Allianz Risk Transfer AG

Annual Report 2016

This document is an unofficial English translation of the annual report. Only the original German version of the annual report is authoritative.

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Managing Officers

Board of Directors
Chris Fischer Hirs (Chairman)
Hartmut Mai
Douglas Pennycuick
Carsten Scheffel
Thomas C. Wilson

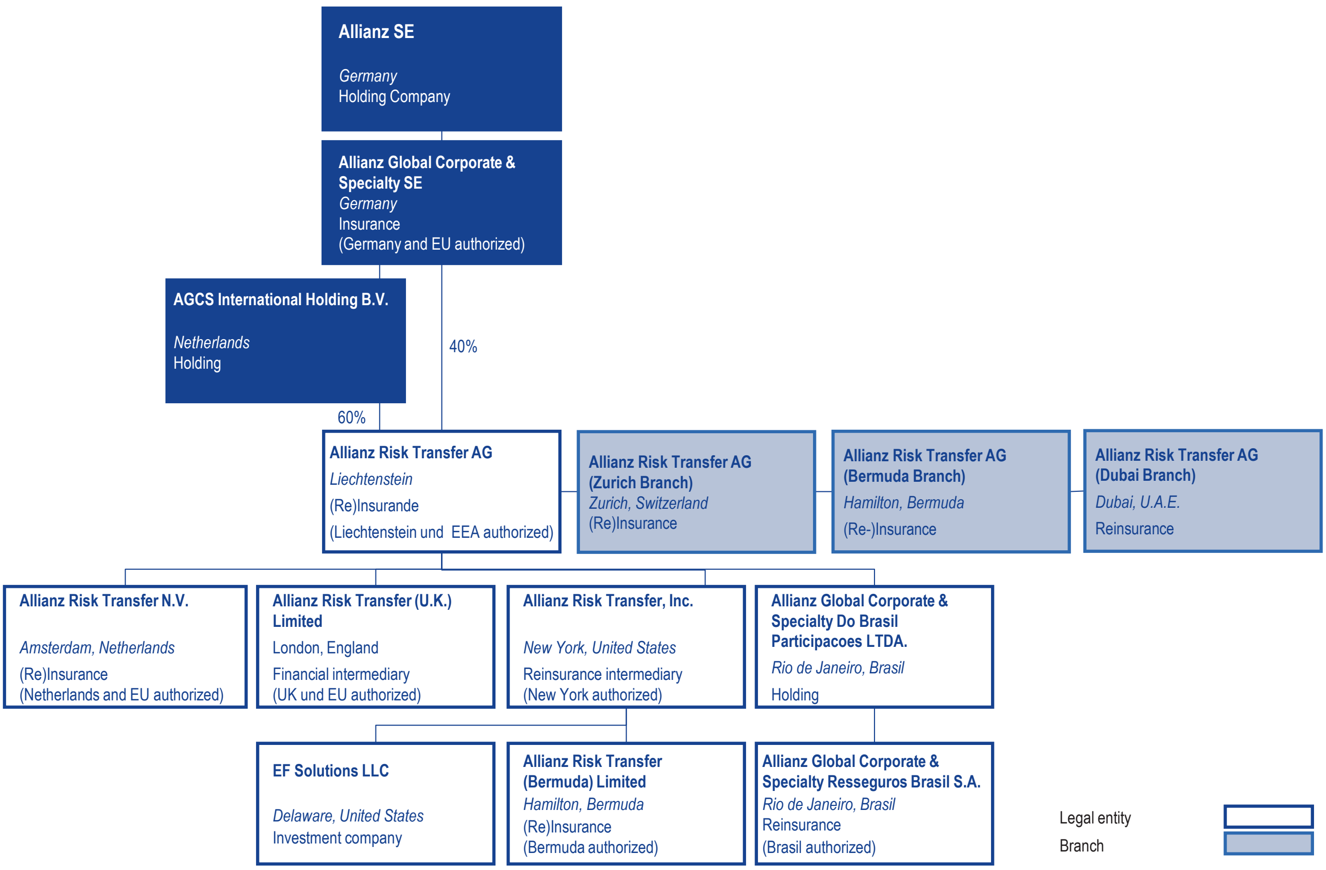
Board of Management
Bill Guffey (Chairman)
Bernhard Arbogast
Richard Boyd
Thomas Bründler
Thomas Schatzmann

Important functions
Michael Bamberger (Head Actuary)
Lara Martiner (Head of Compliance)
Christoph Müller (Head of AGCS Business)
Bruno Nietlispach (Head of Risk Management)

Internal Auditors
Petra Bösenberg (Head Auditor)

