000	0.000	21-04-2016	21-04-2020	99.56	100.00	**745,703**	–
32	EUR	750,000	1.375	21-04-2016	21-04-2031	99.73	100.00	**745,930**	–
								10,772,444	10,906,140
Current liabilities (bond 18 respectively 20)								**(1,399,703)**	(1,498,135)
Non-current liabilities								**9,372,741**	9,408,005

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.

12 Income tax payable

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

2016

	Balance as at 1 Jan. 2016	**Corporation tax (paid)/ received in 2016**	**Calculated corporation tax in 2016**	**Late interest/ discount corporation tax**	**Adjustments corporation tax prior years**	**Balance as at 31 Dec. 2016**
	EUR 1,000	**EUR 1,000**	**EUR 1,000**	**EUR 1,000**	**EUR 1,000**	**EUR 1,000**
2015	**(18)**	**–**	**–**	**–**	**–**	**(18)**
2016	**–**	**(977)**	**1,075**	**(17)**	**–**	**81**
	(18)	**(977)**	**1,075**	**(17)**	**–**	**63**

2015

	Balance as at 1 Jan. 2015	Corporation tax (paid)/ received in 2015	Calculated corporation tax in 2015	Late interest/ discount corporation tax	Adjustments corporation tax prior years	Balance as at 31 Dec. 2015
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
2014	53	(71)	–	2	16	–
2015	–	(950)	948	(16)	–	(18)
	53	(1,021)	948	(14)	16	(18)

13 Other liabilities

This item can be specified as follows:

	2016	2015
	EUR 1,000	EUR 1,000
Accrued interest bonds	**300,891**	304,532
Guarantee fees	**19,627**	17,654
Accrued expenses other	**12**	44
	320,530	322,230

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 31 Dec. 2016 EUR 1,000	**Fair value 31 Dec. 2016 EUR 1,000**	Carrying amount 31 Dec. 2015 EUR 1,000	Fair value 31 Dec. 2015 EUR 1,000
Bearer bonds and registered note	**(11,272,444)**	**(12,637,162)**	(11,406,140)	(12,536,788)

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

15 Interest income and similar income

This item can be specified as follows:

	2016	2015
	EUR 1,000	EUR 1,000
Interest loans to group companies	**551,318**	559,117
Other interest income	**21**	33
	551,339	559,150

16 Interest expense and similar expenses

This item can be specified as follows:

	2016	2015
	EUR 1,000	EUR 1,000
Interest loans from group companies	**516,231**	526,179
Other interest expenses	**2**	1
	516,233	526,180

17 Other financial expenses

This item mainly relates to guarantee commission concerning bearer bonds.

18 Operating expenses

This item can be specified as follows:

	2016	2015
	EUR 1,000	EUR 1,000
Management fee	**127**	112
Audit fees	**113**	95
Legal and tax fees	**62**	27
Other operating expenses	**5**	10
	307	244

The audit and other accounting fees of the accounting organisation providing the audit opinion of the annual accounts are specified as follows:

	2016	2015
	EUR 1,000	EUR 1,000
	BDO Audit & Assurance B.V.	KPMG Accountants N.V.
Audit annual accounts *	**51**	64
Other audit assignments	**15**	16
Tax Advisory	**–**	–
Other non-audit services **	**47**	15
	113	95

* costs 2016 including EUR 2 thousand final billing KPMG Accountants N.V.

** costs 2016 relate to an engagement performed by KPMG Accountants N.V.

19 Income tax expense

	2016	2015
	EUR 1,000	EUR 1,000
Current tax expense		
Current year	**1,075**	948
Prior years	**-**	16
	1,075	964
Deferred tax expense		
Due to temporary differences carrying amount vs. tax base	**6**	9
	1,081	973

Reconciliation of effective tax rate

	2016		2015	
	%	**EUR 1,000**	%	EUR 1,000
Result before taxation		**4,283**		3,818
Tax using the Company's domestic tax rate	**20-25**	**1,061**	20-25	945
Tax effect of:				
• Adjustment taxable interest		**20**		12
Change in estimates related to prior years		–		16
Tax on profit (effective tax rate)	**25.2**	**1,081**	25.5	973

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 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 31 December 2016, the total amount lent to Allianz SE and other group companies is EUR 8.8 billion plus GBP 750 million (31 December 2015: EUR 8.0 billion plus GBP 750 million) and EUR 1.6 billion (31 December 2015: EUR 2.4 billion), respectively. The terms and conditions of the loans have been disclosed in item 6 (Loans to group companies).

For the year 2016, the Company recognized interest income for a total amount of EUR 458.3 million (2015: EUR 460.6 million) from Allianz SE and EUR 93.0 million (2015: EUR 98.6 million) from other group companies and paid a guarantee commission regarding the bearer bonds to Allianz SE of EUR 30.5 million (2015: EUR 28.9 million).

As at 31 December 2016, the Company has a cash pool arrangement with Allianz SE, Munich, Germany of EUR 1.3 million (31 December 2015: EUR 2.1 million).

For the management support the Company has a service contract with Allianz Europe B.V., Amsterdam, the Netherlands. During the year 2016, the Company paid a management fee of EUR 0.1 million (2015: EUR 0.1 million).

21 Personnel

The Company did not employ any personnel during the year 2016 (2015: nil). No remuneration was paid to the Management Board or Supervisory Board during the year 2016 (2015: nil).

