Allianz Finance III B.V.

Condensed interim financial statements for the six-month period ended 30 June 2020

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Financial report

Interim report of the Management Board

Allianz Finance III B.V. (the 'Company') was incorporated on 29 November 2005. The Company's registered office is Amsterdam. The Company is owned by Allianz SE, Munich, Germany.

The principal activity of the Company 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. As at 30 June 2020 and 31 December 2019, the Company has one bearer bond outstanding with a nominal amount of EUR 450.0 million. The proceeds are loaned in full to Allianz SE. The bond and the corresponding loan will mature in December 2020. There will potentially be a new bond issuance and a further loan in 2021.

A profit of EUR 113 thousand was realized in the first six month period of 2020 (first six months period of 2019: profit EUR 87 thousand).

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

In the first six month period of 2020, a global pandemic event (COVID 19) started to severely impact 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 have full access to the technical infrastructure and can fulfil daily operations. 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 asset of the Company is the loan to a group company (Allianz SE). The loan is closely related to the corresponding bearer bond (all market conditions are mirrored) and is valued at amortized cost. Allianz SE has a solvency ratio of 232 % at 30 June 2020 (year-end 2019: 242%). The Company closely monitors the creditworthiness of Allianz SE.

Uncertainties remain, and therefore it is currently not reasonably possible to estimate the future impact of COVID-19 on the Company. Whilst uncertain, we do not believe, however, that the impact of the COVID-19 virus would have a material adverse effect on financial condition or liquidity. In the first six month period of 2020, COVID-19 had no impact on the results, balance sheet and cash flows of the Company.

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

- the condensed interim financial statements for the six month period ended 30 June 2020, which have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;

- the interim report of the Management Board provides a true and fair view of the entity's financial position, assets, liabilities and the result for the period, as required pursuant to section 5:25d, subsections 8 and 9 of the Dutch Act on Financial Supervision.

Amsterdam, 12 August 2020

Management Board:

C. Bunschoten J.C.M. Zarnitz

Interim statement of financial position

(before profit appropriation)

		30 June 2020		31 December 2019	
		EUR 1.000	**EUR 1.000**	EUR 1.000	EUR 1.000
Non-current assets					
Loans to group companies (at amortized cost)	*6*	–		–	
Deferred tax assets	*7*	–		–	
			–		–
Current assets					
Loans to group companies (at amortized cost)	*6*	**449,981**		449,959	
Deferred tax assets	*7*	**5**		10	
Income tax receivable	*8*	**23**		10	
Other receivables	*9*	**9,281**		3,485	
Cash and cash equivalents	*10*	**57**		42	
			459,347		453,506
			459,347		453,506
Equity	*11*				
Issued capital		**2,000**		2,000	
Reserves		**997**		828	
Unappropriated result		**113**		169	
			3,110		2,997
Current liabilities					
Bearer bonds (at amortized cost)	*12*	**450,000**		450,000	
Other liabilities	*13*	**6,237**		509	
			456,237		450,509
Total liabilities			**456,237**		450,509
Total equity and liabilities			**459,347**		453,506

The notes on pages 7 to 20 are an integral part of these condensed interim financial statements.

Interim statement of comprehensive income

		1 January 2020 - 30 June 2020		1 January 2019 - 30 June 2019	
		EUR 1.000	**EUR 1.000**	EUR 1.000	EUR 1.000
Interest income and similar income	*15*	**5,855**		5,832	
Financial income			**5,855**		5,832
Interest expense and similar expenses	*16*	**(5,157)**		(5,142)	
Net impairment losses on financial assets at amortized cost	*6*	**22**		1	
Other financial expenses	*17*	**(559)**		(558)	
Financial expenses			**(5,694)**		(5,699)
Net financial income			**161**		133
Operating expenses	*18*		**(23)**		(25)
Profit before tax			**138**		108
Income tax expense	*19*		**(25)**		(21)
Profit for the period			**113**		87
Other comprehensive income			–		–
Total comprehensive income for the period			**113**		87
Total comprehensive income attributable to the owners of the Company			**113**		87

The notes on pages 7 to 20 are an integral part of these condensed interim financial statements.