Auditors
KPMG (Liechtenstein) AG, Schaan

Company structure



Annual Report

Introduction

Allianz Risk Transfer AG (ART AG) is a Liechtenstein stock corporation and indirectly a wholly-owned subsidiary of Allianz Global Corporate & Specialty SE (AGCS SE), Munich, with registered domicile in Munich. 60 % of the shares are held by AGCS International Holding B.V. in Amsterdam, which for its part is also wholly-owned by AGCS SE. ART AG was founded in 1997 in Switzerland as a globally-operating risk entity of Allianz in the field of Alternative Risk Transfer for special insurers and reinsurers. ART AG offers internationally active clients a broad spectrum of insurance policies and reinsurance policies, predominantly in the fields of general liability, asset insurance, property and technical insurance as well as in the special fields of transport, shipping and aviation insurance and energy supply. These services also entail in particular effective claims processing, cross-border solutions within the context of international insurance programmes, captive and fronting services, risk consulting and structured risk transfer solutions. In addition, ART AG has teams in eight countries through its branch offices and subsidiaries. Together with AGCS SE and with a network of Allianz affiliate companies in over 70 countries as well as partner companies in further regions, clients can be supported in 160 countries. ART AG maintains branch offices in Zurich, Switzerland, Hamilton, Bermuda and Dubai, United Arab Emirates.

In the wake of a restructuring of the European operations of ART AG, on 3 October 2016 the registered domicile of the company was relocated from Zurich in Switzerland to Schaan in Liechtenstein. This domicile relocation also meant that the supervision of the company changed from the Swiss Financial Market Supervisory Authority (FINMA) in Switzerland to the Liechtenstein Financial Market Authority (FMA). In this conjunction reporting currency was also changed from Swiss francs to euros.

Within the context of a financial restructuring of AGCS SE, in December 2016 60 % of the share capital of ART AG was sold by AGCS SE to its Dutch subsidiary Allianz International Holding B.V..

For the 2016 financial year the company KPMG (Liechtenstein) AG, Landstrasse 99, 9494 Schaan, Liechtenstein was appointed as Auditor. ART AG is part of the Allianz Group, which is headed by Allianz SE, Munich. The solvency II consolidated financial statements of Allianz SE shall be published on its website in May. It may either be read there or requested from the company. ART AG is included in the solvency II consolidated financial statements of Allianz SE.

The annual report of ART AG and further documents are available under www.art.allianz.com.

Performance and result of the business activities

The field of business of Allianz Risk Transfer AG encompasses the national and international industrial client business as well as client-specific special solutions in all fields of non-life insurance as well as the reinsurance of all risks. In addition, ART AG also acts as a reinsurer for internal group risks.

The company continued rigorously to apply its risk-compliant and selective subscription and reinsurance policy in 2016, in an environment that was characterised by competitive pressures. The company has invested further in the global standardisation and optimisation of business processes in all corporate divisions, and will continue to do this in future.

The gross premium volume declined moderately in the financial year to reach EUR 1.090 billion (previous year EUR 1.247 billion). The decline amounting to around EUR 157.0 million resulted primarily from the fronting business for natural catastrophe risks, which were written through the ART AG branch office in Bermuda. Written premiums in Switzerland as well as in Dubai remained broadly at the same level as the previous year. No business was written via the new head office in Liechtenstein in the year 2016. The premiums earned on own account fell slightly in year-on-year terms by EUR 35.6 million to EUR 311.0 million. This reduction resulted mainly from the business of the Bermuda branch office, where reinsurance contracts amounting to EUR 47.0 million were not renewed.

The net claims burden rose slightly due to major claims in the non-proportional reinsurance field from EUR 199.2 million to EUR 205.6 million. This meant the claims ratio rose from 57 % in the year 2015 to 66 % in the year 2016.

Although commission revenues from reinsurance declined during the financial year, the overall cost ratio was nevertheless maintained. The positive result was boosted by revenues from profit shares that were not performance-related.

The net claims-cost ratio rose from 64 % to 79 % in the year under report. The previous year was favoured by the dissolution of fluctuation reserves. Adjusted to take the dissolution of fluctuation reserves into account, the ratio rose from 72 % to 79 %, primarily due to the above-mentioned decline in earned net premiums.

Relative to the previous year, revenues from capital assets rose from EUR 19.4 million to reach EUR 27.4 million. Despite the persistently low level of interest rates, current interest and dividend revenues increased 60 % to reach EUR 25.2 million. This increase was due above all to interest revenues from a private equity fund. Interest charges, capital asset charges and asset management charges remained at the level of the previous year.

