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Independent Auditor's Report

The Board of Directors
Allianz Risk Transfer (Bermuda) Limited

We have audited the accompanying condensed financial statements of Allianz Risk Transfer (Bermuda) Limited which comprise the condensed balance sheet as of December 31, 2016, and the related condensed statement of income and condensed statement of capital and surplus for the year December 31, 2016 then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Condensed Financial Statements

Management is responsible for the preparation and fair presentation of the condensed financial statements based on the financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Account



Basis for Adverse Opinion on U.S. generally accepted accounting principles

GONDENSED BALANCE SHEET Allara Risk Transfer (Bermuds) Limited As at December 31, 2016 United States Dollars LINE No. 1. CASH AND CASH EQUIVALENTS 2. QUOTED INVESTMENTS: (a) Bonds and Debentures i. Held to maturity ii. Other (b) Total Bonds and Debentures Cequities i. Common socks ii. Common socks iii. Mutual Indis (d) Total equities (d) Total equities (f) Total quoted investments (f) Total quoted investments 3. UNQUOTED INVESTMENTS: (a) Bonds and Debentures ii. Held to maturity iii. Other (b) Total Bonds and Debentures (c) Total quoted investments (d) Total quoted investments (e) Total goods and Debentures (iii. Mutual Indis (d) Total equities (iii. Mutual Indis (d) Total equities (d) Total equities (d) Total equities (d) Total equities (e) Other unquoted investments (f) Total equities (d) Total equities (e) Other unquoted investments (f) Total unquoted investments (g) Total unquoted investments (g) Total unquoted investments (g) Total unquoted investments (g) Total unquoted investments (h) Unregulated on-Irienal operating entities (h) Unregulated infancial operating entities (h) Unregulated infancial operating entities (h) Total investments in affiliates (h) Advances to affiliates	COMPENS	ED DALANCE CHEET	
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(g) Advances to affiliates		Total investments in affiliates	
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13. SUNDRY ASSETS: (a) Derivative instruments 3,745,175 4,652,7 (b) Segregated accounts companies - long-term business - variable annuities - - (c) Segregated accounts companies - long-term business - other - - (d) Segregated accounts companies - general business - - (e) Deposit assets - - (f) Deferred acquisition costs - - (g) Net receivables for investments sold - - (h) Other Assets 273,746 857,9 (i) Deferred Tax Asset 5,623,796 (ii) Other Sundry Assets (Specify) - (k) Total sundry assets 9,642,717 5,510,6 14. LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS - (a) Letters of credit - (b) Guarantees - (c) Other instruments - (e) Total letters of credit, guarantees and other instruments -	it	r (Bermuda) Limited December 31, 2016		
13. SUNDRY ASSETS: (a) Derivative instruments 3,745,175 4,652,7 (b) Segregated accounts companies - long-term business - variable annuities - - (c) Segregated accounts companies - long-term business - other other - - (d) Segregated accounts companies - general business - - (e) Deposit assets - - (f) Deferred acquisition costs - - (g) Net receivables for investments sold - - (h) Other Assets 273,746 857,8 (i) Deferred Tax Asset 5,623,796 (j) Other Sundry Assets (Specify) - (k) Total sundry assets 9,642,717 5,510,6 14. LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS - (a) Letters of credit - (b) Guarantees - (c) Other instruments - (e) Total letters of credit, guarantees and other instruments - 15. TOTAL 181,973,254 201,696,8 <th></th> <th>United States Dollars</th> <th></th> <th></th>		United States Dollars		
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15. TOTAL 181,973,254 201,696,8				
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CONDENSED BALANCE SHEET

LANCE SHEET		
· (Bermuda) Limited December 31, 2016 United States Dollars		
	2016	2015
TOTAL OTHER LIABILITIES	79,041,427	117,196,526
TOTAL INSURANCE RESERVES AND OTHER LIABILITIES	117,613,945	143,905,182
CAPITAL AND SURPLUS		
TOTAL CAPITAL AND SURPLUS	64,359,309	57,791,698
	TOTAL INSURANCE RESERVES AND OTHER LIABILITIES CAPITAL AND SURPLUS	Capital and surplus

