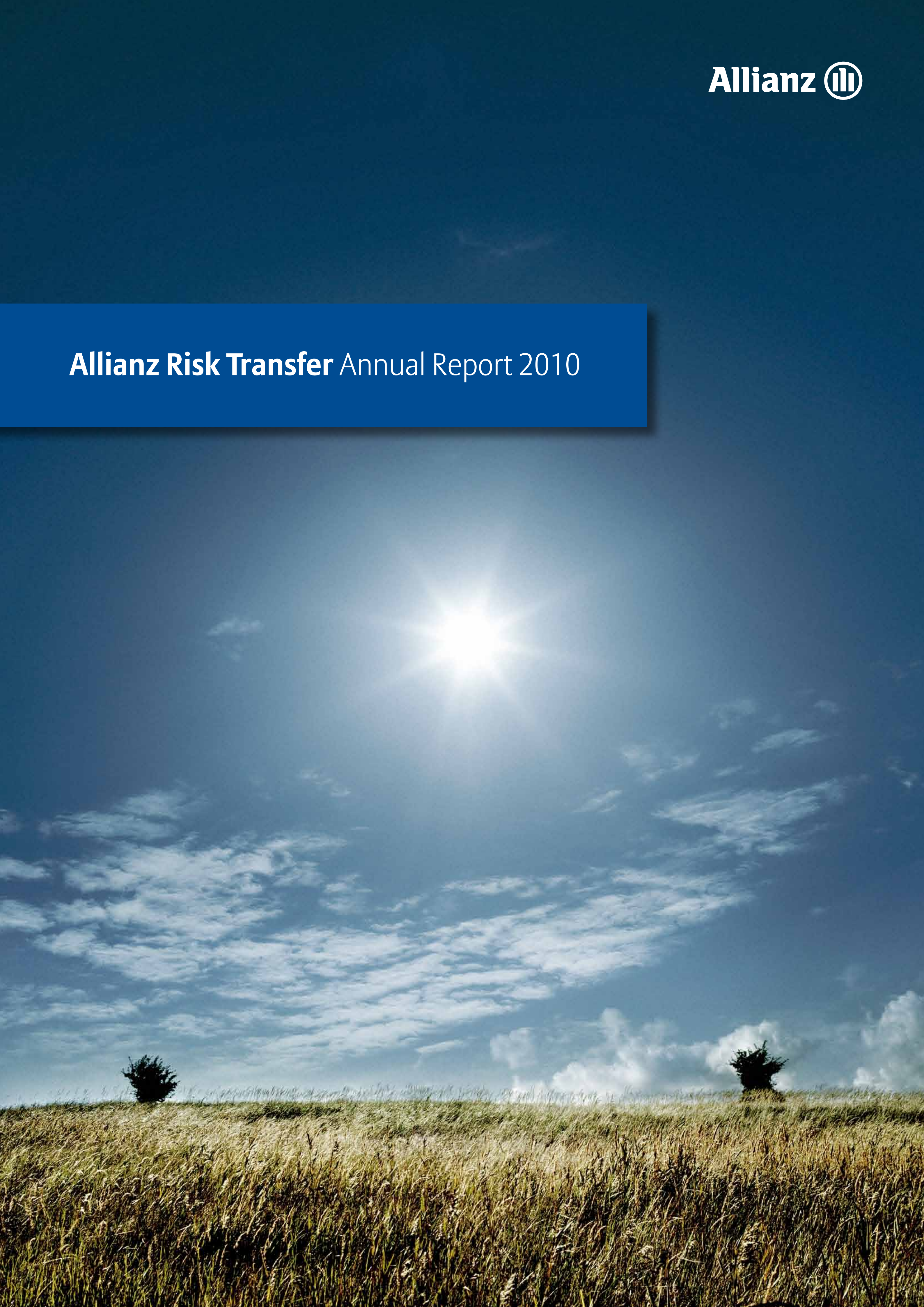

Allianz Risk Transfer Annual Report 2010

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Introduction

Ladies and Gentlemen,

With our 2009 Annual Report, we introduced a more detailed review of Allianz Risk Transfer (ART) and its operations. Based on your valued feedback, we have kept this approach and have expanded the report to include a topical section – this year we focus on our weather business.

ART continued to successfully manage the tail of the financial crisis in 2010 and turned in one of the stronger operating results in its history. We surpassed many of our financial targets in 2010 and increased the IFRS operating profit by 38.6% to CHF 70.2m from CHF 50.6m in 2009. We closed an above-average number of transactions for the year, although not as many as in 2009. While the average transaction size remains stable, we have shifted our portfolio from fewer, larger transactions to more, smaller transactions. Over time, this will lead to a better diversified and even more robust portfolio.

