Allianz Finance II B.V.

Financial report for the year 2021

This report was adopted in the General Meeting of Shareholders
dated 11 March 2022

Contents Financial Report

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 2021.

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 the Company consists of 2 members and the Supervisory Board consists of 2 members. The Management Board is responsible for the internal control and the management of risks within the Company.

Developments, financial performance and going concern

In 2021 Company called for redemption of the EUR 800 million 5.375% Undated Subordinated Fixed Rate Callable Bond and the related intercompany loan (repayment of the bond and the related loan on 3 March 2021), and of the EUR 1,095.8 million 5.75% Subordinated Fixed to Floating Rate Bonds with scheduled final maturity in 2041 and the related intercompany loan (repayment of the bond and the related loan on 8 July 2021). Also in 2021, the Company repurchased the EUR 500 million Convertible Subordinated Fixed to Floating Rate Bonds with scheduled final maturity in 2041 and the corresponding intercompany loan.

On 22 November 2021, the company issued EUR 1.5 billion senior bonds guaranteed by Allianz SE, Munich, Germany divided in EUR 0.3 billion Floating Rate Notes with coupon 3-month Euribor plus 100 bps due 22 November 2024, EUR 0.7 billion 0.0% Fixed Rate Notes due 22 November 2026 and EUR 0.5 billion 0.5% Fixed Rate Notes due 22 November 2033. The proceeds were fully loaned to Allianz SE.

In 2020, a global pandemic event (COVID 19) severely impacted financial markets and economy. Due to the COVID 19 crisis, the Company has taken several measures to ensure business continuity. The employees working for the Company are able to fully access the IT network and technical infrastructure of the Company remotely and can therefore fulfil daily operations also in case of a full lock-down (home office). The management is closely monitoring the situation and the impact on the business, including potential effects of counterparties experiencing financial difficulties as a result of the crisis.

The main assets of the Company are loans to group companies. The Loans to group companies are closely related to the corresponding bearer bonds and registered note (all market conditions are mirrored). Subordinated loans to group companies are valued at fair value through profit and loss (FVPL). The subordinated loans are provided to Allianz SE and movements in the fair value of the loans equals the movement in the fair value of the corresponding bonds (no impact on Company's equity). The senior loans to related parties are valued at amortized cost and are held against Allianz SE (solvency ratio of 239% at 31 December 2021; year-end 2020: 263%) and Allianz Holding France SAS. The Company closely monitors the creditworthiness of the group companies. The Company retained its access to the capital markets at reasonable terms.

The pandemic is ongoing and it is not possible to estimate the future impact on the financial markets and economy. Whilst uncertain, we do not believe, however, that the ongoing impact of the COVID 19 virus would have a material adverse effect on financial condition or liquidity of the Company. In 2021, COVID 19 had no impact on the results, balance sheet and cash flows of the Company.

The market conditions of the loans to group companies and the bonds are mirrored. The bonds are guaranteed by Allianz SE. The Company has an equity position of EUR 11.9 million (2020: EUR 8.6 million). The Company is therefore a going concern and is able to continue as a going concern for the foreseeable future.

Net financial income decreased from EUR 5.5 million in 2020 to EUR 4.7 million in 2021. The revaluation to fair value through profit and loss ("FVPL") on loans equals the revaluation to FVPL on bonds. Therefore, on balance the revaluation to FVPL on loans and bonds have no impact on the net financial income.

After deduction of operating expenses, the profit before tax amounts to EUR 4.3 million (2020: EUR 5.1 million). Taking into account corporate income taxes, the net profit 2021 amounts to EUR 3.3 million (2020: EUR 3.8 million).

Shareholders' equity increased in 2021 by EUR 3.3 million (profit after tax 2021) to EUR 11.9 million. The General Meeting of Shareholders will be asked to approve that the profit after tax for the financial year 2021 of EUR 3.3 million will be added to the reserves.

Net cash flow 2021 arising from operating activities amounts to EUR 3.3 million (2020: EUR 3.1 million). Net cash flows from financing activities were nil in 2021 and 2020. The positive net cash flow 2021 from operating and financing activities of EUR 3.3 million (2020: EUR 3.1 million) was added to the cash pool with Allianz SE.

Principal risks and uncertainties

The Company has exposure to the following risks:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk (including Fraud risk)
- Climate risk and ESG (Environmental, Social & Governance) Reporting

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

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

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. This 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).

The Company analysed the credit risk exposure for loans to group companies, for which an ECL allowance is recognized. The gross carrying amount of these loans also represents the Company's maximum exposure to credit risk on these assets. The credit rating of all counterparties is considered investment grade. The gross carrying amount of these loans at year end 2021 is EUR 9.6 billion, the loss allowance is EUR 806 thousand (31 December 2020: gross carrying amount EUR 8.0 billion, loss allowance EUR 705 thousand).

Liquidity risk

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

The Company ensures that it has sufficient cash to meet expected interest payments and/or redemptions of bonds by matching the interest payment and maturity dates of the bonds and the corresponding loans.

Market risk

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

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

Currency risk

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

The currencies in which these transactions primarily are denominated are Euro and Great Britain Pounds (GBP). As at 31 December 2021, loans respectively bonds to a total amount of nominal EUR 8.8 billion are denominated in Euro (31 December 2020: EUR 9.6 billion); loans respectively bonds to an amount of GBP 750 million are denominated in GBP (31 December 2020: GBP 750 million).

Concentration risk

Concentration risk is the risk that the concentration of loans is not diversified and concentrated. The concentration risk is discussed under credit risk and currency risk. Given the nature of the Company it has a concentrated credit exposure on Allianz SE and its group companies.

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

Operational Risk (including Fraud Risk)

The fraud risk of the Company is very limited, since the number of cash transactions is small and all well known. Outgoing payments are always based on expected cash flow notifications within the Allianz Cash and Treasury System coming from SAP which has a built in 4-eyes principle. Management are also expected to report any losses due to fraud to Allianz SE on a quarterly basis.

