R+V

ANNUAL REPORT
2016

R+V Versicherung AG

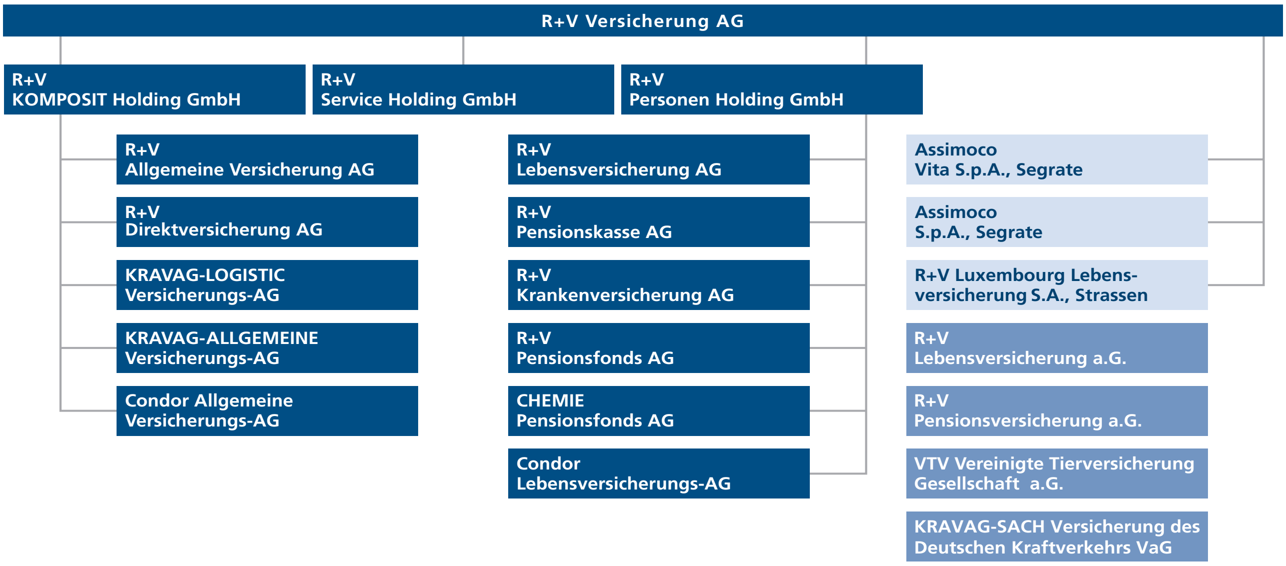
Volksbanken Raiffeisenbanken
cooperative financial network

R+V Versicherung AG

Annual Report 2016

Presented at the annual general meeting
on 8 June 2017

R+V Consolidated Group – simplified presentation



Domestic Consolidated Group Companies   Foreign Consolidated Group Companies   Further R+V Group Companies

FIGURES FOR THE FISCAL YEAR

in EUR million	R+V Versicherung AG 2016	2015
Gross premiums written	2,229	1,981
Gross expenditure on claims for the fiscal year	1,649	1,361
Current income from capital investments	305	282
Capital investments	6,218	5,779
Employees as of 31 December (number)	528	511
Gross premiums written		
Direct domestic insurers in the R+V Group (HGB)	13,277	12,846
R+V Group (IFRS)	14,767	14,536
Annual result – R+V Group (IFRS)	517	460
Capital investments – R+V Group (IFRS)	92,685	86,251

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FURTHER INFORMATION

For reasons of calculation, rounding differences may occur from the mathematically exact values (monetary units, percentages).

Management Report

Business development and general conditions

Business activities

R+V Versicherung AG is the controlling company of the R+V Consolidated Group. It holds direct and indirect majority interests in the direct insurance companies of the R+V Group.

R+V Versicherung AG acts as the central reinsurer for the direct insurance companies belonging to R+V. It also acts independently on the international reinsurance market. It provides reinsurance services worldwide in all non-life classes.

Organisational and legal structure

R+V Versicherung AG is majority-owned by DZ BANK AG Deutsche Zentral-Genossenschaftsbank (DZ BANK AG), Frankfurt am Main. Additional shares are held by other cooperative associations and institutes. The Board of Management of R+V Versicherung AG is responsible for all insurance business within the DZ BANK Group.

The profit and loss transfer agreement between R+V Versicherung AG and DZ BANK AG from March 2012 ended on 31 December 2016 due to its limited term. On 28 November 2016, the Board of Management for R+V Versicherung AG resolved to conclude a new profit transfer agreement. The planned agreement is subject to approval by the annual general meetings of DZ BANK AG and R+V Versicherung AG. It will be concluded with a term of five years from 1 January 2017 to 31 December 2021. In this regard, the annual general meeting of R+V Versicherung AG is to pass a resolution determining authorised capital with a total issue amount of EUR 250 million.

Related to the original profit transfer agreement, a tax sharing agreement was concluded between DZ BANK AG and R+V Versicherung AG, in accordance with which the subsidiary company, R+V Versicherung AG, is subject to a notional tax assessment on the basis of the applicable laws and regulations. Due to the tax sharing agreement, R+V Versicherung AG is treated as though it were taxed independently.