In June 2010, S&P revised the insurer financial strength rating of ART to "AA–" (from "AA") with stable outlook and reaffirmed the short-term rating of "A-1+". This rating change reflects ART's strategic importance to the Allianz Group and to its direct parent, Allianz Global Corporate & Specialty AG (AGCS). Based on the rating methodology, it is common practice for S&P to provide a subsidiary with a rating one notch below that of its parent. In our case, the ART companies now trade one rating notch below the "AA (Stable)" rating of AGCS and Allianz SE. This remains an excellent rating. The quality of our financial strength was further confirmed in December 2010 when ART received its first ever A.M. Best rating. ART was assigned a financial strength rating from A.M. Best of "A (Excellent)" with a stable outlook, a strong rating level just one notch below the "A+ (Superior)" rating of our parent AGCS.

ART is providing an enhanced value proposition to its clients through its co-operation with other Allianz Group companies. This is, for example, demonstrated by our tailor-made Corporate Solutions business conducted in conjunction with AGCS. Furthermore in 2010, ART and Allianz Re took the decision to collaborate more closely and build a more cohesive approach to the third-party reinsurance business. Combining ART's specialized approach with the client base, staff resources and balance sheet strength of Allianz Re, we feel this will create a broadened and more flexible suite of products for our clients. In our view, the forthcoming introduction of Solvency II will lead to an increased demand for customized reinsurance solutions to manage capital effectively – a trend which ART is ideally positioned to support.

In line with this co-operative approach, we worked together with Allianz Netherlands to launch a new product in its marketplace. In October 2010, we jointly offered frost delay coverage to the Dutch construction industry. The product provides clients with protection against ongoing overhead costs, such as salaries, when they are obliged to send workers home on full salary when weather conditions are freezing. This is just one of many applications of weather protections. We believe that this product range will undoubtedly grow over the coming years. Since 2008, ART has participated in the "weather" space in both insurance and derivative forms, and it delivers solutions to commercial and – via local Allianz Group companies – retail clients. Further information on this growing business segment is provided in the "Weather Business" section of this report.

As we mentioned last year, ART has grown by adapting to the changing needs of its clients and to evolving market conditions. We firmly believe that this flexibility and adaptability has always been – and always will be – at the core of ART's success. We are continually looking for new ways to better serve our clients and our entry into the "weather" space is but one example of this. Yet we remain focused on the bottom line. Our disciplined and prudent approach to underwriting and risk management is vital for maintaining our sustained profitability and providing the reassuring financial stability that clients demand.

In closing, we would like to take this opportunity to thank our clients for their support during the year and our employees for their hard work and commitment.