During the year under report value adjustments on shareholdings amounting to EUR 13.2 million were performed (previous year EUR 27.4 million). In the previous year the Swiss National Bank abandoned the minimum Swiss franc exchange rate against the euro. This led to very high write-offs of foreign currency holdings (EUR 40.1 million). The situation then recovered during the year under report. The foreign currency result was positive in the year 2016, enabling ART AG to generate a profit of EUR 7.4 million.

In overall terms the pre-tax result rose EUR 16.9 million to reach EUR 81.6 million. The tax burden increased from EUR 5.3 million to EUR 15.5 million. The net result after tax rose from EUR 59.4 million to reach EUR 66.1 million.

Capital asset strategy

ART AG continued to pursue its low-risk investment strategy in the year 2016. This saw the company aiming to achieve the most attractive possible return, while limiting the risks. Diversifying capital assets amongst many different investment segments and currencies once again cushioned the impact of historically low interest rates.

Due to the financial obligations associated with the insurance business, the overwhelming majority of the company's portfolio is invested in fixed-interest assets. At the same time, the average maturity of the fixed-interest assets was raised moderately during the course of the year.

The fixed interest assets comprise largely corporate bonds and international government bonds. A large proportion of the government bonds as well as of the bonds of state-linked issuers remain concentrated on the core countries of the Eurozone.

The company pursues a currency-congruent capital investment strategy. All major currencies, with the exception of the British pound, rose in value against the euro during the course of the year.

Performance of the capital assets
The book value of the capital asset portfolio of ART AG rose slightly during the year under report to reach EUR 1.058 billion (previous year EUR 1.046 billion).

Capital assets in affiliated companies and shareholdings totalled EUR 142.8 million (previous year EUR 156.0 million).

Risk report

The principal elements of the risk management system of ART AG are:

- a well-developed risk management culture, promoted by a robust risk organisation and effective risk principles (risk governance),
- a comprehensive risk capital calculation with the aim of protecting the capital base while supporting effective capital management, and
- the integration of capital requirements and risk considerations in the decision-making and management process.

This comprehensive approach ensures that risks are reasonably identified, analysed and evaluated. The risk appetite is described in the risk strategy and made operational through the associated system of limits. In addition, further limits are identified and detailed in specific standards and guidelines. Rigorous risk monitoring and corresponding reports enable any possible failure to comply with risk tolerance criteria to be identified at an early stage. The principal risks to which ART AG is exposed are actuarial, market and credit risks.

Actuarial risk

The actuarial risk is subdivided into the premium risk and the reserve risk, i.e. the risk that the insurance premiums are insufficient to cover future claims, or that existing claims lead to settlement losses relative to the recorded loss provisions.

Premium risks are controlled inter alia by subscription guidelines. Subscription guidelines limit the insurance or liability sum per contract. Within the context of the strategic planning, future business volumes and associated risks as well as their impact on solvency are planned. In respect of the reserve risk, the development of provisions for insurance cases is regularly monitored at the individual contract level. In addition, ART AG conducts annual reserve uncertainty analyses in order to analyse the sensitivity of the reserves against the assumptions upon which their calculations are based.

Market risk

The market risk is the risk of losses arising out of market fluctuations, differentiated according to the nature of the capital asset.

The capital assets of ART AG are centrally managed within the context of functional outsourcing by specialists at Allianz Investment Management SE. The capital asset strategy is based upon the needs of the asset liability management of ART AG. Implementation of the capital asset strategy by Allianz Investment Management SE is performed within the context of a risk and limit system for capital assets that is defined by ART AG. The risk and limit system is reviewed by the company every year.

The strategic asset allocation of the company stipulates that capital assets must essentially be invested in fixed-interest securities. The assets are held in accordance with the principle of corporate caution, and are normally held until maturity. The interest risk is controlled within a comprehensive asset liability management context. Credit risks resulting from fixed-interest securities are monitored using concentration limits. No derivatives were used to hedge capital assets in the year under report.

Credit risk

The credit risk encompasses the counterparty default risk due to insolvency or payment difficulties at reinsurers, insurance companies, insurance brokers and security issuers as well as the creditworthiness risk resulting from a deterioration in the creditworthiness of debtors.

The premium revenues and the equity capital needed to cover the subscribed risks are invested largely in fixed-interest securities. Because its business focuses on the non-life insurance field, ART AG typically invests its capital assets in fixed-interest securities with short to medium-term maturities, which reduces the credit risk.

The credit risk vis-á-vis reinsurers results from insurance risks that ART AG transfers to reinsurance companies in order to minimise its own actuarial risks. Possible losses may arise either from payment defaults linked to existing settlement claims arising out of the reinsurance business or reinsurance claim defaults.

