R+V Versicherung AG

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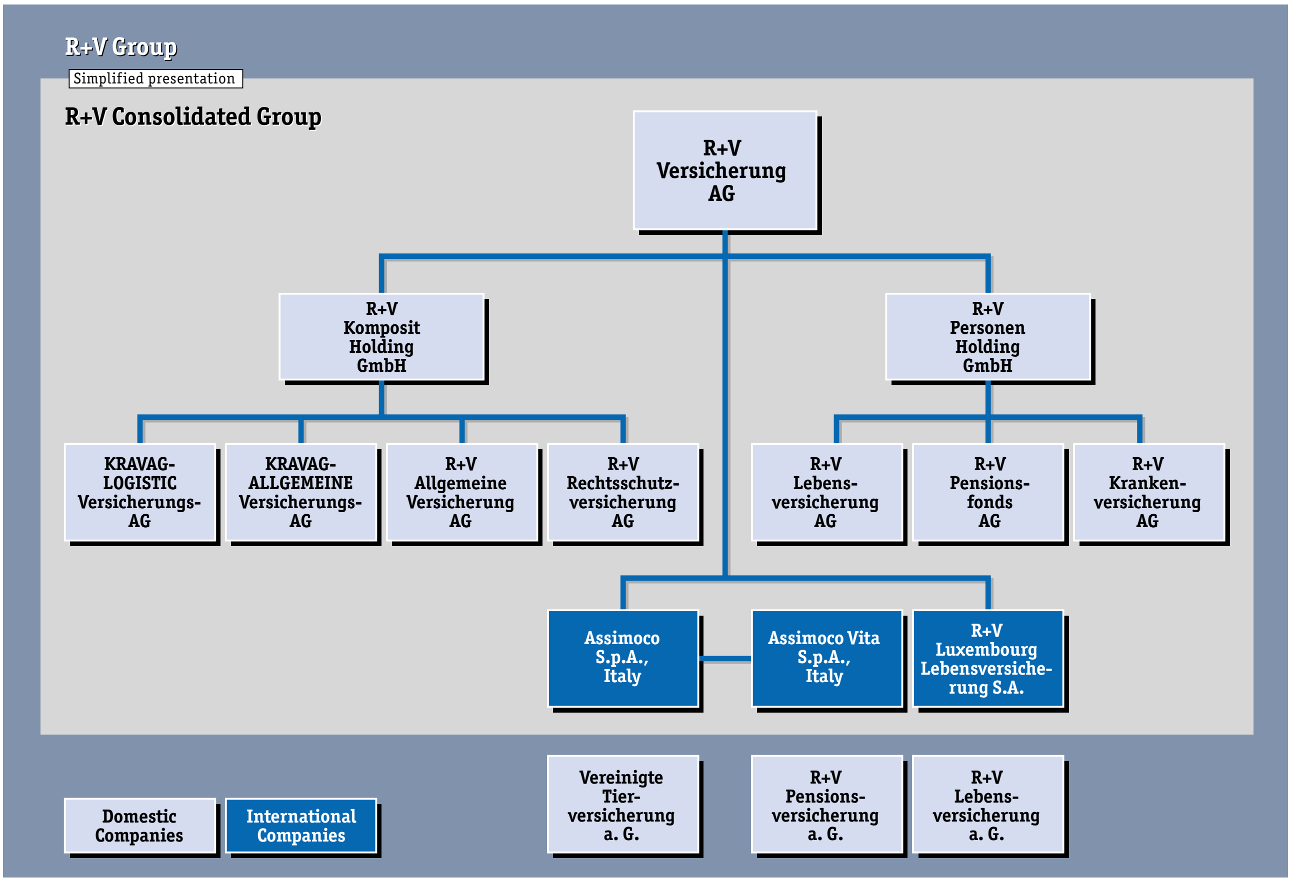
Annual Report
2004

Presented to the Ordinary General Meeting on April 28, 2005

R+V at a Glance



		R+V Consolidated Group		R+V Group	
Figures for fiscal year		2004	2003	2004	2003
Gross premiums written	€ million	8,057	7,222	8,305	7,420
Gross claims incurred	€ million	5,614	5,243	5,740	5,365
Current investment income	€ million	1,868	1,928	2,028	2,090
Investments	€ million	38,037	35,592	41,337	38,170
Number of policies	million	16,4	16,1	16.9	16.5
Number of employees as of Dec. 31		10,346	10,928	11,305	11,922

Contents

Macroeconomic Situation

The German economy is starting 2005 with cautious optimism. The strong global upswing kick-started the economy here too at the end of 2003. Gross domestic product increased by 1.6% in Q1 2004 and by 1.9% in Q2. However, hopes that this upturn would continue and increase were dashed in the second half of the year, when the growth rate fell to around 1.4%.

The beginnings of the economic recovery in 2004 were buoyed up in particular by a significant increase in exports. However, global economic growth slowed mid-year, which had a negative effect on Germany as the global export leader. Global demand for German products and services continued to rise, although less dynamically. The strong euro and high prices of crude oil and other raw materials led to slower growth in German exports in the second half of 2004 than in the first few months of the year.

German consumers cautious in light of uncertain prospects

The positive boost provided by foreign trade had only a negligible impact on domestic development. Consumer spending by private households was restrained for the second consecutive year for a number of reasons. Stagnation of real disposable incomes dampened consumers' inclination to spend money. The growing burden of taxes and charges wiped out last year's low gross salary increase. In addition, the German public is increasingly putting money aside for their private retirement provision. Increased spending on health as a result of the GKV-Modernisierungsgesetz (GMG – Statutory Health Insurance Modernization Act) has also impacted personal income. Last but not least, psychological aspects also contributed to the muted consumer spending.

German businesses were also reluctant to spend money in 2004. They invested little in new machinery and premises despite historically low interest rates and the export boom. Muted domestic demand was clearly one of the main reasons for the weak investment trend. In addition, many businesses initially used excess capacity still available to them. The banks' cautious lending policy was also a barrier to investment activity in some cases. All of these factors had a direct effect on the labor market: the unemployment rate remained above the ten percent mark.

The positive signals being seen in the export segment will be enough to keep the German economy on a moderate growth path in 2005. This is underpinned by a slight recovery in domestic demand. The Federal Government expects economic growth of 1.7%, following 1.6% in 2004. However, the economic research institutes revised their forecasts, which were originally similarly optimistic, at the end of the year, and now expect growth of only between 0.8% und 1.3%.

Capital markets show little momentum

Overall, 2004 saw a substantial economic recovery. The USA recorded real growth of 4.4%, Japan of 3.0% and the euro zone of 1.8%. This was combined with low rates of inflation of between 2.0% and 2.5%, while deflation in Japan more or less ceased to exist. Emerging economies and developing countries recorded even greater progress. The euro zone profited from external growth through increasing exports. In addition, companies paid down debt and took advantage of improved borrowing terms. In contrast, retail consumption hardly boosted growth at all.

The bond market showed surprising development. At the beginning of the year, increasing yields had been expected, but pessimism about growth increased again in the second half of the year as monetary and fiscal stimuli came to an end along with rising oil prices and the strengthening euro. In addition, currency-induced demand for bonds by foreign investors was strong. The long-term capital yield for ten-year German government bonds fell from 4.3% at the end of 2003 to 3.6% at the end of 2004.

In line with this, long-term bonds and high-yield corporate and government bonds performed well. The stock markets moved sideways for a long time, before rallying at the end of the year following the US elections and improved forecasts. The DJ Euro Stoxx 50, a leading European index, rose from 2,760 points at the end of 2003 to 2,950 at the end of 2004, after falling to 2,580 points in the summer. The DAX rose over the course of the year by 7.3% to just under 4,260 points.

Insurance sector outperforms general economy again in 2004

Growth in the German insurance sector again outstripped that of the general economy in 2004. Direct insurers increased premium income by 3.0% (previous year: 4.1%) to €151.5 billion. In contrast, liabilities and net claims incurred increased by 3.2% to €154.6 billion. Investments by the sector climbed from €981 billion to €1,100 billion.

Boom at year-end offsets cautious start for life insurers

Growth in the sector was divided unequally between classes, with particular focus on personal insurance. Once again, this is a reflection of the fact that the public is becoming more and more convinced of the need to offset the ever more pronounced cuts in statutory benefits with additional private provision.
The stipulations of the Rentenversicherungs-Nachhaltigkeitsgesetz (Pension Insurance Sustainability Act) and the Alterseinkünftegesetz (Retirement Income Act) will lead to a further decline in statutory pension plan levels in the medium term.

However, the willingness of the Germans to take out retirement provision has its limits: during the first nine months of 2004, life insurers were clearly impacted by both the weak domestic economy, with its effects on incomes and the labor market, and from the drawn-out and complicated political decision-making process regarding the future tax treatment of pension plans. The debate about the inclusion of life insurance policies in the Hartz IV social reforms also caused uncertainty and led to a reluctance to take out new policies. New business in the sector was initially muted as a result; gross premiums written by life insurers remained stagnant at the previous year's level.

But then, a boom set in on the life insurance sector in the last three months of the year, when the German public abandoned its reluctance to invest in retirement provision. The reason: people wanted to take advantage of the tax benefits associated with endowment policies, which changed for new policies as from 2005. This one-time effect boosted premium income from life insurance, enabling it to climb by 1.1% for the year as a whole to €68.2 billion. Staff and other pension funds profited in the same way, doubling their premium income. Despite the fact that the volume of business in this area is still low at €1.9 billion, total growth thus amounted to 2.5% including life insurance.

Customer profit participation in 2004 shows the sector's recovery, with overall interest income in accordance with the GDV (German Insurance Association) of 4.3%.

Trends in life insurance*	2004 € bn	Change year-on-year
Gross premiums written	68.2	+1.1%
Total liabilities	86.0	+2.0%
of which benefits paid	67.0	+3.2%
of which growth Benefit obligations	19.0	–1.5%
Number of new policies	11.8 million	+36.7%
Current premiums from new business	11.4	+41.1%

*GDV figures as of January 2005

Supplementary insurance boosts health insurers' growth

Private health insurance played a major role in the growth of the sector as a whole in 2004: with the largest increase of all classes at 6.9%, its growth was double that of the insurance sector overall. The greatest growth driver was the sale of private supplementary insurance. Patients insured through statutory health insurance schemes felt the hefty cuts in the benefit catalog brought about by the GKV-Modernisierungsgesetz and acted accordingly, taking out around 400,000 new supplementary insurance policies.

However, new contracts in the field of private comprehensive health insurance continue to decline due to the one-time increase in the compulsory insurance threshold at the beginning of 2003, with only 76,300 people turning their backs on the statutory health insurance program by the middle of 2004. The relevant figure for mid-2003 stood at 82,400.

Trends in health insurance*	2004 € bn	Change year-on-year
Gross premiums written	26.5	+6.9%
of which comprehensive and supplementary insurance	24.6	+7.4%
of which private compulsory long-term care insurance	1.9	+0.9%
Benefit payments	16.6	+4.8%

*GDV figures as of November 2004

Property and accident insurance pleased with moderate claims losses

Property and accident insurers remained in the black, generating technical income of €3.9 billion. However, premium growth slowed for cyclical reasons from 3.3% in 2003 to 1.8%, with premium income of €55.4 billion in 2004. The level of claims fell encouragingly by 1.4% to €39.4 billion, largely due to the implementation of restructuring measures over the last few years and the lack of natural disasters and major claims. The combined ratio improved from 93.4% to 91.0%.

Motor vehicle insurance in the black for second year running

The largest individual class, motor vehicle insurance, achieved an increase in technical profit for the second consecutive year, following six years of heavy losses. Of the figure of €900 million, €400 million relates to motor vehicle liability insurance, €330 million to fully comprehensive insurance and €170 million to partial cover. However, premium income in the class rose by only 0.5% (previous year: 1.6%), as a result of the increasing competition between individual motor vehicle insurers, which is expressed in lower premiums. Claims expenses fell by 1.1% to €19.4 billion, following a decrease of almost 4% in 2003 due to comprehensive restructuring measures.

Mixed results for non-life insurance

Premium income for non-life insurance showed satisfactory development, growing by 1.9% – somewhat more than property and accident insurance overall. This growth was primarily a result of a favorable trend in industrial insurance, in particular as a result of successful restructuring measures.

The claims side of the business presented no problems for non-life insurers in the first few months of 2004, with the level and number of claims remaining below average until the early summer. However, heavy storms with hail showers and gale-force winds then caused millions of euros worth of damage. At the level of the year as a whole, this led to normal claims expenses in line with expectations. Higher expenses were necessary in general non-life insurance, particularly in comprehensive homeowner insurance.

Overall, general non-life insurance broke even. In contrast, the industrial area is expected to contribute a profit of around one billion euros to the technical result generated by property insurers. This clear success is the result of improved damage prevention, intensive risk management and premium increase in the last few years.