There is no incentive for management to record fictitious journal entries, inappropriately adjust assumptions, omit any disclosures or conceal any facts as management's remuneration is not linked to the performance of the Company. A code of conduct is groupwide in place and management does not tolerate any code of conduct violations.

Climate Risk and ESG Reporting

The Company is a financing entity and therefore climate related risks is expected to have a limited impact on the results and financial position of the company. In addition, the Company relies on the ESG Strategy, including risks related to climate change, from parent entity Allianz SE which is also the company's main debtor.

Male and female split of Board members

The Management Board of the Company consists of 2 members of which 2 are male (100%) and 0 is female (0%). The Supervisory Board of the Company consists of 2 members of which 2 are male (100%) and 0 are female (0%).

The Company is a member of the Allianz Group and as such adopts the Allianz Global Diversity Policy. As a global company, Allianz Group is committed to ensuring diversity through whatever means are most appropriate, legally permitted and likely to be successful. However, whilst we see a significant business benefit in having a Management Board and a Supervisory Board drawn from a diverse range of backgrounds who bring the required expertise, cultural diversity and difference perspectives to Board discussions, we do not believe this is achieved through simple quotas, whether it be gender or otherwise. When selecting candidates, Allianz Group will always choose the most qualified candidate, regardless of gender.

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.

On 14 February 2022, the Company made a redemption in full at nominal value of the outstanding EUR 1,500 million 3.5% senior bonds in accordance with the terms and conditions of the bonds. The corresponding loan to Allianz SE was also repaid.

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.

Amsterdam, 8 March 2022

Management Board:

C. Bunschoten

J.C.M. Zarnitz

Management Board declaration

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

- the financial statements 2021 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, 8 March 2022

Management Board:

C. Bunschoten

J.C.M. Zarnitz

Report of the Supervisory Board

General

During 2021, the Supervisory Board discussed the reporting of the quarterly meetings of the Local Financial Reporting and Disclosure Committee with the Management Board and it was concluded that no further meetings of the Supervisory Board were necessary.

In 2021, the Supervisory Board approved by written resolutions the renewal of the Debt Issuance Program of the Company, the call of the EUR 800 million 5.375% Undated Subordinated Fixed Rate Callable Bonds and the related loan, the call of the EUR 1,095.8 million 5.75% Subordinated Fixed to Floating Rate Bonds with scheduled maturity in 2041 and the related loan, the repurchase and termination of the EUR 500 million Convertible Subordinated Fixed to Floating Rate Bonds with scheduled maturity in 2041 and the corresponding loan, and the issue of senior bonds guaranteed by Allianz SE under the Debt Issuance Program.

Report

Pursuant to article 22 of the Articles of Association we are pleased to submit the financial statements for the year 2021 as drawn up by the Management Board to the Shareholder for adoption.

The financial statements which both the Supervisory Board and the Management Board have signed, have been audited by PricewaterhouseCoopers Accountants N.V. The independent auditor’s report is included in the other information section.

We recommend you to adopt the financial statements.

Amsterdam, 8 March 2022

Supervisory Board:

J.M. Eriksson, Chairman

A. Wiechert

FINANCIAL STATEMENTS 2021

Statement of financial position

(before profit appropriation)

	Note	As at 31 December 2021		As at 31 December 2020	
		EUR 1,000	**EUR 1,000**	EUR 1,000	EUR 1,000
Non-current assets					
Loans to group companies (at amortized cost)	*6*	**8,094,438**		8,035,053	
Loans to group companies (at FVPL)	*6*	–		2,469,469	
Deferred tax assets	*7*	**208**		176	
			8,094,646		10,504,698
Current assets					
Loans to group companies (at amortized cost)	*6*	**1,499,789**		–	
Other receivables	*8*	**154,938**		234,262	
Income tax receivable	*9*	**198**			
Cash and cash equivalents	*10*	**76**		37	
			1,655,001		234,299
			9,749,647		10,738,997
Equity	*11*				
Issued capital		**2,000**		2,000	
Retained earnings		**6,584**		2,748	
Unappropriated result		**3,274**		3,836	
			11,858		8,584
Non-current liabilities					
Bearer bonds (at amortized cost)	*12*	**8,095,227**		8,035,758	
Bearer bonds (at FVPL)	*12*	–		1,955,539	
Registered note (at FVPL)	*13*	–		513,930	
			8,095,227		10,505,227
Current liabilities					
Bearer bonds (at amortized cost)	*12*	**1,499,806**		–	
Income tax payable	*9*	–		176	
Other liabilities	*14*	**142,756**		225,010	
			1,642,562		225,186
Total liabilities			**9,737,789**		10,730,413
Total equity and liabilities			**9,749,647**		10,738,997

The notes on pages 14 to 35 are an integral part of these financial statements.

Statement of comprehensive income

		For the year ended 31 December 2021		For the year ended 31 December 2020	
		EUR 1,000	**EUR 1,000**	EUR 1,000	EUR 1,000
Interest income on loans valued at amortized cost and similar income	*16*	**190,171**		184,250	
Interest income on loans valued at FVPL	*16*	**56,498**		145,214	
Net fair value gains on financial instruments at FVPL		**74,079**		140,222	
Financial income			**320,748**		469,686
Interest expense on bonds valued at amortized cost and similar expenses	*17*	**(164,908)**		(158,262)	
Interest expense on bonds valued at FVPL	*17*	**(53,881)**		(138,380)	
Net fair value losses on financial instruments at FVPL		**(74,079)**		(140,222)	
Net impairment losses on financial assets at amortized cost		**(101)**		(51)	
Other financial expenses	*18*	**(23,120)**		(27,316)	
Financial expenses			**(316,089)**		(464,231)
Net financial income			**4,659**		5,455
Operating expenses	*19*		**(335)**		(392)
Profit before tax			**4,324**		5,063
Income tax expense	*20*		**(1,050)**		(1,227)
Profit for the year			**3,274**		3,836
Other comprehensive income			–		–
Total comprehensive income for the year			**3,274**		3,836
Total comprehensive income attributable to the owners of the Company			**3,274**		3,836

The notes on pages 14 to 35 are an integral part of these financial statements.