Interim statement of changes in equity

	Issued capital EUR 1,000	Reserves EUR 1,000	Unappro-priated result EUR 1,000	Total EUR 1,000
As at 1 January 2019	2,000	671	157	2,828
Appropriation of result 2018	–	157	(157)	–
Total recognized income and expense	–	–	87	87
As at 30 June 2019	2,000	828	87	2,915
As at 1 January 2020	**2,000**	**828**	**169**	**2,997**
Appropriation of result 2019	–	**169**	**(169)**	–
Total recognized income and expense	–	–	**113**	**113**
As at 30 June 2020	**2,000**	**997**	**113**	**3,110**

The notes on pages 7 to 20 are an integral part of these condensed interim financial statements.

Interim statement of cash flows

		1 January 2020 - 30 June 2020 EUR 1.000	1 January 2019 - 30 June 2019 EUR 1.000
Cash flow from operating activities			
Cash paid to creditors	*13*	**(10)**	(13)
Change in cash pool	*9*	**57**	–
Corporation tax	*8*	**(32)**	(35)
Net cash from operating activities		**15**	(48)
Net increase/(decrease) in cash and cash equivalents		**15**	(48)
Cash and cash equivalents at 1 January		**42**	60
Cash and cash equivalents as at 30 June	*10*	**57**	12

The notes on pages 7 to 20 are an integral part of these condensed interim financial statements.

Notes to the condensed interim financial statements

1 Reporting entity

Allianz Finance III B.V. (the ‘Company’) is a company domiciled in the Netherlands and was incorporated on 29 November 2005. The address of the Company’s registered office is Amsterdam. The file number at the Chamber of Commerce is 34237528. 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 on behalf of and under a guarantee by its parent company, Allianz SE. Proceeds collected through a bond issue are loaned in full to Allianz SE or, if agreed so, to another entity within the Allianz Group.

These condensed interim financial statements should be read in conjunction with the financial statements as at and for the year ended 31 December 2019 as issued on 4 March 2020 and adopted on 18 March 2020.

2 Basis of preparation

(a) Statement of compliance

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

These condensed interim financial statements were authorized for issue by the Management Board on 12 August 2020.

(b) Basis of measurement

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

(c) Basis of preparation

The condensed interim financial statements have been drawn up on a going concern basis. In the first six month period of 2020, a global pandemic event (COVID 19) started to severely impact 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 have full access to the technical infrastructure and can fulfil daily operations. 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 asset of the Company is the loan to a group company (Allianz SE). The loan is closely related to the corresponding bearer bond (all market conditions are mirrored) and is valued at amortized cost. Allianz SE has a solvency ratio of 232 % at 30 June 2020 (year-end 2019: 242%). The Company closely monitors the creditworthiness of Allianz SE.

Uncertainties remain, and therefore it is currently not reasonably possible to estimate the future impact of COVID-19 on the Company. Whilst uncertain, we do not believe, however, that the impact of the COVID-19 virus would have a material adverse effect on financial condition or liquidity. In the first six month period of 2020, COVID-19 had no impact on the results, balance sheet and cash flows of the Company.

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

(d) Functional and presentation currency

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

(e) Use of estimates and judgements

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

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

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

- Note 3 (b): 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 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.

3 Significant accounting policies

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

The accounting policies applied by the Company in these condensed interim financial statements are the same as those applied by the Company in its financial statements as at and for the year ended 31 December 2019.

(a) 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 and other liabilities.

Non-derivative financial instruments are recognized initially at fair value, less attributable transactions 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 and bearer bonds

Loans to group companies and bearer bonds are recognized initially at fair value. Subsequent to initial recognition, 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 the loans to group companies meet the conditions for classification as debt instruments held to collect. Accordingly the loans to group companies are measured at amortized cost. Corresponding bearer bonds are also measured at amortized cost.

Other receivables

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

Cash and cash equivalents

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

Other liabilities

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

(b) Impairment

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

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

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

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

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

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

(c) Financial income and expenses

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

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

These transactions are primarily denominated in Euro.

(d) Other expenses

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

(e) 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 substantially 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 substantially 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 difference can be utilized. 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.

(f) 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.

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 prices or Index quotes (iBoxx) 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) Loans

Due to the close relationship of the loans to group companies and the bearer bonds (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.