22 Contingencies

As at 31 December 2016 and 2015, there are no contingencies to report.

23 Subsequent events

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 will also be redeemed on 17 February 2017.

24 Appropriation of result 2015

On 10 March 2016, the General Meeting of Shareholders decided to add the profit for the year 2015 to the reserves.

25 Proposed appropriation of result 2016

Subject to shareholders' approval, management proposes to add the profit for the year 2016 to the reserves. In the financial statements the profit for the year 2016 is included under unappropriated result in equity.

Amsterdam, 6 March 2017

Management Board:	Supervisory Board:
C. Bunschoten	Dr. D.F. Wemmer, Chairman
J.C.M. Zarnitz	S.J. Theissing

Other information

Provisions of the Articles of Association governing the appropriation of profit (article 23)

1. The authority to decide over the allocation of profits determined by the adoption of the annual accounts and to make distributions is vested in the General Meeting, with due observance of the limitations prescribed by law.
2. The authority of the General Meeting to make distributions applies to both distributions at the expense of non-appropriated profits and distributions at the expense of any reserves, and to both distributions on the occasion of the adoption of the annual accounts and interim distributions.
3. A resolution to make a distribution will not be effective until approved by the Management Board. The Management Board may only refuse to grant such approval if it knows or reasonably should foresee that after the distribution the Company would not be able to pay its debts as they fall due.

Independent auditor’s report

The independent auditor’s report is set forth on the following pages.

Independent auditor's report

To: the shareholders and Supervisory Board of Allianz Finance II B.V.

A. Report on the audit of the financial statements 2016

Our opinion

We have audited the financial statements 2016 of Allianz Finance II B.V., based in Amsterdam.

WE HAVE AUDITED	OUR OPINION
The financial statements which comprise: 1. the statement of financial position as at 31 December 2016; 2. the following statements for 2016: statements of profit and loss and other comprehensive income, changes in equity and cash flows for the year then ended; and 3. the notes comprising a summary of the significant accounting policies and other explanatory information.	In our opinion the enclosed financial statements give a true and fair view of the financial position of Allianz Finance II B.V. as at 31 December 2016 and of its result and its cash flows for 2016 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

Basis for our opinion

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

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

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

Materiality

Based on our professional judgment we determined the materiality for the financial statements as a whole at € 116,000,000. The materiality is based on one percent of total assets, which we consider to be an appropriate basis for the materiality calculation, as we consider the ratio of total assets versus total liabilities to be of the main point of interest for both the Management Board as well as for the holders of the bonds issued by the company. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

We agreed with the Supervisory Board that misstatements in excess of € 5,800,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

VALUATION OF LOANS ISSUED	OUR AUDIT APPROACH
We consider the valuation of the loans issued to Allianz SE, Az Jupiter 4 B.V. and Allianz Holding France SAS and the current account receivable with Allianz SE, Az Jupiter 4 B.V. and Allianz Holding France SAS as disclosed in notes 6 and 8 of the financial statements and representing 99% of the balance sheet total, as a key audit matter. We identified this as a key audit matter due to the size of the loans issued and current account receivable and due to the material impact an impairment may have on the statement of profit and loss. Initially, loans issued and the current account receivable are recognised at its fair value and subsequently measured at amortised cost using the effective interest method. The Management Board did not identify objective evidence of an impairment with regard to the loans issued and current account receivable with Allianz SE, Az Jupiter 4 B.V. and Allianz Holding France SAS.	We have performed detailed audit procedures addressing the valuation of the loans issued to and the current account receivable with Allianz SE. We have performed the following audit procedures: • Inspected the 2016 interim financial statements of Allianz SE and financial statements as per 31 December 2015 of Allianz SE. • Inspected the financial statements as per 31 December 2015 of Az Jupiter 4 B.V. and Allianz Holding France SAS. • Evaluated the information derived from credit rating agencies: Standard & Poor's, Moody's and Fitch Ratings. • Inspected the agreements entered into between the company and Allianz SE, Az Jupiter 4 B.V. and Allianz Holding France SAS . • Reviewed the market values of the outstanding notes. • Discussed the recent developments in the financial position and cash flows with the auditor of Allianz SE. • Searched and evaluated the information for investors on the website of Allianz SE. • Discussed the recent developments in the financial position and the cash flows with the Management Board and the Supervisory Board of the company. • Assessed the adequacy of the disclosures in the financial statements relating to both the loans issued and current account receivable.

B. Report on other information included in the annual report

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

- the report of the Management Board;
- the report of the Supervisory Board;
- the other information on page 29.

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

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

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

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

The Management Board is responsible for the preparation of the other information including the preparation of the Management Board report and the other information on page 24 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

C. Report on other legal and regulatory requirements

Engagement

We were engaged by the Supervisory Board as auditor of Allianz Finance II B.V. on 29 June 2016 as of the audit for year 2016 and have operated as statutory auditor ever since that date.

D. Description of responsibilities for the financial statements

Responsibilities of the Management Board and the Supervisory Board for the financial statements

The Management Board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Management Board is responsible for such internal control as the Management Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, the Management Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the Management Board should prepare the financial statements using the going concern basis of accounting unless the Management Board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Management Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

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

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

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

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

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Concluding on the appropriateness of the Management Board's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company ceasing to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not mentioning it is in the public interest.

Amstelveen, 6 March 2017

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

sgd.
drs. M.F. Meijer RA