The R+V Versicherung AG subsidiaries, R+V KOMPOSIT Holding GmbH and R+V Personen Holding GmbH, bundle the shareholdings in the subsidiaries in the business divisions of property and accident insurance and life and health insurance. In addition to this, the service provider subsidiaries are brought together under R+V Service Holding GmbH.

R+V KOMPOSIT Holding GmbH has direct and indirect holdings in the following domestic property and accident insurance companies:

- R+V Allgemeine Versicherung AG
- R+V Direktversicherung AG
- KRAVAG-LOGISTIC Versicherungs-Aktiengesellschaft
- KRAVAG-ALLGEMEINE Versicherungs-Aktiengesellschaft
- Condor Allgemeine Versicherungs-Aktiengesellschaft

R+V Personen Holding GmbH holds shares directly and indirectly in the domestic life and health insurance companies as well as pension funds and pension companies of the R+V Group:

- R+V Lebensversicherung AG
- R+V Pensionsfonds AG
- R+V Pensionskasse AG
- R+V Krankenversicherung AG
- CHEMIE Pensionsfonds AG
- Condor Lebensversicherungs-Aktiengesellschaft

R+V Service Holding GmbH primarily has shareholdings in the following service provider companies and real estate companies:

- R+V Service Center GmbH
- carexpert Kfz-Sachverständigen GmbH
- compertis Beratungsgesellschaft für betriebliches Vorsorgemanagement GmbH
- GWG Gesellschaft für Wohnungs- und Gewerbebau Baden-Württemberg AG
- UMB Unternehmens-Managementberatungs GmbH
- UMBI GmbH

– R+V Rechtsschutz-Schadenregulierungs-GmbH
– Sprint Sanierung GmbH
– HumanProtect Consulting GmbH

R+V Versicherung AG has concluded control agreements and profit and loss transfer agreements with R+V KOMPOSIT Holding GmbH and R+V Service Holding GmbH. The control and profit and loss transfer agreement with R+V Personen Holding GmbH was terminated on 31 December 2016.

R+V KOMPOSIT Holding GmbH has concluded profit and loss transfer agreements with R+V Allgemeine Versicherung AG, R+V Direktversicherung AG and Condor Allgemeine Versicherungs-Aktiengesellschaft.

R+V Personen Holding GmbH has concluded profit and loss transfer agreements with R+V Lebensversicherung AG and Condor Lebensversicherungs-Aktiengesellschaft.

R+V Service Holding GmbH has concluded profit and loss transfer agreements with R+V Service Center GmbH and PASCON GmbH. The profit and loss transfer agreement with PASCON GmbH was terminated on 31 December 2016.

The Boards of Management of the R+V companies are partially staffed by the same directors. The R+V Group is managed as a single company.

The integrated management of the R+V Group is also reflected in the extensive internal outsourcing agreements concluded between the companies.

Shareholder structure

As per the reporting date, R+V Versicherung AG's shares were held directly or indirectly by the following shareholders:

– DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main
– Bayerische Raiffeisen-Beteiligungs-AG, Beilngries
– GBK Holding GmbH & Co. KG, Kassel
– Beteiligungs-AG der bayerischen Volksbanken, Pöcking
– Norddeutsche Genossenschaftliche Beteiligungs-AG, Hannover
– KRAVAG-SACH Versicherung des Deutschen Kraftverkehrs VaG, Hamburg
– 609 cooperative banks from all regions of Germany
– 10 free-float shares

Relations to affiliated companies

Owing to the profit and loss transfer agreement concluded with DZ BANK AG, the obligation to prepare a dependent company report ceases to apply according to Section 316 AktG (Aktiengesetz [German Companies Act]).

Association memberships

R+V Versicherung AG is also a member of the following associations/organisations:
– Gesamtverband der Deutschen Versicherungswirtschaft e.V. (GDV, or German Insurance Association), Berlin
– International Cooperative and Mutual Insurance Federation (ICMIF), Bowdon
– Association of Mutual Insurers and Insurance Cooperatives in Europe (AMICE), Brussels
– Association des Professionnels de la Réassurance en France (APREF), Paris

Corporate Governance

The law on the equal participation of men and women in managerial positions in both the private sector and public services has been in force since 2015. As the co-managers of a company

PROPORTION OF WOMEN

in %	Targets set for 30 June 2017
Supervisory Board	25.00
Board of Management	12.50
First level of management below the Board of Management	15.40
Second level of management below the Board of Management	5.30

which is subject to this law, the Supervisory Board and the Board of Management for R+V Versicherung AG have stipulated the following target figures for the proportion of women on the Supervisory Board and the Board of Management as well as for the staffing of the managerial positions in the first and second levels below the Board of Management.

Personnel report

The number of employees[1]) in R+V Versicherung AG increased by 17 employees to 528 compared with 511 employees in the previous year. The average time of service for the company remained unchanged and was approximately 11 years.

R+V places great importance on supporting its employees in the same way as the company places its clients at the heart of its business. Since R+V can only continue to compete successfully with qualified, motivated employees.