Reinsurance partners are assessed by the Allianz Security Vetting Team (SVT). The SVT ensures that companies with strong credit profiles are selected whenever possible. In addition, if necessary documentary credits, cash deposits or other financial securities may also be required to further reduce the credit risks.

Credit limits are centrally controlled within the Allianz Group. The limits for individual counterparties are based on a variety of factors, such as for example the rating of the debtor, its balance sheet total, the relevant segment as well as the business region; account is also taken of the respective limit utilisation when setting the limits.

ART AG is also able to independently reduce the allocated limits for the maximum risk vis-à-vis a debtor or a group of debtors.

For detailed information about the risk profile of ART AG, see the Report on the Solvency and Financial Situation.

Solvency and financial condition report

Insurance companies are required to publish an annual report on their solvency and their financial situation, taking account of qualitative and quantitative aspects as well as considering historic, current and forecast elements, based on data from internal and external sources.

ART AG publishes the "Solvency and Financial Condition Report" as a separate document on its website in the section "Facts & Figures" under www.art.allianz.com.

Forecast

The company is expecting premiums in the coming years to continue to be characterised by steadily intensifying competition, as an increasing number of primary and reinsurers are offering capacities in the industrial insurance market in order to offset reduced growth opportunities in their previous core businesses. For this reason, current forecasts indicate that pressure on premium rates will remain substantial. As profitability is the overriding premise, it is expected that in overall terms growth in premiums at ART AG will decline moderately in 2017.

The merger between ART AG and its Dutch subsidiary Allianz Risk Transfer NV (ART NV) was completed in March 2017. The integration and continued operation of this business will open up new market opportunities.

Annual financial statements

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Balance sheet

In TEUR	Notes	31.12.2016	31.12.2016	31.12.2016	01.01.2016
Assets					
B. Investments					
II. Investments in affiliated companies and shareholdings	1, 2, 3				
1. Shares in affiliated companies		142,796			156,014
2. Debentures of affiliated companies and loans to affiliated companies		41,906			40,689
			184,702		196,703
III. Other investments	2, 3				
1. Equities, other non-fixed-interest securities and units in investment funds		1,591			1,545
2. Debentures and other fixed-interest securities		856,496			777,359
3. Other capital assets		3,800			3,690
			861,888		782,594
IV. Accounts receivable on reinsurance business			11,922		67,266
				1,058,511	1,046,563
D. Other accounts receivable					
I. Receivables from direct insurance business					
1. from policyholders		2,795			3,948
c) from other policyholders		2,795			3,948
2. from insurance brokers		9,868			12,629
c) from other insurance brokers		9,868			12,629
			12,663		16,577
II. Settlement receivables from reinsurance business					
1. from affiliated companies		32,111			82,866
3. from other debtors		141,110			358,478
			173,221		441,344
III. Other accounts receivable					
1. from affiliated companies		113,367			116,406
3. from other debtors		16,816			46,306
			130,184		162,712
				316,068	620,633
E. Other assets					
I. Tangible assets (excluding real estate and buildings) and inventories			22		23
II. Current credit balances at banks, post office cheque balances, cheques and cash-in-hand			26,905		54,042
IV. Other assets			–		16,033
				26,927	70,098
F. Deferred income					
I. Accrued interest and rent			8,778		7,092
III. Other deferred income			1,220		2,740
				9,999	9,832
Total assets				1,411,505	1,747,126

In TEUR	Notes	31.12.2016	31.12.2016	31.12.2016	01.01.2016
Liabilities					
A. Equity					
I. Called-up capital					
1. Subscribed capital		263,059			263,059
2. Of which from: Non-called-up capital		-131,529			-131,529
			131,529		131,529
IV. Profit reserves	4				
1. Statutory reserve		131,529			131,529
4. Fluctuation reserves		32,977			32,977
			164,506		164,506
V. Earnings brought forward			185,374		185,374
VI. Annual profit			66,080		59,406
				547,489	540,816
D. Actuarial provisions	5				
I. Premiums brought forward					
1. Gross sum		304,717			349,070
2. Of which from: Share of reinsurers		-231,784			-224,296
			72,933		124,774
III. Provisions for unsettled insurance claims					
1. Gross sum		785,975			772,646
2. Of which from: Share of reinsurers		-357,889			-282,771
			428,086		489,875
IV. Provision for performance-related and non-performance-related premium reimbursement					
1. Gross sum		88,219			192,396
			88,219		192,396
				589,238	807,044
F. Other provisions					
II. Tax accruals			3,249		6,450
III. Other accruals			6,330		–
				9,579	6,450
G. Portfolio liabilities from insurance business allocated for reinsurance				71,687	–
H. Other liabilities					
I. Liabilities from direct insurance business					
3. to other creditors		423			3,102
			423		3,102
II. Settlement liabilities from reinsurance business					
1. payable to affiliated enterprises		91,089			105,790
3. to other creditors		89,473			259,002
			180,562		364,792
V. Other liabilities					
2. Social security liabilities		-30			–
3. Other liabilities to affiliated enterprises		–			13,932
5. Other liabilities to other creditors		12,556			10,991
			12,526		24,923
				193,511	392,816
Total liabilities				1,411,505	1,747,126

