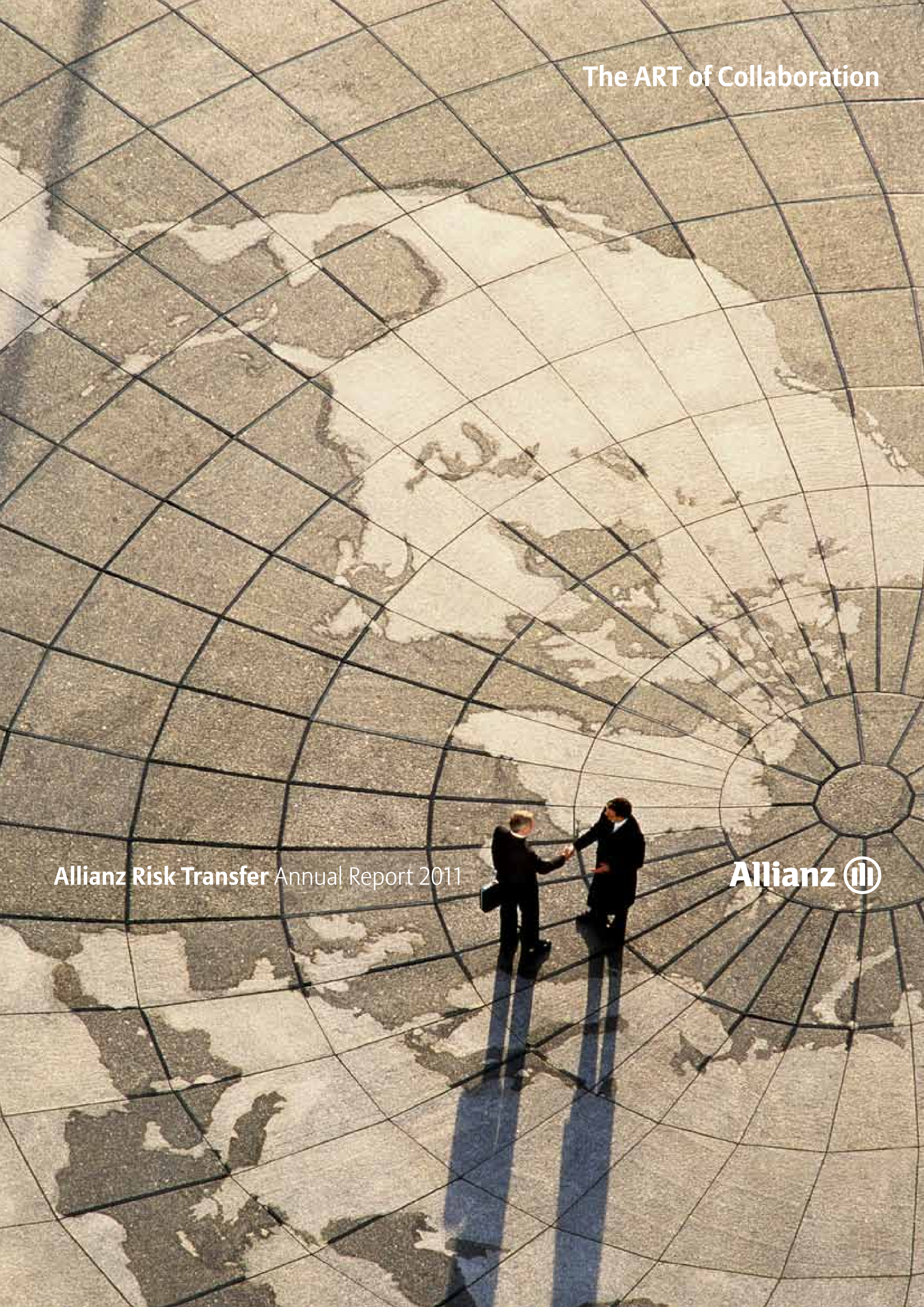


The ART of Collaboration

Allianz Risk Transfer Annual Report 2011

Allianz

By using Allianz's global network, we can provide customer-focused, tailor-made products that match our clients' global needs and local requirements.

Contents

Introduction

Ladies and Gentlemen,

Allianz Risk Transfer (“ART”) can look back on a successful 2011 which saw continued growth in its Corporate Solutions and Insurance Linked Markets segments despite the extraordinary impact on the insurance industry from natural catastrophes and continued turmoil in the financial markets.

2011 marked the costliest natural disaster year on record resulting from catastrophes that included the earthquakes in Japan and New Zealand and floods in Australia and Thailand. It also marked a year in which our Corporate Solutions team proved that it is well positioned to provide clients with tailor-made products that mitigate large industrial losses, business interruptions and supply chain disruptions caused by these natural disasters. ART’s underwriting expertise, ability to adapt to the changing needs of its clients and in-depth industry knowledge, combined with the large risk capacity and financial strength of Allianz Global Corporate & Specialty (“AGCS”), allowed us to serve the complex needs of our global clients in a challenging market environment.

Investor confidence in traditional capital markets products continued to be strained during 2011. Our Insurance Linked Markets segment focuses on the convergence between insurance risk and capital markets, and we act as a transformer of insurance risks into investment products that are accessible to capital market investors. Strong investor demand for alternative investment opportunities and increased interest by issuers in long-term capacity provided an ideal environment for our risk transformation products resulting in a landmark year for our Insurance Linked Market segment with income almost doubling year-on-year.

In June 2011, we held our annual review meetings with both A.M. Best and Standard & Poor’s (S&P). As a result, A.M. Best confirmed the Allianz Risk Transfer AG financial strength rating at “A” (Excellent). In January 2012, S&P concluded its ratings reviews of Allianz SE and various Allianz operating entities and subsequently affirmed the existing “AA” rating of Allianz SE, but revised the outlook to negative in light of the general economic situation, challenging global financial market conditions and the outlook for Euro-zone countries. The same outcome applies to the relevant S&P rating for ART companies (i.e. ART continues to be rated “AA-” but now with a negative outlook.) These ratings remain among the strongest in our industry and reflect the continuing stability and security offered by Allianz Group companies.