Training and professional development

As an attractive employer, R+V consistently pursues a personnel strategy that is aimed primarily at employee commitment and maintaining skills on an ongoing basis. In the race for the best talent, the company is strongly committed to training junior staff. This is why R+V offers numerous career opportunities in administration and field sales for those who have completed secondary school education or hold technical diplomas. These include, for example, dual study programmes for the following degrees:

- Bachelor of Science in Insurance and Finance alongside training to be a specialist in insurance and finance. The theoretical part will take place at the Wiesbaden Business School of the RheinMain University and specialise in insurance. Practical application will take place at the R+V head office in Wiesbaden.
- Bachelor of Science in Business Information Systems alongside training as an IT specialist. The theoretical part will take place at the University of Applied Sciences, Mainz and specialise in applications development. Practical application will also take place at the head office in Wiesbaden.
- Bachelor of Arts in Insurance and Finance. The theoretical part will take place at the Baden-Württemberg Cooperative State University (DHBW) in Stuttgart and the practical application at the R+V Stuttgart branch office.

After graduating with a Bachelor of Science in Insurance and Finance, those students on the dual study programme who have achieved a very good degree will have the opportunity to immediately commence a Master of Science in Insurance and Finance at the Wiesbaden Business School, RheinMain University.

In addition to degree study programmes, R+V also offers vocational training places to qualify as a specialist in insurance and finance, specialising in insurance. The field service in the sales department trains insurance and financial specialists in the banking and general agent sales channels.

The office or field-based trainee programmes are entry level programmes and training programmes for university graduates. Each year, approximately 15 to 20 committed young professionals begin an office-based trainee programme in various specialist areas after their studies. The trainees participate in a tailor-made trainee programme with on-the-job, near-the-job and off-the-job components. The focus is on targeted collaborative work on topics and in projects as well as work-shadowing at specific interfaces in office and field sales. This means that the trainees immediately become part of a strong network within the company as well as receiving individual support and encouragement. Six graduates began the trainee programme for sales specialists in 2016. This trainee programme focuses on professional and individualised support to become qualified specialists in the insurance industry. Junior staff are specifically and comprehensively prepared to take on a demanding range of tasks in sales through systematic and practice-based on-the-job professional development and accompanying seminars.

[1]) For ease of reading, only the masculine form is used in the following text. However, the information refers to both genders.

The targeted, continuous training of employees is of particularly great importance to R+V. In light of increasing and changing requirements, further training enables employees to be given the best possible support and overcome the challenges of a complex working world. R+V encourages employees to gain future-proof qualifications, which is indispensable for successful cooperation with clients and partners. In the face of demographic change and the looming skills shortage, skilled staff remain loyal to R+V because the company offers attractive opportunities for professional development. At R+V, employees are deployed, challenged and promoted based on their strengths and potential. Managers and employees agree on targets and individual training measures in annual performance reviews, which are conducted with all employees. Depending on the development goal, they may agree on one or more needs-based development measures.

R+V offers comprehensive training programmes with technical and methodological training and a wide range of events. This includes an increasing range of e-learning opportunities and webinars in addition to the traditional educational programmes with group and individual activities. The head of department and team leader qualifications also follow the R+V management guidelines. Through the project manager qualification and the mentor programme, R+V also offers qualification programmes for highly capable employees in project management and specialist areas. Systematic development paths with specific development measures are produced for clearly defined target roles.

Quality R+V advice

R+V laid the foundations for a completely new, standardised way of giving clients advice in 2016: quality R+V advice. This new advisory process is based on the principle of giving clients integrated support and advice for all insurance-related issues. This gives clients and sales staff legal certainty. Clients are also given advice that is comprehensive and consistent across all regions of Germany. The focus is on their needs. Field staff receive the best technical support during advisory process.

Innovation, digitalisation, agility

The insurance industry is facing major challenges. The “Arbeiten 4.0” dialogue process placed increasing importance on the issues of digitalisation, innovation and agility. R+V’s HR department focuses on enabling employees and managers to work in an innovative, agile way, to take on challenges positively and to create an experimental atmosphere in which creativity can flourish. With this strategic approach, R+V introduced various new formats for managers and employees in 2016. The “Learning Journey” is an inspiration and learning format for managers and employees. The first step involves visiting individual start-ups. The participants get to know digital business models in more depth, take advantage of the opportunity to have an intensive conversation with the founders and discuss the drivers of innovation. Subsequently they reflect on the findings and discuss transferring them to R+V in a workshop. The purpose of the “Learning Journey” is to promote the development of skills relating to the topics of digitalisation and innovation.

“CoffeeTalk” and “Lernen@Lunch” are internal initiatives in which participants try out new ideas, conceive others, think outside the box and scrutinise standard procedures. In these formats, internal or external speakers provide interesting and useful information and give participants new impetus and inspiration through a mixture of presentations and dialogue. There is the time and the opportunity to have discussions and network in a relaxed atmosphere. Workshops on “Agile Development” and “Design Thinking” are also offered, as well as seminars on insurance trends. R+V is working on additional formats.

Talent management/manager development/ career development for women

In terms of talent management, R+V places great emphasis on a forward-looking, systematic approach that enables targeted development for highly capable employees and the optimal satisfaction of personnel and succession needs for the first to third level in management, project management and specialist careers. This enables the company to primarily fill key positions with highly capable employees from its own ranks. Top performers are also evaluated in terms of their potential and given support through performance reviews, orientation centres, assessment centres, individual development plans, career-specific development programmes and support groups. This ensures that they are suitably qualified to take on additional responsibilities.