Allianz Risk Transfer AG

Axel Theis
Chairman of the Board of Directors

William Scaldaferri
Chief Executive Officer

May 12, 2011

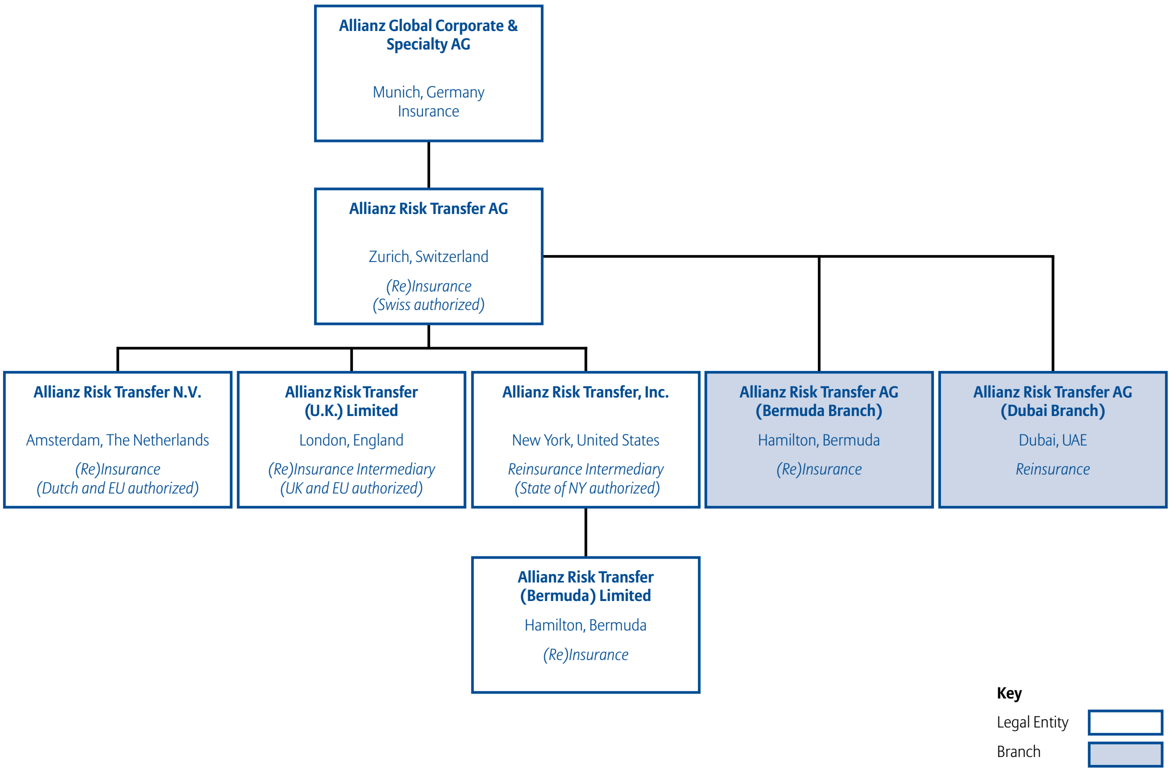
Corporate Information

Allianz Risk Transfer Group ("ART Group" or "ART") is the center of competence for alternative risk transfer business within the Allianz Group. We are a wholly-owned subsidiary of Allianz Global Corporate & Specialty AG, the corporate and specialty insurance arm of the Allianz Group. Headquartered in Zurich, ART Group operates through affiliated companies and maintains offices in Amsterdam, Bermuda, London, New York and Dubai.

Since 1997, we have offered tailor-made insurance, reinsurance and other non-traditional risk management solutions to industrial and financial clients worldwide. Our client base spans all industry sectors.

Corporate Profile of ART Group

The corporate structure of ART Group is designed to support the business in its core markets by providing an efficient legal, regulatory and tax framework. The chart below shows the corporate structure of the core entities of ART Group[1] (including the branches of Allianz Risk Transfer AG ("ART Zurich" or "the Company")) and highlights the regulatory status of the companies.



[1]All equity interests shown in the chart are 100% shareholdings.

ART Group serves its global client base through a number of affiliated companies, including its core underwriting entities (identified below) that are authorized to conduct insurance and reinsurance business:

- ART Zurich is incorporated in Switzerland and regulated by the Swiss Financial Market Supervisory Authority ("FINMA"). The Company maintains branch offices in Bermuda and in the United Arab Emirates (Dubai International Financial Centre), which offices are subject to local supervision by the Bermuda Monetary Authority and the Dubai Financial Services Authority respectively.
- Allianz Risk Transfer N.V. is incorporated in the Netherlands and is principally regulated by the Dutch Central Bank (De Nederlandsche Bank N.V.).
- Allianz Risk Transfer (Bermuda) Limited is a company incorporated in Bermuda and licensed as a Class 3A Insurer regulated by the Bermuda Monetary Authority.

ART Zurich and its subsidiaries ("ART Group Companies") are member companies of Allianz Group. Allianz SE, the ultimate parent of the ART Group Companies, is one of the world's leading integrated financial services providers, registered in Germany. Allianz Group has 151,000 employees and serves 76 million customers in about 70 countries (www.allianz.com).

ART Zurich is a wholly-owned subsidiary of Allianz Global Corporate & Specialty AG ("AGCS") registered in Germany. Within Allianz, AGCS Group provides corporate and specialty insurance solutions to large corporate clients (www.agcs.allianz.com).

Board of Directors

The Board of Directors of ART Zurich comprises:

- Axel Theis, Chairman; principal activity: Chief Executive Officer of Allianz Global Corporate & Specialty AG
- Chris Fischer Hirs, Vice Chairman; principal activity: Chief Financial Officer of Allianz Global Corporate & Specialty AG
- Amer Ahmed, Director[2] ; principal activity: President of Allianz SE Reinsurance
- Thomas Wilson, Director; principal activity: Chief Risk Officer of Allianz Group
- Prof. Ulrich Zimmerli, independent Director; principal activity: various directorships and law professor emeritus of the University of Berne

The Board of Directors of ART Zurich provides strategic direction for ART Group, exercises management oversight of the Company and performs the duties imposed by Swiss Company Law and Insurance Supervisory Laws. The Board of Directors performs its responsibilities in accordance with the organizational regulations of the Company, pursuant to which certain functions are delegated to the following committees:

- Business Approval Committee
- Remuneration Committee
- Audit Committee

The Business Approval Committee is responsible (amongst others) for transactional matters where a specific transaction exceeds the authority limits delegated to the Executive Board or falls outside the approved scope of business.

[2] Directorship as from January 1, 2011

Executive Board

The Executive Board of ART Zurich comprises:

- William Scaldaferri, Chief Executive Officer
- Bernhard Arbogast, Chief Portfolio Officer & Appointed Actuary
- Thomas Bruendler, General Counsel
- William Guffey, Chief Underwriting Officer
- Kathrin Anne Meier, Chief Risk Officer
- Thomas Schatzmann, Chief Financial Officer

The Executive Board has executive management responsibility for ART Zurich and its business. Under the leadership of the Chief Executive Officer, it provides strategic direction to ART Group consistent with the business strategy approved by the Board of Directors.

