

**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**

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**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.

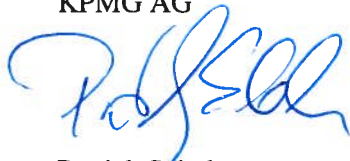
### **Report on Other Legal Requirements**

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	31.12.2015	31.12.2014
<b>CHF</b>		
<b>Investments</b>	<b>1,077,820,652</b>	<b>1,042,905,085</b>
- 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>	<i>4,012,048</i>	<i>15,957,902</i>
- <i>Loans to associated enterprises</i>	<i>44,244,642</i>	<i>128,083,239</i>
- 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
<b>Insurance receivables</b>	<b>353,371,949</b>	<b>535,702,767</b>
- due from third parties	270,525,881	356,289,701
- due from group companies or shareholder	82,846,068	179,413,066
<b>Other receivables</b>	<b>176,933,140</b>	<b>159,306,505</b>
- 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
<b>TOTAL ASSETS</b>	<b>2,486,692,271</b>	<b>2,605,176,744</b>

Liabilities and equity	31.12.2015	31.12.2014
<b>CHF</b>		
<b>Technical provisions</b>	<b>1,464,821,707</b>	<b>1,440,904,914</b>
- 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
<b>Insurance payables</b>	<b>236,909,931</b>	<b>371,899,671</b>
- 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
<b>TOTAL LIABILITIES</b>	<b>1,722,716,956</b>	<b>1,831,564,036</b>
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
<b>Voluntary retained earnings</b>	<b>163,975,316</b>	<b>173,612,708</b>
- Retained earnings	100,000,000	100,000,000
- Profit of the year	63,975,316	73,612,708
<b>Total equity</b>	<b>763,975,316</b>	<b>773,612,708</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>2,486,692,271</b>	<b>2,605,176,744</b>

## 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
<b>Net premiums written</b>	<b>387,068,056</b>	<b>372,993,396</b>
Change in unearned premium reserves	12,903,151	-61,793,243
<b>Net premiums earned</b>	<b>399,971,206</b>	<b>311,200,153</b>
<b>Total technical income</b>	<b>399,971,206</b>	<b>311,200,153</b>
<b>Claims and claim expenses paid</b>	<b>-153,300,150</b>	<b>-421,243,495</b>
- 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
<b>Change in technical provisions</b>	<b>-58,516,761</b>	<b>197,017,299</b>
- 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	-
<b>Net claims and claim expenses incurred</b>	<b>-211,816,911</b>	<b>-224,226,195</b>
<b>Profit shares paid</b>	<b>2,515,570</b>	<b>-</b>
Commissions	345,828	31,277,072
Administration expenses	-63,761,320	-60,532,475
<b>Net acquisition costs and administrative expenses</b>	<b>-63,415,492</b>	<b>-29,255,403</b>
Other insurance expenses	-5,323,867	-49,278
<b>Total technical expenses</b>	<b>-278,040,701</b>	<b>-253,530,877</b>
<b>Income from investments</b>	<b>18,834,408</b>	<b>36,913,561</b>
- 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
<b>Expenses from investments</b>	<b>-34,606,444</b>	<b>-16,881,143</b>
- 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
<b>Net income from investments</b>	<b>-15,772,036</b>	<b>20,032,418</b>
Other financial income	-	3,099,883
Other financial expenses	-36,475,154	-
<b>Operating income</b>	<b>69,683,315</b>	<b>80,801,577</b>
<b>Profit before tax</b>	<b>69,683,315</b>	<b>80,801,577</b>
Income tax expense	-5,707,999	-7,188,869
<b>PROFIT OF THE YEAR</b>	<b>63,975,316</b>	<b>73,612,708</b>

## Financial Statements of Allianz Risk Transfer AG, Zurich

### Cash Flow statement

CHF	2015
<b>Profit/loss</b>	<b>63,975,316</b>
<b>Increase/decrease in</b>	
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
<b>Gains/losses on disposals of</b>	
Property and equipment	30,016
<b>Increase/decrease in other assets and liabilities</b>	
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
<b>Cash flow from operating activities</b>	<b>145,898,010</b>
<b>Purchase/Proceeds from</b>	
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
<b>Cash flow from investing activities</b>	<b>-58,313,585</b>
Dividend payments	-73,612,708
<b>Cash flow from financing activities</b>	<b>-73,612,708</b>
<b>Change in cash and cash equivalents</b>	<b>13,971,716</b>
<b>Statement:</b>	
Cash and cash equivalents as of 1 January	44,793,231
Cash and cash equivalents as of 31 December	58,764,947
<b>Change in cash and cash equivalents</b>	<b>13,971,716</b>