It is herewith confirmed that the provisions stated in the balance sheet under the actuarial provisions item amounting to TEUR 589,238 have been calculated in accordance with the provisions of the Liechtenstein Insurance Supervision Ordinance ("VersAV").

Schaan, 21 April 2017

Michael Bamberger
Responsible Actuary

Income statement

In TEUR	Notes	2016	2016	2016	2015
1. Premiums earned on own account					
a) Recorded gross premiums	7, 8		1,090,285		1,247,615
b) Ceded reinsurance premiums			-828,395		-881,032
c) Change in gross premiums carried forward			47,974		-6,594
d) Change in the reinsurer share of gross premiums carried forward			1,145		-13,375
				311,009	346,614
3. Other actuarial revenues for own account				3,662	–
4. Charges for insurance claims for own account					
a) Payments for insurance claims					
aa) Gross sum		-367,592			-220,738
bb) Share of reinsurers		87,380			79,752
			-280,212		-140,987
b) Change in provisions for unsettled insurance claims					
aa) Gross sum		-4,404			-47,419
bb) Share of reinsurers		79,043			-10,817
			74,640		-58,236
				-205,572	-199,222
6. Cost of performance-related and non-performance-related premium reimbursement for own account				9,995	-5,878
7. Charges for insurance operations for own account					
a) Acquisition cost			-47,047		-44,773
b) Administrative expenses			-6,029		-325
				-53,076	-45,098
8. Other actuarial expenses for own account				-63	–
9. Change in equalisation provisions and similar reserves				–	27,443
10. Technical result for non-life insurance				65,956	123,860
3. Investment income					
a) Current income from other capital assets, of which from affiliated companies		25,247			14,773
d) Revenues from additions		770			3,055
e) Profits from the disposal of capital assets		1,405			1,555
			27,421		19,383
5. Investment expenses					
a) Cost of administering capital assets and interest charges		-1,624			-1,634
b) Depreciation on capital assets		-13,218			-27,443
c) Losses from the disposal of capital assets		-476			-1,820
			-15,319		-30,898
7. Other income from ordinary business activities				7,382	–
8. Other expenditure on ordinary business activities				-3,879	-47,639
9. Results from ordinary activities				81,561	64,706
13. Taxes on income				-15,318	-5,300
14. Other taxes				-163	–
15. Annual profit/loss				66,080	59,406

Notes

General information

ART AG relocated its registered domicile from Switzerland to Liechtenstein on 3 October 2016. At the same time, the reporting currency was changed from CHF to EUR. Figures for the previous year have also been converted to EUR, whereby historic values were applied for the shares in affiliated companies. The other balance sheet items were converted at reporting date prices, while the income statement was converted at average prices.

Accounting principles

The company prepares the annual financial statements and the annual report in accordance with the provisions of the Liechtenstein Persons and Companies Act (Personen- und Gesellschaftsrecht – "PGR") as well as the Liechtenstein Insurance Supervision Act (Versicherungsaufsichtsgesetz – "VersAG") and the Liechtenstein Insurance Supervision Ordinance (Versicherungsaufsichtsverordnung – "VersAV").

The financial statements for the 2016 financial year has been drawn up in euro thousand (TEUR). The financial year corresponds to the calendar year, meaning that 31 December is the balance sheet reporting date.

As a rule, non-domestic branch offices are reported in the respective national currency. For the periodic financial statements the balance sheet items were converted at the reporting date price, while the income statement items were converted into euro at the average price.

Accounting, valuation and calculation methods

Intangible assets
Intangible assets are reported at manufacturing or procurement costs, and are depreciated linearly over their useful life, although for a maximum of 5 years.

Shares in affiliated companies, loans to affiliated companies, shareholdings
These items are reported at procurement costs. In the event of a likely permanent reduction in value, corresponding value adjustments were performed.

Other Investments
Shares, units or shares in investment funds, bearer debt securities, other fixed-interest and variable-interest securities.

Securities held as current assets are valued in accordance with the lower value principle and are reported at average procurement cost or the lower market value.

