

Allianz Risk Transfer AG, Zurich

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

Financial Statements 2015



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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, income statement, cash flow statement and notes for the year ended 31 December 2015.

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 2015 comply with Swiss law and the company's articles of incorporation.

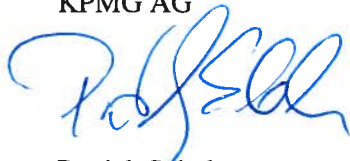
Report on Other Legal Requirements

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



Patrick Scholz
*Licensed Audit Expert
Auditor in Charge*



Bill Schiller
Licensed Audit Expert

Zurich, 26 April 2016

Enclosures:

- Financial statements (balance sheet, income statement, cash flow statement and notes)
- Proposed appropriation of available earnings

Financial Statements of Allianz Risk Transfer AG, Zurich

Balance sheet

Assets			
CHF		31.12.2015	31.12.2014
Investments		1,077,820,652	1,042,905,085
- Participations		182,584,981	212,426,381
- Fixed-interest securities		845,298,658	684,751,138
- Loans		48,256,690	144,041,140
- <i>Loans to third parties</i>		4,012,048	15,957,902
- <i>Loans to associated enterprises</i>		44,244,642	128,083,239
- Shares		1,680,323	1,667,165
- Other investments		-	19,259
Receivables from derivative financial instruments		17,434,032	23,877,414
Deposits on ceded reinsurance business		38,290,202	2,648,694
Cash and cash equivalents		58,764,947	44,793,229
Reinsurers' share of technical provisions		551,384,174	574,779,882
Property and equipment		25,488	55,505
Insurance receivables		353,371,949	535,702,767
- due from third parties		270,525,881	356,289,701
- due from group companies or shareholder		82,846,068	179,413,066
Other receivables		176,933,140	159,306,505
- other receivables		50,353,081	20,112,251
- group cash pooling		126,580,059	139,194,254
Share capital not paid in		200,000,000	200,000,000
Prepaid expenses		12,667,686	21,107,663
TOTAL ASSETS		2,486,692,271	2,605,176,744

Liabilities and equity			
CHF		31.12.2015	31.12.2014
Technical provisions		1,464,821,707	1,440,904,914
- Unearned premium reserve		379,577,617	403,864,163
- Provision for outstanding claims		840,174,241	800,162,932
- Equalization reserves		35,859,312	65,700,712
- Reserve for policyholder dividends		209,210,537	171,177,107
Non technical provisions		7,013,236	8,385,887
Insurance payables		236,909,931	371,899,671
- due to group companies or shareholder		68,535,582	107,226,319
- due to third parties		168,374,349	264,673,351
Other liabilities		13,972,083	10,373,565
TOTAL LIABILITIES		1,722,716,956	1,831,564,036
Share capital		400,000,000	400,000,000
Share premium account		100,811,412	100,811,412
General reserves		99,188,588	99,188,588
Voluntary retained earnings		163,975,316	173,612,708
- Retained earnings		100,000,000	100,000,000
- Profit of the year		63,975,316	73,612,708
Total equity		763,975,316	773,612,708
TOTAL LIABILITIES AND EQUITY		2,486,692,271	2,605,176,744