R+V set up the management development department in 2016. Management development focuses on the strategic areas of action of management culture development, managerial skills development, dealing with current management challenges and identifying and developing management potential.

Targeted programmes prepare executives for new responsibilities and challenges, and support and encourage them in their daily management role. The executive training is based on the R+V management guidelines and skills model as well as the St. Galler management model. The understanding of leadership in executive training and personnel development at R+V is defined in the same way as in organisation; the activities are interwoven and it is continually developed.

R+V also places high importance on developing suitable employees for key positions in sales. Multi-stage selection procedures and special development programmes ensure that candidates are suitable, e.g. for the role of branch director or head of sales.

Supporting women in their career development is a key component of succession planning. The aim is to increase the proportion of women managers. R+V is working on improving female employees' career opportunities in the office and field. In summer 2015, the Board of Management issued the following statement and set the company corresponding targets and standards:

– R+V supports an increase in the percentage of women in managerial roles, equal opportunities and the reconciliation of work and family life.
– R+V sets itself achievable and measurable targets which are specific to the organisation and which aim to increase the percentage of women in managerial roles.
– R+V strives to increase the development of women's talents and a company culture in which employees are able to develop, regardless of their gender. R+V has adopted appropriate measures to support these objectives.
– Within the context of a modern, sustainable corporate culture, R+V ensures that women and men are solely assessed and promoted in accordance with their skills and their performance.

In 2015, R+V began the project for the sustainable advancement of women's career development to initiate appropriate measures and integrate the issue into managerial responsibility in the long term. As a force of change, the measures focus on three areas of action: improving the reconciliation of work and family life, identifying highly capable employees and supporting highly capable employees. Throughout 2016, R+V piloted such support measures and formats such as seminars, workshops, networking events, webinars on career planning and advice and a mentoring programme for highly capable employees in the office and field. Mentors on the programme pass on knowledge and experience, provide contacts and give an insight into their working day. The mentees receive suggestions and feedback on specific issues, exchange experiences and network among themselves.

R+V initiated the "Frauen in Führung" (Women in Leadership) events in 2016. They focus on shared learning, dialogue and networking. At these events successful women managers at R+V give an insight into their career path, relating key moments and challenges and how they overcame them.

Integration of work, family and private life

Family-friendly working conditions are an important requirement for a good work/family balance. R+V has long committed itself to a family-friendly personnel policy by signing up to the "Charta der Vielfalt" (Diversity Charter) and the "Erfolgsfaktor Familie" (Success Factor Family) company network. It reinforces this focus on being family-friendly by continuously working together with the “Lokales Bündnis für Familie und Beruf Wiesbaden” (Local Alliance for Work and Family Wiesbaden). Further evidence of R+V’s family-friendly personnel policy is the “audit berufundfamilie” (work and family audit) certificate which R+V was awarded by the charitable Hertie Foundation in 2012 and has been regularly reviewed since then.

The re-awarding of the certificate in 2015 confirms that R+V actively promotes a family-friendly personnel policy and has a wide range of support for the reconciliation of work, family and private life. The range of family-friendly measures include flexible working hours, a variety of part-time working models, home office arrangements, sabbatical leave, lifelong working time accounts, parent-child offices and childcare for holidays and emergencies. R+V also provides courses and networks concerning care as well as a wide range of special arrangements such as annual leave for special family events and challenges. At some locations there is the R+V Kids’ Day, which offers employees childcare on public holidays. In this way, children playfully get to know where their parents work.

R+V works with the external provider pme-Familienservice to offer employees a variety of personalised advisory and agency services in terms of caring for family members and childcare. This means that there is a wide range of support available to staff and managers which noticeably reduces the amount of pressure they are under. R+V has also set up a support network which employees can use to exchange information and obtain support through seminars.

Corporate health management

The health of its employees is a key priority for R+V as an employee-orientated company. Healthy, committed employees are one of the most important conditions for success. It is for this reason that R+V has developed and implemented an entire concept for corporate health management (CHM). Through the individual components of CHM, R+V supports the promotion of health at work and thus contributes to the contentment and capability of its employees. R+V considers both the employer and the employee to be responsible for maintaining health. The employer’s role in this is to create healthy working conditions with regards to, for example, leadership behaviour, cooperation, work organisation and the workplace. R+V helps employees to take responsibility for maintaining their health, for example, through exercise, a healthy diet, stress management and healthcare. The CHM measures taken at R+V cover all major fields of modern health management. R+V’s integrated CHM concept involves all parties and possibilities relating to the issue of health: social advisory services, the HR department, employee representatives, health care during free time, catering services, the field of occupational safety and occupational medicine, the R+V company health insurance fund and HumanProtect Consulting GmbH, a subsidiary of R+V, which advises and assists the company with improving, maintaining and restoring its employees’ mental health.

The topic of CHM in 2016 was “Bewegung im Kopf” (Movement on the mind). Many employees use the online health portal pur-life free of charge for promoting their health. In addition to a number of preventative courses, the studio offers the option of setting up an individual profile with a personalised diet plan and personal coaching. Doctors, sports instructors and sports scientists respond to individual questions on train-ing, medication and diet by email, chat and over the telephone. The activities revolved around “Brainfood – Fit Im Kopf” (Brainfood – a healthy mind) in the second half of the year. A so-called “brainfood meal” is offered at all office locations with company catering every day.