Gross premiums written in property and accident insurance*	2004 € bn	Change year-on-year
Total property/casualty	55.4	+1.8%
Motor	22.4	+0.5%
General liability	6.5	+3.5%
Accident	6.0	+3.0%
Legal protection	2.9	+3.5%
Non-life	14.2	+1.9%

* GDV figures as of December 2004

Management Report

Developments on the international direct insurance and reinsurance markets

Due to the discontinuation by our Company in the year under review of the deferral of property and casualty insurance business, the situation on the main reinsurance markets in both 2003 and 2004 is detailed extensively in the following discussion. Business assumed from cedents outside the R+V Group was affected by developments on the international reinsurance markets.

Macroeconomic conditions also affected the development of the insurance industry. A clear drop in investment returns led to an earnings-oriented willingness to underwrite risks. After a poor performance in 2002 for property and casualty direct insurance due to the high level of losses caused by elementary risks, results in 2003 and 2004 improved significantly. The so-called hard market continued for property reinsurance, with favorable conditions for reinsurance. Rates and conditions remained attractive and continued to improve, particularly in the longer-term liability sector.

2003 also saw a large number of Acts of God. Although the number of natural disasters, at around 700, remained at the same level as the previous year, overall economic losses and insured losses increased. One third of claim events resulted from storms. The series of tornados in May 2003 in the mid-west of the USA alone cost insurers more than US$ 3 billion. In the third quarter, another two major claims were caused by hurricanes Isabel and Fabian.

Insured losses from natural disasters in 2004 amounted to US$ 40 billion (prior year US$ 15 billion). Overall economic losses doubled year-on-year, reaching US$ 130 billion. Two of the three most expensive cyclones in history occurred in 2004: hurricanes Ivan and Charly cost insurers a total of around US$ 19.3 billion. While the mid-west of the USA was hit again by a series of tornados in May 2004 that caused insured losses of US$ 500 million, the USA and the Caribbean experienced the most damaging cyclone series in their history in the second half of the year. Japan was also hit by a previously unmatched number of typhoons. While the hurricanes caused insured losses totaling US$ 20 to 25 billion, losses caused by the typhoons were estimated at US$ 6 billion. Southeast Asia was hit by catastrophic floods at the end of December caused by a seaquake off the coast of Sumatra, which resulted in devastating losses in the coastal regions of Sumatra, India, Thailand, Sri Lanka and the Maldives. However, in view of the low level of insurance cover in this region, the resulting claims expenses for the insurance industry are estimated to be low.

After the **German** direct insurance business had been heavily hit in 2002 by extraordinary natural disasters, 2003 and 2004 were relatively uneventful and did not result in major claims. As a result, the direct insurers were able on average to post a profit once more following massive technical losses in the years 1999 to 2002. Market recovery was especially marked in the motor vehicle liability and industrial fire classes, due primarily to the fact that various companies had exited the industrial business.

Reinsurance continued to find itself in a hard market in Germany. However, withdrawals by and difficulties among some market participants did not lead to a reduction in capacity, as foreign reinsurers – particularly Bermuda-based companies – stepped up activities on the European market.

With regard to direct insurance, the hard market in the **UK and Ireland** reached its high point in 2003. The motor insurance business reached a plateau after two years of persistent rate rises. Rates and conditions in non-life sectors lay at their highest level for decades.

The reinsurance market developed similarly, with excellent market conditions in almost all classes. For example, the rates for non-proportional motor insurance business continued to increase, independently of the direct insurance rates that remained flat at a high level. Reinsurance prices rose across the board in the liability sector as well.

2004 saw a stabilization at this level, apart from isolated tendencies towards a softening in motor insurance.

France experienced further rate increases in 2003 in the liability business, as well as in private accident and fire insurance. In contrast, conditions for natural disaster insurance remained flat. Market capacity was only slightly influenced by competitor exits and withdrawals. Credit insurance profited from restructuring among direct insurers in this segment. Competition among direct insurers led to falling motor insurance rates in 2004. In contrast, prices in fire and casualty insurance remained stable or increased slightly.

With regard to reinsurance, motor insurance rates saw strong increases, whereas there was a slight decline in natural disaster coverage and in fire.

Despite improvements in the overall market conditions for direct insurance, the **Italian** insurance market experienced a hard environment.

Reinsurance continued to experience disproportionally high growth and stable rates and conditions in 2003. Most classes were able to generate positive results again. After annual double-digit rate hikes, the motor liability class recorded a technical profit of 4.8% for the first time.

The weak economic environment in 2004 led to a slight weakening in premium growth. In the area of direct insurance, rates and conditions experienced initial concessions, but remained at a high level. This development was primarily to be seen in the motor liability class. Broker and company mergers continued in 2004 as in 2003.

As in previous years, market conditions in **Northern Europe** were not positive across the board. Even though rates and conditions for reinsurance protection differed significantly according to country and cedent, in general, supply substantially outstripped demand. This was not altered by the withdrawal of individual market participants.

The direct insurance markets in **Eastern Europe** experienced disproportionately high growth, in both the life and non-life sectors. The trend for investment by western insurance companies continued. In the Russian insurance sector, increased equity requirements led to a market shakeout. Around 150 undercapitalized insurance companies lost their licenses.

As in the previous year, **US** property direct insurers recorded largely unsatisfactory results in 2003. The expected combined ratio of around 100% for the market overall was on average too high to generate double-digit equity returns. One key reason for this were additional provisions for previous underwriting years, particularly for asbestos claims.

This trend in claims led to rates and conditions remaining profitable in direct property insurance. There was no sign of a return of the soft market in 2003. On the contrary, rates and conditions in the liability business achieved double-digit increases. The positive level in non-life insurance was largely maintained, with only slight reductions at most, and commercial property, even recorded isolated improvements in rates and conditions. This trend continued in a weaker form in 2004.

2003 proved substantially more successful than 2002 for reinsurers. In the North American market, one result of this was that the average combined ratio lay below 100%. Although premiums continued their double-digit growth, it was also clear that most market participants adopted a disciplined approach to underwriting. As a result, the positive reinsurance rates and conditions were generally maintained or even improved. Stable conditions largely prevailed for 2004 renewals, although initial price erosion was to be seen in some areas. At the end of the year, the region was hit by an unusual series of hurricanes.

Latin America recovered in 2003 and 2004 from its serious crisis of recent years. In Argentina, the market for direct and reinsurance hardly grew, due to the devaluation of the peso.

Latin America continues to have sufficient capacity in the direct property insurance market. Property insurance in particular saw competition both on the direct insurance and the reinsurance front. As a result, there was a slight decline in rates and conditions. Premiums, however, largely remained at an adequate level.

The **Asian** market was characterized by strong growth in both 2003 and 2004. However, South Korea was an exception, with more moderate growth. In addition, the typhoon Maemi caused heavy claims burdens for insurers in 2003. Thanks to strong economic activity, the Chinese market showed double-digit growth. The SARS epidemic heavily impacted the non-life sector in Hong Kong and Taiwan, though growth recovered slightly from the second half of the year onwards.

Established markets such as those in South Korea, Taiwan and Singapore recorded an initial softening in prices and conditions, in contrast to the emerging markets – these primarily include Malaysia, Indonesia and Thailand, in addition to China and India. Life insurance in particular experienced inflation-adjusted negative growth rates in some markets.

After over ten years of negative growth rates, premiums for **Japanese** non-life business fell again in 2003 by 1.5%. An average level of claims from natural disasters meant that the expense ratio could be reduced, resulting in a satisfactory picture overall. Seven of the nine biggest insurers were able to record profit increases of 50 to 150%, due in particular to the recovery in share prices.

Japan was hit by 10 typhoons in 2004, with Typhoon Tokage being the worst storm in the past decade. In addition, northern Japan was hit by a severe earthquake.

The exceptionally good conditions on the reinsurance market in **Australia and New Zealand** continued in 2003. A clear market shakeout followed the default of a major direct insurer in 2001. Insurance company mergers continued in 2003, and the number of companies active on the market fell again. Stiffer regulatory requirements led, with one exception, to no further new registrations in 2004.

While 2003 was largely dominated by stable rates, 2004 saw these ease in the highly competitive industrial property business.

On the **African** continent, South Africa is by far the most important insurance market. After substantial problems in previous years, most direct insurers were able to record technical profits in 2003 and 2004. This development also had a positive impact on reinsurance.

Business development and position of the Company

R+V Versicherung AG is the ultimate parent company of the R+V Group. It holds direct and indirect majority interests in the R+V Group's direct insurance companies. The R+V Group Management Report elaborates in greater detail on the business conducted by these direct insurance companies. R+V Versicherung AG also acts as the reinsurer for the direct insurance companies belonging to the R+V Group. In addition, it operates independently on the international reinsurance market. The reinsurance business is conducted primarily from the Wiesbaden head office. The Group's interests in Southeast Asia are managed by the branch office in Singapore, which was established in 1997.

Discontinuation of the deferral of third-party property and casualty insurance business

In the past, the approximation and simplification procedures permitted under section 27 (1) in conjunction with section 3 of the RechVersV were applied and third-party property and casualty insurance business was deferred by one year.

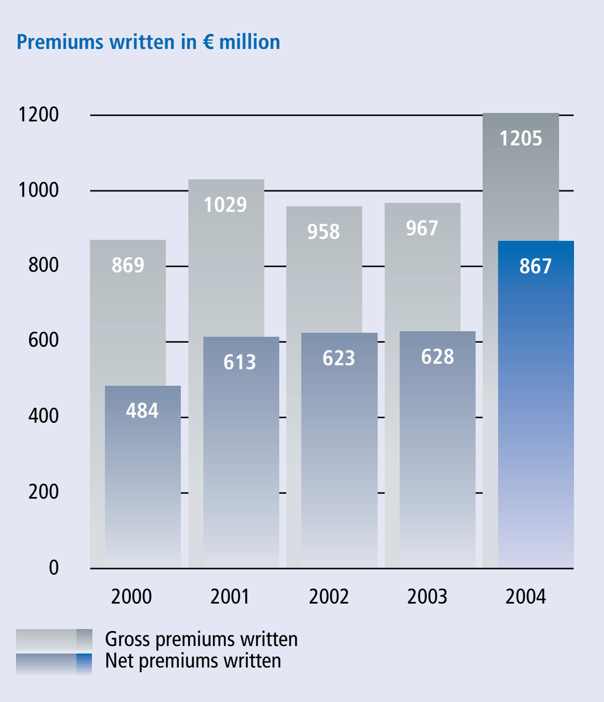
In view of the conversion to International Financial Reporting Standards (IFRS), the deferral of third-party property and casualty insurance was discontinued in the year under review.

In the period under review, technical revenues were reported in accordance with the following system:

Technical business – 2004 balance sheet	in accordance with the previous method	in accordance with the current method
	Settlement year	Settlement year
Group business	2004	2004
Third-party business		
– Life	2004	2004
– Property/casualty	2003	2003 + 2004
– Singapore branch office	2004	2004

Premium income

Above-average growth due to discontinuation of the deferral of third-party property and casualty insurance business



R+V Versicherung AG's gross premium income rose in the year under review by 24.6% to €1,205.1 million. After adjustment for exchange rate effects, premium income increased by 27.6% to €1,234.0 million.

Increases in the retentions of direct insurers within the R+V Group resulted in domestic premiums being reduced in the life, aviation, comprehensive home contents, bond/construction guarantee and legal insurance classes. In contrast, premiums increased in the motor vehicle liability, comprehensive motor vehicle, fire, transport and comprehensive homeowners insurance classes due to portfolio growth. The premium volume from German cedents not belonging to the Group grew to €48.1 million as a result of new underwritings and increased market share, as well as the effect of the discontinuation of the deferral of property and casualty insurance business. Overall, domestic business saw a 0.2% decrease in premiums.

The foreign premium volume also grew by €238.5 million, due among other things to the inclusion of third-party property and casualty business. The share of the overall business volume accounted for by foreign business rose to 63.8% (previous year: 54.8%). The main contributors to the premium volume were the traditional reinsurance markets of Italy, Spain, France, Austria, the United Kingdom and North America, along with the Singapore branch.

The total net premium volume increased year-on-year by €237.8 million to €866.6 million. Retention rose to 71.9% (previous year: 64.9%).

The following table provides a breakdown of the Company's premium income by key insurance classes:

Gross premiums written	**2004 Gross €m**	2003 Gross €m	Change Gross %
Life	345.8	369.3	-6.3
Accident	43.0	60.4	-28.9
Liability	52.8	41.5	27.3
Motor	133.0	97.0	37.1
Fire	280.6	157.5	78,2
Other property	153.8	88.1	74.6
Marine and aviation	105.2	74.3	41.6
Others	90.9	79.3	14.6
Total	**1,205.1**	**967.4**	**24.6**

Net premiums written	**2004 Net €m**	2003 Net €m	Change Net %
Life	108.3	121.9	-11.1
Accident	39.3	59.8	-34.3
Liability	47.5	37.3	27.1
Motor	125.7	92.9	35.4
Fire	238.8	126.9	88.1
Other property	131.2	68.2	92.4
Marine and aviation	100.8	70.9	42.3
Others	75.0	50.3	49.2
Total	**866.6**	**628.2**	**37.9**

Technical result

Despite natural disasters, stable rates and conditions led to a positive earnings situation.