The time-weighted value of listed capital assets is determined in accordance with their stockmarket value on the balance sheet reporting date, or if this is not a trading day on the final day of trading before the balance sheet reporting date. Unlisted capital assets are reported at their probable realisable value. The time-weighted value of shares in affiliated companies and shareholdings is identified using the equity method.

Bonds
Bonds are reported in the balance sheet at continued procurement costs.

Mortgage claims, other lending and loans
These are reported at the nominal sum, adjusted to take account of any possible falls in value.

Bank deposits
These are reported at their nominal values.

Requirement to reinstate original values and write-ups
The requirement to reinstate original values applies to assets that were written down to a lower market value in past years; if their value on the balance sheet reporting date is higher than the book value, they must be written up again. The write-up is made either up to amortised cost or to a lower long-term or market value.

Accounts receivable under reinsurance business assumed
These are reported at their nominal values.

Receivables and other assets
Specifically:
a) Receivables from own insurance business
b) Settlement receivables from reinsurance business
c) Other receivables
d) Credit balances at banks, cheques and cash on hand
e) Other assets

These are reported at nominal value less repayments.

For accounts receivable from direct insurance business, general loss allowances are made to account for the credit risk.

Tangible assets and other assets are valued at their amortised procurement costs. The amortisation period is determined by the useful life. As a rule, this amounts to 5 years.

Since 2015, accounts receivable on reinsurance business have been reported separately under reinsurance assumed and reinsurance ceded for each contracting party.

Actuarial provisions

Premiums brought forward
In the direct insurance business, premiums brought forward are predominantly determined using the daily calculation method. In actuarial terms, premiums brought forward are deferred in accordance with the risk pattern of each insurance contract. Flat rates are applied to a limited extent.

For reinsurance business assumed, the premiums brought forward were reported on the basis of information provided by the ceding insurers. The reinsurance share deducted from the gross unearned premiums are predominantly determined according to the daily calculation method.

In respect of quota charges with participation in the original costs, the proportional unearned premiums were accordingly deducted from the quota share of the reinsurer.

Provisions for unsettled insurance claims
The probable insurance payout is determined for each known insurance claim on the basis of the claims records.

Statistical methods are applied for each risk group to calculate an additional provision for claims that have occurred but that have not yet been filed by the balance sheet reporting date, with the insurance business that assumed the reinsurance applying the provisions in accordance with information provided by the ceding party.

For reinsurance business ceded to reinsurers, the provisioning shares of the reinsurers are calculated in accordance with the contractual agreements.

Provisions for performance-related and non-performance-related premium reimbursement
This item is determined on an individual contract basis, and is defined in accordance with the respective anticipated payout sum.

Other provisions
Non-actuarial provisions are essentially applied at the level of the anticipated fulfilment sum. The anticipated fulfilment sum is the result of the best possible estimate.

Liabilities
Specifically:
a) Portfolio liabilities from insurance business allocated for reinsurance
b) Liabilities from direct insurance business
c) Settlement liabilities from reinsurance business
d) Liabilities to banks
e) Other liabilities

These are reported at the fulfilment value.

Since 2015, accounts payable on reinsurance business have been reported separately under reinsurance assumed and reinsurance ceded for each contracting party.

Approximation and simplification methods
To the extent that calculations from ceding insurers are not received in time for the financial year, the corresponding amounts are estimated on the basis of past experience, taking current developments into account.

Currency conversion

Transactions are generally recorded in the original currency and converted into the balance sheet currency at the relevant mean forex spot rate on the balance sheet reporting date on the day of the transaction.

Assets and liabilities denominated in foreign currency are generally converted at the mean forex spot rate on the balance sheet reporting date. Shares in affiliated companies are converted at historic values. The lowest value principle is applied for this, meaning that the losses resulting from the conversion are always taken into account, while profits are realised only if these have a residual maturity of one year or less.

As a consequence of this valuation method, currency gains and losses are not determined separately, and for this reason are not included in the currency conversion result.