For years R+V has offered social advisory services and thus an established network throughout Germany of social workers who employees and managers can contact. The social advisory services are the first port of call for various personal and professional problem situations. The social workers individually address the specific situation of the person seeking help and work together with them to find a solution. They help employees to manage crisis situations themselves. To standardise and expand the quality standards of the social advisory services at all locations, R+V enables prospective voluntary social workers to complete a comprehensive two-year qualification. In September 2016 further 24 social workers from R+V completed their training to become a "Betrieblicher Sozialhelfer IHK" (Occupational Social Worker) accredited by the Industrie- und Handelskammer (IHK, Chamber of Industry and Commerce) – this means that a total of 37 R+V social workers have an IHK certificate. R+V is one of the first companies in Germany to offer its employees this qualification.

R+V also provides a life situation hotline for all employees via the Group company HumanProtect Consulting GmbH. Here, employees who find themselves in stressful situations, feel overworked, are experiencing acute mental health crises or have suffered potentially traumatic events can have up to five hours of counselling over the phone, anonymously and free of charge.

Seals of approval, certificates and memberships

Numerous certificates, seals of approval and memberships attest to the fact that R+V is an attractive employer which works actively to support its employees. R+V was again awarded a certificate for its extraordinary commitment to its employees by the Top Employers Institute in 2016 and is thus one of "Germany's Top Employers". R+V has been awarded the "audit berufundfamilie" (work and family audit) certificate by the charitable Hertie Foundation for its family-friendly personnel policy, which is continuously being expanded. The "Fair Company" seal from the web portal Karriere.de is awarded to companies which are committed to recognised quality standards and verifiable regulations in practice. The "Trendence graduate barometer" shows that R+V is also one of the top 100 employers for students. R+V has also been awarded the "Top Company" seal by the employer evaluation platform kununu.de and is also a member of the "Erfolgsfaktor Familie" (Success Factor Family) company network, the "Lokales Bündnis für Familie und Beruf Wiesbaden" (Local Alliance for Work and Family) and the "Charta der Vielfalt" (Diversity Charter).

R+V is involved in the support association which runs the "gut beraten" (well-advised) initiative and, as a founding member, makes a significant contribution to the development of this professional development initiative for the German insurance industry. The "Verein zur Förderung der Versicherungswissenschaft in Hamburg" (Association for the Promotion of the Insurance Industry in Hamburg) awarded R+V the Excellence Award in 2016 in recognition of its intelligent company development of junior staff through comprehensive, applied talent management. The e-learning programme "R+V-BeratungsQualität erfahren" (Experience quality R+V advice) was also awarded the E-Learning Award by the trade journal E-Learning-Journal in 2016.

Sustainability

R+V defines sustainability as acting responsibly as a company and being committed to the environment, to society and to employees.

The most important milestones in the issue of sustainability in 2016 included switching to recycled paper at the company's in-house printing works in Wiesbaden. Around 140 million pages of client correspondence are printed there each year. After the technical tests were completed successfully in 2015, R+V replaced virgin fibre paper with its environmentally friendly recycled alternative. The effect on the environment is enormous: by taking this step, R+V saves nearly 2,000 tons of wood and almost 20 million litres of water per year. R+V has already been using envelopes made from recycled paper for client correspondence for many years, and it switched all printers and copiers in its offices to environmentally friendly paper in mid-2013.

TÜV seal for R+V environment management system

Another highlight was the recertification of R+V's environment management system by TÜV Rheinland (Technical Supervisory Association). In an inspection spanning several days, the TÜV auditors put R+V "under the environmental microscope" and confirmed that it meets all the requirements of the international standard "ISO 14001:2015". This means that R+V is one of the first companies in Germany to be examined under this new standard. A certified ISO 14001 operation records all details of energy and paper consumption, the volume of waste, hazardous substances and CO_2 emissions, among other things. An ISO 14001-certified company also has clear environmental guidelines and specific targets how it intends to further improve ecologically. An environmental management system is thus the best basis for further environment and climate protection measures.

TÜV praised R+V's numerous environment protection measures in its final report. In particular, the auditors acknowledged the system which R+V uses to deal with the issue of sustainability throughout the entire Group. For example, there is a defined annual process whereby R+V collects and evaluates all relevant environmental data and then implements the findings in the form of specific measures. This has led, for example, to the switch to recycled paper, the extensive conversion to green power at all major R+V locations and the complete refurbishment of a Wiesbaden office building with environmentally friendly LED lighting.

R+V promotes electromobility

TÜV also considered the increased use of electrical vehicles in the R+V fleet to be a positive step. R+V had purchased nine electric cars for its in-house fleet (around 350 vehicles) by the end of 2016. The “e-cars” are used at the sites in Wiesbaden, Hamburg and Stuttgart. They are primarily used there for courier services and transport to the relevant area of the city and the neighbouring region. As R+V uses green power at all major locations, these cars are completely emissions-free. R+V intends to expand its electrical fleet further. When leases come to an end, R+V will consider replacing the vehicles with electric cars. To advance emissions-free driving further, R+V has also resolved to install electric charging stations at the company premises in Wiesbaden. Employees and guests will be able to charge their e-cars at the three charging points from spring 2017.