ART Group Committee Structure

The Executive Board has established committees for certain critical functions or decisions of ART Group, including:

- Underwriting Committee
- Risk Management Committee
- Reserving Committee
- Investment Committee
- Legal Committee

The ART Group committees perform their responsibilities pursuant to their respective charters. The committees act as policy-setting or decision-making bodies within the scope of their functional remit. The committee structure allows ART Group to fully leverage the broader knowledge base of its global staff.

Business Overview

ART Group separates its business into two distinct segments. The first is our primary Alternative Risk Transfer business, focused on providing alternative insurance and reinsurance protection for corporate and insurance clients. The second segment is related to unique relationships with other Allianz entities.

These two segments are governed by distinct procedures and processes including separate underwriting, portfolio and risk management guidelines. Each segment also has dedicated underwriting staff. As of year end 2010, ART Group employed 108 staff members globally, of which 65 staff members were dedicated to the Alternative Risk Transfer business.

Alternative Risk Transfer Business

Corporate Solutions

ART develops and utilizes innovative risk management solutions for a wide range of corporate clients. Many of these corporations are leaders in the energy, construction, pharmaceutical, retail and other industry sectors. In the majority of deals, premiums range from between EUR 5m and EUR 300m per client.

We specialize in tailoring long-term agreements covering a broad range of risks. In many cases, these are multi-line arrangements. Our offerings complement the traditional products provided by Allianz Global Corporate & Specialty ("AGCS"), a leading insurer for corporate and specialty risks. As part of the Allianz Group, we work closely with AGCS to devise joint solutions for our clients. Our activities span the globe.

Corporate Solutions earnings for 2010 were well above expectations. While the recent turmoil affecting corporate clients is still a strong memory, most clients are beginning to plan ahead again. Given our ability to adapt to client-specific needs, our risk solutions will form an integral part of that planning. This, combined with our strong balance sheet, means we are perfectly poised to benefit as clients' "flight to quality" continues. We also expect to broaden the Allianz relationship with major corporate clients.

For 2011, ART aims to continue its commitment to quality and client service. Our responsiveness to changing client needs and the strength and global reach of the Allianz Group remain unmatched by any of our competitors.

Reinsurance Solutions

ART's reinsurance arm provides bespoke risk transfer solutions for insurance and reinsurance companies. The clients we serve are all major corporations, insurance companies or governments so their number is measured in tens rather than hundreds. For each one, we provide highly specialist boutique services often unavailable elsewhere.

ART looks at many classes of business, across many different territories. Our product range includes both traditional coverages, such as quota shares and multi-line aggregate excess coverages, as well as non-traditional one-off structures specifically designed to meet the risk transfer requirements of an individual client. Additionally, we seek opportunities in dislocated areas of the market where capacity is in short supply.

Building on last year's initiatives, in 2010 we focused on expanding both our client and our territory base while developing a well-rounded and diversified portfolio. Results for 2010 demonstrated the success of this approach with a continued increase in profitability. For 2011, we will strike a balance between continued expansion and the challenges presented by a market that, in specific lines, is beginning to turn.

Insurance Linked Markets

Insurance Linked Markets ("ILM") is a crossover specialty, focused on the convergence between insurance and capital markets. ILM involves structuring insurance risks into a form acceptable to capital market investors. In essence, these structures transform mainly event-driven exposures such as earthquakes and hurricanes into investment products.

We act in many capacities in this value chain: as a structurer and sponsor of catastrophe bonds, as a facilitator of private placements between Allianz Group companies and capital market investors, and as a transformer of such exposures.

The ILM division of ART is dedicated to underlying exposures emanating from insurance and reinsurance companies outside the Allianz Group. Our activities complement the efforts of Allianz Re, which utilizes ILM products for hedging purposes alongside traditional reinsurance placements of Allianz exposures.

ILM had another successful year in 2010. Our visibility in the market is unparalleled and key client relationships remain strong. The primary new initiative in ILM was the establishment of our weather team. For 2011, in addition to the focus on weather, our core ILM strategy will continue to evolve as market conditions change. Whatever path we take, we remain committed to focusing on meeting the needs of our key clients and the broader investment community.

Core Allianz-Related Businesses

International Corporate Business

The International Corporate segment is the core business of our parent company AGCS. We serve this market by offering insurance products to large corporate clients across the whole spectrum of corporate and specialty risks. Since 2007, the Swiss business for large international corporates has been conducted by our division "AGCS Switzerland".