(c) Other assets and liabilities

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

5 Financial risk management

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

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

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

Exposure to credit risks and interest rate risks is mainly arising in the course of the Company’s business from the issuing of bonds and the related issuing of loans. These terms are described in note 12 and note 6. Based on the currently agreed loan agreement with the parent company, the Company effectively covers its currency and liquidity risks originating from the issuing of bonds and limits its credit risk to Allianz SE or other Allianz related entities.

Credit risk

Credit risk is the risk of financial loss to the Company if a counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the Company’s receivables. 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 Company analysed the credit risk exposure for loans to group companies, for which an ECL allowance is recognized. The gross carrying amount of these loans also represents the Company’s maximum exposure to credit risk on these assets. The credit rating of all counterparties are considered investment grade. The gross carrying amount of these loans as at 30 June 2020 is EUR 450.0 million, the loss allowance is EUR 19 thousand.

Liquidity risk

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

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

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

Market risk

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

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

The Company operates in one reportable segment.

Currency risk

The net proceeds from each issue of interest-bearing bonds 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.

Concentration risk

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

Capital management

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

There were no changes in the Company's approach to capital management during the six-month period ended 30 June 2020. 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 are at amortized cost, a change in interest rates does not affect the equity or results.

6 Loans to group companies (at amortized cost)

The movements in loans to group companies (at amortized cost) were as follows:

	30 June 2020 **EUR 1,000**	31 December 2019 EUR 1,000
Opening balance	**449,959**	449,957
Movement ECL	**22**	2
Closing balance	**449,981**	449,959
Receivables < 1 year (current assets)	**(449,981)**	**(449,959)**
Non-current assets	**–**	–

This item relates to one interest bearing loan to a group company with a nominal amount of EUR 450.0 million as at 30 June 2020 and as at 31 December 2019. The interest bearing loan has a stated interest rate of 2.6129%. The outstanding loan is scheduled to mature in December 2020.

The conditions of the loan to a group company are similar to the conditions of the bond. For more information about the bond, see note 12.

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 450,000 thousand; the carrying amount net of impairment provision: EUR 449,981 thousand; expected credit loss rate: 0.004%.

7 Deferred tax assets

For the six-month period ended 30 June 2020, deferred tax assets are attributable to the following:

	Balance as at 31 December 2019	Recognized in income	Balance as at 30 June 2020
	EUR 1,000	EUR 1,000	EUR 1,000
Loans to group companies	**10**	**(5)**	**5**

8 Income tax receivable

Year	Balance as at 1 January 2020	Corporation tax paid/ (received) in the first six months of 2020	Calculated corporation tax in the first six months of 2020	Late interest/ discount corporation tax in the first six months of 2020	Balance as at 30 June 2020
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
2018	**6**	**(6)**	**–**	**–**	**–**
2019	**4**	**–**	**(1)**	**–**	**3**
2020	**–**	**38**	**(19)**	**1**	**20**
	10	**32**	**(20)**	**1**	**23**

9 Other receivables

This item can be specified as follows:

	30 June 2020	31 December 2019
	EUR 1.000	EUR 1.000
Cash pool	**2,920**	2,971
Accrued interest on loans to group companies	**6,361**	514
	9,281	3,485

The scheduled annual interest payment date of the loan is 16 December. 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.

10 Cash and cash equivalents

Cash and cash equivalents are freely disposable to the Company.

11 Equity

The Company's capital consists of one or more shares with a nominal value of EUR 1,000 each. As at 30 June 2020, the issued share capital comprised 2,000 (31 December 2019: 2,000) fully paid-in ordinary shares with a nominal value of EUR 1,000 each.

12 Bearer bonds (at amortized cost)

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

	30 June 2020	31 December 2019
	EUR 1,000	EUR 1,000
Opening balance	**450,000**	450,000
Issued	**-**	-
Redeemed	**-**	-
Closing balance	**450,000**	450,000
Receivables < 1 year (current assets)	**(450,000)**	(450,000)
Non-current liabilities	**-**	-

As at 30 June 2020 and 31 December 2019, the Company has one bearer bond with a nominal amount of EUR 450.0 million outstanding.

The outstanding bond was issued on 16 December 2013, with a nominal amount of EUR 450.0 million and scheduled redemption date 16 December 2020. This bond was issued at 100% and has an interest rate of 2.304%.