CONDENSED S Allianz Risk Transf As at	STATEMENT OF INCOME er (Bermuda) Limited December 31, 2016 United States Dollars		
LINE No.	GENERAL BUSINESS UNDERWRITING INCOME	2016	2015
1.	GROSS PREMIUMS WRITTEN (a) Direct gross premiums written (b) Assumed gross premiums written	70,959,557 383,733,599	50,481,892 321,842,275 ((733,599

CONDENSED S	STATEMENT OF INCOME		
	er (Bermuda) Limited December 31, 2016 United States Dollars		
LINE No.		2016	2015
	UNDERNOTED ITEMS		
30.	COMBINED OPERATING EXPENSE (a) General and administration (b) Personnel cost (c) Other (d) Total combined operating expenses	2,968,524 4,813,046 1,754,438 9,536,008	2,465,645 4,933,522 1,123,356 8,522,523
31.	COMBINED INVESTMENT INCOME - NET	132,110	(893,245)
32.	COMBINED OTHER INCOME (DEDUCTIONS)	(220,958)	(1,517,957)
33.	COMBINED INCOME BEFORE TAXES	1,565,295	5,882,536
34.	COMBINED INCOME TAXES (IF APPLICABLE): (a) Current (b) Deferred (c) Total	2,331,473 (2,118,497) 212,976	2,081,085 (2,463,760) (382,675)
35.	COMBINED INCOME BEFORE REALIZED GAINS (LOSSES)	1,352,319	6,265,211
36.	COMBINED REALIZED GAINS (LOSSES)	(237,484)	(827,766)
37.	COMBINED INTEREST CHARGES		
38.	NET INCOME	1,114,835	5,437,445

CONDENSED S	TATEMENT OF CAPITAL AND SURPLUS		
Allianz Risk Transfer As at	r (Bermuda) Limited		
LINE No.		2016	2015
1.	CAPITAL:		
(a)	Capital Stock (i) Common Shares authorized value \$ 1.000 tully paid 120,000 shares (ii) (A) Preferred shares: authorized shares: authorized shares	120,000	120,000
	value each issued and fully paid shares aggregate liquidation value for — 2016 2015		
	(B) Preferred shares issued by a subsidiary: authorized shares of par value each issued and fully paid shares 2016 2015		
	(iii) Treasury Shares repurchased shares of par value each issued		
(b)	Contributed surplus	49,880,000	49,880,000
(c)	Any other fixed capital (i) Hybrid capital instruments (ii) Guarantees and others (iii) Total any other fixed capital	:]	:
(d)	Total Capital	50,000,000	50,000,000
2.	SURPLUS:		
(a)	Surplus - Beginning of Year	7,791,698	6,070,037
(b)	Add: Income for the year	1,114,835	5,437,445
(c)	Less: Dividends paid and payable		
(d)			

Notes to Condensed General Purpo Sie ancial Statements

December 31, 2061

Part I- General Notes to the Financial Statements

1. Business and organization

Allianz Risk Transfer (Bermuda) Limited ("the Companys") wholly owned subsidiary of Allianz Risk Transfer, Inc. ("ART NY") and was incorporated in Bermuda on September 20, 11999. Companyis licensed under the Insurance Act 1978 of Bermuda and related regulations to write all classes of property and casualty business.

ART NY was incorporated in the State of New York on April 7, 1948T NY is a wholly owned subsidiary of Allianz Risk Fansfer AG ("ART AG"), an insurance companhased in Schaan Liechtenstein ART AG is a wholly owned subsidiary of Allianz Global Corporate and Specialty SE, a stock company based in Germann ART NY is a risk advisory and licensed reinsurance intermediary company, and also acts as a service company to its affiliates

2. Business underwritten

The Company specializes in providing customized insurance, reinsurance attradritional risk management and financial solutions to corporate clients worldwide. The reinsurance coverage provided relates primarily to the Company's participation in various excess of loss catastrophe reinsurance contracts. Catastrophe reinsurance provides cover fidities abarising from unpredictable events such as hurricanes, windstorms, hailstorms, earthquakes, fires, industrial explosions, freezes, floods and other mande or natural disasters. The Company manages its exposures of catastrophic events by purchaseitrocessional cover for these risks and by obtaini9757 Tw

Notes to Condensed General Purpose Financial Statements

December 31, 2016



4. Significant accounting policies

Notes to Condensed General Purpose Financial Statements

December 31, 2061

Part I- General Notes to the Financial Statem (countinued)

- 4. Significant accounting policies (continued)
 - (d) Outstanding losses and loss expenses (continued)

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. Such adjustmentsy,ifaæ reflected in income in the period in which they are determined. Due to the inherent uncertainty in estimating the liability for losses and loss expenses arising from catastrophic events, there can be no assurance that the ultimate liability will not be settled for significantly greater or lesser amounts than that recorded.

