

Allianz Risk Transfer AG, Zurich

**Report of the Statutory Auditor
on the Financial Statements
to the General Meeting of Shareholders**

Financial Statements 2014



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Report of the Statutory Auditor to the General Meeting of Shareholders of
Allianz Risk Transfer AG, Zurich

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, profit and loss account and notes for the year ended 31 December 2014.

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 31 December 2014 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 retained 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



Patrick Scholz
*Licensed Audit Expert
Auditor in Charge*



Bill Schiller
Licensed Audit Expert

Zurich, 17 April 2015

Enclosures:

- Financial statements (balance sheet, profit and loss account and notes)
- Proposed appropriation of retained earnings

Balance sheet as at 31 December	2014	2013
	December	December
	CHF	CHF
Non-current assets		
Participations	212,426,381	183,584,401
Shares	1,667,165	4,536,387
Derivative	23,877,414	16,520,856
Bonds	684,751,138	628,578,909
Loans to third parties	15,957,902	26,113,121
Loans to associated enterprises	128,083,239	88,235,540
Short-term investments	19,259	17,014
Investments	1,066,782,499	947,586,227
Office equipment	55,505	277,040
Reinsurers' share of the technical provisions	574,779,882	482,680,537
Outstanding share capital	200,000,000	200,000,000
Total non-current assets	1,841,617,886	1,630,543,804
Cash and cash equivalents	44,793,229	91,014,605
Receivables		
- reinsurance deposits	2,648,694	322,151,316
- due from third parties	356,289,701	227,139,938
- due from group companies or shareholders	179,413,066	82,474,425
- group cash pooling	139,194,254	91,266,703
- other receivables	20,112,251	18,694,716
Accrued income	21,107,663	12,978,614
Deferred acquisition cost	-	12,339,898
Total current assets	763,558,858	858,060,214
TOTAL ASSETS	2,605,176,744	2,488,604,018
Unearned premium reserve	403,864,163	342,948,187
Reserve for policyholder dividends	171,177,107	115,857,179
Provision for outstanding claims	800,162,932	982,899,837
Equalization reserves	65,700,712	55,536,769
Technical provisions	1,440,904,914	1,497,241,971
Other non-technical provisions	8,385,887	14,157,431
Payables		
- due to third parties	264,673,351	162,135,925
- due to group companies or shareholders	107,226,319	42,051,011
Other short-term liabilities	10,373,565	2,767,247
Other liabilities	390,659,122	221,111,615
TOTAL LIABILITIES	1,831,564,036	1,718,353,586
Share capital	400,000,000	400,000,000
Share premium account	100,811,412	101,800,000
General reserves	99,188,588	98,200,000
Retained earnings	173,612,708	170,250,432
TOTAL SHAREHOLDERS' EQUITY	773,612,708	770,250,432
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,605,176,744	2,488,604,018

Profit and loss account for the financial year	2014	2013
	December	December
	CHF	CHF
Gross premium written	1,194,681,613	1,249,902,278
Premium ceded	-821,688,218	-928,609,371
Change in unearned premium reserve	-61,793,243	-9,280,495
Net premium earned	311,200,153	312,012,412
Claims paid	-455,769,780	87,607,574
Change in claims reserve	248,519,799	-282,438,492
Total claims incurred	-207,249,982	-194,830,918
Profit shares paid		-4,645,000
Change in profit share provisions	-16,976,214	-15,264,017
Total profit shares	-16,976,214	-19,909,017
Commissions	31,277,072	6,673,824
Other technical income and expenses	-49,278	-137,292
Administration expenses	-60,532,475	-59,882,234
UNDERWRITING RESULT	57,669,276	43,926,775
Interest and dividends	21,421,621	22,747,532
Other financial income and expenses	4,687,618	10,093,298
Write-ups of investments	5,069,045	479,721
Write-ups of investments in subsidiaries	3,923,591	-
Write-downs of investments	-1,204,375	-
Write-downs of investments in Subs	-12,453,799	-4,402,539
Realised gains on investments	1,811,686	4,989,684
Investment income	23,255,387	33,907,695
Administrative expenses	-2,415,724	-2,236,478
Realised losses on investments	-807,246	-978,206
Investment expenses	-3,222,969	-3,214,684
INVESTMENT RESULT	20,032,418	30,693,011
Income and expenses from currency translation	3,099,883	-1,682,719
Other income and expenses	3,099,883	-1,682,719
PROFIT / LOSS BEFORE INCOME TAXES	80,801,577	72,937,068
Income taxes	-7,188,869	-2,686,635
PROFIT OF THE YEAR	73,612,708	70,250,432

Proposed appropriation of retained earnings**2014****2013**

Retained earnings brought forward	170,250,432	215,433,946
Dividend	-70,250,432	-115,433,946
Profit of the year	73,612,708	70,250,432
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Retained earnings at the end of the year	173,612,708	170,250,432
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The board of directors proposes to appropriate the retained earnings as follows:

General reserves		
Dividend	73,612,708	70,250,432
Retained earnings carried forward	100,000,000	100,000,000
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	173,612,708	170,250,432
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*) The level of general reserves meets the regulatory requirements. Further allocations have been waived.