

Allianz Risk Transfer AG, Zurich
Report of the Statutory Auditor
on the Financial Statements
to the General Meeting of Shareholders
Financial Statements 2012



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

Allianz Risk Transfer AG, Zurich

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*



Hieronimus T. Dormann
Licensed Audit Expert

Zurich, 19 April 2013

Enclosures:

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

Attachment 1

Balance sheet as at 31 December	2012 December CHF	2011 December CHF
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

Attachment 2

Profit and loss account for the financial year	2012	2011
	December	December
	CHF	CHF
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	-
Realised 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
Realised 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

1 Fire insurance value of fixed assets

Tangible assets	CHF 1,000,000	CHF 1,000,000
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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, 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 / Brasil.

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.

Attachment 4

Proposed appropriation of retained earnings **2012** **2011**

Retained earnings brought forward	274,577,815	78,910,410
Dividend	-178,000,000 ²⁾	-40,000,000
Profit of the year	118,856,131	235,667,405
	215,433,946	274,577,815

The Board of Directors proposes to appropriate the retained earnings as follows:

General reserves ¹⁾	-	-
Dividend	115,433,946	178,000,000 ²⁾
Retained earnings carried forward	100,000,000	96,577,815
	215,433,946	274,577,815

¹⁾ The level of general reserves meets the regulatory requirements. Further allocations have been waived.

²⁾ For 2011, a dividend of CHF 178'000'000.00 was declared at the Annual General Meeting and paid thereafter.