The City of Wiesbaden also confirmed that R+V is an exemplar of environmental commitment. The state capital of Hesse awarded R+V the certificate of “ÖKOPROFIT-Betrieb” (ECOPROFIT organisation) for the fourth year in a row in 2016. This title is given exclusively to those companies that protect the environment to an exceptional degree and whose activities are also economically viable. The City of Wiesbaden also awarded R+V the title of CSR Regio.Net organisation. In the CSR Regio.Net Wiesbaden project, companies in the city collaborate to promote the issues of sustainability and responsible conduct in the region.

R+V expands social engagement

As part of its social engagement, R+V extended its supported initiatives further, as it had announced in 2015. R+V primarily supports projects and associations which implement the cooperative ideal of “helping people to help themselves” to an exceptional degree and, in doing so, focus on supporting children and young people in need as well as their education. The supported initiatives include WiesPaten, which offers students special educational support. JOBLINGE e.V. is another association which, with the help of voluntary mentors, accompanies young people on their way to working life. R+V also funds the association EVIM, an educational workshop for young people, and is hosting a Christmas party for children at the Wiesbadener Tafel for the second time.

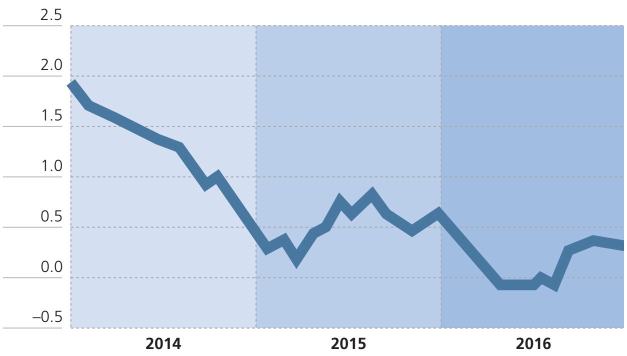
During 2016, R+V continued to support the associations it has been backing. This also includes “BürgerKolleg” from Wiesbaden which offers free training for volunteers, and the road safety association called “Aktion Kinder-Unfallhilfe”. This association was co-founded by KRAVAG and campaigns to increase road safety for children. Additional examples of the long-term and varied commitments of R+V include supporting the Leonardo School Awards from the Wiesbaden Foundation as well as supporting the “Franz das Theater” theatre ensemble from the “Lebenshilfe Wiesbaden” association which supports disabled people.

R+V publishes third sustainability report

The annual sustainability report provides an overview of all the activities concerning sustainability. R+V published the third report in the summer of 2016. The contents of this report focus on responsibilities as an investor and an employer,

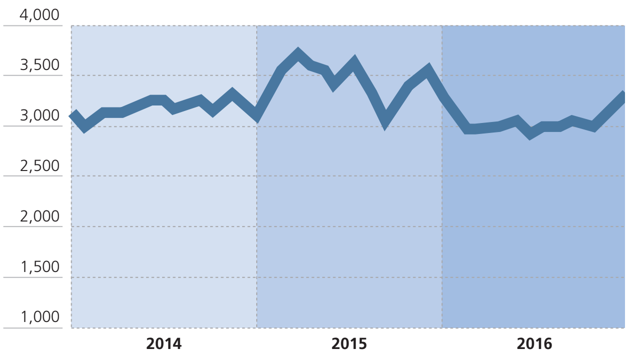
YIELD OF GOVERNMENT BONDS – 10 YEARS RESIDUAL TERM

in percentage



DEVELOPMENT OF SHARE INDEX EURO STOXX 50

Index



measures to protect the environment and social engagement. The report also contains the sustainability programme which lists all the future plans. The report complies with the guidelines for sustainability reporting issued by the Global Reporting Initiative, and therefore satisfies internationally recognised transparency standards. The report is only available online on the R+V homepage at www.nachhaltigkeitsbericht.ruv.de.

Important legal and economic influencing factors

Macroeconomic development 2016

The German economy has experienced an upturn in the past year. The expansive monetary policy of the European Central Bank (ECB), low inflation due to energy prices and the excellent situation on the labour market have led to increasing consumer spending. The upturn was also driven by a slight increase in investment, particularly in the construction industry. According to the first estimation of the German Federal Statistical Office, the real gross domestic product grew by 1.9 % in total.

The economy showed positive trends in both the euro area and the USA in 2016. Rates of inflation increased slightly due to rising oil prices, but remained very low in the euro area. The USA experienced sustained robust economic growth, while the recovery continued in the euro area. The ECB again cut interest rates and expanded its bond purchasing scheme. The general level of interest fell further as a result of this. The markets significantly fluctuated at times due to turbulence in China and surprising political events.

Due to the unexpected result of the Brexit referendum at the end of June 2016, the interest rate on ten-year government bonds was negative for the first time. They reached their lowest point of - 0.18 % at the beginning of July. The expectation growing on the market that the US Federal Reserve would increase interest rates then led to a slight increase in interest in October. This change in interest rates was enhanced by the unexpected outcome of the US presidential election. The yield on ten-year government bonds stood at 0.2 % at the end of the year. Due to the buying of corporate bonds in the ECB purchasing scheme, spreads for corporate and bank bonds contracted. Spreads for covered bonds remained at a low level.