In the last two years, prices and reinsurance conditions experienced extremely sharp corrections in some cases, allowing a largely technically appropriate level to be achieved on the market. The effects of these comprehensive restructuring measures became clearly visible for the first time in the results for 2003. The rate level and earnings situation remained almost unchanged in 2004.

In industrial non-life insurance, competition increased again slightly at the end of 2003 and led to isolated pressure on prices and conditions. However, on the whole these remained at a risk-adequate level on the market. Some new market participants focused particularly on reinsurance against natural disasters. Strict underwriting discipline was maintained despite the increase in capacity.

In liability insurance, prices and conditions were further adjusted to technical requirements in 2003. Only in the industrial liability business, and particularly pharmaceutical product liability, did rate levels continue to be insufficient. In the field of aviation insurance rates for global fleet business declined, although they largely remained at a risk-adequate level. Prices in the credit insurance area remained stable.

The large number of natural disasters worldwide in 2003 and 2004 led to an increase in gross claims expenses in our portfolio to 66.0% (previous year: 59.6%) for the non-life classes. The net loss ratio after retrocessions amounted to 73.3% (previous year: 71.9%). The gross expense ratio fell to 28.2% (previous year: 31.5%), while the net expense ratio fell to 29.6% (previous year: 32.4%).

Total non-life business	2002	2003	2004
Gross loss ratio	81.0	59.6	66.0
Gross expense ratio	29.5	31.5	28.2
Gross combined ratio	110.5	91.1	94.2

The loss in motor insurance remained at the previous year's level in the year under review following a substantial reduction in 2003. This result was largely due to developments in the motor vehicle liability class. The earnings situation for comprehensive motor vehicle insurance improved clearly once again in the year under review.

Liability business closed the year with a slight loss, after recording a profit in the previous year.

The loss recorded in the casualty insurance business increased year-on-year.

The results for fire insurance reflected the favorable claims development and the adequate rate level. After a clear loss in the previous year, a profit was achieved in the year under review.

Following a clear improvement in aviation rates in the wake of the events of September 11, 2001, the first signs of easing were observed in 2003. This trend continued in 2004. As there were also no major claim events, this insurance class closed the year with a substantial profit year-on-year. Despite the implementation of restructuring measures, the situation in marine insurance remained unsatisfactory. Continuing inadequate rate levels and high net loss ratios led to another technical loss in the year under review.

Overall, the other insurance classes generated a profit in the year under review. This was due to the storm, hail/crop, engineering and legal insurance classes. Following on the substantial surplus recorded by this segment in the previous year, the earnings situation again clearly improved in the year under review.

The technical surplus recorded in the life insurance class increased year-on-year. Health insurance broke even in the year under review, following a loss in the previous year.

Overall, the reinsurance business ended the fiscal year with a net loss of €2.4 million (previous year: net loss of €19.0 million) before allocations to the equalization provision and similar provisions.

As a result of improved net loss ratios in motor vehicle accident, comprehensive motor vehicle, fire, comprehensive homeowners, burglary and theft, machinery, construction services, hail/crop, aviation, credit and bonds/construction guarantee insurance classes, allocations were made to the equalization provision in the year under review. Allocations were also made in liability, technical and storm insurance, while the earnings situation in the other classes led to withdrawals. All in all, allocations of €27.6 million were made to the equalization provision and similar provisions (previous year: allocations of €24.9 million).

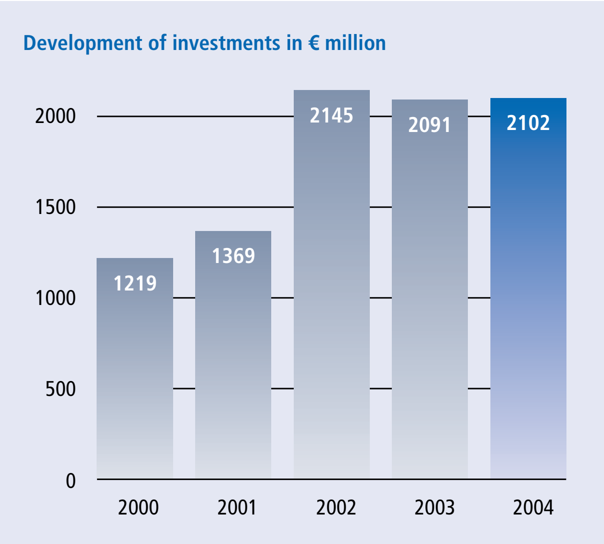
After allocation to the equalization provision and similar provisions, the net technical loss amounted to €30.0 million (previous year: net technical loss of €43,9 million).

Guarantee funds

	2004 € million	2003 € million
Share capital	292.0	292.0
Capital reserves	1,001.4	1,001.4
Revenue reserves	108.1	107.6
Net retained profits	61.8	43.9
Shareholders' equity	**1,463.3**	1,444.9
Unearned premiums	82.0	67.1
Mathematical reserve	407.9	363.9
Claims outstanding	564.8	564.7
Policyholders' reserves	0.4	0.6
Equalization provision and similar provisions	140.2	112.6
Other insurance reserves	0.5	0.4
Total insurance reserves	**1,195.8**	**1,109.3**
Guarantee funds	**2,659.1**	**2,554.2**

Based on net premiums written adjusted for the effect of the discontinuation of accounting deferral, the guarantee ratio remained at a high level of 502.6% (previous year: 406.7%). The equity ratio contained within this figure amounted to 276.6% (previous year 230.1%), and the reserve ratio amounted to 226.0% (previous year: 176.6%).

Investment portfolio



R+V Versicherung AG's investment portfolio remained almost unchanged at €2,101.6 million at the end of the fiscal year under review. The main item continued to be the Company's interests in affiliated and associated companies, which accounted for 79.1% of the entire investment.

With respect to R+V Versicherung AG's investments in affiliates, we implemented a net sale of share in Assimoco S.p.A. In addition, R+V Versicherung AG took part in capital increases by Finassimoco S.p.A., R+V Lebensversicherung AG and R+V Luxembourg Lebensversicherung S.A. The investment in R+V Reinsurance Ireland Ltd. was disposed of in the period under review.

Investment result

At €102.9 million, current investment income (excluding interest on deposits) was €8.5 million or 7.6% below the previous year's level. After adjustment for ordinary expenses of €5.0 million, the ordinary result amounted to €97.9 million.

The Company generated book gains totaling €4.0 million from the sale of property, interests in affiliated companies, fixed-income securities and shares. This resulted in a net profit from investment (excluding interest on deposits) of €101.9 million. This corresponded to a net interest rate of 4.9%.

The remeasurement reserves for the investments carried at cost amounted to €1,585.6 million. This resulted in a reserve ratio of 75.4% of total investments.

Other income and expenses

The bulk of the other income totaling €24.8 million (previous year: €23.5 million) resulted from services performed for other companies within the R+V Group. However, this increase was offset by expenses in the same amount. In addition, other income includes foreign currency gains of €5.5 million. Other expenses in the amount of €33.9 million contain interest expenses of €10.4 million. On balance, net other income and expenses amounted to €-9.1 million (previous year: €-18.6 million).

Overall result

Based on the technical loss (€30.0 million), the investment result (€106.1 million), and net other income and expenses (€-9.1 million), R+V Versicherung AG generated earnings before tax of €67.1 million in 2004, compared with €44.9 million in the previous year.

After deduction of taxes on income and other taxes, net income for the year totaled €62.2 million (previous year: €43.9 million). Of this, €0.5 million was allocated to revenue reserves and €61.8 million reported as net retained profits.

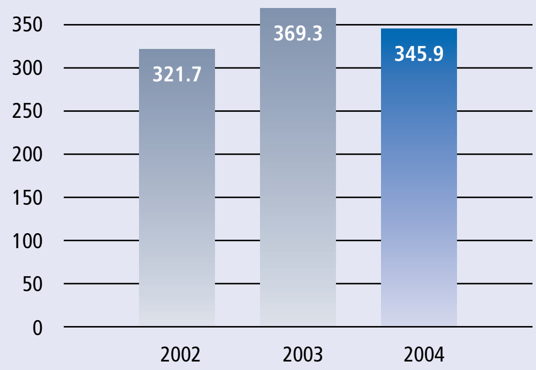
A proposal will be made to the General Meeting to utilize the net retained profits to pay a dividend of €5.50 per no-par value share.

Business developments in the individual insurance classes

Life

Reduction in gross premiums

Life – Gross premiums in € million



In 2004, life insurance continued to be dominated by the increasing importance of private retirement provision. Pension products in particular benefited from this trend, as did disability insurance.

In Germany, the year under review was marked by a series of special factors affecting life insurance and staff and other pension funds. The framework for retirement pensions underwent a massive change as a result of the „Rentenversicherungs-Nachhaltigkeitsgesetz" (Pension Insurance Sustainability Act) and the „Alterseinkünftegesetz" (Retirement Income Act).

The international life reinsurance markets experienced a reduction in capacity; this was particularly true for North America, but also for the United Kingdom. In addition, the development of the capital markets in recent years led to the sale of large portfolios by direct insurers and reinsurers.

R+V Versicherung AG's life insurance portfolio fell by €1,682.8 million to a total insured sum of €18.0 billion. This corresponds to a reduction of 8.6%. The net portfolio declined by 8.5% to a total insured sum of €14.4 billion.

Gross premiums from domestic business fell by 2.2% to €203.2 million in the year under review, while net premiums rose by 5.3% to €94.7 million.

The volume of gross premiums from foreign business fell by €18.9 million, or 11.7%, while the volume of retained premiums fell by €18.3 million, or 57.3%.

Overall, gross premium income fell by €23.4 million to €345.9 million, and net premium income by €13.6 million to €108.3 million.

Life insurance recorded a profit of €6.2 million at the end of the fiscal year (previous year: €4.2 million).

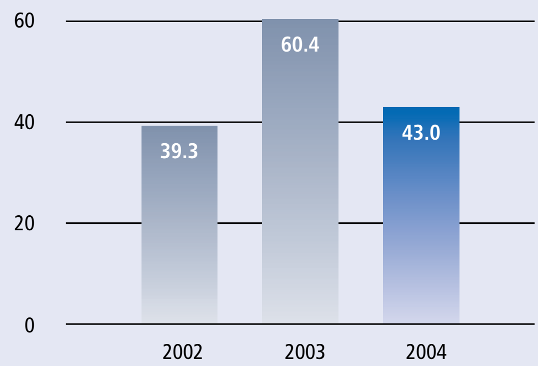
In terms of sums insured, the portfolio developed as follows:

		2004 €m	2003 €m
Reinsurance business assumed			
Sum insured	Capital	13,396.7	14,315.2
	Annuity	4,553.5	5,317.8
Business ceded			
Sum insured	Capital	2,362.2	2,685.8
	Annuity	1,179.9	1,204.9
Retained for own account			
Sum insured	Capital	11,034.5	11,629.4
	Annuity	3,373.6	4,112.9

Accident

Portfolio terminations led to a drop in premiums of foreign business

Accident – Gross premiums in € million



	2002	**2003**	**2004**
Gross loss ratio	49.0	54.2	55.5
Gross expense ratio	52.3	46.2	48.7
Gross combined ratio	101.3	100.4	104.2

Accident insurance saw an increase in both the gross and the net premium volume from domestic business. While gross income rose by €2.6 million to €25.4 million, retained premiums increased by €2.3 million to €25.0 million.

Terminations due to portfolio restructuring led to an opposing trend in foreign business. Gross premium volume fell from €37.6 million to €17.6 million, while net premiums fell from €37.1 million to €14.3 million.

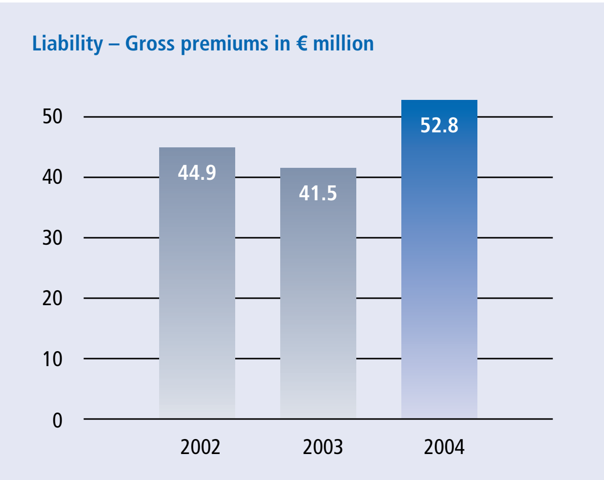
Overall, gross premium income fell by €17.4 million to €43.0 million, and net premium income by €20.5 million to €39.3 million.