In 2010, ART Dubai Branch was established to service facultative reinsurance business from AGCS clients located in the Middle East & North Africa region. The original portfolio taken over from Allianz SE Dubai Branch was significantly re-underwritten and now focuses on the business lines of property, engineering and energy.

The International Corporate Business is still relatively small compared with the other business segments. A large property loss and build-up costs of the energy and engineering business negatively affected the 2010 results. However, the future build-up plan is not affected, and we expect these lines to stabilize during 2011.

Traditional Reinsurance Business

This portfolio consists of ART's participation in select traditional reinsurance treaties, which have been written for strategic reasons for the Allianz Group. The dominant treaty in this portfolio was cancelled at year end 2010, although ART maintains limited run-off exposure on this treaty. Despite this portfolio reduction, ART remains open to write strategic reinsurance business on behalf of other Allianz Group companies. While historically significant in terms of gross premium volumes, this business segment has not been a significant earnings contributor in the last few years.

Weather Business

Seventy five percent of all businesses around the world are – one way or the other – exposed to weather risks. Weather patterns have become more unpredictable with severe droughts, heat waves, cold snaps, torrential rainfalls, extreme snowstorms and other erratic weather conditions affecting people and enterprises across the globe. Individuals, for example, are exposed to high heating and air-conditioning bills if temperatures are severe, or to financial "loss" during rainy vacations. The profitability of corporations may be critically linked to weather conditions: snowfall leading to flight cancellations, droughts negatively impacting the agricultural industry or cold temperatures resulting in construction delays, etc. Lenders to alternative energy providers look to secure their loans with wind or sun hours guarantees. Even governments are fighting the negative effects of droughts and flooding on their local and regional constituents.

ART is committed to offering protections for a wide range of weather risks. The structures are simple and effective and can be offered as traditional insurance or index-based derivatives. They allow our clients to address their specific weather-related problems in transparent, easy-to-understand transactions, which are tailored to their needs and will pay out quickly and efficiently if and when triggered. Often, products can be conveniently bought and the transaction executed online. ART is responding to this growing demand with a dedicated team of weather experts offering a wide array of solutions to all types of clients around the world.

Having started the weather business in 2008, our weather initiative now covers a number of European countries, the United States of America and Australia. We are expanding our local footprint towards Asia, Africa, South America and even Antarctica. So far, ART has helped many clients with cold and hot day protections as well as rain, snow and wind coverages. Within a relatively short period of time, we have built a strong team of weather experts and have grown our profitability significantly every year.

In addition to growing ART's own weather business, we are actively helping several Allianz Group companies in the build-out of their weather capabilities and co-operate with them in the launch of new weather solutions to their local client bases.

ART's weather team engages in a close dialogue with our clients, insurance and reinsurance brokers and colleagues from Allianz Group about the benefits and applications of weather risk protections. The opportunities are manifold, and demand for suitable weather solutions will undoubtedly evolve over the years. ART is committed to supporting its clients and the clients of other Allianz Group companies in their endeavors to effectively manage their weather risks by delivering tailored weather protections.

Risk Management

ART Group has an effective Risk Management system in place. Risk Management identifies, analyzes, manages and monitors all material risks that could adversely affect our operations. It ensures global awareness of risk and return and fosters a "no surprise" culture, as well as providing guidance for business opportunities. The refinement and improvement of our Risk Management capabilities is an ongoing priority.

Risk Governance

Since its foundation, ART has always attached great importance to risk awareness. The Company's Board of Directors has implemented a risk governance framework that ensures Risk Management is an integral part of all business processes and decisions. The Risk Management Committee is the main decision body for Risk Management. It is chaired by the Chief Portfolio Officer who heads the Portfolio Management unit. This unit includes the corporate actuarial function and actuarial and financial analytics for the quantitative evaluation of individual transactions and of the whole portfolio. The Chief Risk Officer heads the Risk Management department and manages the overall risk landscape of ART Group. Furthermore, the Chief Risk Officer independently monitors limits and risks at aggregate levels. Both the Chief Risk Officer and the Chief Portfolio Officer are members of the Executive Board reporting directly to the Chief Executive Officer. ART's risk vision and objectives are described in our risk strategy which outlines risk governance, capital base protection and value creation. The risk tolerance is expressed in ART's comprehensive limits system that sets out individual and aggregate limits.

Transaction Management and Surveillance

In the interest of further strengthening our risk governance, a comprehensive transaction surveillance concept was implemented during 2010. We created a separate, hands-on Deal Management function independent from Underwriting. This function is embedded in Portfolio Management and assures continuous independent surveillance of all alternative risk transfer transactions.

Enterprise Risk Management

To understand ART's overall risk profile, an integrated, comprehensive assessment of all relevant risks is performed at least annually. This top risk assessment identifies key "risk buckets" to which ART is exposed and actions taken or to be taken to mitigate such risks.