Statement of changes in equity

The movements can be summarised as follows:

	Issued capital EUR 1,000	Retained earnings EUR 1,000	Unappro-priated result EUR 1,000	Total EUR 1,000
As at 1 January 2020	2,000	–	2,748	4,748
Appropriation of result 2019	–	2,748	(2,748)	–
Profit for the year 2020	–	–	3,836	3,836
As at 31 December 2020	2,000	2,748	3,836	8,584
As at 1 January 2021	**2,000**	**2,748**	**3,836**	**8,584**
Appropriation of result 2020	**–**	**3,836**	**(3,836)**	**–**
Profit for the year 2021	**–**	**–**	**3,274**	**3,274**
As at 31 December 2021	**2,000**	**6,584**	**3,274**	**11,858**

The notes on pages 14 to 35 are an integral part of these financial statements.

Statement of cash flows

		2021 EUR 1,000	2020 EUR 1,000
Cash flow from operating activities			
Bonds issued	*11,12*	**1,498,671**	1,243,120
Bonds redeemed	*11,12*	**(2,395,800)**	(1,250,000)
Loans granted to related parties	*6*	**(1,498,671)**	(1,243,120)
Loans repaid by related parties	*6*	**2,395,800**	1,250,000
Interest received	*16*	**317,675**	316,617
Interest paid	*17*	**(286,308)**	(283,546)
Guarantee fees paid	*18*	**(26,203)**	(28,023)
Cash paid to creditors	*14*	**(340)**	(380)
Income taxes paid	*13*	**(1,456)**	(1,565)
Change in cash pool	*8*	**(3,329)**	(3,076)
Net cash from operating activities		**39**	27
Cash flow from financing activities			
Dividend paid to shareholders		**–**	–
Net cash from financing activities		**–**	–
Net increase/(decrease) in cash and cash equivalents		**39**	27
Cash and cash equivalents at 1 January		**37**	10
Cash and cash equivalents as at 31 December	*10*	**76**	37

The notes on pages 14 to 35 are an integral part of these financial statements.

Notes to the financial statements

1 Reporting entity

Allianz Finance II B.V. (the 'Company') is a company domiciled in the Netherlands and was incorporated on 8 May 2000. The address of the Company's registered office is Keizersgracht 484, 1017 EH 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 and comply 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 8 March 2022.

(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.

In 2020, a global pandemic event (COVID 19) severely impacted financial markets and economy. Due to the COVID 19 crisis, the Company has taken several measures to ensure business continuity. The employees working for the Company are able to fully access the IT network and technical infrastructure of the Company remotely and can therefore fulfil daily operations also in case of a full lock-down (home office). The management is closely monitoring the situation and the impact on the business, including potential effects of counterparties experiencing financial difficulties as a result of the crisis.

The main assets of the Company are Loans to group companies. The Loans to group companies are closely related to the corresponding bearer bonds and registered note (all market conditions are mirrored). Subordinated loans to group companies are valued at fair value through profit and loss (FVPL). The subordinated loans are provided to Allianz SE and movements in the fair value of the loans equals the movement in the fair value of the corresponding bonds (no impact on Company's equity). The senior loans to related parties are valued at amortized cost and are held against Allianz SE (solvency ratio of 239% at 31 December 2021; year-end 2020: 263%) and

Allianz Holding France SAS. The Company closely monitors the creditworthiness of the group companies.

The pandemic is ongoing and it is not possible to estimate the future impact on the financial markets and economy. Whilst uncertain, we do not believe, however, that the ongoing impact of the COVID 19 virus would have a material adverse effect on financial condition or liquidity of the Company. In 2021, COVID 19 had no impact on the results, balance sheet and cash flows of the Company.

The market conditions of the loans to group companies and the bonds are mirrored. The bonds are guaranteed by Allianz SE. The Company has an equity position of EUR 11.9 million (2020: EUR 8.6 million). The Company is therefore a going concern and is able to continue as a going concern for the foreseeable future.

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 recognized in the period in which the estimate is revised and in any future periods affected.

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

- Note 3 (c): Impairment

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

(f) Statement of cash flows

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

3 Significant accounting policies

The accounting policies set out below have been applied consistently in all periods presented in these 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 amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in the statement of comprehensive income.

Exchange rates applicable as at 31 December 2021 are as follows:
1 GBP = EUR 1.19 (31 December 2020: EUR 1.12)

The average exchange rates in 2021 are as follows:
1 GBP = EUR 1.17 (2020: EUR 1.13)

(b) Financial instruments

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

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

Loans to group companies, bearer bonds and registered notes

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

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

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

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

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

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

Other receivables

Other receivables consists of a cash pool with a group company and accrued interest. Other receivables are recognized initially at fair value and subsequently at amortized cost, using the effective interest method, less loss allowance.

Cash and cash equivalents

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

Other liabilities

Other liabilities are recognized initially at fair value and subsequently at amortized cost using the effective interest method. Other liabilities consists of accrued interest, guarantee fees and accrued expenses.

(c) Impairment

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

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

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

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

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

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

(d) Financial income and expenses

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

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

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

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

(e) Other expenses

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

(f) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the statement of comprehensive income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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

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

(g) Segment reporting

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

(h) New standards and interpretations not yet adopted

The following IFRS standards and interpretations have become effective for financial years starting on or after 1 January 2021:

- Amendment to IFRS 16 Leases COVID 19-related rent concessions;
- Amendments to IFRS 4 Insurance contracts;
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform.

These standards have not had a material impact on the Company in the current reporting period and is not expected to have an impact on future reporting periods of the 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 measurement and/or disclosure purposes, is determined by reference to their priced quoted or Index quotes (iBoxx) at the reporting date.