Provisions were made for the flood disaster in South Asia at the end of December 2004 in the course of additions to our reserves. General accident ended the year with a net loss of €3.4 million (previous year: net loss of €0.3 million). After withdrawals from the equalization provision, this insurance class generated a profit of €5.2 million (previous year: €1.8 million).

The premium volume from motor vehicle accident insurance increased slightly year-on-year and was due almost exclusively to domestic business. The class ended the year with a profit of €0.2 million (previous year: nil). After allocations to the equalization provision, this figure fell to €0.1 million (previous year: nil).

Liability

Rising net loss and expense ratios property impact earnings



	2002	2003	2004
Gross loss ratio	72.2	45.4	63.7
Gross expense ratio	31.6	37.6	33.3
Gross combined ratio	103.7	83.0	97.0

A stiffer legal framework as well as the increase in the risks of change, which are difficult to quantify, continued to influence liability insurance development. The new Environmental Liability Directive posed radical new challenges for the class. At the EU level, too, the additional compulsory insurance systems that are planned in the interest of supposed victim protection also threatens to further limit contractual freedom.

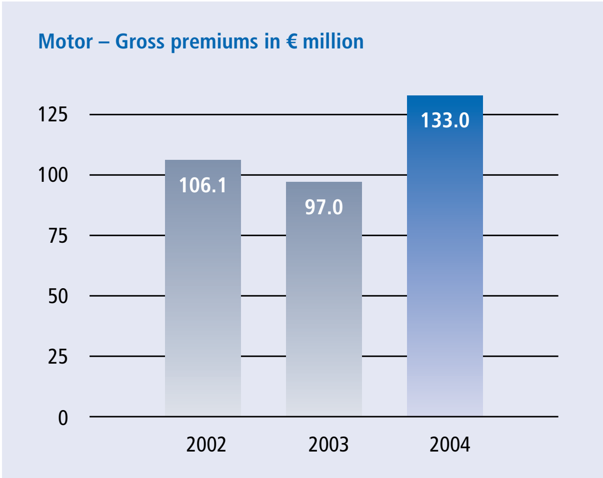
Gross premium income increased in both domestic and foreign business. While gross premium volumes in domestic business grew by 30.6% to €36.6 million, foreign business recorded an increase of 20.5% to €16.2 million. Retained premiums in domestic business rose from €25.0 million to €33.7 million, and in foreign business from €12.3 million to €13.8 million.

Overall, gross premium volume grew by 27.3% to €52.8 million, and net premiums by 27.1% to €47.5 million.

The reported net loss ratio rose by 5.8 percentage points to 68.4%, and the net expense ratio by 2.0 percentage points to 32.1%. Taken together, these factors led to a loss of €0.3 million (previous year: profit of €2.7 million). After allocations to the equalization provision and similar provisions, the class ended the year with a net technical loss of €4.3 million (previous year: loss of €3.0 million).

Motor

Earnings remain unsatisfactory despite premium adjustments in domestic and foreign business



	2002	2003	2004
Gross loss ratio	92.8	74.8	82.3
Gross expense ratio	19.1	17.6	17.1
Gross combined ratio	111.9	92.4	99.4

Following intense competitive discounting in the years 1996 to 1999, the motor class generated a technical profit before equalization provisions in 2003 for the first time since 1996. In foreign motor insurance, premium increases extending in some cases over a number of years led to adequate rate levels.

Premium income from domestic business developed positively in both gross and net terms. While gross premium volumes rose from €58.4 million to €79.8 million, retained premiums grew from €56.0 million to €76.1 million. Foreign business developed in a similar manner.

Gross premiums grew from €38.6 million to €53.2 million, while net premiums climbed from €36.9 million to €49.6 million.

Overall, gross premium income improved from €97.0 million to €133.0 million. Net premiums after retrocessions amounted to €125.7 million, as against €92.9 million in the previous year (+35.4%).

Domestic business performed more or less identically across all the individual classes of motor insurance. The gross premium volume in the motor vehicle liability insurance class increased from €38.5 million to €50.1 million, while the net amount rose from €36.6 million to €47.5 million. Development was similar in the aviation class. Gross premium volume stood at €29.7 million in the year under review, compared with €19.9 million in the previous year (+49.4%). Retained premiums amounted to €28.6 million, after €19.4 million in the previous year (+47.5%).

Foreign business also performed similarly. In motor liability insurance, both gross and net premiums grew. While gross premiums rose by €11.4 million from €28.2 million to €39.6 million, retained premiums improved from €27.0 million to €37.1 million. Gross premiums in the aviation class rose from €10.5 million to €13.6 million, and net premiums from €9.9 million to €12.5 million.

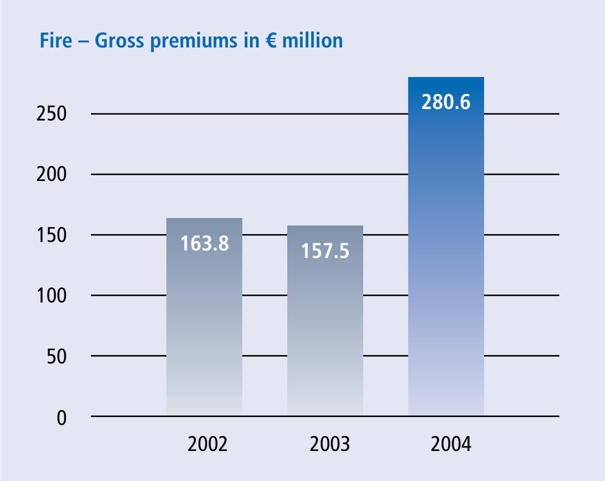
Motor vehicle liability insurance ended the year with a loss of €10.8 million, €1.2 million higher than the previous year's level. After withdrawals from the equalization provision, the loss fell to €9.7 million (previous year: loss of €8.2 million).

Motor vehicle cover generated a profit in both domestic and foreign business. Overall, this resulted in a technical profit of €3.9 million (previous year: €2.0 million), which changed to a loss of €0.3 million (previous year: profit of €0.1 million) after allocations to the equalization provision.

The net technical loss in the motor insurance class improved from €7.5 million in the previous year to €6.9 million. After allocations to the equalization provision, it increased to €10.0 million (previous year: €8.1 million).

Fire

Improved loss and expense ratios had a positive impact on earnings before allocations to equalization provisions.



	2002	2003	2004
Gross loss ratio	90.5	66.1	57.6
Gross expense ratio	29.6	30.3	30.9
Gross combined ratio	120.1	96.5	88.4

Gross premium income from fire insurance performed positively in the year under review. The premium volume increased from €157.5 million to €280.6 million. This development was due predominantly to foreign business. While domestic business grew from €21.8 million to €38.5 million, foreign business recorded premium growth from €135.7 million to €242.1 million.

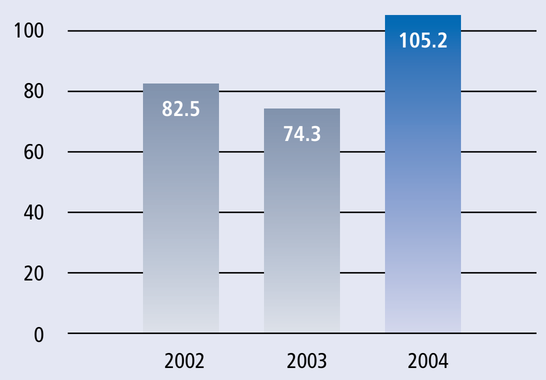
After retrocessions, retained premiums from foreign business rose from €116.4 million to €216.2 million, while a premium volume of €22.6 million was retained from domestic business. This corresponded to an increase of 114.3%. The share of gross premiums written from foreign business remained unchanged at 86.3% (previous year: 86.2%).

The reported net loss ratio fell by 13.4 percentage points to 65.0%, while the net expense ratio decreased by 0.9 percentage points to 33.8%. Taken together, these factors led to a profit of €1.7 million (previous year: loss of €16.9 million). After allocations to the equalization provision, this resulted in a technical net loss of €20.8 million (previous year: loss of €19.3 million).

Marine and aviation

Marine business earnings hit by high loss ratios – encouraging earnings trend in aviation continues

Marine and aviation – Gross premiums in € million



	2002	2003	2004
Gross loss ratio	93.0	83.7	84.1
Gross expense ratio	23.8	21.3	26.1
Gross combined ratio	116.8	105.0	110.2

Following premium increases in the previous year, both gross and net premium volumes grew in marine insurance in the year under review. Gross premium income rose by €26.2 million to €74.5 million, with retained premiums growing by €24.9 million to €72.1 million.

In domestic business, gross premiums rose by €0.9 million to €16.6 million. In contrast, net premiums written fell by €1.3 million to €15.5 million.

Gross and net premiums from foreign business developed in line with each other. Gross premium volumes rose by €25.2 million to €57.9 million, and net premiums by €26.1 million to €56.6 million.

Once again, increased claims expenses led to unsatisfactory earnings. The net loss before and after allocations to equalization provisions totaled €16.9 million (previous year: loss of €9.6 million).

In aviation insurance, premium levels rose significantly in 2002 in response to September 11, 2001, but started trending downwards in 2003, and again in 2004. The airline business in particular recorded a clear drop in rates. The area of general aviation insurance stagnated at a relatively inadequate level, particularly in the case of comprehensive insurance. Only the industrial insurance area, which insures manufacturing risks and airports, recorded moderate premium increases, caused by a substantial need for additional provisions for late claims.

The ongoing positive trends in losses and expenses again led to a positive earnings situation in the year under review. The gross premium volume in aviation and aerospace insurance increased by €4.7 million to €30.7 million. In line with the development of the gross premium volume, retained premiums grew by €5.1 million to €28.7 million. The growth was generated exclusively by foreign business. In this segment, the gross premium volume climbed by €9.1 million to €27.4 million, while the net premium volume rose €8.1 million to €25.9 million.

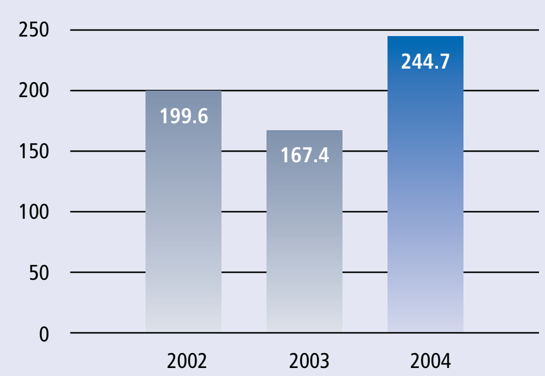
The gross volume from domestic business declined by €4.4 million to €3.3 million, and the net volume by €3.0 million to €2.8 million.

At the end of the fiscal year, this insurance class posted a profit of €4.5 million (previous year: €5.0 million), which fell to €0.3 million (previous year: loss of €1.4 million) after allocations to the equalization provision.

Other insurance classes

A decrease in premiums in domestic business was more than offset by the growth in foreign business.

Other classes – Gross premiums in € million



	2002	2003	2004
Gross loss ratio	70.4	39.4	61.0
Gross expense ratio	32.5	38.9	27.8
Gross combined ratio	102.9	78.3	88.9

After a reduction in premium volumes in the previous year, an increase was recorded in the year under review. Gross premium income grew by €77.3 million to €244.7 million, while the net figure rose by €87.7 million to €206.1 million.

Premiums from domestic business declined in both gross and net terms. While gross income fell by €42.1 million to €33.2 million, retained premiums dropped by €26.3 million to €7,4 million.

Foreign business developed positively in both gross and net terms. Gross premium volumes grew by €92.1 million to €211.5 million, while net premiums rose from €84.7 million to €198.7 million.

Key contributions to the premium volume came from the storm, credit and bonds, hail/crop, health, engineering and livestock insurance classes.

Loss ratio trends varied as against the previous year. While there were improvements in the reported net loss ratios for comprehensive homeowners, burglary and theft, hail/crop, and credit and bonds insurance, the opposite was true for the comprehensive home contents, storm, engineering, livestock, legal and health insurance classes.

Profits were generated in storm, hail/crop, legal, engineering, burglary and theft, and livestock insurance, while technical losses were recorded in the credit and bonds, comprehensive home contents, comprehensive homeowners and fidelity insurance classes.

Overall, the other insurance classes generated a net profit of €12.5 million in the year under review (previous year: €3.3 million). Following allocations to the equalization provision, the result fell to €10.2 million (previous year: loss of €8.5 million).

Staff numbers

As of December 31, 2004, the number of people employed in comparison to the previous year was as follows:

	2004	2003
Total number of employees	251	244
of whom		
Full-time	223	214
Part-time	23	26
Employees with fixed-term contracts	5	4

242 people were employed at the head office in Wiesbaden (previous year: 235) and nine people were employed at the branch office in Singapore, as in the previous year.

Contractual relations within the R+V Group

Members of the Boards of Management of a number of R+V Group companies also hold similar positions at other R+V Group companies.