Equity prices in the euro area were extremely volatile but lay slightly above the previous year's figure at the end of the year. The share index decisive for the euro area, Euro Stoxx 50 (a price index), had grown from 3,268 to 3,291 points as of 31 December 2016, so by roughly 0.7 %. DAX (a performance index), the German share index, rose by 6.9 % to 11,481 points.

Situation in the insurance industry
German insurers reported stable premium income overall in the 2016 fiscal year. According to GDV, the premium income was EUR 194.2 billion based on preliminary calculations (an increase of 0.2 %).

GDV reported a decrease in premiums by 2.2 % to EUR 90.7 billion in life insurance. While regular premiums largely remained stable at EUR 64.3 billion, a decrease by 0.5 %, volatile single premiums decreased by 6.1 % to EUR 26.3 billion.

Defining conditions of the industry included low interest rates, further necessary increases in additional interest reserve and the higher equity requirements of Solvency II. The decrease in the maximum technical interest rate decided by the legislator to 0.9 % on 1 January 2017 led to a recalculation of tariffs. A number of providers moved their business away from classic life and annuity insurance and developed new product ranges. Political discussion at the end of the year was dominated by the pensions debate and a planned reform of occupational pension scheme.

Based on preliminary calculations, private health insurers were able to increase their premium income by 1.1 % to EUR 37.2 billion. EUR 35.0 billion (+ 1.2 %) of this was attributable to health insurance. In care insurance, premiums remained stable at EUR 2.2 billion. As part of the care reform, insurers had
to adjust their care rates, as five care grades replaced the previous three care grades from 1 January 2017.

According to GDV, premium income in property and accident insurance increased even more than in the previous year, by 2.9 % to EUR 66.3 billion. All divisions contributed to this growth. The two largest divisions – motor and non-life insurance – in particular developed positively. Private accident insurance also exhibited an upward trend. Following the bad weather in the second quarter of 2016, the issue of insurance for weather-related losses was again on property and accident insurers' agendas. By no means all home owners are insured against extreme weather such as flooding or heavy rain. Joint information campaigns by the insurance industry and policy now in nine federal states gave tips on preventative measures and insurance protection; other states have already expressed their interest.

Development of the reinsurance markets
The global reinsurance market experienced an upturn in 2016 thanks to increased demand for reinsurance products. In some regions, stricter regulatory capital endowment requirements led to increased demand for reinsurance. Further demand was reported in emerging divisions such as cyber insurance but also in traditional divisions such as agricultural insurance.

The rate, i.e. the price which the reinsurer can charge the direct insurer for the cover provided, reduced in some segments in 2016, but this was at a slower pace than in previous years. In discussions with direct insurance clients and reinsurance brokers, the reinsurance companies were able to highlight the impending disadvantageous situation for all parties involved arising from inadequately priced contract obligations and thus stabilise the rate.

The economic as well as insured damage of natural disasters in the first half of 2016 was higher than in the same period in the previous year. The greatest damage resulted from the two earthquakes on the Japanese island Kyushu near the city of Kumamoto, which occurred on 14 and 16 April. Many people were killed and tens of thousands of buildings collapsed in the quakes. Besides severe damage to cultural artefacts and infrastructure, the production plants of suppliers to the automobile and mobile telephone industries had to cease operating for long periods of time. The most momentous natural disaster in the second half of the year was Hurricane Matthew, which caused serious damage in the Caribbean and the east coast of the USA from 28 September to 9 October. Matthew was the first hurricane to reach the highest level of "5" since 2007. The insured damage in 2016 was estimated to be USD 175 billion. The insured damage from natural disasters over the course of the year was higher than that in the previous year.

PREMIUM INCOME BROKEN DOWN INTO THE ESSENTIAL BRANCHES OF INSURANCE

in EUR million	2016 Gross	2015 Gross	Change Gross %	2016 Net	2015 Net	Change Net %
Life	25.9	25.8	0.4	13.1	12.5	5.1
Accident	61.2	59.2	3.3	61.2	59.2	3.3
Liability	63.0	59.0	6.8	63.0	59.0	6.8
Motor	879.3	726.5	21.0	871.7	718.8	21.3
Fire	583.8	500.7	16.6	576.5	493.9	16.7
Marine & Aviation	103.1	109.9	–6.2	102.9	109.9	–6.3
Other	512.4	499.5	2.6	499.5	486.8	2.6
Total	**2,228.6**	**1,980.6**	**12.5**	**2,187.9**	**1,940.1**	**12.8**

Despite the pressure from alternative risk transfer products and low investment returns, the majority of reinsurers again reported positive results, even if they were lower than in the previous year.

Development of individual countries and regions

In **Germany**, there were again several storms which caused significant losses and which had a noticeable impact on the direct insurance and reinsurance market. The increase in storms with heavy rain in May and June was particularly noteworthy. The insured damage caused by these events, such as Elvira and Friederike in May and June and Neele and Marine in June, was over EUR 1 billion. There were also several major individual losses in commercial and industrial fire insurance. In Germany, the motor and home-owners' insurance market continued its recovery effort. Despite the competitive market environment, no extensive drop in rates could be detected in the reinsurance policies. The insurers continued their long-term business relationships with their reinsurance partners.