ART is well placed to provide added-value services to its clients through its collaboration with other Allianz Group companies. Our tailored multi-line solutions complement the traditional products offered by AGCS and Allianz Group. During the year, ART and Allianz Re collaborated more closely which allowed us to create a broadened and more flexible suite of products for our clients. In 2011, together with AGCS, we focused on Select Accounts operating globally in the sectors of financial services, telecommunications, construction of infrastructure projects including airports, toll roads, high speed rail projects, energy and natural resources, and pharmaceutical and manufacturing activities. Our corporate clients need innovative insurance solutions to mitigate risks inherent in their operations, and ART is a key partner of choice in creating these tailored protections along with AGCS and the rest of Allianz. This ‘One Allianz’ approach, whereby ART can draw on the combined resources of Allianz Group, is central to our client-facing activities.

In closing, we would like to take this opportunity to thank our clients for their support during the year and our employees for their hard work and commitment.

Allianz Risk Transfer AG

Axel Theis
Chairman of the Board of Directors

William Scaldaferri
Chief Executive Officer

June 2012

Working with our partners at Allianz Global & Corporate Specialty, we create programs that combine ART's innovative risk management solutions and traditional cargo and construction insurance by offering multi-line solutions that cover financial losses for casualty and property exposures.

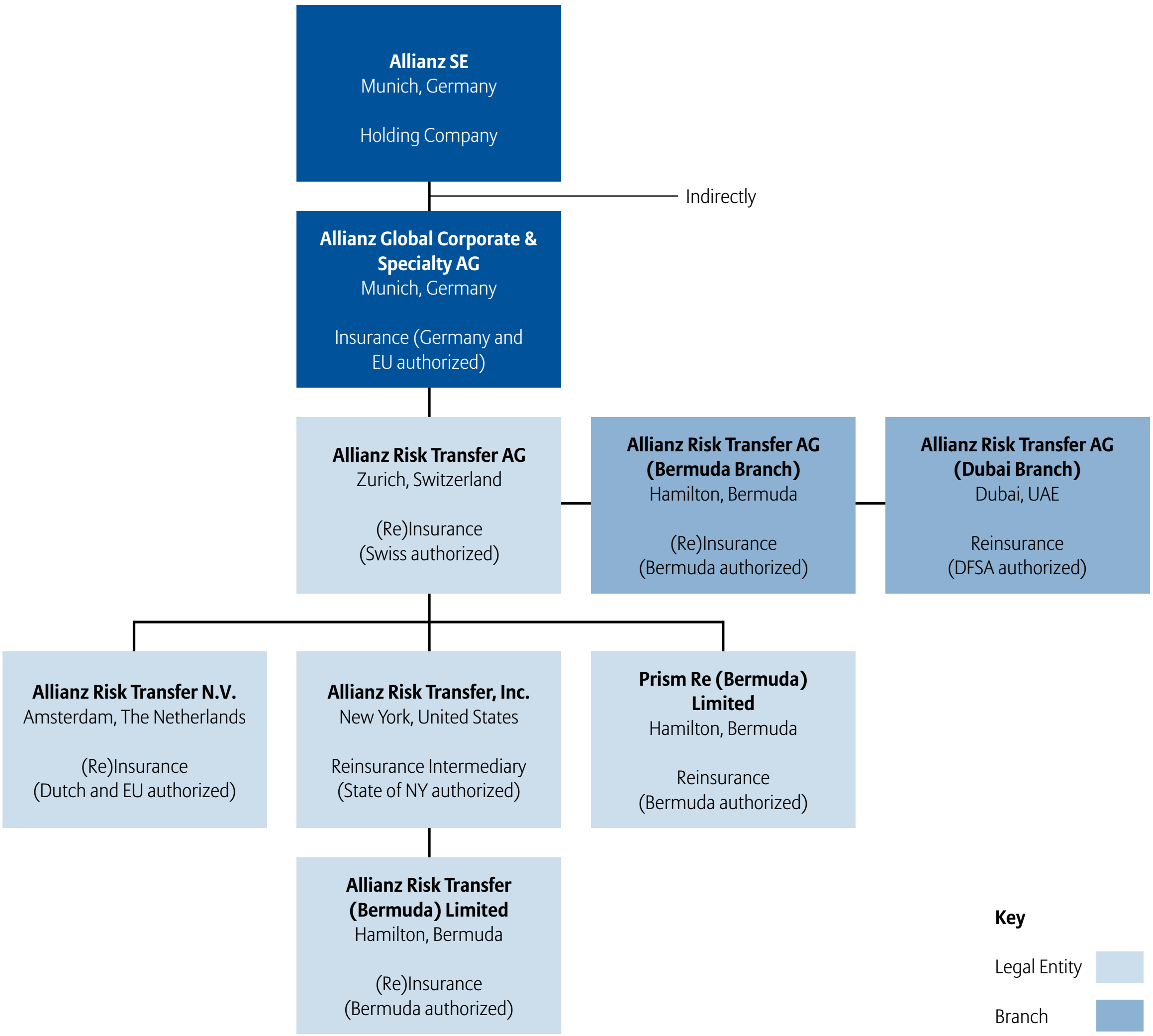
Corporate Information

Allianz Risk Transfer Group ("ART Group" or "ART") is the center of competence for alternative risk transfer business within the Allianz Group. We are a wholly-owned subsidiary of Allianz Global Corporate & Specialty AG, the corporate and specialty insurance arm of the Allianz Group. Headquartered in Zurich, ART Group operates through affiliated companies and maintains offices in Amsterdam, Bermuda, London, New York and Dubai.

Since 1997, we have offered tailor-made insurance, reinsurance and other non-traditional risk management solutions to industrial and financial clients worldwide. Our client base spans all industry sectors.

Corporate Profile of ART Group

The corporate structure of ART Group is designed to support the business in its core markets by providing an efficient legal, regulatory and tax framework. The following chart shows the corporate structure of the core entities of ART Group[1] (including the branches of Allianz Risk Transfer AG ("ART Zurich" or "the Company") and highlights the regulatory status of the companies.