# 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.



## 2. Participations

Participation	Registered office	Share in capital		Share in voting rights in %		Book value*	
		31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Allianz Risk Transfer N.V.	Amsterdam	34,636,893	38,467,135	100.0	100.0	36,060,489	36,060,489
Allianz Risk Transfer Inc.	New York	79,008,626	81,355,743	100.0	100.0	81,355,743	81,355,743
Allianz Risk Transfer (U.K.) Ltd.	London	1,943,780	1,901,690	100.0	100.0	1,901,690	1,901,690
Allianz Global Corporate & Speciality do Brasil Participações LTDA.	Rio de Janeiro	63,267,060	93,108,460	99.9	99.9	63,267,060	93,108,460
<b>Total</b>						<b>182,584,981</b>	<b>212,426,381</b>

## 3. Prepaid expenses

	31.12.2015	31.12.2014
CHF		
Accrued interest on investments	9,688,097	11,350,303
Deferred rent on leases	958,139	1,217,574
Other deferrals	2,021,450	8,539,785
<b>Total</b>	<b>12,667,686</b>	<b>21,107,662</b>

## 4. Technical provisions

CHF	Technical provisions (gross)		Reinsurers' share		Technical provisions written (net)	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Unearned premium reserve	379,577,617	403,864,163	-243,898,901	-255,430,184	135,678,716	148,433,979
Loss reserves	840,174,241	800,162,932	-307,485,274	-319,349,699	532,688,968	480,813,233
Other technical provisions						
Actuarial reserves						
Provisions for policyholder participations	209,210,537	171,177,107			209,210,537	171,177,107
Equalization reserves	35,859,312	65,700,712			35,859,312	65,700,712
<b>Total</b>	<b>1,464,821,707</b>	<b>1,440,904,914</b>	<b>-551,384,174</b>	<b>-574,779,882</b>	<b>913,437,532</b>	<b>866,125,032</b>

## 5. Receivables from and liabilities to related parties

CHF	Third-party		Group Companies		Management		Shareholder	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Insurance receivables	270,525,881	270,525,881	51,231,449	51,231,449	-	-	31,614,619	353,371,949
Other receivables	50,353,081	50,353,081	126,580,059	126,580,059	-	-	-	176,933,140
Insurance payables	168,374,349	168,374,349	33,772,386	33,772,386	-	-	34,763,196	236,909,931
Other liabilities	14,018,604	14,018,604	-46,521	-46,521	-	-	-	13,972,083
<b>Total</b>	<b>486,976,515</b>	<b>486,976,515</b>	<b>138,543,373</b>	<b>138,543,373</b>	<b>-</b>	<b>-</b>	<b>66,377,815</b>	<b>554,287,163</b>

CHF	Third-party		Group Companies		Management		Shareholder	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Insurance receivables	356,289,701	356,289,701	86,937,625	86,937,625	-	-	92,475,441	535,702,767
Other receivables	20,112,251	20,112,251	139,194,254	139,194,254	-	-	-	159,306,505
Insurance payables	264,673,351	264,673,351	72,778,011	72,778,011	-	-	34,448,308	371,899,671
Other liabilities	10,373,565	10,373,565	0	0	-	-	-	10,373,565
<b>Total</b>	<b>751,448,872</b>	<b>751,448,872</b>	<b>298,910,130</b>	<b>298,910,130</b>	<b>-</b>	<b>-</b>	<b>126,923,749</b>	<b>1,077,382,508</b>

## 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	-	-	-	-	-	-
Total	15,556,504	26,109,239	1,630,119	8,992,636	1,647,785	1,811,686	18,834,408	4,687,618
							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	
Real estate	-	1	-	-	1
Participations	-29,841,400	-12,453,799	-29,841,400	-12,453,799	-12,453,799
Fixed-interest securities	-	-1,204,375	-3,020,354	-807,247	-2,011,622
Loans	-	-	-	-	-
Mortgage loans	-	-	-	-	-
Shares	-	-	-	-	-
Other investments	-1,744,690	-2,415,724	-1,744,690	-2,415,724	-2,415,724
<b>Total</b>	<b>-31,586,090</b>	<b>-16,073,896</b>	<b>-3,020,354</b>	<b>-807,247</b>	<b>-16,881,143</b>

\* 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	<b>31.12.2015</b>	<b>31.12.2014</b>
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	-	-
<b>Total</b>	<b>235,695,175</b>	<b>264,001,066</b>

### 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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<b>Retained earnings at the end of the year</b>	<b>163,975,316</b>	<b>173,612,708</b>
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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
	<hr/>	<hr/>
	<b>163,975,316</b>	<b>173,612,708</b>
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\*) The level of general reserves meets the regulatory requirements. Further allocations have been waived.