Conversion rates (1 EUR):

	31.12.2016	31.12.2015
CHF	1.07200	1.08740
USD	1.05475	1.08630
GBP	0.85360	0.73705
AED	3.87400	3.99000

Notes to the balance sheet

1) Shares in affiliated companies and shareholdings

Company	Registered office	Share %	Currency	Share capital	Annual result 2016 in TEUR
Allianz Risk Transfer, Inc.	New York	100	USD	58,460,000	-4,179
Allianz Risk Transfer (U.K.) Limited	London	100	GBP	1,000,000	31
Allianz Risk Transfer N.V.	Amsterdam	100	EUR	22,690,000	1,572
Allianz Global Corporate & Specialty do Brasil Participacoes Ltda.	Rio de Janeiro	99.9	BRL	251,488,094	-11

2) Statement of fixed assets

In TEUR	01.01.2016 Book value	Inflows	Transfers	Disposals	Additions	Depreci-ation	01.12.2016 Book value
B. Investments	1,046,563	79,137	–	-55,344	1,373	-13,218	1,058,511
I. Land and buildings	–	–	–	–	–	–	–
II. Investments in affiliated companies and shareholdings	196,703	–	–	–	1,217	-13,218	184,702
1. Shares in affiliated companies	156,014	–	–	–	–	-13,218	142,796
2. Debentures of affiliated companies and loans to affiliated companies	40,689	–	–	–	1,217	–	41,906
III. Other investments	782,594	79,137	–	–	156	–	861,887
1. Equities, other non-fixed-interest securities and units in investment funds	1,545	–	–	–	46	–	1,591
2. Debentures and other fixed-interest securities	777,359	79,137	–	–	–	–	856,496
7. Other capital assets	3,690	–	–	–	110	–	3,800
IV. Accounts receivable on reinsurance business assumed	67,266	–	–	-55,344	–	–	11,922

3) Time-weighted value of the investments

In TEUR	31.12.2016	01.01.2016
Investments in affiliated companies and shareholdings		
Shares in affiliated companies	158,248	158,248
Debentures of affiliated companies and loans to affiliated companies	41,906	40,689
Other investments		
Equities, other non-fixed-interest securities and units in investment funds	1,591	1,545
Debentures and other fixed-interest securities	861,572	777,359
Other capital assets	3,800	3,690
Settlement liabilities from reinsurance business	11,922	

4) Utilisation of profit – proposal for the Shareholders' Meeting

Utilisation of profit in euro	2016	2015
Profit brought forward 31.01	185,374,201	185,374,201
Annual profit 01.01	66,079,603	59,405,681
Net profit for the year	251,453,804	244,779,882
Utilisation		
- Dividends	-66,079,603	-59,405,681
Profit brought forward	185,374,201	185,374,201

The Board of Directors proposes to the Shareholders' Meeting that a dividend amounting to EUR 66,079,602.52 from the net profit as at 31 December 2016 shall be paid out. The company draws attention to the fact that the equity capital includes an item for fluctuation reserves.

5) Gross actuarial provisions

In TEUR	Actuarial provisions 31.12.2016	Actuarial provisions 01.01.2016	of which Gross provisions for unsettled insurance claims 31.12.2016	of which Gross provisions for unsettled insurance claims 01.01.2016
Total insurance business	**589,238**	**807,044**	**1,178,911**	**1,314,111**
Direct insurance business	**86,375**	**199,224**	**216,774**	**325,248**
Fire and other property insurance	4,164	5,476	19,088	22,919
General liability insurance	44,162	133,856	116,794	203,118
Shipping, aviation and transport insurance	28,489	32,507	63,690	65,478
Miscellaneous financial losses	0	0	0	0
Vehicle liability insurance	0	316	0	0
Other insurance sectors	9,560	27,069	17,203	33,732
Assumed reinsurance business	**502,864**	**607,820**	**962,137**	**988,864**
Fire and other property insurance	182,967	346,658	453,402	558,158
General liability insurance	237,481	213,266	417,228	374,839
Shipping, aviation and transport insurance	35,055	13,861	43,099	19,847
Miscellaneous financial losses	0	0	0	0
Vehicle liability insurance	15,877	14,781	15,877	12,105
Other insurance sectors	31,483	19,254	32,530	23,914

The actuarial provisions do not contain any fluctuation provisions.

ART AG generates sales with affiliated companies, comprising exclusively Allianz Group companies, primarily in the reinsurance and service fields.

These services are charged on the basis of framework agreements and service level agreements such as are concluded between third parties.

The most extensive transactions are performed with affiliated companies. The companies are listed below.

In TEUR	2016	2015
Premiums earned on own account	156,019	123,340
Charges for insurance claims for own account	14,109	10,732

The administrative expenses and other revenues and other expenses from ordinary business activity also include in-house group performances.

6) Liabilities

The company does not have any liabilities in its accounts with a residual maturity of over five years, nor does it have liabilities that are secured by liens or other rights in rem.

No deferred tax debts exist pursuant to commercial law valuation principles.