R+V Group companies have concluded service agreements within the Group. In line with these agreements, certain intragroup services are performed by one of the following companies – R+V Versicherung AG, R+V Allgemeine Versicherung AG, R+V Lebensversicherung AG, KRAVAG-LOGISTIC Versicherungs-Aktiengesellschaft or Rhein-Main Assistance GmbH – in each case. The services performed for the other companies primarily extend to the following areas: sales, investments, asset management, accounting, premium collection, financial control, legal, auditing, communications, personnel management, general administration and IT. The companies receiving these services are billed after these have been provided; they have rights of instruction and control over the outsourced areas.

In addition, the companies of the R+V Group have concluded an agreement on central cash management and a central financial clearing system.

Shareholder structure

As of the balance sheet date, shares in R+V Versicherung AG were held directly or indirectly by the following shareholders:

- DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt/Main
- WGZ-Bank Westdeutsche Genossenschafts-Zentralbank eG, Düsseldorf
- Projekt 7 GmbH, Hamm
- Bayerische Raiffeisen Beteiligungs-AG, Beilngries
- Beteiligungs-AG der Bayerischen Volksbanken, Pöcking
- Norddeutsche Genossenschaftliche Beteiligungs-AG, Hanover
- DZ PB-Beteiligungsgesellschaft mbH, Frankfurt/Main
- KRAVAG-SACH Versicherung des Deutschen Kraftverkehrs VaG, Hamburg
- 838 branches of Volksbank and Raiffeisenbank throughout Germany
- 6 interests in free float

Dependent company report

In the dependent company report prepared in accordance with section 312 of the Aktiengesetz (AktG – German Public Companies Act), the Board of Management declared that, according to the circumstances known to it at the time the transactions mentioned in the report were performed, the Company received adequate consideration for each transaction, and that it did not take or fail to take any other measures subject to disclosure.

Risks of future development

Risk management process

The Gesetz zur Kontrolle und Transparenz im Unternehmensbereich (KonTraG – German Act on Control and Transparency in Business) that took effect on May 1, 1998 details the duties of the Board of Management to report on the risks of future development and to provide appropriate risk management. In this context, risk management covers all systematic measures involved in recognizing, evaluating and controlling risks.

R+V Versicherung AG has implemented a risk management process that lays down the rules to be observed when dealing with risks. The process and the rules are documented in an intragroup risk management handbook. Individual risks are recorded and documented electronically and analyzed in a risk conference.

The R+V Group has a number of systems at its disposal to record/document and control risks. These systems are upgraded on an ongoing basis and supplemented by a top-down risk approach that forms part of a permanent early warning system. An index rating in the database for all of the R+V Group's major risks serves as an additional early warning instrument. It is updated quarterly and is based on binding indicators for each risk and the thresholds they are based on. In the event that a specific index value is exceeded, obligatory measures are instituted and the individuals responsible for them appointed.

The regular risk conference and central risk reporting to the Board of Management guarantee that risks to future development that could impact the Company as a going concern are identified, analyzed and controlled in a timely manner.

In addition, in exceptional cases where changes to risks represent a threat to the Group's continued existence, reports will be made to the member of the Board of Management responsible and the coordinator of the risk conference on an ad hoc basis.

The risks monitored are technical risks, default risks relating to receivables from the insurance business, investment risks, operating risks, and global and strategic risks. The latter relate to risks from changes in the market and relationships with sales partners, as well as risks involved in the core activities of planning and control.

Technical risks

The main technical risks for a reinsurer lie in an unbalanced portfolio, inappropriate liability for catastrophic loss and fundamental changes in the basic trends on the main markets.

R+V Versicherung AG counters these risks by continuously tracking the markets. Particular importance is attached to maintaining a balanced portfolio – in terms of both territorial diversification across the world and different classes of insurance.

Risks are assumed within prescribed underwriting boundaries that limit liability for both individual and cumulative losses. The level and frequency of possible impacts from catastrophic losses are documented and tracked on an ongoing basis using established industry software, supplemented by additional verification by the Company itself. Liabilities assumed, particularly in the area of cumulative losses, are reinsured on national and international reinsurance markets with companies with first-class credit ratings. Technical provisions are maintained at appropriate levels. Based on net premiums written, the Company has a high guarantee funds ratio and a high equity ratio.

Default risks relating to receivables from the insurance business

The default risk relating to billed reinsurance receivables from cedents and retrocessionaries is limited by monitoring the Standard & Poor's ratings on a regular basis.

Investment risks

In order to create "insurance coverage" products, insurance companies expose themselves to market price, credit and liquidity risks as part of their investment activities. R+V Versicherung AG counters these risks by observing the basic principle of achieving the greatest possible security and profitability while maintaining the liquidity of the insurance company at all times. In particular, its investment policy aims to minimize risks by maintaining an appropriate mix and diversification of investments.

The Anlageverordnung (AnlV – Regulation on the Investment of the Committed Assets of Insurance Undertakings [Investment Regulation]), which took effect on January 1, 2002 and was modified on August 12, 2004, explicitly provides for qualitative regulatory elements for the first time. The Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin – the Federal

Financial Supervisory Authority) issued several circulars, including R 29/2002, on the concrete interpretation of the AnlV at the end of 2002. R+V Versicherung AG ensures that it adheres to the resulting regulatory investment principles and requirements by providing qualified investment management, appropriate internal investment guidelines and controls, a farsighted investment policy and other organizational measures.

Derivative financial instruments, structured products and asset-backed securities are only used in accordance with the regulatory requirements set out in BAV (Federal Insurance Supervisory Office) circulars R 3/2000, R 3/99 and R 1/2002. Their use is explicitly regulated by internal guidelines. These include volume and counterparty limits, in particular. Extensive, timely reporting ensures that the various risks are regularly monitored and presented transparently.

Assuming that the capital market situation at the end of 2004 continues through to December 31, 2005 and that the methods adopted in 2004 to calculate lasting impairments are retained, the Company expects investment income to make a positive contribution to the net income for the period.

At an organizational level, R+V Versicherung AG counters investment risks by ensuring the strict functional separation of trading, settlement and financial control.

Investment risks comprise:

- Market risk: the risk of incurring losses due to unfavorable changes in market prices or price-influencing factors such as changes in interest rates, share prices or exchange rates.
- Credit risk: the risk of sustaining losses or being unable to realize profits due to the default of an issuer or counterparty,
- Liquidity risk: the risk of being unable to always meet payment obligations – particularly from insurance policies – due to untimely liquidity in- and outflows.

Market risk

Scenario analyses were performed to measure possible market risks in R+V Versicherung AG's investments, using the following assumptions: for directly held shares and shares held via funds, the effect of a 20 per cent price change on the present value of these items was simulated.

For fixed-income securities, registered bonds, notes receivable and loans, the effects on the fair value of these securities and loans of a shift in the yield curve by one per cent upwards or downwards was calculated.

In addition, a duration analysis is performed regularly for the fixed-income securities and loans portfolio.

Credit risk

The Company's investment behavior is directed at avoiding risk concentration in the portfolio, and at minimizing risk through broad investment diversification. In addition, a majority of the fixed-income securities and loans – such as government bonds or mortgage bonds – are issued by the state, by public sector institutes, or by banks with excellent ratings.

More than 95% of these investments in fixed-income securities are rated by Standard & Poor´s as A or higher, and more than 85% are rated as AA or higher.

Liquidity risk

R+V Versicherung AG's liquidity risk is centrally managed. This process includes all payment flows from technical business, investments and general administration.

Currency risk

As far as possible, liabilities in foreign currencies arising from reinsurance business are matched with investments in these foreign currencies. This allows exchange rate gains and losses to be largely offset.

Operating risks

Operating risks are risks from general business activities. They arise as a result of human behavior, technical faults, weaknesses in process or project management, or external influences.

Risk provisioning using the internal control system

The main instrument used by the R+V Group to limit operating risks is its internal control system. The Group protects against the risk of errors and fraudulent activities in its administration through regulations and controls in force in its specialist departments and by reviewing the application and effectiveness of the internal control systems in Group audits. As far as possible, payment flows and undertakings are handled by computer. Additional security is provided by predefined powers of attorney and authorization rules stored in the user profiles, as well as electronic submissions for release made by the stored random generator. Depending on the risk, manual processing is conducted according to the dual control principle.

The internal monitoring of the regulations governing the risk management system, particularly with regard to their effectiveness, is reviewed by the Group audit department. The implementation of the resulting measures is monitored by the Group audit unit as part of the follow-up.

Provision for IT risks

In the IT area, the security of programs and data and the ability to ensure business continuity is guaranteed by comprehensive access controls and safety precautions. A particular risk would be the partial or complete failure of the IT systems. The R+V Group has made provisions against this by establishing two separate data centers, each with special access protection, sensitive fire protection measures and a secure power supply based on emergency power generators. A defined restart procedure to be used in the event of a disaster is tested for its effectiveness in exercises on a regular basis. Data is stored in different R+V buildings in high security areas as well as at additional external locations. The telecoms infrastructure has been designed with a high level of redundancy, both internally within the buildings and with regard to external network access.

Quality assurance for the IT systems is provided by way of established problem and change management processes. All events of relevance to services are recorded and tracked in accordance with their significance. Current topics are dealt with in daily conferences and allocated processing priority. Monthly service control meetings attended by all IT division heads are held to escalate problems and agree and take countermeasures when fixed thresholds for system availability and response times are exceeded.

Risk provisions for major projects and investments

The R+V Group has laid down binding procedures for the planning and implementation of projects and investments. In line with these specifications, an investment committee regularly examines major projects and investments, paying particular attention to events, problems and (counter) measures, as well as adherence to budgets. Necessary changes are implemented immediately. The investment committee also liaises with the risk conference committee.

Summary of the risk situation

The instruments and methods of analysis outlined here show that R+V Versicherung AG has a comprehensive system that satisfies the risk identification and analysis requirements needed for efficient risk management. To date, it has not identified any developments that could have a material adverse effect on the Company's net assets, financial position and results of operations in the long term.

Significant events and outlook

Irregularities in the business relationship with a foreign brokerage company led to the extraordinary termination of the existing contracts in April 2003. The action brought by us in the High Court of Justice in London led to the Court's confirming that this unilateral termination of the business relationship by R+V Versicherung AG was valid, and that R+V Versicherung AG was entitled to claim for damages. The verdict is not yet legally binding. The foreign brokerage company is suing R+V Versicherung AG for damages in various other countries due to the termination of the business relationship. As the actions relate to the same matter in dispute as the successful London court case, we expect the action against R+V Versicherung AG to be dismissed. Reserves have been set up for the reinsurance contracts arranged by the brokerage company and the trial costs in the balance sheet for the year under review.

The current macroeconomic environment and conditions on the capital markets are more favorable than the previous year. The insurance industry's situation has improved significantly. On the whole, prices and conditions, which have improved noticeably since 2001, were more or less maintained. Reinsurers also succeeded in pushing through improved prices and conditions even where the conditions in the direct insurance segment do not yet reflect the increased risks and necessary return requirements.

Insurance remains a growth industry. Increases in economic activity are accompanied by increased risks and increased demand for insurance coverage. In addition, new opportunities for direct insurers and reinsurers are emerging due to demographic changes, trends in social insurance systems and a heightened risk sensitivity overall.

The ever-growing need for private provision offers upbeat prospects for personal insurance in industrial countries. Gross premiums in life and health insurance are therefore likely to continue their above-average growth on these markets.

The focus on the reinsurance markets will continue to be on risk-adequate prices and conditions, with transparency in individual and cumulative risks being of particular importance. The ability to calculate these prices and conditions in risk models and to achieve them across the reinsurance cycle will continue to be one of the central success factors in the competition on the reinsurance markets.

In property and casualty insurance, we will continue our earnings-oriented underwriting policy. We have consistently discontinued contractual relationships that did not meet our requirements. Assuming that no unusually large claim events occur, we expect a further improvement to our foreign business in property and casualty insurance in the year to come.

We stopped underwriting active life and reinsurance business at the end of 2004, and premium volumes declined as a result. We expect a positive technical result in 2005 in this business sector as well.

Including our investment results, we expect a stable earnings situation for the future as well.