Based on the current assumptions used management believes, based on the recommendations of the qualified actuary, that the provision for outstanding losses and loss expensive addequate to cover the ultimate cost of losses incurred to the balance sheet date but the provision is necessarily an estimate and may ultimately be settled for a significantly greater or lesser amount. It is at least reasonably possible that managetnetial revise this estimate significantly in the near term. Any subsequent differences arising are recorded in the period in which they are determined.

Outstanding losses and loss expenses are recorded net of amounts recoverable from reinsurers, which are estimated in a manner consistent with the underlying liabilities.

(e) Fair Value Measurements

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price).

Basis of Fair Value Measurement

Accounting Standards Codification ("ASC") 820 establishes a fair value hierarchy that prioritizes the inputs to the respective valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active kets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Labhsifi(f)7(i(fe)-3(h)13(-3(a)11(g)11(

December 31, 2016			
Part I- General Notes to the Financial Statements			

Notes to Condensed General Purpose Financial Statements

December 31, 2016

Part I- General Notes to the Financial Statem (constinued)

- 4. Significant accounting policies (continued)
 - (f) Investments (continued)

Realized gains and losses on sales of investments are determined on the basis of specific identification and are included in the statements of income and comprehensive income. Investment income, net of investment expenses, is accrued to the balance sheet date and includes amortization of premiums or discount on investments purchased at amounts different from their 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. The impairment is recorded within realized losses on the statements of income and comprehensive ancom

(g) Derivative financial instruments

Notes to Condensed General Purpose Financial Statements

December 31, 2016

Part I- General Notes to the Financial Statemerous tinued)

8. Commitments and contingencies

In 2016, the Company renewed its lease for its Hamilton, Bermuda premises for a five year term that expires on September 15, 2021. The Company recorded total rent expenses of \$0.6 million during the year (2015 -

Notes to Condensed General Purpose Financial Statements

December 31, 2016

Part I- General Notes to the Financial Statementationued)

14. The contractual maturity profile of the Company's fixed maturity and **short** investments is as follows:

Due within one year \$ 1,750,000

Due after one year through five years

Due after five years through ten years

Due after ten years \$ 2,109,500

5,336,499

Total \$ 15,319,187

15. In May 2000, ART AG provided a parental guarantee of the Company's obligations up to a maximum guaranteed amount of approximately **CMB**,975,000. In 2016, ART AG charged a fee of CHF 2,215,528 (2015- CHF 2,419,730) for the guarantee which is recorded iecor2t13(u)2(a(d)2()-3(m)⁻¹

Notes to Condensed General Purpose Financial Statements

December 31, 2016

Part III - Notes to the Balance Sheet (conted)

3. (continued)

Unquoted Mutual Funds comprises an investment fotal return fundwith a carrying value of \$10.1 million. In 2015, the balance of \$5.2 million represented an investment in atestmorfixed

Notes to Condensed General Purpose Financial Statements

December 31, 2016

Part III - Notes to the Balance Sheentinued)

17. For certain catastrophic events there is considerable uncertaiderlying the assumptions and associated estimates of outstanding losses and loss adjustment expenses and these estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. Such adjustments could require a material change in the amount estimated. The uncertainty surrounding reserves for property catastrophe exposures arises from problems such as policy coverage issues, multiple events affecting one geographic area and the impact on claims adjusting by ceding companies. These issues can cause significant delays to the timing of notification of changes to loss estimates reported by ceding companies.

Reinsurance contracts do not relieve the Company from its obligations to policyholders. F >e1(t)-3(h5



ALLIANZ RISK TRANSFER (BERMUDA) LIMITED
Notes to Condensed General Purpose Financial Statements
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