[1] All equity interests shown in the chart are 100% shareholdings, except Allianz SE indirectly owns 99.965% of Allianz Global Corporate & Specialty AG and Allianz Risk Transfer AG owns 98.9% of Prism Re.

ART Group serves its global client base through a number of affiliated companies, including its core underwriting entities (identified below) that are authorized to conduct insurance and reinsurance business:

- ART Zurich is incorporated in Switzerland and regulated by the Swiss Financial Market Supervisory Authority ("FINMA"). The Company maintains branch offices in Bermuda and in the United Arab Emirates (Dubai International Financial Centre), which are subject to local supervision by the Bermuda Monetary Authority and the Dubai Financial Services Authority, respectively.

- Allianz Risk Transfer N.V. is incorporated in the Netherlands and is principally regulated by the Dutch Central Bank (De Nederlandsche Bank N.V.).

- Allianz Risk Transfer (Bermuda) Limited is incorporated in Bermuda and licensed as a Class 3A Insurer regulated by the Bermuda Monetary Authority.

ART Zurich and its subsidiaries ("ART Group Companies") are member companies of Allianz Group. Allianz SE, the ultimate parent of the ART Group Companies, is one of the world's leading integrated financial services providers, registered in Germany. Allianz Group has approximately 142,000 employees worldwide and serves 78 million customers in about 70 countries (www.allianz.com).

ART Zurich is a wholly-owned subsidiary of Allianz Global Corporate & Specialty AG ("AGCS") registered in Germany. Within Allianz, AGCS Group provides corporate and specialty insurance solutions to large corporate clients (www.agcs.allianz.com).

Board of Directors

The Board of Directors of ART Zurich comprises:

- Axel Theis, Chairman; principal activity: Chief Executive Officer of Allianz Global Corporate & Specialty AG

- Chris Fischer Hirs, Vice Chairman; principal activity: Chief Financial Officer of Allianz Global Corporate & Specialty AG

- Amer Ahmed, Director; principal activity: Chief Executive Officer of Allianz SE Reinsurance

- Thomas Wilson, Director; principal activity: Chief Risk Officer of Allianz Group

- Prof. Ulrich Zimmerli, independent Director; principal activity: various directorships and law professor emeritus of the University of Berne[2]

The Board of Directors of ART Zurich provides strategic direction for ART Group, exercises management oversight of the Company and performs the duties imposed by Swiss Company Law and Insurance Supervisory Laws. The Board of Directors performs its responsibilities in accordance with the organizational regulations of the Company, pursuant to which certain functions are delegated to the following committees:

- Business Approval Committee

- Remuneration Committee

- Audit Committee

The Business Approval Committee (amongst others) is responsible for transactional matters where a specific transaction exceeds the authority limits delegated to the Executive Board or falls outside the approved scope of business.

[2] Retired from the Board of Directors as of April 24, 2012

In collaboration with our colleagues at Allianz Global Corporate & Specialty, we provide ground-up and excess liability insurance for airport and aviation service providers.

Executive Board

The Executive Board of ART Zurich comprises:

- William Scaldaferri, Chief Executive Officer
- Bernhard Arbogast, Chief Portfolio Officer & Appointed Actuary
- Thomas Bruendler, General Counsel
- William Guffey, Chief Underwriting Officer
- Kathrin Anne Meier, Chief Risk Officer[3]
- Thomas Schatzmann, Chief Financial Officer

The Executive Board has executive management responsibility for ART Zurich and its business. Under the leadership of the Chief Executive Officer, it provides strategic direction to ART Group consistent with the business strategy approved by the Board of Directors.

ART Group Committee Structure

The Executive Board has established committees for certain critical functions or decisions of ART Group, including:

- Underwriting Committee
- Risk Management Committee
- Reserving Committee
- Investment Committee
- Legal Committee

The ART Group committees perform their responsibilities pursuant to their respective charters. The committees act as policy-setting or decision-making bodies within the scope of their functional responsibility. The committee structure allows ART Group to fully leverage the broader knowledge base of its global staff.

[3] Retired from the Executive Board as of January 9, 2012 to assume Chief Risk Officer function at AGCS

Business Overview

ART Group separates its business into two distinct segments. The first is our primary Alternative Risk Transfer business, focused on providing alternative insurance and reinsurance protections for corporate and insurance clients. The second is business related to unique relationships with other Allianz entities.

Both segments are governed by distinct procedures and processes including separate underwriting, portfolio and risk management guidelines. Each segment maintains dedicated underwriting staff. As of year-end 2011, ART Group employed 132 staff members globally, of which 76 staff members were dedicated to the Alternative Risk Transfer business.

Alternative Risk Transfer Businesses

Corporate Solutions

ART develops and utilizes innovative risk management solutions for a wide range of corporate clients in the energy, construction, pharmaceutical, retail and other industry sectors. We specialize in tailoring long-term agreements covering a broad range of risks. In many cases, these are multi-line and multi-year arrangements. Our offerings complement the traditional products provided by AGCS. We work closely with AGCS to produce joint solutions for our clients and to leverage upon the global network of the Allianz Group. In 2011, Corporate Solutions continued to increase its presence in the market and within the Allianz and AGCS landscape.

Corporate Solutions' earnings for 2011 were well above expectations. While the world financial climate remains volatile, many corporate clients feel the worst may be over and are planning ahead again. Given our ability to adapt to client-specific needs, our risk solutions will form an integral part of that planning. Combined with our strong balance sheet, this means we are perfectly positioned to benefit as clients' "flight to quality" continues.

For 2012, ART continues its commitment to quality and client service. Our responsiveness to changing client needs and the strength and global reach of the Allianz Group remain unmatched by any of our competitors.

Reinsurance Solutions

ART's reinsurance arm provides bespoke risk transfer solutions for insurance and reinsurance companies. Our product range includes both traditional coverages, such as quota shares and multi-line aggregate excess coverages, as well as non-traditional one-off structures specifically designed to meet the risk transfer requirements of an individual client. We also seek opportunities in dislocated areas of the market where capacity is in short supply.