(b) Registered note

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

(c) Loans

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

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

- They are entered at the same time and in contemplation to one another. The loan with the parent company, the guarantee on the externally issued bond and the obligation to provide services to the parent company are inherently interconnected and issued on the same point in time, also considering that the conditions are equal for the related bonds.
- They have the same counterparty, being the parent company.
- They relate to the same risk (credit risk on the parent company).
- There is no apparent economic need or substantive business purpose for structuring the transactions separately that could not also have been accomplished in a single transaction. The transactions are executed on the same time and have no separate business purpose besides the fact that they have separate contracts.

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

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

(d) Other assets and liabilities

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

5 Financial risk management

The Company has exposure to the following risks:

- Credit risk.
- Liquidity risk.
- Market risk.
- Operational risk (including Fraud risk).

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

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

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables. There is no collateral on the loans. The Company's exposure to credit risk is influenced mainly by the default risk of the parent company Allianz SE.

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

The long-term credit ratings of Allianz SE are Aa3 with a stable outlook (Moody's), AA with a stable outlook (Standard & Poor's) and A+ with a stable outlook (A.M.Best). The credit ratings remain unchanged since 31 December 2020.

The Company analysed the credit risk exposure for loans to group companies, for which an ECL allowance is recognized. The gross carrying amount of these loans also represents the Company's maximum exposure to credit risk on these assets. The credit rating of all counterparties is considered investment grade. The gross carrying amount of these loans at year end 2021 is EUR 9.6 billion, the loss allowance is EUR 806 thousand (31 December 2020: gross carrying amount EUR 8.0 billion, loss allowance EUR 705 thousand).

Liquidity risk

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

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

Due to the close relationship between the loans to group companies and the issued bonds and registered note, the cash flows on the issued bonds and registered note mirror the cash flows on the loans to group companies. As a result the liquidity risk is inherently limited. The maturity of the issued bonds and registered note is disclosed in note 12 and 13 respectively.

Market risk

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

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

Currency risk

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

The currencies in which these transactions primarily are denominated are Euro and Great Britain Pounds (GBP). As at 31 December 2021, loans respectively bonds to a total amount of nominal EUR 8.8 billion are denominated in Euro (31 December 2020: EUR 9.6 billion); loans respectively bonds to an amount of GBP 750 million are denominated in GBP (31 December 2020: GBP 750 million).

Concentration risk

Concentration risk is the risk that the concentration of loans is not diversified and concentrated. The concentration risk is discussed under credit risk and currency risk. Given the nature of the Company it has a concentrated credit exposure on Allianz SE and its group companies.

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

Operational Risk (including Fraud Risk)

The fraud risk of the Company is very limited, since the number of cash transactions is small and all well known. Outgoing payments are always based on an expected cash flow notifications within the Allianz Cash and Treasury System coming from SAP which has a built in 4-eyes principle. Management are also expected to report any losses due to fraud to Allianz SE on a quarterly basis.

There is no incentive for management to record fictitious journal entries, inappropriately adjust assumptions, omit any disclosures or conceal any facts as management's remuneration is not linked to the performance of the Company. A code of conduct is groupwide in place and management does not tolerate any code of conduct violations.

6 Loans to group companies

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

	2021	2020
	EUR 1,000	EUR 1,000
Loans to group companies (at amortized cost)	**9,594,227**	8,035,053
Loans to group companies (at FVPL)	–	2,469,469
	9,594,227	10,504,522

This item relates to interest bearing loans to Allianz SE or other entities within the Allianz Group with a nominal amount of EUR 8.8 billion and GBP 750 million as at 31 December 2021

(31 December 2020: EUR 9.6 billion and GBP 750 million). The interest-bearing loans have fixed interest rates varying from 0.32% to 4.79% (31 December 2020: 0.32% to 6.56%) with the exception of one loan with a notional amount of EUR 0.3 billion with a variable interest of EURIBOR three-month euro deposits plus 1.315% per annum subject to a minimum of 0.315% per annum (31 December 2020: no loans with variable interest).

During the year 2021, the Company issued loans to Allianz Group companies with a total nominal amount of EUR 1.5 billion and received repayment of loans with a nominal amount of EUR 2.4 billion.

The loans have scheduled redemption from 2022 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 and registered note. For more information about the bonds and registered note, see note 12 and 13 respectively.

Loans to group companies (at amortized cost)

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

	2021 **EUR 1,000**	2020 EUR 1,000
Opening balance	**8,035,053**	8,084,147
Issued	**1,496,671**	1,241,120
Redeemed	–	(1,250,000)
Amortization	**7,895**	6,449
Exchange differences	**54,709**	(46,612)
Movement ECL	**(101)**	(51)
Closing balance	**9,594,227**	8,035,053
Receivables < 1 year (current assets)	**(1,499,789)**	–
Non-current assets	**8,094,438**	8,035,053

Based on the analysis of the change in credit quality since initial recognition, the loans to group companies are (still) performing assets, classified in Stage 1. As a result, the 12 months ECL is reported. The external credit rating is AA; the estimated gross carrying amount at default: EUR 9,595.0 million as at 31 December 2021; the carrying amount net of impairment provision: EUR 9,594.2 million; expected credit loss rate: 0.008% (2020: 0.009%).