Wiesbaden, March 10, 2005

The Board of Management

Appendix to the Management Report

In the year under review, the Company was active in the following fields of domestic and foreign reinsurance:

Life

Health

Accident

Liability

Motor

Aviation

Legal

Fire and allied perils

Burglary and theft

Water damage

Glass

Storm

Comprehensive home contents

Comprehensive homeowners

Hail

Livestock

Engineering

Marine

Credit and bonds

Business interruption

Other

Proposal on the Appropriation of Profits

Net retained profits for the fiscal year amount to €61,835,165.	
We propose to the General Meeting that the net retained profits be used as follows:	€
Dividend of €5.50 per no-par value share for 11,242,000 shares	61,831,000
Retained profits brought forward	4,165
	61,835,165

Annual Financial Statements 2004

Balance as of December 31, 2004*

Assets

				2004	2003
	€	€	€	**€**	€
A. Unpaid contributions to subscribed					
capital				–	–
thereof called up: €– (€–)					
B. Intangible assets					
I. Start-up and business expansion costs			–		–
II. Goodwill			–		–
III. Other intangible assets			–		–
				–	–
C. Investments					
I. Land, land rights and buildings					
including buildings on third-party land			2,617,310		3,944,200
II. Investments in affiliated and associated					
companies					
1. Shares in affiliated companies		1,436,318,647			1,450,143,125
2. Loans to affiliated companies		162,074,788			141,693,051
3. Investments in associates		64,290,871			62,676,707
4. Loans to associates		–	1,662,684,307		–
III. Other financial investments					
1. Shares, investment certificates					
and other variable-yield securities		85,095,850			85,090,760
2. Bearer bonds and other fixed-income					
securities		127,366,314			132,874,691
3. Receivables from mortgages, land					
charges and annuity land charges					
and annuity land charges		–			–
4. Other loans					
a) Registered bonds	129,340,577				121,897,036
b) Notes receivable and loans	70,802,483				70,802,483
c) Loans and advance payments					
on insurance policies	–				–
d) Miscellaneous loans	5,112,919	205,255,978			5,112,919
5. Deposits with banks		15,036,936			12,992,952
6. Miscellaneous investments		3,550,930	436,306,009		3,547,930
IV. Deposits with ceding undertakings			1,106,230,978		1,122,174,539
				3,207,838,603	**3,212,950,393**

* In the case of "thereof" notes, the figures for the previous year are shown in parentheses.

				2004	2003
	€	€	€	€	€
D. Assets held to cover linked liabilities				–	–
E. Debtors					
I. Debtors arising out of direct insurance operations			–		–
II. Debtors arising out of reinsurance operations			154,595,103		280,988,127
thereof:					
affiliated companies					
€4,902,438 (€10,988,143)					
associates					
€– (€4,885)					
III. Other debtors			216,145,979		234,031,749
thereof:					
affiliated companies					
€109,701,044 (€145,416,893)					
associates					
€6,159 (€5,104)					
				370,741,082	**515,019,876**
F. Other assets					
I. Tangible assets and inventories			471,007		472,673
II. Cash with banks, checks, and cash on hand			18,239,741		17,426,313
III. Own shares			–		–
Notional value:					
€– (€–)					
IV. Miscellaneous assets			771		204
				18,711,519	**17,899,190**
G. Prepaid expenses					
I. Accrued interest and rent			10,789,915		9,584,177
II. Other prepaid expenses			**7,468,716**		**2,832,279**
				18,258,631	12,416,456
H. Anticipated tax relief for future fiscal years in accordance with section 274 (2) HGB				**2,635,500**	–
I. Deficit not covered by shareholders' equity				–	–
				3,618,185,335	**3,758,285,915**

Equity and liabilities

			2004	2003
	€	€	€	€
A. Shareholders' equity:				
I. Subscribed capital		292,000,000		292,000,000
II. Capital reserves		1,001,381,228		1,001,381,228
III. Revenue reserves:				
1. Legal reserve	–			–
2. Reserve for own shares	–			–
3. Statutory reserves	–			–
4. Reserve in accordance with section 58 (2a) AktG	–			–
5. Other revenue reserves	108,058,087	108,058,087		107,558,087
IV. Net retained profits		61,835,165		43,938,702
thereof profits brought forward: €94,902 (€12,823)				
			1,463,274,480	**1,444,878,017**
B. Participation certificates			**–**	**–**
C. Subordinated liabilities			**76,693,782**	**76,693,782**
D. Special tax-allowable reserves			**–**	**–**
E. Technical provisions				
I. Unearned premiums				
1. Gross	98,558,893			96,348,694
2. less:				
Reinsurance amount	16,576,570	81,982,323		29,265,864
II. Mathematical reserve				
1. Gross	1,018,616,976			1,014,853,825
2. less:				
Reinsurance amount	610,745,492	407,871,484		650,923,928
III. Claims outstanding				
1. Gross	756,140,395			797,204,478
2. less:				
Reinsurance amount	191,323,161	564,817,234		232,468,709
IV. Provision for bonuses and rebates				
1. Gross	388,600			616,514
2. less:				
Reinsurance amount	–	388,600		2,923
V. Equalization provision and similar provisions		140,193,944		112,593,672
VI. Other technical provisions				
1. Gross	482,148			343,362
2. less:				
Reinsurance amount	631	481,517		–50,000
			1,195,735,102	**1,109,349,121**

			2004	2003
	€	€	**€**	€
F. Technical provisions for linked liabilities			**–**	**–**
G. Other provisions				
I. Provisions for pensions and similar obligations		18,970,361		17,672,243
II. Tax provisions		9,407,124		3,866,710
III. Provisions for anticipated tax charges in future fiscal years in accordance with section 274 (1) HGB		1,674,585		539,585
IV. Other provisions		8,683,093		6,569,627
			38,735,163	**28,648,165**
H. Deposits received from reinsurers			**629,211,223**	**676,222,630**
I. Other liabilities				
I. Creditors arising out of direct insurance operations		–		–
II. Creditors arising out of reinsurance operations		171,784,351		314,615,309
thereof:				
affiliated companies				
€22,455,900	(€16,791,975)			
associates				
€87,615	(€–)			
III. Bonds		19,977,505		19,623,532
thereof convertible:				
€–	(€–)			
IV. Liabilities to banks		–		–
V. Other creditors		22,677,054		87,924,922
thereof:				
taxes				
€1,096,834	(€332,231)			
social security contributions				
€331,661	(€317,782)			
to				
affiliated companies				
€14,709,798	(€81,192,999)			
associates				
€887,304	(€887,304)			
			214,438,910	**422,163,763**
K. Deferred income			**96,674**	**330,437**
			3,618,185,335	**3,758,285,915**

Income Statement* for the Period from January 1 to December 31, 2004*

			2004	2003
	€	€	€	€
I. Technical account				
1. Premiums earned – net:				
a) Gross premiums written	1,205,128,705			967,352,061
b) Reinsurance premiums ceded	338,577,790	866,550,915		339,171,705
c) Change in provision for unearned premiums – gross	–3,955,835			18,508,798
d) Change in provision for unearned premiums – reinsurers' share	12,683,005	–16,638,840		2,363,873
			849,912,075	644,325,281
2. Allocated investment return – net			17,102,411	12,298,899
3. Other technical income – net			16,446,022	1,587,441
4. Claims incurred – net				
a) Claims paid				
aa) Gross	784,702,258			570,487,002
bb) Reinsurers' share	189,875,128	594,827,130		221,211,360
b) Change in provision for claims outstanding				
aa) Gross	–29,206,450			–38,432,657
bb) Reinsurers' share	–39,908,261	10,701,811		–100,288,037
			605,528,941	411,131,022
5. Change in other technical provisions – net				
a) Mathematical provision – net		–37,632,260		–55,051,165
b) Other technical provisions – net		–142,966		4,837,173
			–37,775,227	–50,213,993
6. Bonus and rebates – net			139,708	372,568
7. Operating expenses – net				
a) Operating expenses – gross		341,571,126		315,201,810
b) less:				
Reinsurance commissions and profit participations received		100,093,880		100,321,293
			241,477,246	214,880,516
8. Other technical expenses – net			895,794	583,066
9. Subtotal			**–2,356,407**	**–18,969,544**
10. Change in the equalization provision and similar provisions			–27,600,272	–24,936,080
11. Balance on technical result – net			**–29,956,679**	**–43,905,624**

* In the case of "thereof" notes, the figures for the previous year are shown in parentheses.

				2004	2003
	€	€	€	€	€
II. Non-technical account					
1. Investment income					
a) Income from investments		1,151,796			5,027,420
thereof:					
from affiliated companies					
€1,103 (€3,475,000)					
b) Miscellaneous investment income					
thereof:					
from affiliated companies					
€31,718,456 (€31,279,566)					
aa) Income from land, land rights					
and buildings including buildings					
on third-party land	347,731				486,921
bb) Miscellaneous investment					
income	72,439,799	72,787,530			66,379,607
c) Income from write-ups		41,850			566,796
d) Realized gains on investments		4,032,788			1,555,040
e) Income from profit pooling and					
profit transfer agreements		72,180,498			76,450,921
f) Income from the release of special					
tax-allowable reserves		–			357,608
			150,194,462		150,824,313
2. Investment expenses					
a) Investment management expenses,					
interest expenses and other					
investment expenses		3,482,573			2,854,875
b) Write-downs on investments		129,338			3,494,070
c) Realized losses on investments		–			67,782
d) Expenses for losses assumed		1,470,026			1,863,983
e) Allocation to special tax-allowable					
reserves		–			–
			5,081,937		8,280,709
			145,112,525		142,543,604
3. Allocated investment return			–38.967.092		–35.179.347
				106,145,434	107,364,256
4. Other income			24,799,877		23,463,539
5. Other expenses			33,930,801		42,043,439
				–9,130,924	–18,579,900
6. Non-technical result				97,014,509	88,784,356
7. Result from ordinary activities				**67,057,830**	**44,878,732**

	€	€	2004 €	2003 €
8. Extraordinary income		–		–
9. Extraordinary expenses		–		–
10. Extraordinary result			–	–
11. Taxes on income		4,756,267		911,273
thereof reallocation within fiscal entity:				
€–	(€13,776,265)			
12. Other taxes		61,301		41,579
thereof reallocation within fiscal entity:				
€–849,999	(€–11,357)			
			4,817,568	952,852
13. Income from losses assumed			–	–
14. Profit transferred as a result of profit pooling and profit transfer agreements			–	–
15. Net income for the year			**62,240,263**	**43,925,879**
16. Retained profits brought forward from the previous year			94,902	12,823
17. Withdrawals from capital reserves			–	–
18. Withdrawals from revenue reserves				
a) from legal reserve		–		–
b) from reserve for own shares		–		–
c) from statutory reserves		–		–
d) from other reserves		–		–
			–	–
19. Transfers from participation certificates			–	–
20. Appropriations to other revenue reserves				
a) to legal reserve		–		–
b) to reserve for own shares		–		–
c) to statutory reserves		–		–
d) to other revenue reserves		500,000		–
			500,000	–
21. Transfers to participation certificates			–	–
22. Net retained profits			**61,835,165**	**43,938,702**

Notes

Accounting Policies

Basis of preparation

The annual financial statements of R+V Versicherung AG for 2004 were prepared in accordance with the provisions of the Handelsgesetzbuch (HGB – German Commercial Code), the Aktiengesetz (AktG – German Public Companies Act) and the provisions of the Versicherungsaufsichtsgesetz (VAG – German Act on Private Insurance Undertakings) as well as the Verordnung über Rechnungslegung von Versicherungsunternehmen (RechVersV – German Federal Regulations on Insurance Accounting) dated November 8, 1994.

As part of the forthcoming conversion to international financial reporting standards, the approximation and simplification procedures permitted under section 27 (1) in conjunction with section 3 of the RechVersV were no longer applied. A comparison with prior-year figures is only possible to a limited extent. In this respect, transactions with a gross premium volume of 28.5% of the overall premium income were included additionally.

Intangible assets were measured at cost and written down using the straight-line method over the useful life of the assets allowed by tax law. Additions and disposals in the fiscal year were written down pro rata.

Land, land rights and buildings including buildings on third-party land were carried at acquisition or manufacturing cost less depreciation. Straight-line depreciation was performed using the rate allowed by tax law.

Shares in affiliated companies and associates and **other investments** were carried at cost. Investments in associates held in foreign currencies were translated using the exchange rate applicable at the time of acquisition.

Loans to affiliated companies were measured according to the length of time they have been held by the Company, in the same way as **other variable-yield securities, bearer bonds and other fixed-income securities, other loans** and **deposits with banks**. Deposits with banks in foreign currencies were translated using the exchange rate as of the balance sheet date.

Shares, investment certificates and other variable-yield securities as well as bearer bonds and other fixed-income securities were measured in line with the strict principle of the lower of cost or market, to the extent that they were not allocated to fixed assets.

These items also include derivative financial instruments. These were combined with existing securities in the portfolio to form microhedges for hedge accounting purposes.

Shares and investment certificates that are allocated to fixed assets in accordance with section 341 b (2) sentence 1 HGB were measured at their current market value as of December 31, 2004, as this was viewed due to stock market developments as the lasting fair value in 2004, but at the most at cost.

Where the reasons for write-downs charged in the past no longer applied, write-downs on the share price were reversed up to a maximum of the acquisition cost in accordance with section 280 (1) HGB.

The acquisition cost in euros of securities held in foreign currencies was calculated using the price of the security and the exchange rate at the time of acquisition; the book value in euros was calculated on the basis of the price of the security and the exchange rate as of the balance sheet date.