Building on prior year's initiatives, in 2011, we focused on expanding both our client and our territory base while developing a well-rounded and diversified portfolio. Collaborating with Allianz Re in selected markets epitomized this approach. For 2012, we are further expanding the joint marketing of traditional reinsurance, supported by Allianz Re, and our non-traditional reinsurance by implementing a customer-focused approach.

Insurance Linked Markets

Insurance Linked Markets ("ILM") is a crossover specialty, focused on the convergence between insurance and capital markets. ILM involves structuring insurance risks into a form acceptable to capital market investors. These structures transform event-driven exposures such as earthquakes and hurricanes into investment products. We serve in many capacities in this value chain: as a structurer and sponsor of catastrophe bonds, as a facilitator of private placements between Allianz Group companies and capital market investors, and as a transformer of such exposures.

ART is the center of competence within the Allianz Group for weather risk solutions. We have transacted weather insurance and weather derivative business with a dedicated team since 2008. Our tailored solutions include coverage of wind chill, temperature, and other weather indices such as ground freeze to hedge frost risk. New collaborative initiatives include the launch of a rain shield product in the USA with Allianz Global Assistance and our derivative-based crop yield product in Australia.

ILM had another successful year in 2011. Our visibility in the market is unparalleled and key client relationships remain strong. For 2012, in addition to the focus on weather, our core ILM strategy will continue to evolve as market conditions change. Whatever path we take, we remain committed to focusing on meeting the needs of our key clients and the broader investment community.

Core Allianz-Related Businesses

International Corporate Business

The International Corporate segment is the core business of our parent company, AGCS. We serve this market by offering insurance products to large corporate clients across the whole spectrum of corporate and specialty risks. Since 2007, the Swiss business for international large corporates has been conducted by our "AGCS Switzerland" division.

In 2010, ART Dubai Branch was established to service facultative reinsurance business from AGCS clients located in the Middle East & North Africa region. ART Dubai branch focuses its underwriting activities on the business lines of property, engineering and energy.

The International Corporate Business segment is still relatively small compared with the other business segments. However, results for 2011 were quite solid and demonstrate the potential of these portfolios as they mature.

Traditional Reinsurance Business

This portfolio consists of ART's participation in select traditional reinsurance treaties which have been written for strategic reasons for the Allianz Group. The dominant treaty in this portfolio was cancelled at year-end 2010. During 2011, this portfolio had positive run-off experience.

In partnership with our associates at Allianz Corporate Global & Specialty, we deliver cost-effective insurance solutions that address the complex needs of our oil and gas industry clients, including protection for property, liability, control of well and decommissioning of facilities when activity ceases years into the future.

Risk Management

ART Group has an effective Risk Management system in place. Risk Management identifies, analyzes, manages and monitors all material risks that could adversely affect our operations. It ensures global awareness of risk and return and fosters a "no surprise" culture, as well as providing guidance for business opportunities. The refinement and improvement of our Risk Management capabilities is an ongoing priority.

Risk Governance

Since its foundation, ART has always attached great importance to risk awareness. The Company's Board of Directors has implemented a risk governance framework that ensures Risk Management is an integral part of all business processes and decisions.

The Risk Management Committee is the main decision body for Risk Management. It is chaired by the Chief Portfolio Officer who heads the Portfolio Management unit. This unit includes the corporate actuarial function and actuarial and financial analytics for the quantitative evaluation of individual transactions and of the whole portfolio.

The Head of Risk Management manages the overall risk landscape of the ART Group, leads the Risk Management department and independently monitors limits and risks at aggregate levels. The Head of Risk Management and the Chief Portfolio Officer report directly to the Chief Executive Officer. The Head of Risk Management also reports into the Chief Risk Officer of AGCS, ensuring an integrated risk management approach throughout AGCS Group.

ART's risk vision and objectives are described in our risk strategy which outlines risk governance, capital base protection and value creation. The risk tolerance is expressed in ART's comprehensive limits system that sets out individual and aggregate limits.

Transaction Management and Surveillance

A comprehensive transaction surveillance concept is implemented with a separate hands-on Deal Management function independent from Underwriting. This function is embedded in Portfolio Management and assures continuous independent surveillance of all alternative risk transfer transactions.

Enterprise Risk Management

To understand ART's overall risk profile, an integrated, comprehensive assessment of all relevant risks is performed at least annually. This assessment identifies key "risk buckets" to which ART is exposed and actions required to mitigate such risks.

Internal Control System

ART has an Internal Control System ("ICS") which provides assurance to the Board of Directors and the Management regarding the proper functioning of the business operations. In particular, it ensures the effectiveness of business processes, the accuracy and reliability of accounting and financial reporting, and compliance with relevant laws and regulations as well as internal policies and guidelines. The ICS ensures that potential risks are identified early and measures are introduced to avoid or mitigate significant risks and risk accumulations.

Risk Management Systems and Technical Framework

ART operates its business based on a defined capital deployment framework, while targeting to provide above-average return on capital by writing diversified books of business containing transactions with low correlation. The risk-based capital is measured through ART's portfolio model, applying event-driven discounted cash flow modeling using Monte Carlo techniques. All transaction models are aggregated into the portfolio model by accessing a set of common events and scenarios depending on their sensitivity to relevant scenarios. With the portfolio model, we regularly perform various analyses and calculate risk measures. In addition to standard risk calculations, stress tests are performed and scenarios evaluated to enhance the assessment of "tail risks."

Together with members of the Allianz Global Corporate & Specialty team, we provide solutions that cover a complex range of risks faced by our clients in the pharmaceutical sector, including pharmaceutical liability, clinical trials, property, liability and business interruption.

Financial Information

Discussion of Financial Condition and Results of Operations

ART categorizes its business into the following operating segments:

- Alternative Risk Transfer Business
- International Corporate Business
- Traditional Reinsurance Business

The following results, expressed in Swiss Francs (CHF), show the financial performance of each of the business segments according to International Financial Reporting Standards ("IFRS") as of year ended 2011 and previous years.

Alternative Risk Transfer Business

In our core segment, we differentiate between Corporate Solutions, Reinsurance Solutions and Insurance Linked Markets ("ILM").