Loans to group companies (at FVPL)

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

	2021	2020
	EUR 1,000	EUR 1,000
Opening balance	**2,469,469**	2,608,897
Redeemed	**(2,395,800)**	–
Amortization	**410**	794
Change in fair value	**(74,079)**	(140,222)
Closing balance	–	2,469,469

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

7 Deferred tax assets and liabilities

For the year 2021 deferred tax assets and liabilities are attributable to the following:

	Balance as at 1 Jan. 2021 EUR 1,000	**Recognized in income EUR 1,000**	**Balance as at 31 Dec. 2021 EUR 1,000**
Loans to group companies	**(14,895)**	**15,232**	**337**
Bearer bonds and registered note	**15,071**	**(15,200)**	**(129)**
	176	**32**	**208**

For the year 2020, deferred tax assets and liabilities are attributable to the following:

	Balance as at 1 Jan. 2020 EUR 1,000	Recognized in income EUR 1,000	Balance as at 31 Dec. 2020 EUR 1,000
Loans to group companies	(46,241)	31,346	(14,895)
Bearer bonds and registered note	46,383	(31,312)	15,071
	142	34	176

8 Other receivables

This item can be specified as follows:

	2021	2020
	EUR 1,000	EUR 1,000
Cash pool	**8,790**	5,492
Accrued interest on loans to group companies	**146,148**	228,770
	154,938	234,262

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 corporation tax and can be specified as follows:

2021

	Balance as at 1 Jan. 2021	**Corporation tax paid/ (received) in 2021**	**Calculated corporation tax in 2021**	**Late interest/ discount corporation tax**	**Balance as at 31 Dec. 2021**
	EUR 1,000	**EUR 1,000**	**EUR 1,000**	**EUR 1,000**	**EUR 1,000**
2020	**(176)**	**176**	**–**	**–**	**–**
2021	**–**	**1,280**	**(1,082)**	**–**	**198**
	(176)	**1,456**	**(1,082)**	**–**	**198**

2020

	Balance as at 1 Jan. 2020	Corporation tax paid/ (received) in 2020	Calculated corporation tax in 2020	Late interest/ discount corporation tax	Balance as at 31 Dec. 2020
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
2019	(497)	497	–	–	–
2020	–	1,068	(1,261)	17	(176)
	(497)	1,565	(1,261)	17	(176)

10 Cash and cash equivalents

Cash and cash equivalents are freely disposable to the Company.

11 Equity

The Company's authorized capital consists of one or more shares with a nominal value of EUR 1,000 each. As at 31 December 2021, the issued share capital comprised 2,000 (2020: 2,000) fully paid-in ordinary shares with a nominal value of EUR 1,000 each.

12 Bearer bonds

This item can be specified as follows:

	2021	2020
	EUR 1,000	EUR 1,000
Bearer bonds (at amortized cost)	**9,595,033**	8,035,758
Bearer bonds (at FVPL)	–	1,955,539
	9,595,033	9,991,297

The table below provides information about the contractual terms of the Company's bearer bonds. As at 31 December 2021, the Company has 13 bearer bonds with a nominal amount of EUR 8.8 billion and GBP 750 million outstanding (31 December 2020: 12 bearer bonds with a nominal amount of EUR 9.1 billion and GBP 750 million outstanding). As at 31 December 2021, the Company has one outstanding bearer bond with a nominal amount of EUR 1.5 billion that will be repaid within one year, reported as current liabilities (31 December 2020: one outstanding bearer bond with a nominal of EUR 0.8 billion that will be repaid within one year).

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

Bearer bonds

Reference number of bonds	ISIN	Issue currency	Nominal amount	Interest rate	Date of issuance	(Scheduled) maturity date	Issue price	Repayment rate	Carrying amount 31 December 2021	Carrying amount 31 December 2020
			x 1,000	**%**			**%**	**%**	**EUR 1,000**	EUR 1,000
19[1]	DE000A0GNPZ3	EUR	800,000	5.375	03-03-2006	03-03-2021	100.00	100.00	–	828,136
24[2]	DE000A1GNAH1	EUR	1,095,800	5.750	08-03-2011	08-07-2041	99.66	100.00	–	1,127,403
26	DE000A1G0RU9	EUR	1,500,000	3.500	14-02-2012	14-02-2022	99.26	100.00	**1,499,806**	1,498,233
29	DE000A1HG1K6	EUR	750,000	3.000	13-03-2013	13-03-2028	97.95	100.00	**742,585**	741,396
30	DE000A1HG1L4	GBP	750,000	4.500	13-03-2013	13-03-2043	98.67	100.00	**882,348**	827,158
32	DE000A180B80	EUR	750,000	1.375	21-04-2016	21-04-2031	99.73	100.00	**747,350**	747,066
34	DE000A19S4U8	EUR	750,000	0.250	06-12-2017	06-06-2023	99.49	100.00	**748,610**	747,640
35	DE000A19S4V6	EUR	750,000	0.875	06-12-2017	06-12-2027	98.91	100.00	**743,799**	742,759
36	DE000A2RWAX4	EUR	750,000	0.875	15-01-2019	15-01-2026	99.31	100.00	**745,935**	744,934
37	DE000A2RWAY2	EUR	750,000	1.500	15-01-2019	15-01-2030	99.42	100.00	**745,159**	744,559
38	DE000A28RSQ8	EUR	500,000	0.000	14-01-2020	14-01-2025	99.98	100.00	**499,316**	499,092
39	DE000A28RSR6	EUR	750,000	0.500	14-01-2020	14-01-2031	99.27	100.00	**743,623**	742,921
40[3]	DE000A3KY367	EUR	300,000	Variable	22-11-2021	22-11-2024	102.76	100.00	**307,384**	–
41	DE000A3KY342	EUR	700,000	0.000	22-11-2021	22-11-2026	99.85	100.00	**697,571**	–
42	DE000A3KY359	EUR	500,000	0.500	22-11-2021	22-11-2033	98.59	100.00	**491,547**	–
									9,595,033	9,991,297
Current liabilities (bond 26)									**(1,499,806)**	–
Non-current liabilities									**8,095,227**	9,991,297

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

1) The annual interest rate of 5.375% is fixed for life. Starting 3 March 2011, the bonds are redeemable (in whole but not in part) at the option of the issuer on each interest payment date. The bond was redeemed on 3 March 2021.
2) The annual interest rate of 5.75% was fixed until 8 July 2021. After this date it became variable at a rate equal to the EURIBOR three-month euro deposits plus 3.349% per annum. The Company called for redemption of the bond per 8 July 2021.
3) The interest rate is variable at a rate equal to the three-month EURIBOR plus 100 bps per annum. The coupon is subject to a minimum of 0.00% per annum. The interest is quarterly payable.