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

13 Other liabilities

This item mainly relates to accrued interest and guarantee fee on bonds. 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:

	30 June 2020		31 December 2019	
	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)	**449,981**	**455,189**	449,959	460,907
Bearer bonds (at amortized cost)	**(450,000)**	**(455,189)**	(450,000)	(460,907)
	(19)	-	(41)	-

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 2
- Loans to group companies: level 2

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

15 Interest income and similar income

This item can be specified as follows:

	1 January 2020 - 30 June 2020 EUR 1.000	1 January 2019 - 30 June 2019 EUR 1.000
Interest income on loans to group companies	**5,847**	5,831
Other interest income	**8**	1
	5,855	5,832

16 Interest expense and similar expenses

This item can be specified as follows:

	1 January 2020 - 30 June 2020 EUR 1.000	1 January 2019 - 30 June 2019 EUR 1.000
Interest expense on bonds	**5,155**	5,142
Other interest expense	**2**	-
	5,157	5,142

17 Other financial expenses

This item relates to guarantee commission regarding bearer bonds.

18 Operating expenses

This item can be specified as follows:

	1 January 2020 - 30 June 2020 EUR 1.000	1 January 2019 - 30 June 2019 EUR 1.000
Management fee	**8**	8
Audit fees	**14**	13
Other expenses	**1**	4
	23	25

19 Income tax expense

	1 January 2020 - 30 June 2020 EUR 1,000	1 January 2019 - 30 June 2019 EUR 1,000
Current tax expense		
Current year	**19**	21
Prior years	**1**	–
	20	21
Deferred tax expense		
Due to temporary differences carrying amount vs. tax base	**5**	–
	25	21

Reconciliation of effective tax rate

	1 January 2020 – 30 June 2020 %	**EUR 1,000**	1 January 2019 – 30 June 2019 %	EUR 1,000
Result before taxation		**138**		**108**
Tax using the Company's domestic tax rate	**16.5-25**	**24**	**19-25**	**21**
Change in estimates related to prior years		**1**		–
Tax on profit	**18**	**25**	**19**	**21**

The domestic tax rate 2020 for taxable income up to EUR 200,000 is 16.5% (2019: 19%) and the domestic tax rate 2020 for taxable income higher than EUR 200,000 is 25% (2019: 25%).

20 Related parties

The main activity of Allianz Finance III 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 30 June 2020, the total amount lent to Allianz SE is EUR 450 million (31 December 2019: EUR 450 million). The terms and conditions of the loan have been disclosed in note 6 (Loans to group companies at amortized cost).

For the six month period ended 30 June 2020, the Company recognized interest for a total amount of EUR 5.8 million (30 June 2019: EUR 5.8 million) from group companies and paid a guarantee commission regarding the bearer bond to Allianz SE, Munich, Germany of EUR 0.6 million (30 June 2019: EUR 0.6 million).

As at 30 June 2020, the Company has a cash pool arrangement with Allianz SE, Munich, Germany of EUR 2.9 million (31 December 2019: EUR 3.0 million).

For the management support the Company has a service contract with Allianz Europe B.V., Amsterdam, the Netherlands. As at 30 June 2020, the Company accrued EUR 8 thousand (30 June 2019: EUR 8 thousand).

21 Personnel

The Company did not employ any personnel during the six-month period ended 30 June 2020 (30 June 2019: nil). No remuneration was paid to the Management Board or Supervisory Board in the six-month periods ended 30 June 2020 and 30 June 2019, respectively.

22 Contingencies

As at 30 June 2020 and 31 December 2019, there are no contingencies to report.

Amsterdam, 12 August 2020

Management Board:

C. Bunschoten	J.C.M. Zarnitz

Review report

Review report

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

Introduction

We have reviewed the accompanying condensed interim financial information for the six-month period ended 30 June 2020 of Allianz Finance III B.V., Amsterdam, which comprises the interim statement of financial position as at 30 June 2020, the interim statement of comprehensive income, the interim statement of changes in equity, the interim statement of cash flows for the period then ended and the notes. The management board is responsible for the preparation and presentation of this condensed interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information for the six-month period ended 30 June 2020 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

Rotterdam, 12 August 2020
PricewaterhouseCoopers Accountants N.V.

Original has been signed by A. van der Spek RA

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