The key figures of the Alternative Risk Transfer Business segment are:

For year ended December 31 (CHF 000s)	**2011**	**2010**	**2009**
Net premiums earned	196,526	191,078	217,169
Other transactional income	-	61,169	48,932
Benefits incurred	(103,590)	(95,477)	(125,799)
Underwriting expenses (net)	(49,300)	(111,765)	(112,689)
Underwriting income	**43,636**	**45,005**	**27,613**
Investment income (net)	15,715	30,915	49,053
Realized losses on transactions	(36)	(12,468)	(45,859)
Operating profit	**59,315**	**63,452**	**30,807**
Other income and expenses (net)	(438)	-	-
Taxes	(3,783)	338	1,086
Net income	**55,094**	**63,790**	**31,893**
Combined ratio	77.8%	82.2%	89.6%

The volatile foreign currency environment affected ART's overall business results, which are reported in Swiss Francs. During 2011, more than 90% of our business was written in either Euro or US Dollars and both currencies lost more than 10% of their value against the Swiss Franc. Income from ILM Business increased significantly due to strong client demand for such solutions. In addition, our Corporate Solutions business with large corporate clients contributed solid results. The performance of our structured Reinsurance Solutions segment was negatively affected by attritional and mid-size losses.

Fees from retrocessions, previously shown as "other transactional income," were reclassified and reported as underwriting expenses.

Impairments on our Discontinued Alternative Assets portfolio were minimal and lower investment volume in the segment had a negative impact on investment income.

The combined ratio for the Alternative Risk Transfer Business segment does not have the same relevance as for traditional insurance business due to the income statement line item classification of the results of certain investment and deposit transactions.

International Corporate Business

The International Corporate Business represents the core business of ART's parent company – Allianz Global Corporate & Specialty – and serves the insurance needs of large international corporations. ART Zurich writes this business through its AGCS Division in Switzerland and its branch office in Dubai.

The key figures of the International Corporate Business segment are:

For year ended December 31 (CHF 000s)	**2011**	**2010**	**2009**
Net premiums earned	108,024	90,132	62,904
Benefits incurred	(53,601)	(81,697)	(32,685)
Underwriting expenses (net)	(35,443)	(29,158)	(15,857)
Underwriting income	**18,980**	**(20,723)**	**14,362**
Investment income (net)	10,425	(9,120)	143
Operating profit	**29,405**	**(29,843)**	**14,505**
Non-operating items	(1,665)	(1,620)	(800)
Taxes	(3,334)	1,907	(2,944)
Net income	**24,406**	**(29,556)**	**10,761**
Combined ratio	82.4%	123.0%	77.2%

The International Corporate Business has further stabilized in 2011. The solid growth in business reflects, on the one hand, an increased business flow in Switzerland and on the other hand, higher volume in a business portfolio acquired in 2010 by our Dubai branch.

Despite a large property loss in our Swiss entity, incurred losses developed favorably and both entities returned to profitability after a difficult 2010. Investment income recovered in 2011, which was negatively affected by foreign currency losses in 2010.

Non-operating items include amortization costs for acquired business portfolios and intangible assets.

Traditional Reinsurance Business

Traditional reinsurance comprises mainly quota share business with other large reinsurers written for the Allianz Group.

The key figures of the Traditional Reinsurance Business segment are:

For year ended December 31 (CHF 000s)	**2011**	**2010**	**2009**
Net premiums earned	27,948	372,190	387,002
Benefits incurred	178,218	(243,588)	(302,058)
Underwriting expenses (net)	(14,517)	(108,686)	(96,638)
Underwriting income	**191,649**	**19,916**	**(11,694)**
Investment income (net)	27,187	18,286	17,813
Operating profit	**218,836**	**38,202**	**6,119**
Other income and expenses (net)	(21)	-	-
Taxes	(26,538)	(3,511)	(283)
Net income	**192,277**	**34,691**	**5,836**
Combined ratio	(585.7)%	94.6%	103.0%

A large quota share contract terminated at the end of 2010. Therefore, the business volume in this segment reduced significantly during 2011. The transfer of a business portfolio generated large run-off gains, impacting the combined ratio for the current year.

Investment income slightly increased in 2011 due to higher investment volume, although it was affected by low reinvestment yields.

Unaudited Consolidated Financial Statements

The following unaudited consolidated financial statements present a consolidated view of the entire ART Group. The consolidated financial statements have been prepared in accordance with the critical IFRS accounting policies set out in this report. These consolidated statements were not audited by KPMG.

The ART Group comprises Allianz Risk Transfer AG and its (direct or indirect) subsidiaries:

- Allianz Risk Transfer N.V., The Netherlands
- Allianz Risk Transfer (U.K.) Limited, England
- Allianz Risk Transfer, Inc., USA
- Entertainment Funds Solutions, USA
- Prism Re Ltd., Bermuda
- Allianz Risk Transfer (Bermuda) Limited, Bermuda

The branch offices of Allianz Risk Transfer AG in Bermuda and Dubai are an integral part of the financial statements of the Company.

Consolidated Balance Sheet

As at December 31 (CHF 000s)	**2011**	**2010**
Cash and cash equivalents	323,855	465,121
Investments	1,837,240	1,687,472
Total invested assets	**2,161,095**	**2,152,593**
Receivables	472,019	547,590
Fixed assets	1,874	1,687
Deferred acquisition costs	28,128	57,687
Insurance reserves ceded	453,495	573,841
Deferred tax assets	12,657	11,357
Intangible assets	2,330	3,701
Total other assets	**970,503**	**1,195,863**
TOTAL ASSETS	**3,131,598**	**3,348,456**
Unearned premium reserve	292,746	389,431
Profit share and aggregate reserve	1,813	2,149
Loss and loss adjustment expense reserve	1,117,347	1,488,222
Technical reserves	**1,411,906**	**1,879,802**
Other liabilities	914,368	903,344
Deferred tax liabilities	4,504	4,340
Total liabilities	**2,330,778**	**2,787,486**
Issued Capital	200,000	200,000
Legal reserves	200,000	200,000
Unrealized gains / (losses) on available-for-sale investments and foreign currency	(116,775)	(122,404)
Retained earnings	245,818	214,449
Current year earnings	271,777	68,925
Total shareholders' equity	**800,820**	**560,970**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3,131,598**	**3,348,456**