Bearer bonds (at amortized cost)

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

	2021	2020
	EUR 1,000	EUR 1,000
Opening balance	**8,035,758**	8,084,801
Issued	**1,496,671**	1,241,120
Redeemed	**–**	(1,250,000)
Amortization	**7,895**	6,449
Exchange differences	**54,709**	(46,612)
Closing balance	**9,595,033**	8,035,758
Liabilities < 1 year (current liabilities)	**(1,499,806)**	–
Non-current liabilities	**8,095,227**	8,035,758

During the year 2021, the Company issued bearer bonds with a total nominal amount of EUR 1.5 billion.

Bearer bonds (at FVPL)

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

	2021	2020
	EUR 1,000	EUR 1,000
Opening balance	**1,955,539**	2,067,322
Redeemed	**(1,895,800)**	–
Amortization	**410**	794
Change in fair value	**(60,149)**	(112,577)
Closing balance	**–**	1,955,539

During the year 2021, the Company called for redemption of the 2 outstanding bonds.

13 Registered note (at FVPL)

Through private placement an amount of EUR 0.5 billion was outstanding as at 31 December 2020. The annual interest rate of 6.271% was fixed until 8 July 2021. After this date it became variable at a rate equal to the EURIBOR three-month euro deposits plus 3.147%. The bond was 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. The company repurchased the registered note in 2021.

For more information about the Company's exposure to interest rate and foreign currency risk, see note 5. The movements in this item can be specified as follows:

	2021	2020
	EUR 1,000	EUR 1,000
Opening balance	**513,930**	541,575
Change in fair value	**(13,930)**	(27,645)
Redeemed	**(500,000)**	–
Closing balance	**–**	513,930

14 Other liabilities

This item can be specified as follows:

	2021	2020
	EUR 1,000	EUR 1,000
Accrued interest bonds	**126,584**	205,750
Guarantee fees	**16,151**	19,234
Accrued expenses other	**21**	26
	142,756	225,010

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

15 Financial instruments

Fair values

The fair values of financial assets and liabilities are as follows:

	2021		2020	
	Carrying amount EUR 1,000	**Fair value EUR 1,000**	Carrying amount EUR 1,000	Fair value EUR 1,000
Loans to group companies (at amortized cost)	**9,594,227**	**10,412,272**	8,035,053	9,238,484
Loans to group companies (at FVPL)	–	–	2,469,469	2,469,469
Bearer bonds (at amortized cost)	**(9,595,033)**	**(10,412,272)**	(8,035,758)	(9,238,484)
Bearer bonds (at FVPL)	–	–	(1,955,539)	(1,955,539)
Registered note (at FVPL)	–	–	(513,930)	(513,930)
	(806)	–	(705)	–

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

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

The applicable levels for the financial instruments are as follows;

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

The method used in determining the fair values of the loans to group companies, bearer bonds and the registered note are described in note 4. There were no transfers of financial assets or liabilities between fair value levels during the year.

16 Interest income on loans and similar income

This item can be specified as follows:

	2021	2020
	EUR 1,000	EUR 1,000
Interest loans to group companies valued at amortized cost	**190,171**	184,210
Other interest income	–	40
Total interest income on loans valued at amortized cost and similar income	**190,171**	184,250
Interest loans to group companies valued at FVPL	**56,498**	145,214
	246,669	329,464

17 Interest expense and similar expenses

This item can be specified as follows:

	2021	2020
	EUR 1,000	EUR 1,000
Interest bearer bonds and registered note valued at amortized cost	**164,877**	158,256
Other interest expenses	**31**	6
Total interest expense on bonds valued at amortized cost and similar expenses	**164,908**	158,262
Interest expense on bonds valued at FVPL	**53,881**	138,380
	218,789	296,642

18 Other financial expenses

This item mainly relates to guarantee commission concerning bearer bonds.

19 Operating expenses

This item can be specified as follows:

	2021	2020
	EUR 1,000	EUR 1,000
Management fee	**180**	187
Audit fees	**83**	114
Legal and tax fees	**63**	69
Other operating expenses	**9**	22
	335	392

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

	2021	2020
	EUR 1,000	EUR 1,000
	Pricewaterhouse Coopers Accountants N.V.	Pricewaterhouse Coopers Accountants N.V.
Audit financial statements	**55**	33
Other audit assignments *	**28**	81
	83	114

* Other audit assignments include fees for engagements related to the Debt Issuance Program (2021: EUR 28 thousand; 2020: EUR 70 thousand of which EUR 3 thousand engagements performed by the former auditor BDO Audit & Assurance B.V.). In 2020 this item also included fees related to the review of the interim financial statements (EUR 11 thousand).

20 Income tax expense

	2021 EUR 1,000	2020 EUR 1,000
Current tax expense		
Current year	**1,082**	1,261
Prior years	**-**	-
	1,082	1,261
Deferred tax (credit)/expense		
Due to temporary differences carrying amount vs. tax base	**(32)**	(34)
	1,050	1,227

Reconciliation of effective tax rate

	2021 %	2021 EUR 1,000	2020 %	2020 EUR 1,000
Result before taxation		**4,324**		5,063
Tax using the Company's domestic tax rate	**15-25**	**1,056**	16.5-25	1,250
Effect change tax rate on deferred tax asset	**25.8**	**(6)**	25	(23)
Tax on profit (effective tax rate)	**24.3**	**1,050**	24.2	1,227

The domestic tax rate 2021 is 15% (for taxable income up to EUR 245,000) respectively 25% (for taxable income higher than EUR 245,000).

The domestic tax rate will increase from 25.0% in 2021 to 25.8% in 2022. The deferred tax positions have been recalculated as per 31 December 2021 using the expected tax rate as from 2022.