Internal Control System

ART has an Internal Control System ("ICS") which provides assurance to the Board of Directors and the Management regarding the proper functioning of the business operations. In particular, it ensures the effectiveness of business processes, the accuracy and reliability of accounting and financial reporting, and compliance with relevant laws and regulations as well as internal policies and guidelines. The ICS ensures that potential risks are identified early and measures are introduced to avoid or mitigate significant risks and risk accumulations.

Risk Management Systems and Technical Framework

ART operates its business based on a defined capital deployment framework, while targeting to provide above-average return on capital by writing diversified books of business containing transactions with low correlation. The risk-based capital is measured through ART's portfolio model, applying event-driven discounted cash flow modeling using Monte Carlo techniques. All transaction models are aggregated into the portfolio model by accessing a set of common events and scenarios depending on their sensitivity to relevant scenarios. With the portfolio model, we regularly perform various analyses and calculate risk measures. In addition to standard risk calculations, stress tests are performed and scenarios evaluated to enhance the assessment of "tail risks".

Financial Information

Discussion of Financial Condition and Results of Operations

ART categorizes its business into the following operating segments:

- Alternative Risk Transfer Business
- International Corporate Business
- Traditional Reinsurance Business

The following results, expressed in Swiss francs (CHF), show the financial performance of each of the business segments according to International Financial Reporting Standards ("IFRS") as of year ended 2010 and previous years.

Alternative Risk Transfer Business

In our core segment, we differentiate between Corporate Solutions, Reinsurance Solutions and Insurance Linked Markets ("ILM").

The key figures of the Alternative Risk Transfer Business segment are:

Alternative Risk Transfer Business			
For year ended December 31 (CHF 000s)	**2010**	**2009**	**2008**
Net premiums earned	191,078	217,169	252,425
Other transactional income	61,169	48,932	20,194
Benefits incurred	(95,477)	(125,799)	(110,033)
Underwriting expenses (net)	(111,765)	(112,689)	(128,461)
Underwriting income	**45,005**	**27,613**	**34,125**
Investment income (net)	30,915	49,053	39,173
Realized losses on transactions	(12,468)	(45,859)	(22,223)
Operating profit	**63,452**	**30,807**	**51,075**
Taxes	338	1,086	(7,836)
Net income	**63,790**	**31,893**	**43,239**
Combined ratio	82.2%	89.6%	87.5%

Fee-based income not recognized as premium is included in other transactional income. In 2010, there was a further increase in other transactional income, principally driven by the ILM business.

Realized losses on transactions represent deal impairments and write-downs. Impairments incurred in the course of the financial crisis in respect of the discontinued Alternative Assets portfolio significantly decreased in 2010.

The combined ratio for the Alternative Risk Transfer Business segment does not reflect the same relevance as for traditional insurance business owing to certain investment items associated with alternative risk transfer transactions.

International Corporate Business

The International Corporate Business represents the core business of ART's parent company – Allianz Global Corporate & Specialty – and serves the insurance needs of large international corporates. ART Zurich writes this business through its AGCS Division in Switzerland and its branch office in Dubai.

The key figures of the International Corporate Business segment are:

International Corporate Business			
For year ended December 31 (CHF 000s)	2010	2009	2008
Net premiums earned	90,132	62,904	31,601
Benefits incurred	(81,697)	(32,685)	(39,799)
Underwriting expenses (net)	(29,158)	(15,857)	(7,602)
Underwriting income	**(20,723)**	**14,362**	**(15,800)**
Investment income (net)	(9,120)	143	(1,932)
Operating profit	**(29,843)**	**14,505**	**(17,732)**
Non-operating items	(1,620)	(800)	(800)
Taxes	1,907	(2,944)	4,075
Net income	**(29,556)**	**10,761**	**(14,457)**
Combined ratio	123.0%	77.2%	150.0%

The International Corporate Business has become more established and premium volume has grown significantly each year since the start of this business in 2007. In 2010, the Dubai Branch of ART Zurich started its operations, which have further extended our market presence for international corporate clients.

The year 2010 has been affected by a large property loss sustained by the AGCS Division in Switzerland. Portfolio acquisition expenses for the build-up of the Dubai Branch further negatively affected the results.

Non-operating items include amortization costs for acquired business portfolios and intangible assets.

Traditional Reinsurance Business

Traditional reinsurance comprises mainly quota share business with other large reinsurers written for the Allianz Group.