Consolidated Income Statement

For year ended December 31 (CHF 000s)	**2011**	**2010**
Gross premiums written (incl. fee income)	179,375	759,873
Change in unearned premium reserves	153,123	(45,304)
Net premiums earned (incl. fee income)	**332,498**	**714,569**
Claims paid and change in loss reserves	20,751	(418,938)
Profit shares paid and accrued	276	(1,824)
Benefits (net) payable to policyholders	**21,027**	**(420,762)**
Underwriting expenses (net)	(99,260)	(249,609)
Net underwriting income	**254,265**	**44,198**
Investment income (net)	53,291	27,613
Other income and expenses (net)	(2,124)	(1,620)
Net income before tax	**305,432**	**70,191**
Taxes	(33,655)	(1,266)
Net income	**271,777**	**68,925**

Critical Accounting Policies under IFRS
We set out below an overview of the accounting policies adopted by the Company for the purpose of Allianz Group reporting pursuant to IFRS.

IFRS does not provide specific guidance concerning all aspects of the recognition and measurement of insurance contracts, reinsurance contracts and investment contracts. The provisions embodied under generally accepted accounting principles in the United States of America ("US GAAP") have been applied to those aspects where specific guidance is not provided by IFRS 4, Insurance Contracts.

The financial statements of the Company are prepared as of and for the year ended December 31, and presented in thousands of Swiss Francs (CHF), unless otherwise stated.

The preparation of consolidated financial statements requires Management to make estimates and assumptions that affect the amount of reported assets and liabilities. They also affect the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The major estimates reflected in the Company's consolidated financial statements include (but are not limited to) outstanding losses and loss expenses, estimates of written and earned premiums, the fair value of derivatives and asset-backed investments and the evaluation of impairment losses on loans recorded at amortized cost.

The following are the significant accounting policies adopted by the Company:

(a) Premiums earned and acquisition expenses
Premiums assumed are recorded on the accruals basis. They are included in income on a pro-rated basis over the lives of the policies with the unearned portion deferred in the balance sheet. Reinsurance premiums ceded are similarly pro-rated over the terms of the policies with the unearned portion being deferred in the balance sheet as prepaid reinsurance premiums.

Acquisition expenses, mainly commissions and brokerage, related to unearned premiums are deferred and amortized to income over the periods in which premiums are earned. The method followed in determining the deferred acquisition expenses limits the amount of the deferral to its realizable value by giving consideration to losses and expenses expected to be incurred as premiums are earned.

(b) Deposit accounting
The Company accounts for certain insurance and reinsurance contracts that do not result in the transfer of insurance risk as financing arrangements rather than (re)insurance. Depending upon whether the relevant insurance or reinsurance contracts transfer only significant timing risk, only significant underwriting risk, or neither significant timing nor underwriting risk, the Company measures these contracts utilizing the interest method or the unexpired portion of coverage provided method.

(c) Underwriting fees
Underwriting fees are accrued to the balance sheet date and include fees earned on risk bearing and non-risk bearing contracts. Fees are recognized on a pro-rated basis over the contract period.

Underwriting fees also include profit commission income earned on ceded reinsurance contracts, which is estimated in a manner consistent with the underlying liabilities and is included in income on a pro-rated basis over the period in which the related premiums are earned.

(d) Outstanding losses and loss expenses
Losses and loss expenses paid are recorded when advised by the ceding (re)insurance companies. Outstanding loss estimates comprise the amount of reported losses and loss expenses received from cedants plus a provision for losses incurred but not reported ("IBNR"). IBNR reserves are estimated by Management using various actuarial methods, outputs from various catastrophe loss models, industry loss experience, underwriters' experience, general market trends and Management's judgment.

Amounts recoverable from reinsurers are estimated in a manner consistent with the underlying liabilities. Given the inherent nature of major catastrophic events, considerable uncertainty underlies the assumptions and associated estimates of outstanding losses and loss expenses. These estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. Any such adjustments are reflected in income in the period in which they are determined. Due to the inherent uncertainties of catastrophic events, there can be no assurance that the ultimate liability will not be settled for significantly greater or lesser amounts than those recorded.

Based on the current assumptions used and the recommendations of the Appointed Actuary, Management believes that the provision for outstanding losses and loss expenses will be adequate to cover the ultimate cost of losses incurred to the balance sheet date. However, the provision necessarily represents an estimate and may ultimately be settled for a significantly greater or lesser amount. It is reasonably possible that Management will revise this estimate significantly in the near term. Any subsequent differences arising are recorded in the period in which they are determined.

(e) Investments

Fixed maturity investments and equity securities are classified as available for sale. They are carried at fair value with unrealized gains or losses, net of related tax effects, and are included in the balance sheet as a separate component of consolidated shareholders' equity. The fair value of fixed maturity securities is based upon quoted market values where available. The "evaluated bid" prices are provided by third-party pricing services ("pricing services") where quoted market values are not available, or by reference to broker or underwriter bid indications where pricing services do not provide coverage for a particular security. Carrying values are based upon values per unit provided by third-party managers.

Asset-backed investments are valued at fair value by Management. When estimating the fair value of asset-backed investments, Management considers their cost, the financial condition and operating results of the counterparty, industry and macroeconomic data, the type of investment held, and other relevant factors such as the credit quality of the underlying assets that generate the respective cash flows and the level of over-collateralization of asset-backed investments.

Although Management uses its best judgment in estimating the fair value of asset-backed investments, there are inherent limitations in its estimation techniques. Because of the uncertainty in such valuations, Management's estimates of fair value may differ significantly from the value that would have been used had a ready market existed for the investments, and such differences could be significant. Due to these factors, asset-backed investments are classified as "Level 3" securities as defined by IFRS 7. Realized gains and losses on sales of investments are determined on the basis of specific identification and are included in the consolidated statements of income and comprehensive income. Investment income, net of investment expenses, is accrued to the balance sheet date and includes amortization of premiums or discount on investments purchased at amounts different from par value.