21 Related parties

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

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

	2021		2020	
	Loans	**Interest**	Loans	Interest
	EUR 1,000	**EUR 1,000**	EUR 1,000	EUR 1,000
Allianz SE, Munich, Germany	**8,104,420**	**207,883**	9,016,183	290,558
Allianz Holding France SAS, Paris, France	**1,489,807**	**38,785**	1,488,339	38,866

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

The Company paid a fee of EUR 23.1 million (2020: EUR 27.3 million) to Allianz SE, Munich, Germany related to the guarantee on the issued bonds.

As at 31 December 2021, the Company has a cash pool arrangement with Allianz SE, Munich, Germany of EUR 8.8 million (31 December 2020: EUR 5.5 million).

For the management support the Company has a service contract with Allianz Europe B.V., Amsterdam, the Netherlands. During the year 2021, the Company paid a management fee of EUR 0.2 million (2020: EUR 0.2 million).

22 Personnel

The Company did not employ any personnel during the year 2021 (2020: nil). No remuneration was paid by the Company to the Management Board or Supervisory Board during the year 2021 (2020: nil).

23 Contingencies

As at 31 December 2021 and 2020, there are no contingencies to report.

24 Subsequent events

On 14 February 2022, an outstanding senior bond of nominal EUR 1.5 billion and a corresponding loan issued to a group company for an equal amount matured and were repaid. These repayments have no impact on the capital and only a minor impact on the net result (margin between coupon on the bond and coupon on the corresponding loan).

25 Appropriation of result 2020

On 12 March 2021, the General Meeting of Shareholders decided to add the profit for the year 2020 of EUR 3.8 million to the retained earnings.

26 Proposed appropriation of result 2021

Subject to shareholders’ approval, management proposes to add the profit for the year 2021 to the retained earnings. In the financial statements the profit for the year 2021 is included under unappropriated result in equity.

Amsterdam, 8 March 2022

Management Board:	Supervisory Board:
C. Bunschoten	J.M. Eriksson, Chairman
J.C.M. Zarnitz	A. Wiechert

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 general meeting and the supervisory board of Allianz Finance II B.V.

Report on the financial statements 2021

Our opinion

In our opinion, the financial statements of Allianz Finance II B.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2021, and of its result and its cash flows for the year then ended 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.

What we have audited

We have audited the accompanying financial statements 2021 of Allianz Finance II B.V., Amsterdam.

The financial statements comprise:

- the statement of financial position as at 31 December 2021;
- the following statements for 2021: the statement of comprehensive income, statement of changes in equity and the statement of cash flows; and
- the notes, comprising the significant accounting policies and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

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

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

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Independence

We are independent of Allianz Finance II B.V. in accordance with the European Union Regulation on specific requirements regarding statutory audit of public-interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Our audit approach

We designed our audit procedures with respect to the key audit matters, fraud and going concern, and the matters resulting from that, in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in support of our opinion, like our findings and observations related to individual key audit matters, the audit approach fraud risk and the audit approach going concern was addressed in this context, and we do not provide a separate opinion or conclusion on these matters

Overview and context

The Company's main activity is the financing of group companies, through bond offerings on the international capital markets. The repayment of the bonds to the investors is guaranteed by Allianz SE, Munich, Germany as disclosed in note 1 to the financial statements. We paid specific attention to the areas of focus driven by the operations of the Company, as set out below.

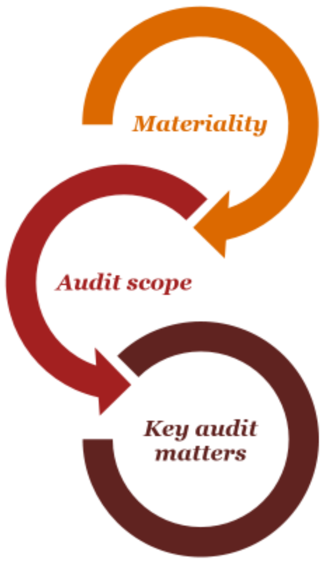
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the management board made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In note 2, paragraph e (Use of estimates and judgements) of the financial statements, the Company describes the areas of judgement in applying accounting policies and the sources of estimation uncertainty. This includes the impairment assessment associated with its receivables (both current and non-current) valued at amortised cost, which is further described in note 3, paragraph c (Impairment). Given the low inherent risk of material misstatement in the measurement of expected credit losses as a result of the strong creditworthiness of the counterparties involved, the expected credit losses were not considered to be a key audit matter but rather an area of focus during our audit. Furthermore, we identified the existence of the loans issued as a key audit matter because of the importance of existence for users of the financial statements. Other areas of focus, that were not considered as key audit matters, were the impact of COVID-19, and the fair value of financial instruments.

We considered the impact of COVID-19 on the internal control environment and important estimates and judgements. Given the situation of working in a remote environment, we had meetings with members of the management board to discuss the business developments, including the impact of the COVID-19 pandemic, and the impact of working in a remote environment on processes and controls in place. Based on our risk assessment, the meetings that we had with the management board, and procedures performed during the audit and the half year review, we did not identify any new key audit matters specific to the impact of the COVID-19 pandemic.

We also considered the fair value of financial instruments, (more specifically, level 2 financial instruments), and the requirements of the accounting estimates standard, ISA 540 (Revised). Based on our risk assessment and the valuation methods used by the management board, we did not identify any new key audit matters specific to the fair value of financial instruments. We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a finance company.

The Company assessed the possible effects of climate change on its financial position by assessing the impact on its debtor Allianz SE which is also the guarantor of the senior bonds issued by the company. The Company relies for its ESG strategy, including the risks related to climate change, on the Allianz SE (ultimate parent) framework, as disclosed in the 'Climate change and ESG Reporting' section of the management board report. We discussed the Company's assessment and governance of climate change with the managing directors and evaluated the potential impact on the financial position including underlying assumptions and estimates. The impact of climate change is not considered a key audit matter for the Company.

