

Annual Review

Allianz Risk Transfer Financial Results 2012

Unaudited Consolidated Financial Statements

The following unaudited consolidated financial statements present a consolidated view of the entire Allianz Risk Transfer Group (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.

Headquartered in Zurich, ART Group operates through affiliated companies and maintains offices in Amsterdam, Bermuda, London, New York, Dubai and Rio de Janeiro.

The ART Group comprises Allianz Risk Transfer AG (incorporated in Switzerland) and the following (direct or indirect) core subsidiaries:

- Allianz Risk Transfer N.V., The Netherlands
- Allianz Risk Transfer (Bermuda) Limited, Bermuda
- Allianz Risk Transfer, Inc., United States of America
- Allianz Global Corporate & Specialty Resseguros Brasil S.A., Brazil
- Prism Re (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.

Unaudited Consolidated Balance Sheet

<i>As at December 31 (CHF 000s)</i>	2012	2011
Cash and cash equivalents	339,155	323,855
Investments	1,020,963	1,837,240
Total invested assets	1,360,118	2,161,095
Receivables	445,428	472,019
Fixed assets	1,317	1,874
Deferred acquisition costs	25,436	28,128
Insurance reserves ceded	652,578	453,495
Deferred tax asset	15,540	12,657
Intangible assets	1,014	2,330
Total other assets	1,141,313	970,503
TOTAL ASSETS	2,501,431	3,131,598
Unearned premium reserve	347,119	292,746
Profit share and aggregate reserve		1,813
Loss and loss adjustment expense reserve	857,322	1,117,347
Technical reserves	1,204,441	1,411,906
Other liabilities	584,706	914,368
Deferred tax liabilities	10,355	4,504
Total liabilities	1,799,502	2,330,778
Issued capital	200,000	200,000
Legal reserves	200,000	200,000
Unrealized gains / (losses) on available-for-sale investments and foreign currency	(127,015)	(116,775)
Retained earnings	339,973	245,818
Current year earnings	88,971	271,777
Total shareholders' equity	701,929	800,820
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,501,431	3,131,598

Unaudited Consolidated Income Statement

<i>For year ended December 31 (CHF 000s)</i>	2012	2011
Gross premiums written (including fee income)	1,115,480	1,177,227
Net premiums written (including fee income)	261,100	179,375
Change in unearned premium reserves	7,408	153,123
Net premiums earned (including fee income)	268,508	332,498
Claims paid and increase in loss reserves	(140,234)	20,751
Profit shares paid and accrued		276
Benefits (net) payable to policyholders	(140,234)	21,027
Underwriting expense (net)	(85,826)	(99,260)
Net underwriting income	42,448	254,265
Investment income (net)	55,717	53,291
Other income and expense (net)	(1,573)	(2,124)
Net income before tax	96,592	305,432
Taxes	(7,621)	(33,655)
Net income	88,971	271,777

Critical Accounting Policies under IFRS

We set out below an overview of the accounting policies adopted by Allianz Risk Transfer AG (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.

(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 changes in 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.

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 important 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 the 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 2012 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, profit and loss account and notes for the year ended 31 December 2012.

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 2012 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

Hieronymus T. Dormann
Licensed Audit Expert

Zurich, April 19, 2013

Balance Sheet

<i>As at December 31 (CHF)</i>	2012	2011
Non-current assets		
Participations	205,726,221	92,824,973
Shares	1,656,373	1,699,990
Derivative	7,039,912	
Bonds	728,711,776	1,609,632,714
Loans to third parties	26,334,129	33,014,117
Loans to associated enterprises	84,476,000	84,973,000
Short-term investments	17,240	213,521,035
Investments	1,053,961,650	2,035,665,829
Office equipment	472,975	726,825
Reinsurers' share of the technical provisions	607,461,107	380,427,985
Outstanding share capital	200,000,000	200,000,000
Total non-current assets	1,861,895,732	2,616,820,639
Cash and cash equivalents	66,359,363	51,842,930
Receivables		
• reinsurance deposits	13,789,039	5,224,787
• due from third parties	260,415,906	188,562,652
• due from group companies or shareholders	77,961,440	52,777,648
• group cash pooling	72,967,972	129,091,818
• other receivables	2,274,174	8,620,715
Accrued income	14,588,227	29,706,913
Deferred acquisition cost	269,471	3,556,835
Total current assets	508,625,592	469,384,298
TOTAL ASSETS	2,370,521,324	3,086,204,937
Unearned premium reserve	347,733,997	239,506,887
Reserve for policyholder dividends	100,593,162	82,594,344
Provision for outstanding claims	818,181,191	1,385,770,071
Equalization reserves	55,536,769	48,253,207
Technical provisions	1,322,045,119	1,756,124,509
Other non-technical provisions	31,171,624	45,875,318
Payables		
• due to third parties	137,571,212	158,912,683
• due to group companies or shareholders	33,380,009	220,196,778
Other short-term liabilities	30,919,414	30,517,834
Other liabilities	233,042,259	455,502,613
TOTAL LIABILITIES	1,555,087,378	2,211,627,122
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	215,433,946	274,577,815
TOTAL SHAREHOLDERS' EQUITY	815,433,946	874,577,815