Investments with unrealized losses considered to be other than temporary are written down to fair value, creating a new cost basis for the investment.

(f) Loans

Loans are recognized when amounts are advanced to borrowers. Loans are measured at amortized cost using the effective interest method, less impairment losses. Impairment losses are determined by an evaluation of the exposures on a loan-by-loan basis and include a consideration of the following factors:

- the viability of the borrower's business model and capability to generate sufficient cash flow to service its debt obligations;
- the amount and timing of expected receipts and recoveries;
- the extent of other creditors' commitments ranking ahead of or pari passu with the Company;
- the realizable value of the loan (or other credit mitigants); and
- where available, the secondary market price for the loan.

Illiquid credit markets, volatile investments and foreign currency markets may increase the uncertainty inherent in estimates of impairments. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

Audited Financial Statements Allianz Risk Transfer AG

The following financial statements of Allianz Risk Transfer AG are prepared in accordance with the Swiss Code of Obligations and the relevant rules issued by the Swiss Financial Market Supervisory Authority (FINMA). Our independent auditors KPMG have audited the financial statement for financial year 2011 and provided an unqualified opinion.

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of Allianz Risk Transfer AG, which comprise the balance sheet, income statement and notes for the year ended December 31, 2011.

Board of Directors' Responsibility

The board of directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements 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 entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended December 31, 2011 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the board of directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Christian Fleig
Licensed Audit Expert Auditor in Charge

Patrick Scholz
Licensed Audit Expert

Zurich, April 23, 2012

Balance Sheet

As at December 31 (CHF)	**2011**	**2010**
Non-current assets		
Participations	92,824,973	93,455,676
Shares	1,699,990	1,775,896
Bonds	1,609,632,714	1,390,073,541
Loans to third parties	33,014,117	56,791,238
Loans to associated enterprises	84,973,000	106,736,260
Short-term investments	213,521,035	317,535,914
Investments	**2,035,665,829**	**1,966,368,525**
Office equipment	726,825	946,885
Reinsurers' share of the technical provisions	380,427,985	448,195,964
Outstanding share capital	200,000,000	200,000,000
Total non-current assets	**2,616,820,639**	**2,615,511,374**
Cash and cash equivalents	51,842,930	70,398,683
Receivables		
- reinsurance deposits	5,224,787	38,960,042
- due from third parties	188,562,652	170,999,608
- due from group companies or shareholders	52,777,648	78,157,061
- group cash pooling	129,091,818	182,908,446
- other receivables	8,620,715	3,663,390
Accrued income	29,706,913	24,926,544
Deferred acquisition cost	3,556,835	28,639,164
Total current assets	**469,384,298**	**598,652,938**
TOTAL ASSETS	**3,086,204,937**	**3,214,164,312**
Unearned premium reserve	239,506,887	371,218,324
Reserve for policyholder dividends	82,594,344	84,346,934
Provision for outstanding claims	1,385,770,071	1,917,092,467
Equalization reserves (see note 5)	48,253,207	-
Technical provisions	**1,756,124,509**	**2,372,657,725**
Other non-technical provisions (see note 5)	45,875,318	27,333,483
Payables		
- due to third parties	158,912,683	58,271,309
- due to group companies or shareholders	220,196,778	41,183,210
Other short-term liabilities	30,517,834	35,808,175
Other liabilities	**455,502,613**	**162,596,177**
TOTAL LIABILITIES	**2,211,627,122**	**2,535,253,902**
Share capital	400,000,000	400,000,000
Share premium account	101,800,000	101,800,000
General reserves	98,200,000	98,200,000
Retained earnings brought forward	274,577,815	78,910,410
TOTAL SHAREHOLDERS' EQUITY	**874,577,815**	**678,910,410**

Income Statement

For year ended December 31 (CHF)	**2011**	**2010**
Gross premium written	787,435,978	1,258,730,432
Premium ceded	(553,630,305)	(387,341,614)
Change in unearned premium reserve	169,903,475	(84,548,393)
Net premium earned	**403,709,148**	**786,840,425**
Claims paid	(368,768,792)	(40,140,611)
Change in claims reserve	332,246,830	(440,241,909)
Total claims incurred	**(36,521,962)**	**(480,382,520)**
Profit shares paid	(8,498,246)	(12,639,572)
Change in profit share provisions	51,302	(26,928,962)
Total profit shares	**(8,446,944)**	**(39,568,534)**
Commissions	**(64,029,088)**	**(209,337,885)**
Other technical income and expenses (see note 5)	**(39,328,627)**	**10,986,452**
Administration expenses (see note 5)	**(38,044,905)**	**(31,442,660)**
UNDERWRITING RESULT	**217,337,622**	**37,095,278**
Interest and dividends (see note 5)	42,267,560	53,122,635
Write-ups of investments (see note 5)	1,524,467	5,514,319
Realized gains on investments	7,601,275	2,858,943
Investment income	**51,393,302**	**61,495,897**
Administrative expenses	(1,535,937)	(1,598,421)
Realized losses on investments	(6,093,835)	(4,380,620)
Write-downs of investments (see note 5)	-	(14,230,292)
Investment expenses	**(7,629,772)**	**(20,209,333)**
INVESTMENT RESULT	**43,763,530**	**41,286,564**
Income and expenses from currency translation	(868,835)	(61,003,017)
Other financial income and expenses	3,096,247	534,400
Other income and expenses	**2,227,412**	**(60,468,617)**
PROFIT / LOSS BEFORE INCOME TAXES	**263,328,564**	**17,913,225**
Income taxes	(27,661,159)	(2,784,503)
PROFIT OF THE YEAR	**235,667,405**	**15,128,722**

Notes to the Financial Statements

1. Fire insurance value of fixed assets	**2011**	**2010**
Tangible assets	CHF 1,000,000	CHF 1,000,000

2. Participations

The company has a 100% share in Allianz Risk Transfer N.V., Amsterdam / NL, Allianz Risk Transfer Inc., New York / USA, Allianz Risk Transfer Ltd., London / UK and a 98.9% share in Prism Re Ltd., Hamilton Bermuda.