Financial Statements of Allianz Risk Transfer AG, Zurich

Income statement

CHF	2015	2014
Gross premium written	1,310,985,306	1,194,681,613
Premiums ceded to reinsurers	-923,917,250	-821,688,218
Net premiums written	387,068,056	372,993,396
Change in unearned premium reserves	12,903,151	-61,793,243
Net premiums earned	399,971,206	311,200,153
Total technical income	399,971,206	311,200,153
Claims and claim expenses paid	-153,300,150	-421,243,495
- Gross claims and claims expenses paid	-225,786,663	-587,746,342
- Reinsurer's share of claims and claim expenses	72,486,513	166,502,848
Change in technical provisions	-58,516,761	197,017,299
- Change in claims reserve	-52,549,194	213,993,513
- Change in profit share provisions	-35,808,967	-16,976,214
- Change in equalization reserve	29,841,400	-
Net claims and claim expenses incurred	-211,816,911	-224,226,195
Profit shares paid	2,515,570	-
Commissions	345,828	31,277,072
Administration expenses	-63,761,320	-60,532,475
Net acquisition costs and administrative expenses	-63,415,492	-29,255,403
Other insurance expenses	-5,323,867	-49,278
Total technical expenses	-278,040,701	-253,530,877
Income from investments	18,834,408	36,913,561
- Interest and dividends	13,753,766	21,421,621
- Other financial income and expenses	1,802,738	4,687,618
- Write-ups of investments	1,630,119	5,069,045
- Write-ups of investments in subsidiaries	-	3,923,591
- Realized gains on investments	1,647,785	1,811,686
Expenses from investments	-34,606,444	-16,881,143
- Write-downs of investments	-	-1,204,375
- Write-downs of investments in subsidiaries	-29,841,400	-12,453,799
- Administrative expenses	-1,744,690	-2,415,724
- Realized losses on investments	-3,020,354	-807,246
Net income from investments	-15,772,036	20,032,418
Other financial income	-	3,099,883
Other financial expenses	-36,475,154	-
Operating income	69,683,315	80,801,577
Profit before tax	69,683,315	80,801,577
Income tax expense	-5,707,999	-7,188,869
PROFIT OF THE YEAR	63,975,316	73,612,708

Financial Statements of Allianz Risk Transfer AG, Zurich

Cash Flow statement

CHF	2015
Profit/loss	63,975,316
Increase/decrease in	
Unearned premium reserves	-24,286,546
Technical provisions	48,203,339
Non-technical provisions	-1,372,651
Reinsurance share of technical provisions	23,395,708
Gains/losses on disposals of	
Property and equipment	30,016
Increase/decrease in other assets and liabilities	
Deposits on ceded reinsurance business	-35,641,507
Write-downs of investments in subsidiaries	29,841,399
Insurance receivables	182,330,817
Other receivables	-17,626,635
Prepaid expenses	8,439,976
Insurance payables	-134,989,740
Other liabilities	3,598,518
Cash flow from operating activities	145,898,010
Purchase/Proceeds from	
Sale of fixed-interest securities	-162,292,209
Sale of loans	95,784,450
Sale of shares	-13,158
Sale of other investments	1,763,949
Derivative financial instruments	6,443,382
Cash flow from investing activities	-58,313,585
Dividend payments	-73,612,708
Cash flow from financing activities	-73,612,708
Change in cash and cash equivalents	13,971,716
Statement:	
Cash and cash equivalents as of 1 January	44,793,231
Cash and cash equivalents as of 31 December	58,764,947
Change in cash and cash equivalents	13,971,716

Financial Statements of Allianz Risk Transfer AG, Zurich

Notes

These financial statements were prepared according to the principals of the Swiss Code of Obligations. The prior year figures have been re-grouped according to the revised accounting law, in order to achieve a consistent presentation and break-down of the figures. With regard to the Cash Flow Statement only current year figures are presented.

1. Accounting principles

Receivables from the insurance business

Valuations are made at nominal values less individual and general value adjustments. The companies' credit review takes place in cooperation with the parent company, and if necessary, is complemented with additional information.

Investment funds and shares

Investment funds and shares are valued using the principle of the lower of cost or market. The lower value is selected.

Participations

Participations are valued at the acquisition cost. Impairment tests are performed annually.

Structured products and CDOs

The company uses its own models to value structured products and CDOs. The amortization of products is calculated using a procedure similar to the IRR method.

Bonds

Fixed income securities are valued at acquisition cost plus/minus amortization of premiums or discounts (amortised cost method). The securities are amortised using the profit and loss account.

Provisions for outstanding claims

Provisions for outstanding claims are used for claims incurred but not yet finally settled. This includes IBNR. The reserves are valued as at the reporting date, based on the reports of cedants or actuarial assumptions.

Reserves for unearned premiums

Unearned premium reserves are reported by the cedants or calculated using the pro-rata temporis method.

Other assets and liabilities

The valuation is made at nominal rates using the foreign exchange rates at year-end.