Information about the income statement

7) Premium revenues broken down according to insurance sectors

	Recorded gross contributions		Earned net contributions		Net expenditure for insurance claims		Net expenditure for insurance operations		Actuarial net result	
In TEUR	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Direct business and proportionate assumed reinsurance business										
Fire and other property insurance	131,740	240,784	68,377	153,659	-38,269	-55,129	-62,086	-132,532	-25,654	-33,989
General liability insurance	102,169	104,175	32,366	48,604	-9,171	-1,432	-10,017	-7,495	13,178	39,677
Shipping, aviation and transport insurance	30,962	33,941	13,646	43,698	-15,099	-16,290	867	-5,718	-585	21,690
Miscellaneous financial losses	29,202	14,209	10,949	20,905	7,319	-3,982	-1,903	1,059	16,595	17,982
Other insurance policies	23,003	-9,900	18,967	-24,526	-16,783	-2,179	-4,575	25,724	-2,373	-981
Interim total	**317,076**	**383,208**	**144,305**	**242,339**	**-72,004**	**-79,011**	**-77,713**	**-118,963**	**1,161**	**44,378**
Non-proportional reinsurance business assumed										
Interim total	773,209	864,407	166,704	104,275	-124,276	-111,007	15,345	63,243	61,133	50,228
Total sum	1,090,285	1,247,615	311,009	346,614	-196,280	-190,018	-62,368	-55,720	62,294	94,605

8) Premium revenues according to regional origin

In TEUR	2016	2015
Liechtenstein	77	65
Other EEA treaty states	13,323	11,226
Other states	71,158	83,643

9) Personnel expenses

In TEUR	2016	2015
a) Wages and salaries	-21,350	-24,713
b) Social security and other pension costs	-4,859	-4,408
bb) of which in respect of old age pensions	-4,361	-3,866

Supplementary information about the annual financial statements

Allianz Global Corporate & Specialty SE (AGCS SE) with registered domicile in Munich is the (direct/indirect) parent company of ART AG, with registered domicile in Schaan, Liechtenstein. AGCS SE is a wholly-owned subsidiary of Allianz SE, Munich. The annual financial statements of Allianz SE are available under www.allianz.com.

Information about the total fees paid to the audit company are set out in the consolidated annual financial statements of Allianz SE, Munich (www.allianz.com).

10) Number of employees on an annual average

	2016	2015
Full time equivalents	111.9	108.0

11) Sureties, guarantees and contingent liabilities

Amongst the respective insurance and reinsurance contracts, the sureties, guarantees and contingent liabilities item includes two solidarity sureties in favour of the insurance and reinsurance clients of Allianz Risk Transfer NV, Amsterdam ("ART NV") and of Allianz Risk Transfer (Bermuda) Ltd., Hamilton ("ART Bermuda") to secure the corresponding liabilities of ART NV and of ART Bermuda respectively.

The sum of pledged assets amounts to TEUR 211,803 (TEUR 216,751).

12) Derivative financial instruments

ART does not use any derivatives, except to hedge the long term incentive scheme (RSU). The scope of these hedging instruments is marginal.

The attributable time-weighted value is TEUR 13,913 (01.01.16 TEUR 16,033), and is reported under Other receivables.

13) Significant events after the balance sheet reporting date

On 15 March 2017 Allianz Risk Transfer NV, Amsterdam was merged with ART AG by means of a cross-border merger. The assets and liabilities of the merged company were transferred to ART AG by means of universal succession with effect from 1 January 2017.

In the 1st quarter of 2017 a major claim amounting to around EUR 22.0 million occurred, with a corresponding impact on the income statement.

Report of the Auditors

As auditors, we have audited the annual financial statements (balance sheet, income statement and notes) as well as the annual report of Allianz Transfer AG for the financial year ending 31 December 2016. The figures for the previous year have not been audited.

The Board of Directors is responsible for the annual report and the annual financial statements, while our responsibility is to express an opinion on this based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with the Liechtenstein auditing standards promulgated by the profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the annual report and the annual financial statements are free of material misstatement. We examined on a test basis evidence supporting the amounts and disclosures in the annual financial statements. We have also assessed the accounting principles used, significant estimates made and the overall presentation of the annual financial statements. We are of the opinion that our audit provides a reasonable basis for our opinion.

In our view, the annual financial statements provide a true and fair picture of the assets, financial circumstances and earnings situation, in accordance with Liechtenstein law. Furthermore, the annual financial statements and the annual report as well as the proposed appropriation of the net profit comply with Liechtenstein law and the articles of association.

The annual report corresponds to the annual financial statements and in our view does not contain any material errors.

We recommend that the present annual financial statements be approved.

Schaan, 2 May 2017

KPMG (Liechtenstein) AG

Hans Vils	Patrick Scholz
Licensed Audit Expert	Auditor in Charge

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Only the original German version of the annual report is authoritative.**

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