The paid-in capital per company:

Allianz Risk Transfer N.V., Amsterdam	EUR 22.7 million
Allianz Risk Transfer Inc., New York	USD 58.5 million
Prism Re Ltd., Hamilton	USD 18.2 million
Allianz Risk Transfer Ltd., London	GBP 1.0 million

3. Contingent liabilities

The company is part of the Allianz insurance clearing-group for VAT purposes and is therefore jointly liable for VAT liabilities incurred by that group towards the Swiss tax administration.

The company has guaranteed to secure the obligations of its subsidiaries Allianz Risk Transfer (Bermuda) Ltd. and Allianz Risk Transfer N.V. under each and every insurance, reinsurance or other risk transfer agreement written by these companies in order to allow these subsidiaries to benefit from the financial strength of the parent company.

4. Risk assessment

The board of directors is ultimately responsible for the risk assessment of the company. In 2011, the board of directors evaluated and assessed the operational, financial and compliance risks of the company and ensured that there are procedures in place to monitor and/or mitigate these risks.

5. Change in the presentation of the financial Statements 2011

a) Equalization reserves of CHF 48,253,207 are shown separate under the technical provisions. In 2010, these reserves of CHF 6,262,008 were shown within other non-technical provisions.

b) Expenses from transfer pricing of CHF 15,189,332 are shown under administration expenses in 2011. In 2010, these expenses of CHF 15,102,460 were shown as other technical income and expenses.

c) Amortization effect on bonds of CHF 19,101,603 are reflected in the investment income. In 2010, this amortization of CHF 6,282,117 net were shown as write-ups or write-downs on investments.

6. Other

There are no further facts which would require disclosure in accordance with Art. 663b of the Swiss Code of Obligations.

Shareholders' Equity

Under Swiss GAAP, the shareholders' equity of the Company as at December 31, 2011 consisted of:

Issued and paid-in share capital	CHF 200,000,000
Issued and unpaid share capital	CHF 200,000,000
Share premium account	CHF 101,800,000
General reserves	CHF 98,200,000
Retained earnings	CHF 274,577,815
Total shareholders' equity	**CHF 874,577,815**

In collaboration with one of our Allianz offices, we developed an internet-based product for rain insurance that protects leisure travelers.

Contacts

Amsterdam

Allianz Risk Transfer N.V.
Keizersgracht 482, 1017 EG Amsterdam
The Netherlands
Phone +31 20 520 3823, Fax +31 20 520 3833

General inquiries: Franziska Walz +31 20 520 3823
Business inquiries: John Arpel +31 20 520 3844

Bermuda

Allianz Risk Transfer (Bermuda) Ltd.
Allianz Risk Transfer AG (Bermuda Branch)
Overbay, 106 Pitts Bay Road, Pembroke HM 08
Bermuda
Phone +1 441 295 4722, Fax +1 441 295 2867

General inquiries: Theresa Moniz +1 441 298 2379
Business inquiries: Richard Boyd +1 441 298 2372

Dubai

Allianz Risk Transfer AG (Dubai Branch)
Dubai International Financial Centre
The Gate Village 8 (GV 08, Level 2)
P.O. Box 7659, Dubai
United Arab Emirates
Phone +971 4 702 6666, Fax +971 4 323 0301

General inquiries: Violet Coelho +971 4 702 6666
Business inquiries: Sanjeev Badyal +971 4 702 6620

London

Allianz Risk Transfer (U.K.)*
Allianz House
60 Gracechurch Street, London EC3V 0HR
United Kingdom
Phone +44 20 3451 3000, Fax +44 20 7283 8125

General inquiries: Angela Green +44 20 3451 3160
Business inquiries: Simon Buxton +44 20 3451 3161

New York

Allianz Risk Transfer, Inc.
1330 Avenue of the Americas, 19th Floor
New York, NY 10019
United States of America
Phone +1 646 840 5000, Fax +1 212 754 2330

General inquiries: Krista Clark +1 646 840 5000
Business inquiries: William Scaldaferri +1 646 840 5048

Zurich

Allianz Risk Transfer AG
Lavaterstrasse 67, 8002 Zurich
Switzerland
Phone +41 44 285 1818, Fax +41 44 285 1822

General inquiries: Stephanie Brandau +41 44 285 1838
Business inquiries: William Guffey +41 44 285 1841

This annual report is available on the internet at **www.art.allianz.com**.

* Trading division of Allianz Global Corporate & Specialty AG (UK) Branch

Cautionary note on forward-looking statements

The statements contained herein may include statements of future expectations and other forward-looking statements that are based on Management’s current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. In addition to statements which are forward-looking by reason of context, the words “may”, “will”, “should”, “expects”, “plans”, “intends”, “anticipates”, “believes”, “estimates”, “predicts”, “potential”, or “continue” and similar expressions identify forward-looking statements. Actual results, performance or events may differ materially from those in such statements owing to, without limitation: (i) general economic conditions, including in particular economic conditions in ART Group’s business and markets, (ii) performance of financial markets, including market volatility, liquidity and credit events, (iii) frequency and severity of insured loss events, including from natural catastrophes and development of loss expenses, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) credit default levels, (vii) interest rate levels, (viii) currency exchange rates, including the CHF/USD or CHF/EUR exchange rate, (ix) changing levels of competition, (x) changes in laws and regulations, including changes in laws and regulations, including monetary disruptions, (xi) changes in the policies of central banks and/or foreign governments, (xii) the impact of acquisitions, including related integration issues, (xiii) reorganization measures, and (xiv) general competitive factors, in each case on a local, regional, national and/or global basis. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities or other major catastrophic events and their related consequences. The Company assumes no obligation to update any forward-looking statement.

Allianz Risk Transfer AG
Lavaterstrasse 67
8002 Zurich
Switzerland

Phone +41 44 285 1818
Fax +41 44 285 1822

www.art.allianz.com