Profit and Loss Account for the Financial Year

<i>For year ended December 31 (CHF)</i>	2012	2011
Gross premium written	1,111,202,292	787,435,978
Premium ceded	(814,572,270)	(553,630,305)
Change in unearned premium reserve	(4,599,236)	169,903,475
Net premium earned	292,030,786	403,709,148
Claims paid	(882,279,612)	(368,768,792)
Change in claims reserve	679,143,089	332,246,830
Total claims incurred	(203,136,524)	(36,521,962)
Profit shares paid	(154,805)	(8,498,246)
Change in profit share provisions	(18,699,933)	51,302
Total profit shares	(18,854,738)	(8,446,944)
Commissions	10,679,565	(64,029,088)
Other technical income and expenses	(5,947,881)	(39,328,627)
Administration expenses	(41,045,265)	(38,044,905)
UNDERWRITING RESULT	33,725,943	217,337,622
Interest and dividends	42,730,907	42,267,560
Other financial income and expenses	4,690,789	3,096,247
Write-ups of investments	712,660	1,524,467
Write-ups of investments in subsidiaries	45,723,912	
Realized gains on investments	20,555,030	7,601,275
Investment income	114,413,299	54,489,549
Administrative expenses	(1,644,485)	(1,535,937)
Realized losses on investments	(1,519,918)	(6,093,835)
Investment expenses	(3,164,403)	(7,629,772)
INVESTMENT RESULT	111,248,895	46,859,777
Income and expenses from currency translation	(13,073,619)	(868,835)
Other income and expenses	(13,073,619)	(868,835)
PROFIT / LOSS BEFORE INCOME TAXES	131,901,219	263,328,564
Income taxes	(13,045,088)	(27,661,159)
PROFIT OF THE YEAR	118,856,131	235,667,405

Notes to the financial statements

1. Fire insurance value of fixed assets	2012	2011
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 (U.K.) Ltd., London / UK, a 98.9% share in Prism Re (Bermuda) Ltd., Hamilton / Bermuda and a 99.9% share in Allianz Global Corporate & Specialty do Brasil Participações LTDA., Rio de Janeiro / Brazil.

The paid-in capital per company:

Allianz Risk Transfer N.V., Amsterdam	€ 22.7 million
Allianz Risk Transfer Inc., New York	\$ 58.5 million
Prism Re (Bermuda) Ltd., Hamilton	\$ 18.2 million
Allianz Risk Transfer (U.K.) Ltd., London	£ 1.0 million
Allianz Global Corporate & Specialty do Brasil Participações LTDA., Rio de Janeiro	R\$ 151.6 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 evaluated and assessed the operational, financial and compliance risks of the company. There are procedures in place to monitor and/or mitigate these risks.

5. Other

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

Contact Us

AMSTERDAM

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

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

LONDON

Allianz Risk Transfer*
Allianz Global Corporate & Specialty AG (UK) Branch
Allianz House
60 Gracechurch Street, London EC3V 0HR
United Kingdom
Phone +44 20 3451 3000, Fax +44 20 7283 8125

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

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

ZURICH

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

www.art.allianz.com

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. Allianz Risk Transfer assumes no obligation to update any forward-looking statement.

Copyright ©2013 Allianz Risk Transfer. All rights reserved.

The material contained in this publication is designed to provide general information only, and the information is provided as of the date hereof and is subject to change without notice. Please be aware that the information relating to any risk coverage, terms and conditions are provided for general guidance purposes only. Such information is not exhaustive and does not constitute, or purport to constitute, any offer to provide any coverage by any member company of Allianz Risk Transfer Group or Allianz Group or any solicitation to enter into any transaction for any purpose whatsoever, including any particular terms of coverage or the availability of any coverage in any particular jurisdiction. Whilst every effort has been made to ensure that the information provided is accurate, this information is provided without any (express or implied) representation or warranty of any kind about its accuracy, suitability or completeness and Allianz Risk Transfer and its member companies cannot be held responsible for any information provided herewith.

Allianz Risk Transfer AG
Lavaterstrasse 67
8002 Zurich
Switzerland

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

www.art.allianz.com