6. Statement of changes in equity

CHF	Paid in Capital	Legal Reserves	Retained earnings	Total equity
As of 31 Dec 2013	200,000,000	200,000,000	170,250,432	570,250,432.00
Transfer to legal retained earnings	-	-	-	-
Transfer to voluntary retained earnings	-	-	-	-
Purchase / sale of treasury shares	-	-	-	-
Profit for the period			73,612,708	73,612,707.62
Dividend payments			-70,250,432	-70,250,432.00
As of 31 Dec 2014	200,000,000	200,000,000	173,612,708	573,612,708
Transfer to legal retained earnings	-	-	-	-
Transfer to voluntary retained earnings	-	-	-	-
Purchase / sale of treasury shares			63,975,316	63,975,315.59
Profit for the period			-73,612,708	-73,612,707.62
Dividend payments			163,975,316	163,975,316
As of 31 Dec 2015	200,000,000	200,000,000	163,975,316	563,975,316

7. Change in technical provisions

Non-life	Technical provisions (gross)		Reinsurers' share		Technical provisions written (net)	
	2015	2014	2015	2014	2015	2014
Change in loss reserves	-52,549,194	213,993,513	-12,417,107	34,526,285	-64,966,301	248,519,799
Change in provisions for policyholder participations	-	-	-35,808,967	-16,976,214	-35,808,967	-16,976,214
Change in equalization reserve	29,841,400	-			29,841,400	-
Total	-22,707,794	213,993,513	-48,226,074	17,550,071	-70,933,868	231,543,585

8. Audit fees

CHF	2015	2014
Audit services	254,880	224,640
Other services	-	-
Total	254,880	224,640

9. Income from investments

CHF	Income*		Net unrealized gains		Net realized gains		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Real estate	-	-	-	-	-	-	-	-
Participations	-	-	3,923,591	-	-	-	3,923,591	-
Fixed-interest securities	13,753,766	21,421,621	1,630,119	5,069,045	1,647,785	1,811,686	17,031,670	28,302,352
Loans	-	-	-	-	-	-	-	-
Mortgage loans	-	-	-	-	-	-	-	-
Shares	-	-	-	-	-	-	-	-
Other investments	1,802,738	4,687,618	-	-	-	-	1,802,738	4,687,618
Total	15,556,504	26,109,239	1,630,119	8,992,636	1,647,785	1,811,686	18,834,408	36,913,561

* Income relates to dividends for shares (incl. from associates), interest coupons, interest on cash and cash equivalents and rental income.

10. Expenses from investments

CHF	Net unrealized losses		Net realized losses		Total	
	2015	2014	2015	2014	2015	2014
Real estate	-	1	-	-	-	1
Participations	-29,841,400	-12,453,799	-29,841,400	-12,453,799	-29,841,400	-12,453,799
Fixed-interest securities	-	-1,204,375	-3,020,354	-807,247	-3,020,354	-2,011,622
Loans	-	-	-	-	-	-
Mortgage loans	-	-	-	-	-	-
Shares	-	-	-	-	-	-
Other investments	-1,744,690	-2,415,724	-1,744,690	-2,415,724	-1,744,690	-2,415,724
Total	-31,586,090	-16,073,896	-3,020,354	-807,247	-34,606,444	-16,881,143

* Expenses relate to administrative expenses in connection with real estate and external asset management costs (out-of-pocket expenses, transfer fees, etc.).

11. Total amount of assets pledged to secure own liabilities, as well as assets with retention of title

CHF	31.12.2015	31.12.2014
Book value of restricted assets	114,600,364	127,769,248
Assets pledged to secure open derivative transactions	-	-
Other collateral assignments	121,094,811	136,231,818
Assets under reservation of ownership	-	-
Total	235,695,175	264,001,066

12. 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.

13. Full-time equivalents

The annual average number of full-time equivalents for the reporting year 2015 was 108 (2014: 90).

Proposed appropriation of retained earnings of Allianz Risk Transfer AG, Zurich

	2015	2014
Retained earnings brought forward	173,612,708	170,250,432
Dividend	-73,612,708	-70,250,432
Profit of the year	63,975,316	73,612,708
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Retained earnings at the end of the year	163,975,316	173,612,708
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The board of directors proposes to appropriate the retained earnings as follows:

General reserves		
Dividend	63,975,316	73,612,708
Retained earnings carried forward	100,000,000	100,000,000
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	163,975,316	173,612,708
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*) The level of general reserves meets the regulatory requirements. Further allocations have been waived.