The key figures of the Traditional Reinsurance Business segment are:

Traditional Reinsurance Business			
For year ended December 31 (CHF 000s)	2010	2009	2008
Net premiums earned	372,190	387,002	806,505
Benefits incurred	(243,588)	(302,058)	(576,754)
Underwriting expenses	(108,686)	(96,638)	(248,287)
Underwriting income	**19,916**	**(11,694)**	**(18,536)**
Investment income (net)	18,286	17,813	24,319
Operating profit	**38,202**	**6,119**	**5,783**
Taxes	(3,511)	(283)	(467)
Net income	**34,691**	**5,836**	**5,316**
Combined ratio	94.6%	103.0%	102.3%

Net premiums earned in 2010 were at a level similar to the previous year. The change from 2008 to 2009 was due to the non-renewal of a large quota share with a related company. The combined ratio developed favorably owing to better than expected run-off results from previous years.

Investment income stabilized in 2010 but still remains at a low level, mainly owing to the continuing low interest environment.

Unaudited Consolidated Financial Statements

The following unaudited consolidated financial statements present a consolidated view of the entire 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.

The ART Group comprises Allianz Risk Transfer AG and its (direct or indirect) subsidiaries:

- Allianz Risk Transfer N.V., The Netherlands
- Allianz Risk Transfer (U.K.) Limited, England
- Allianz Risk Transfer, Inc., USA
- Entertainment Funds Solutions, USA
- Prism Re Ltd., Bermuda
- Allianz Risk Transfer (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.

Consolidated Balance Sheet

Consolidated Balance Sheet		
As at December 31 (CHF 000s)	**2010**	**2009**
Cash and cash equivalents	465,121	281,029
Investments	1,687,472	1,604,816
Total invested assets	**2,152,593**	**1,885,845**
Receivables	547,590	578,485
Fixed assets	1,687	1,736
Deferred acquisition costs	57,687	51,889
Insurance reserves ceded	573,842	444,499
Deferred tax assets	11,357	21,952
Intangible assets	3,701	2,400
Total other assets	**1,195,864**	**1,100,961**
TOTAL ASSETS	**3,348,456**	**2,986,806**
Unearned premium reserve	389,431	424,228
Profit share and aggregate reserve	2,149	28,763
Loss and loss adjustment expense reserve	1,488,222	1,366,093
Technical reserves	**1,879,802**	**1,819,084**
Other liabilities	903,344	591,506
Deferred tax liabilities	4,340	1,647
Total liabilities	**2,787,487**	**2,412,237**
Issued capital	200,000	200,000
Legal reserve	200,000	200,000
Unrealized gains / (losses) on available-for-sale investments and foreign currency	(122,404)	(63,136)
Retained earnings	214,449	189,218
Current year earnings	68,925	48,487
Total shareholders' equity	**560,970**	**574,569**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3,348,456**	**2,986,806**

Consolidated Income Statement

Consolidated Income Statement		
For year ended December 31 (CHF 000s)	**2010**	**2009**
Gross premiums written (incl. fee income)	759,873	1,177,227
Net premiums earned (incl. fee income)	**714,569**	**716,006**
Claims paid and increase in loss reserves	(418,938)	(467,038)
Profit shares paid and accrued	(1,824)	6,496
Benefits (net) payable to policyholders	**(420,762)**	**(460,542)**
Underwriting expenses (net)	(249,609)	(225,184)
Net underwriting income	**44,198**	**30,280**
Investment income (net)	27,613	21,148
Other income and expenses (net)	(1,620)	(800)
Net income before tax	**70,192**	**50,628**
Taxes	(1,266)	(2,141)
Net income	**68,925**	**48,487**

Critical Accounting Policies under IFRS

We set out below an overview of the accounting policies adopted by 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 accounting principles generally accepted 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.

Underwriting fees also include profit commission income earned on ceded reinsurance contracts, which is estimated in a manner consistent with the underlying liabilities and is included in income on a pro-rated basis over the period in which the related premiums are earned.

(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. Owing 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 and are carried at fair value. Unrealized gains or losses, net of related tax effects, 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. Carrying values are based upon values per unit provided by third-party managers.

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. Owing 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 discounts 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 impairment 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 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 2010 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, income statement and notes for the year ended 31 December 2010.

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 2010 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

Ian Sutcliffe	Patrick Scholz
Licensed Audit Expert	*Licensed Audit Expert*
Auditor in Charge	