The outline of our audit approach was as follows:



Materiality
- Overall materiality: €90,000,000

Audit scope
- We conducted audit work on the issued bonds as well as the corresponding loans.
- We also conducted audit work on the interest expense on the bonds and interest income on the loans including the net fair value gains/losses on the bonds and loans measured at fair value through profit or loss.
- Audit coverage: 100% of revenue (interest income & movements in fair value) and 99% of total assets (Loans, Cash & Receivables).

Key audit matters
- Existence of the loans issued

Materiality
The scope of our audit was influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgement we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Overall materiality	€90,000,000 (2020: €90,000,000).
Basis for determining materiality	We used our professional judgement to determine overall materiality. As a basis for our judgement, we used 1% of total assets.
Rationale for benchmark applied	We used total assets as the primary benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of the users of the financial statements of which we believe the shareholders and bondholders are the most important ones.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the supervisory board that we would report to them any misstatement identified during our audit above €4,500,000 (2020: €4,500,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Audit approach fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the entity and its environment and the components of the system of internal control. We refer to the 'Operational Risk (including Fraud Risk)' section of the management board report for the Company's view on fraud.

We evaluated the design and relevant aspects of the system of internal control and in particular the existence of a code of conduct and whistle-blower procedures. As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We conducted interviews with both members of the managing board and of others within the Company, including the finance department, to obtain an understanding of the Company's fraud risk assessment and of the processes for identifying and responding to the risks of fraud and the internal controls that the management board has established to mitigate these risks. Based on the procedures we performed, we identified the following fraud risk and performed the following specific procedures:

Identified fraud risk	***Our audit work and observations***
The risk of management override of controls As described in the auditing standards, management override of controls is a presumed risk of fraud. Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. That is why, in all our audits, we pay attention to the risk of management override of controls. Note that the management board has no key performance indicators directly linked to the performance of the Company.	To the extent relevant to our audit, we have evaluated the design and implementation of the internal control measures that are intended to mitigate the risk of management override of controls. We have addressed the risk of management override of controls by: • Journal entries: We have selected journal entries based on risk criteria and performed specific audit procedures on these. Given the low volume of transactions, we assessed all payments and receipts on the bank statement and ensured that each payment or receipt was for a legitimate business purpose.

Identified fraud risk	*Our audit work and observations*
This was a key consideration of ours in assessing the risk of fraud in management's override of controls. In this respect, we gave specific consideration to: • the appropriateness of journal entries and other adjustments made in the preparation of the financial statements; and • significant transactions, if any, that are outside the normal course of business for the entity.	• Significant transactions outside of normal course of business: We have assessed all transactions and noted no transaction outside of normal course of business. • Conducted interviews with both members of the management board as well as others within the company, including the finance department. Our work did not reveal any material misstatements in the information provided by the management board in the financial statements. Our work did not lead to any specific indication of fraud or suspicion of fraud regarding management's override of controls.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

We considered available information and inquired with the management board and other staff, none of whom have any knowledge of fraud at the Company.

Audit approach on going concern

As disclosed in paragraph 'Developments, financial performance and going concern' in the management board report, the management board performed their assessment of the Company's ability to continue as a going concern for the foreseeable future and has not identified events or conditions that may cast significant doubt on the Company's ability to continue as a going concern (hereafter: going-concern risks). Our procedures to evaluate management's going-concern assessment include, amongst others:

- Understanding and evaluating the Company's financial position.
- Considering the results of our (other) risk assessment procedures and related activities performed to identify events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.
- Performing inquiries of the management board as to their knowledge of going-concern risks beyond the period of their assessment.
- Reading and evaluating the adequacy of the disclosures in paragraph 'Developments, financial performance and going concern' in the management board report in relation to going concern.

Our procedures did not result in outcomes contrary to the management board's assumptions and judgements used in the application of the going-concern assumption.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the 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 identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

We addressed the key audit matters in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comment or observation we made on the results of our procedures should be read in this context.

Key audit matter	***Our audit work and observations***
Existence of the loans issued *Note 6* We consider the existence of the loans issued, including both those subsequently measured at amortised cost and at FVtPL as disclosed in note 6 to the financial statements for a total amount of €9.6 billion, to be a key audit matter. Significant auditor's attention is necessary because of the size of the loan portfolio and the importance of existence of the loans for users of the financial statements.	We performed the following procedures to support the existence of the loans issued to Allianz group companies: • We verified the existence of the loans with the counterparties. • We compared interest receipts with bank statements. • We obtained and reviewed loan agreements for new loans issued during the year. Based on the procedures as set out above, we found no material differences.

Report on the other information included in the financial statements

In addition to the financial statements and our auditor's report thereon, the financial report contains other information that consists of:

- the report of the management board;
- the management board declaration;
- the report of the supervisory board;
- the other information.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains all the information regarding the report of the management board and the other information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and the understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those procedures performed in our audit of the financial statements.

The management board is responsible for the preparation of the other information, including the report of the management board and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of Allianz Finance II B.V. on 23 May 2018 by the supervisory board. This followed the passing of a resolution by the shareholders at the annual general meeting held on 23 May 2018. Our appointment has been renewed annually by shareholders and now represents a total period of uninterrupted engagement of four years.

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

Services rendered

The services, in addition to the audit, that we have provided to the Company, for the period to which our statutory audit relates, are disclosed in note 19 to the financial statements.

Responsibilities for the financial statements and the audit

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; and 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 fraud or error.

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 frameworks 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 in the financial statements any event and circumstances that may cast significant doubt on the Company’s ability to continue as a going concern.

The supervisory board is responsible for overseeing the Company’s financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They 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 the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Rotterdam, 8 March 2022
PricewaterhouseCoopers Accountants N.V.

Original has been signed by A. van der Spek RA

Appendix to our auditor's report on the financial statements 2021 of Allianz Finance II B.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, 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 error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional 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, concluding whether a material uncertainty exists related to events and/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 and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect, we also issue an additional report to the audit committee in accordance with article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

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 actions taken to eliminate threats or safeguards applied.

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 communicating the matter is in the public interest.