Other loans and **deposits with banks** were reported at their repayment value, insofar as specific valuation allowances did not have to be performed. Deposits with banks in foreign currencies were translated using the exchange rate as of the balance sheet date.

Premiums and **discounts** were amortized over the maturity period. The proportion relating to future years was reported as prepaid expenses.

Financial derivatives and **structured products** were broken down into their individual components and measured using recognized valuation techniques based on the Black-Scholes option pricing model.

Deposits with ceding undertakings and **debtors** arising out of reinsurance operations were carried at their nominal value. Doubtful debtors were written down directly.

Operating and office equipment was carried at cost and written down using the straight-line method over the useful life allowed by tax law. Additions and disposals in the fiscal year were written down pro rata. Low-value assets were written off in full in their year of acquisition.

The **remaining assets** are carried at their nominal value. Any necessary valuation allowances were performed and deducted from assets.

Technical provisions (unearned premiums, mathematical provisions, claims outstanding and other technical provisions) were reported in line with information provided by the cedents.

If no information was available, provisions were estimated on the basis of contractual conditions and the course of business to date. We made appropriate increases to a number of our cedents' loss provisions for which we felt, given our experience, that the amounts stated were too low. Correspondingly, appropriate provisions were also made for expected future loss expenses. The reinsurers' share of provisions was calculated in line with the conditions of the reinsurance agreements.

As a result of the conversion to accrual method accounting in property and casualty insurance, additional revenues received in the 2004 settlement year were estimated using actuarial techniques.

The equalization provision and **similar provisions** (nuclear plants, pharmaceutical risks) were calculated in accordance with section 341 h HGB in conjunction with sections 29 and 30 RechVersV.

Deposits received from reinsurers and **creditors** arising out of reinsurance operations were reported at their nominal value.

In line with section 6 a EStG, **provisions for pensions and similar obligations** were calculated using the present value method based on the 1998 mortality tables published by Prof. Dr. Klaus Heubeck, using an interest rate of 6%.

The **provision for early retirement** was recognized in line with the principles laid down in section 6 a EStG.

Partial retirement provisions cover both unpaid remuneration and outstanding top-up amounts for salaries and pensions. An actuarial discount was charged on the top-up amounts. The 1998 mortality tables published by Prof. Dr. Klaus Heubeck were applied when calculating these amounts, using an interest rate of 5.5%.

The **provisions for jubilee benefits** were calculated using the 1998 mortality tables published by Prof. Dr. Klaus Heubeck, using an interest rate of 5.5%.

The carrying amount of the **other non-technical provisions** is based on projected requirements.

The other liabilities were recognized at the amounts payable on maturity.

Currency translation

All items in foreign currencies were translated into euros.

The items listed under Assets C, Investments I to III and the other debtors, other creditors, prepaid expenses and deferred income, and income and expense items relating to these investments were translated using the exchange rate as of the balance sheet date, December 31, 2004. For investments in associates, bearer bonds, other fixed-income securities, shares and deposits with banks, please refer to the notes on these items.

All other items on the balance sheet and in the income statement, including in particular the technical items, were translated using the exchange rate as of November 30, 2004 in order to accelerate the preparation of the annual financial statements.

Foreign currency gains and losses incurred in relation to a single currency were netted against each other.

The strong fluctuations in foreign exchange rates in the year under review resulted in an overall foreign currency gain.

List of Shareholdings

Shares in affiliated companies

Name and registered office of company	Share of capital in %	Currency	Figures for fiscal year	Shareholders' equity €	Result €
Insurance companies					
Assimoco S.p.A., Segrate	35.4	EUR	2003	47,301,548	1,002,347
Assimoco Vita S.p.A., Segrate	55.9	EUR	2003	48,349,316	10,925,800
KRAVAG-ALLGEMEINE Versicherungs-AG, Hamburg	76.0	EUR	2004	43,257,405	6,052,405
KRAVAG-LOGISTIC Versicherungs-AG, Hamburg	51.0	EUR	2004	105,147,205	7,270,205
R+V Allgemeine Versicherung AG, Wiesbaden	93.4	EUR	2004	652,593,797	61,796,555
R+V Krankenversicherung AG, Wiesbaden	100.0	EUR	2004	15,985,231	3,500,000
R+V Lebensversicherung AG, Wiesbaden	100.0	EUR	2004	276,150,836	– *
R+V Luxembourg Lebensversicherung S.A., Strassen	99.9	EUR	2004	23,189,971	3,997,190
R+V Pensionsfonds AG, Wiesbaden	51.0	EUR	2004	8,932,828	48,678
R+V Rechtsschutzversicherung AG, Wiesbaden	100.0	EUR	2004	30,288,615	– *
Service, holding and real estate companies					
BWG Baugesellschaft Württembergischer Genossenschaften mbH, Stuttgart	76.4	EUR	2003	9,926,862	237,446
carexpert Kfz-Sachverständigen GmbH, Walluf	60.7	EUR	2003	5,147,960	12,852
Compertis Beratungsgesellschaft für betriebliches Vorsorgemanagement mbH, Wiesbaden	47.6	EUR	2003	3,865,109	348,540
GenoTel Gesellschaft für Telekommunikationsservice mbH, Frankfurt/Main	37.4	EUR	2003	1,126,622	–44,695
GWG Gesellschaft für Wohnungs- und Gewerbebau Baden-Württemberg AG, Stuttgart	84.9	EUR	2004	79,785,206	9,456,774
HANSEATICA Sechzehnte Grundbesitz Investitionsgesellschaft mbH & Co. KG, Hamburg	87.8	EUR	2003	30,586,739	–659,360
HGI Immobilien GmbH & Co. GB I KG, Frankfurt am Main	100.0	EUR	2004	34,404,864	2,403,861
HGI Real Estate L.P., London	100.0	GBP	2004	24,246,074	2,106,190
HumanProtect Consulting GmbH, Cologne	83.2	EUR	2003	126,399	30,848
KRAVAG Umweltschutz- und Sicherheitstechnik GmbH, Hamburg	51.0	EUR	2003	82,110	3,392
R+V Allgemeine Beteiligungs-GmbH, Wiesbaden	69.2	EUR	2004	47,275,384	3,594,534
R+V Erste Anlage GmbH, Wiesbaden	93.4	EUR	2003	26,293	504
R+V Erste Anlage GmbH & Co. Verwaltung KG, Wiesbaden	94.7	EUR	2003	32,378,935	10,550,186
R+V Immobilien GmbH, Wiesbaden	100.0	EUR	2004	116,653,676	9,113,809
R+V Immobilien GmbH & Co. KG Grundbesitzverwaltungs-gesellschaft Kaufingerstrasse, Wiesbaden	97.4	EUR	2004	24,319,135	1,143,125
R+V KOMPOSIT Holding GmbH, Wiesbaden	100.0	EUR	2004	1,554,648,708	– *
R+V Kureck Immobilien GmbH, Wiesbaden	93.4	EUR	2004	67,025	7,339
R+V Kureck Immobilien GmbH & Co. KG Grundstücksverwaltungsgesellschaft Adolfsberg, Wiesbaden	100.0	EUR	2004	3,570,933	71,569
R+V Kureck Immobilien GmbH & Co. KG Grundstücksverwaltungsgesellschaft Hochhaus, Wiesbaden	93.4	EUR	2004	5,012,769	286,273
R+V Kureck Immobilien GmbH & Co. KG Grundstücks-verwaltungsgesellschaft Sonnenberger Strasse 2/2a, Wiesbaden	93.4	EUR	2004	7,602,838	230,835
R+V Kureck Immobilien GmbH & Co. KG Grundstücks-verwaltungsgesellschaft Sonnenberger Strasse 2b, Wiesbaden	100.0	EUR	2004	1,469,832	66,945
R+V Kureck Immobilien GmbH & Co. KG Grundstücks-verwaltungsgesellschaft Taunusstrasse 1, Wiesbaden	100.0	EUR	2004	7,432,544	104,999
R+V Kureck Immobilien GmbH & Co. KG Grundstücks-verwaltungsgesellschaft Taunusstrasse 3, Wiesbaden	100.0	EUR	2004	4,298,286	156,720

* Profit transfer agreement

Name and registered office of company	Share of capital in %	Currency	Figures for fiscal year	Shareholders' equity €	Result €
R+V Leben Wohn GmbH & Co KG, Wiesbaden	100.0	EUR	2004	107,242,523	3,415,523
R+V Personen Holding GmbH, Wiesbaden	100.0	EUR	2004	250,227,254	– *
R+V Real Estate Belgium N.V./S.A., Brussels	100.0	EUR	2003	4,689,994	–1,069,642
Rhein-Main Assistance GmbH Gesellschaft für Service- und Beistandsleistungen, Wiesbaden	93.4	EUR	2003	9,030,964	3,653,641
Rhein-Main Beteiligungs-GmbH, Wiesbaden	93.4	EUR	2003	1,053,788	18,838
Sprint Sanierung GmbH, Cologne	93.4	EUR	2003	2,093,450	1,070,866
UMB Unternehmens-Managementberatungs GmbH, Wiesbaden	93.4	EUR	2003	587,457	23,507
WBS Wohnwirtschaftliche Baubetreuungs- und Servicegesellschaft mbH (previously: BS Wohnbau Selbsthilfe GmbH), Stuttgart	80.6	EUR	2003	14,968,704	1,178,292

* Profit transfer agreement

Associates

Name and registered office of company	Share of capital in %	Currency	Figures for fiscal year	Shareholders' equity €	Result €
Aareal European Property Investments No. 1 S.A., Luxembourg	22.9	EUR	2003	92,592,394	3,017,732
Aareal Italien Fonds GmbH & Co. KG, Wiesbaden	23.1	EUR	2003	114,849,195	598,047
Aareal Italien Fonds Holding GmbH, Wiesbaden	23.1	EUR	2003	73,870,607	676,376
Aareal Property Services Germany B.V., Amsterdam	30.0	EUR	2003	2,082,841	1,515,356
Finassimoco S.p.A., Segrate	49.9	EUR	2003	51,931,748	23,055
PWR Holding GmbH, Munich	33.3	EUR	2003	73,817,802	6,877,290
R+V Zweite HG-Beteiligungs GmbH, Wiesbaden	46.7	EUR	2003	5,566,290	2,267,413
Seguros Generales Rural, S.A. de Seguros y Reaseguros Madrid	28.0	EUR	2003	49,403,000	3,491,000
TERTIANUM - Besitzgesellschaft Berlin Passauer Strasse 5-7 mbH, Munich	25.0	EUR	2003	39,839,308	–1,129,792
TERTIANUM - Besitzgesellschaft Konstanz Marktstätte 2-6 und Sigismundstrasse 5-9 mbH, Munich	25.0	EUR	2003	58,581,459	–1,758,657
TERTIANUM Management AG für Wohnen und Leben im Dritten Lebensabschnitt i. L., Munich	20.3	EUR	2003	457,282	–3,685
TERTIANUM Seniorenresidenzen Betriebsgesellschaft mbH, Constance	25.0	EUR	2003	85,811	–1,322,767
Verwaltung HANSEATICA Sechzehnte Grundbesitz Investitionsgesellschaft mbH, Hamburg	45.8	EUR	2002	6,263	1,086

** 2003 annual financial statements not yet available.

Notes to the Balance Sheet

Statement of Changes in Asset Items B and C I to III in fiscal year 2004

	Values stated for previous fiscal year		Additions
	€ thou.	%	€ thou.
B. Intangible assets			
1. Start-up and business expansion costs in accordance with section 269 (1) sentence 1 HGB	–	–	–
2. Goodwill acquired	–	–	–
3. Other intangible assets	–	–	–
Total B.	**–**	**–**	**–**
C. Investments			
C. I. Land, land rights and buildings including buildings on third-party land	3,945	0.2	312
C. II. Investments in affiliated and associated companies			
1. Shares in affiliated companies	1,450,143	69.3	6,651
2. Loans to affiliated companies	141,693	6.8	59,180
3. Investments in associates	62,677	3.0	1,939
4. Loans to associates			
	–	0.0	–
Total C. II.	1,654,512	79.1	67,770
C. III. Other financial investments			
1. Shares, investment certificates and other variable-yield securities	85,091	4.1	3
2. Bearer bonds and other fixed-income securities	132,874	6.4	35,225
3. Receivables from mortgages, land charges and annuity land charges	–	0.0	–
4. Other loans			
a) Registered bonds	121,897	5.8	10,000
b) Notes receivable and loans	70,802	3.4	–
c) Loans and advance payments on insurance policies	–	0.0	–
d) Miscellaneous loans	5,113	0.2	–
5. Deposits with banks	12,994	0.6	2,598
6. Miscellaneous investments	3,548	0.2	3
Total C. III.	432,319	20.7	47,829
Total C.	**2,090,776**	100.0	**115,910**
Total	**2,090,776**		**115,910**

*) thereof currency write-ups: €44 thousand **) thereof currency write-downs: €9,259 thousand

Transfers	Disposals	Write-ups*)	Write-downs**)	Values stated for current fiscal year	
€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	%
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	**–**	**–**	**–**	**–**	**–**
–	1,580	–	59	2,618	0.1
–	20,476	–	–	1,436,319	68.3
–	38,300	–	498	162,075	7.7
–	324	–	–	64,291	3.1
–	–	–	–	–	0.0
–	59,100	–	498	1,662,684	79.1
–	8	12	1	85,096	4.0
–	32,530	74	8,277	127,366	6.1
–	–	–	–	–	0.0
–	2,556	–	–	129,341	6.2
–	–	–	–	70,802	3.4
–	–	–	–	–	0.0
–	–	–	–	5,113	0.2
–	–	–	554	15,038	0.7
–	–	–	–	3,551	0.2
–	35,095	86	8,832	436,307	20.8
–	95,776	**86**	**9,389**	2,101,608	**100.0**
–	**95,776**	**86**	**9,389**	**2,101,608**	

C. Investments

Present values of investments carried at cost			thereof fixed assets in accordance with section 341 b (2) HGB	
	Book value	Fair value	Book value	Fair value
Type of investment	€	€	€	€
Land	2,617,310	5,012,000	–	–
Fixed-income securities	127,366,314	131,838,066	–	–
Shares, investment certificates and other variable-yield securities	85,095,850	89,001,647	54,393,114	54,393,114
Other investments	1,505,365,731	3,080,217,859	–	–
	1,720,445,205	**3,306,069,572**	**54,393,114**	**54,393,114**

The revaluation reserves of the investments carried at cost, including fixed assets, amount to €1,586 million net, or 75.5% of total investments. The reserves for investments carried at their nominal amount were not taken into account.