Zurich, 29 April 2011

Balance Sheet

Balance Sheet		
As at December 31 (CHF)	**2010**	**2009**
Non-current assets		
Participations	93,455,676	105,875,485
Shares	1,775,896	6,383,123
Bonds	1,390,073,541	1,228,838,460
Loans to third parties	56,791,238	56,303,378
Loans to associated enterprises	106,736,260	124,787,436
Short-term investments	317,535,914	78,745,880
Investments	1,966,368,525	1,600,933,761
Office equipment	946,885	976,941
Reinsurers' share of the technical provisions	448,195,964	429,185,559
Outstanding share capital	200,000,000	200,000,000
Total non-current assets	2,615,511,374	2,231,096,261
Cash and cash equivalents	70,398,683	178,306,714
Receivables		
- reinsurance deposits	38,960,042	41,276,373
- due from third parties	170,999,608	218,631,053
- due from group companies or shareholders	78,157,061	9,979,090
- group cash pooling	182,908,446	173,639,672
- other receivables	3,663,390	16,814,457
Accrued income	24,926,544	22,573,676
Deferred acquisition cost	28,639,164	32,407,593
Total current assets	598,652,938	693,628,628
TOTAL ASSETS	3,214,164,312	2,924,724,889
Unearned premium reserve	371,218,324	408,526,029
Reserve for policyholder dividends	84,346,934	67,142,586
Provision for outstanding claims	1,917,092,467	1,594,394,092
Technical provisions	2,372,657,725	2,070,062,707
Other non-technical provisions	27,333,483	28,129,990
Payables		
- due to third parties	58,271,309	93,431,661
- due to group companies or shareholders	41,183,210	–
Other short-term liabilities	35,808,175	49,318,843
Other liabilities	162,596,177	170,880,494
TOTAL LIABILITIES	2,535,253,902	2,240,943,201
Share capital	400,000,000	400,000,000
Contributed surplus	101,800,000	–
General reserves	98,200,000	200,000,000
Retained earnings brought forward	78,910,410	83,781,688
TOTAL SHAREHOLDERS' EQUITY	678,910,410	683,781,688

Income Statement

Income Statement		
For year ended December 31 (CHF)	2010	2009
Gross premium written	1,258,730,432	1,153,787,045
Premium ceded	(387,341,614)	(477,311,927)
Change in unearned premium reserve	(84,548,393)	98,947,263
Net premium earned	**786,840,425**	**775,422,381**
Claims paid	(40,140,611)	(656,652,120)
Change in claims reserve	(440,241,909)	122,509,367
Total claims incurred	**(480,382,520)**	**(534,142,754)**
Profit shares paid	(12,639,572)	(45,235,321)
Change in profit share provisions	(26,928,962)	39,708,359
Total profit shares	**(39,568,534)**	**(5,526,963)**
Commissions	**(209,337,885)**	**(187,782,536)**
Other technical income	**10,986,452**	**13,226,804**
Administration expenses	**(31,442,660)**	**(16,309,397)**
UNDERWRITING RESULT	**37,095,278**	**44,887,536**
Interest and dividends	53,122,635	57,465,054
Write-ups	5,514,319	6,787,185
Realized gains on investments	2,858,943	7,053,353
Investment income	**61,495,897**	**71,305,592**
Administrative expenses	(1,598,421)	(1,497,187)
Realized losses on investments	(4,380,620)	(14,976,992)
Write downs of investments	(14,230,292)	(13,017,002)
Investment expenses	**(20,209,333)**	**(29,491,182)**
INVESTMENT RESULT	**41,286,564**	**41,814,410**
Income and expenses from currency translation	(61,003,017)	(373,354)
Other financial income and expenses	534,400	(3,423,084)
Other income and expenses	**(60,468,617)**	**(3,796,438)**
PROFIT BEFORE INCOME TAXES	**17,913,225**	**82,905,508**
Income taxes	(2,784,503)	(7,532,082)
PROFIT OF THE YEAR	**15,128,722**	**75,373,425**
Retained earnings brought forward	63,781,688	8,408,263
RETAINED EARNINGS AT THE END OF THE YEAR	**78,910,410**	**83,781,688**

Notes to the Financial Statements

1 Fire insurance value of fixed assets

	2010	2009
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, The Netherlands; Allianz Risk Transfer Inc., New York, USA; Allianz Risk Transfer Ltd., London, UK; and a 98.9% share in Prism Re Ltd., Hamilton, Bermuda.

The paid-in capital per company:

Allianz Risk Transfer N.V., Amsterdam	EUR 22.7 million
Allianz Risk Transfer, Inc., New York	USD 58.5 million
Prism Re Ltd., Hamilton	USD 18.2 million
Allianz Risk Transfer (U.K.) Ltd., London	GBP 1.0 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 is ultimately responsible for the risk assessment of the company. In 2010, the board of directors evaluated and assessed the operational, financial and compliance risks of the company and ensured that 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.

Shareholders' Equity

Under Swiss GAAP, the shareholders' equity of the Company as at December 31, 2010 consisted of:

Issued and paid-in share capital	CHF 200,000,000
Issued and unpaid share capital	CHF 200,000,000
Contributed surplus	CHF 101,800,000
General reserves	CHF 98,200,000
Retained earnings	CHF 78,910,410
Total shareholders'equity	**CHF 678,910,410**

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Website

This annual report is available on the internet at 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/US dollar or CHF/euro exchange rate, (ix) changing levels of competition, (x) changes in laws and regulations, including monetary convergence, (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. The Company assumes no obligation to update any forward-looking statement.

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