Generally, present values were calculated on the basis of market prices, or using the simplified capitalized earnings value method. Land was last appraised in 2004.

Where other carrying amounts have been used in individual cases, these correspond with the provisions of section 56 RechVersV.

In accordance with section 341 b HGB, investments in the amount of €54.4 million were allocated to fixed assets. This does not include any negative revaluation reserves based on prices as of December 31, 2004.

C.III. Other financial investments

Structure of derivative financial instruments	Nominal value			
	Time to maturity			
	< 1 year	1 – 5 years	> 5 years	Total
	€	€	€	€
Transaction types				
Interest rate	–	25,564,594	25,564,594	51,129,188
Currency	–	15,899,132	–	15,899,132
Equity/index	–	–	–	–
Other transactions	–	–	–	–
Total	**–**	**41,463,726**	**25,564,594**	**67,028,320**

In addition, closed-out swap transactions existed as of the balance sheet date.

Information on derivative financial instruments	Type	Totals	Totals	Totals
		Amount / volume	Book value	Fair value
		€	€	€
Balance sheet items				
Registered bonds	Interest rate swaps[1])	51,129,188	–	4,660,444
Notes receivable and loans	Cross-currency swaps[1])	15,899,132	–	1,536,934

[1]) Measurement method = zero-coupon pricing

G. II.	Other prepaid expenses	2004
		€
	Discounts on subordinated loans	19,173
	Premium on investments	1,419,476
	Expenses relating to subsequent fiscal years	6,030,067
	Total	**7,468,716**

H.	Anticipated tax relief for future fiscal years in accordance with section 274 (2) HGB	2004
		€
	Deferred tax assets	**2,635,500**

The anticipated tax relief for future fiscal years is due to differences in the tax accounts resulting from the more realistic measurement loss provisions in accordance with section 20 (2) KStG, from the discounting of loss provisions in accordance with section 6 (1) no. 3 EStG, and other provisions that were fully or partially unrecognized for tax purposes.
The tax effect is calculated at a rate of 40%, and comprises corporation tax, the solidarity surcharge and trade tax.

Equity and liabilities

A. I.	Subscribed capital	2004
		€
	Brought forward as of Jan. 1	292.000.000
	As of Dec. 31	**292.000.000**

The share capital is composed of 11,242,000 no-par value shares (registered shares).

DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, has informed us in accordance with section 20 (4) AktG that it holds a majority interest in our company.

A. II.	Capital reserves	2004
		€
	Brought forward as of Jan. 1	1.001.381.228
	As of Dec. 31	**1.001.381.228**

A. III.	Revenue reserves	2004
		€
	5. Other revenue reserves	
	Brought forward as of Jan. 1	107.558.087
	Appropriations from net retained profits	500.000
	As of Dec. 31	**108.058.087**

G.III.	Provisions for anticipated tax charges in future fiscal years in accordance with section 274 (1) HGB	2004
		€
	Deferred tax liabilities	**1.674.585**

The anticipated tax charges in future fiscal years is a result of the measurement of associates.
The tax effect is calculated at a rate of 26% (excluding corporation tax).

K.	Deferred income	2004
		€
	Discounts on investments	**96.674**

Other notes

There are no liabilities with a time to maturity of more than 5 years or liabilities secured by liens or similar rights.

Notes to the Income Statement

I. 1 a.) Gross premiums written	2004	2003
	€	€
Property, health and casualty insurance	859,269,305	598,095,792
Life insurance	345,859,400	369,256,269
	1,205,128,705	**967,352,061**

I. 2. Allocated investment return	2004	2003
	€	€
	17,102,411	**12,298,899**

This relates to interest from the collateral provided to the previous insurers in the amount of the mathematical provision and the mathematical pension provision.
The reinsurers' share of reserves was calculated in line with the conditions of the reinsurance agreements and deducted correspondingly.

I. 4. Claims incurred – net	2004	2003
	€	€
	605,528,941	**411,131,022**

The settlement of the provision for claims outstanding brought forward from the previous fiscal year resulted in a gross loss of €72.0 million.

II. 2 b.) Write-downs on investments	2004	2003
	€	€
Regular write-downs	58,598	60,442
Write-downs in line with section 253 (2) HGB sentence 3	–	3,403,603
Write-downs in line with section 253 (3) HGB	70,739	30,025
	129,338	**3,494,070**

Supervisory Board

Dr. Christopher Pleister
– Chairman –
President, Bundesverband der Deutschen
Volksbanken und Raiffeisenbanken e.V., Berlin

Ulrich Birkenstock
– Deputy Chairman –
Chairman of the Central Works Council,
R+V Allgemeine Versicherung AG,
Koblenz branch office

Dr. Ulrich Brixner
– Deputy Chairman –
Chairman of the Board of Management,
DZ BANK AG Deutsche Zentral-Genossenschaftsbank,
Frankfurt/Main

Dr. Peter Aubin
Chairman of the Board of Management,
Volksbank Göppingen eG,
Göppingen

Uwe Brandenburg
Deputy Chairman of the Board of Management,
Hannoversche Volksbank eG,
Hanover

Andreas Dichtl
Chairman of the Board of Management,
Volksbank Raiffeisenbank Berchtesgadener Land eG,
Bad Reichenhall

Peter Frenzel
Senior specialist,
R+V Allgemeine Versicherung AG,
Oldenburg branch office

Albrecht Hatton
Chairman of the Board of Management,
Volksbank Dessau/Anhalt eG,
Dessau

Lothar Heise
District Manager
R+V Lebensversicherung AG,
Hanover branch office

Peter Hermann
Printer
R+V Allgemeine Versicherung AG,
Wiesbaden head office

Heinz Hilgert
Member of the Board of Management, DZ BANK AG,
Deutsche Zentral-Genossenschaftsbank,
Frankfurt/Main

Karl-Heinz Moll
Member of the Board of Management, WGZ-Bank
Westdeutsche Genossenschafts-Zentralbank eG,
Düsseldorf

Hermann Rohrmeier
Branch representative,
Southern sales office,
R+V Allgemeine Versicherung AG

Gerd Rück
Director,
R+V Versicherung AG,
Wiesbaden head office

Armin Schmidt
Deputy District Manager,
Vereinte Dienstleistungsgewerkschaft ver.di,
Wiesbaden

Gudrun Schmidt
Head of department,
Vereinte Dienstleistungsgewerkschaft ver.di,
Frankfurt/Main

Board of Management

Dr. Jürgen Förterer
Chairman

Dr. Christoph Lamby

Hans-Christian Marschler

Bernhard Meyer

Dr. Manfred Mücke
(until March 1, 2004)

Rainer Neumann

Rainer Sauerwein

Hans-Dieter Schnorrenberg

Peter Weiler

General Representative
of the Board of Management

Dr. Christoph Bark, Lawyer
(until December 31, 2004)

Commission and other remuneration for insurance agents, personnel expenses	2004
	€
1. Wages and salaries	16.911.614
2. Social security costs	2.384.175
3. Pension costs	2.268.883
4. Total expenses	**21.564.672**

Total remuneration of the members of the Board of Management in the fiscal year amounted to €1,561,454.
Former members of the Board of Management and their surviving dependents received a total of €617,710.
The provision for current pensions and pension entitlements for former members of the Board of Management and their surviving dependents amounts to €5,285,626.
Expenses for the Supervisory Board amounted to €255,602 in the fiscal year.
No amounts subject to disclosure in accordance with section 285 no. 9 c HGB were paid in the fiscal year.

Number of employees

In fiscal 2004, R+V Versicherung AG employed an average of 248 people (2003: 240), of whom 239 were employed in Germany and 9 at the Singapore branch office.

Contingent liabilities and other financial commitments

Liabilities due to shares in cooperatives amount to €5,000.
A letter of comfort was submitted relating to a company in the process of formation.
There are no further contingent liabilities within the meaning of section 251 HGB.

Additional payment obligations

Additional payment obligations exist in the amount of €19,120,608 in relation to shares in affiliated companies, in the amount of €1,825,804 in relation to investments in associates and in the amount of €11,888 in relation to shares in German insurance companies.

Consolidated financial statements

R+V Versicherung AG produces subgroup financial statements in accordance with the provisions of sections 290 ff HGB.
These are filed with the Wiesbaden commercial register under HRB 7934.
The subgroup financial statements of R+V Versicherung AG have been included in the higher-ranking consolidated financial statements of DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main.
These are filed with the Frankfurt am Main commercial register under HRB 45651.

Wiesbaden, March 10, 2005

The Board of Management

Dr. Förterer

Dr. Lamby　　Marschler　　Meyer

Neumann　　Sauerwein　　Schnorrenberg　　Weiler

Auditors’ Report

We have audited the annual financial statements including the accounting and the management report of R+V Versicherung AG, Wiesbaden, for the fiscal year from January 1, 2004 to December 31, 2004. The maintenance of the books and records and the preparation of the annual financial statements and the management report in accordance with the provisions of the HGB (Handelsgesetzbuch – German Commercial Code) and the supplementary provisions of the Articles of Association are the responsibility of the Board of Management of the Company. Our responsibility is to express an opinion on the annual financial statements, including the accounting and the management report, based on our audit.

We conducted our audit of the annual financial statements in accordance with section 317 HGB and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance.

Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal accounting control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit.

The audit includes assessing the accounting principles used and significant estimates made by the Board of Management, as well as evaluating the overall presentation of the financial statements and the management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not give rise to any reservations.

In our opinion, the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. On the whole, the management report provides a suitable understanding of the Company’s position and suitably presents the risks of future development.

Cologne, March 11, 2005

KPMG
Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Henzler	Fleischerowitz
Wirtschaftsprüfer	Wirtschaftsprüfer

Report of the Supervisory Board

The Supervisory Board was regularly informed in written and oral reports by the Board of Management on the current position of the Company and particular transactions during fiscal 2004, and supervised management on the basis of these reports.

The present financial statements for fiscal 2004, the management report, the consolidated financial statements and the consolidated management report for fiscal 2004 were examined by the Supervisory Board. The auditor responsible was present during the meeting of the Supervisory Board's audit committee and the meeting of the Supervisory Board in which the annual financial statements were adopted, and was available to give all additional explanations and opinions required. No reservations were made in relation to the statements.

The Supervisory Board concurs with the audit opinion of the auditing firm KPMG Deutsche Treuhand-Gesellschaft AG, which was appointed in accordance with section 341 k HGB and which issued an unqualified opinion.

The Supervisory Board concurs with the proposal of the Board of Management on the appropriation of the net retained profits of R+V Versicherung AG. The annual financial statements for R+V Versicherung AG prepared by the Board of Management and the consolidated financial statements for fiscal 2004 have been approved and hence adopted in accordance with section 172 AktG.

The dependent company report prepared by the Board of Management and the audit report on this prepared by the auditors were submitted to the members of the Supervisory Board and examined.

The auditors issued the following audit opinion on the dependent company report by the Board of Management:

"On completion of our audit in accordance with professional standards, we confirm that

1. the factual statements made in the report are correct,

2. the remuneration paid by the Company with respect to the transactions listed in the report was not inappropriately high."

We concur with this opinion and raise no reservations to the closing declarations made by the Board of Management in the dependent company report.

Wiesbaden, March 14, 2005

The Supervisory Board

Dr. Pleister
Chairman

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