The insurance market in **Austria** again had a very quiet year in 2016 in terms of weather-related losses with only small events confined to local areas. In particular, there was occasional small-scale flooding from May to June. However, the level of losses incurred largely remained as part of the retained business of the direct insurers so that reinsurance contracts were scarcely affected by this. There continued to be pressure on the terms and conditions for reinsurance due to the repeat of the favourable results for the reinsurance contracts and the competitive environment.

The weak growth caused by the economy in the **Italian** direct insurance market continued in 2016. The price war in the important motor division led to higher combined ratios and increased cost pressure on direct insurers. Central Italy suffered a series of earthquakes in 2016. These events again sparked a debate in the market about a pooled solution or a similar regulation to cover the damage. The price of reinsurance remained stable in 2016; increasing prices were reported in those places where higher claim rates were experienced. Due to the cost pressure prevailing in direct insurance, restructuring was performed in an attempt to decrease the costs of reinsurance.

In **France**, the flooding resulting from the natural disasters Elvira and Friederike in May and June caused damage in the sum of EUR 1.2 billion. They are thus some of the most costly floods of the last 30 years. State reinsurance for natural disasters significantly reduced direct insurers' claims expenditure. Multiple attacks of a terrorist nature were committed in French towns and cities in 2015 and 2016. The persons affected were compensated through a government fund. The number of fatal car accidents fell in 2016 – in contrast to the number of injured and seriously injured persons. Drink driving and speeding are

REINSURANCE INDICATORS

in EUR million	2016 Total Gross	Thereof Group Gross	Thereof third-party Gross	2015 Total Gross	Thereof Group Gross	Thereof third-party Gross
Premiums written	2,228.6	474.8	1,753.8	1,980.6	444.9	1,535.6
Domestic	657.8	463.5	194.3	585.7	435.3	150.4
Foreign	1,570.8	11.3	1,559.5	1,394.9	9.6	1,385.3
Losses	1,646.1	347.7	1,298.3	1,450.5	314.7	1,135.9
Domestic	468.6	342.9	125.7	414.1	310.0	104.1
Foreign	1,177.5	4.9	1,172.6	1,036.4	4.7	1,031.8
Costs	567.5	106.2	461.3	487.5	101.1	386.4
Domestic	153.6	102.0	51.6	139.0	98.0	41.0
Foreign	413.9	4.2	409.7	348.4	3.0	345.4
Results before equalisation provision	17.1	18.8	–1.7	38.8	29.7	9.1
Domestic	32.0	17.7	14.3	29.0	27.1	2.0
Foreign	–14.9	1.1	–16.0	9.8	2.7	7.1

two of the most common causes. The two largest insurance associations in the French market merged at the beginning of July to form the Fédération Française de l'Assurance. Reinsurance prices came under pressure within the context of renewals at the beginning of the year, especially in terms of non-life insurance for schemes which had performed well.

In **Great Britain**, reinsurance capacities in the motor vehicle divisions increased again compared with the previous year, also due to new reinsurers. Original rates were already reported to have increased in the first half of the year, with a significant increase from approximately ten to fifteen per cent again observed over the entire year. These developments put pressure on reinsurance prices. There were slight reductions in price for schemes with a positive claims experience and slight price increases for schemes affected by claims. Due to increased claim frequency and major losses in the last two years, commercial motor insurance found itself in a difficult situation; however, extensive attempts were made at improvement, whose effects are already apparent. In the non-life divisions, adjustments were made to reinsurance structures to optimise risk capital and thus, as a consequence, slightly increase reinsurance sales despite outstanding damage from natural disasters.

The **Spanish** insurance market also developed positively in 2016. The fourth largest economy in the euro area grew strongly, with the number of unemployed falling. Economic drivers led to increases in premiums in the major insurance divisions. Motor insurance in particular benefited from the newly introduced Baremo (guidelines on determining compensation claims for personal injury in road accidents) and, for the first time in eight years, exhibited increasing revenue from premiums. Consorcio de Compensación, a government direct insurer responsible for covering risks not covered elsewhere in the insurance market, has continued to be an important stabilising factor for the Spanish insurance industry with regard to natural disasters.

In **Israel**, individual and cumulative losses with effects on the market largely did not materialise in 2016. For example, the burden on the private insurance industry resulting from the large fires in the Haifa region will remain negligible based on current information. The short tail divisions continued to be characterised by high pressure from competition and excess capacity. In the long tail divisions, the market braced itself for the recommendation recently made by the so-called “Winograd” committee, according to which a low discount rate should be applied to certain losses. The reactions to this of Parliament and the Supreme Court are expected in 2017. These will have a noticeable effect on reserves and pricing in the relevant divisions across the market. The new solvency regulations to be introduced from 1 January 2017 have been affecting certain companies’ reinsurance arrangements in advance.

In the **United States**, Hurricane Matthew occurred in 2016 after a long period of time without any hurricane damage. However, the damage attributed to the insurance industry was too low to cause a turnaround in a persistently soft market. Regional hailstorms and tornados, especially in the first six months of the year and particularly in Texas, had a negative effect on the market’s result for non-life insurance. Prices in the reinsurance market remained under pressure and the erosion of previous years continued, but the reduction was only slow. This was due to the particularly high capacity available to the market.

The growth of the **South African** economy slowed down and reached only 0.6 % in 2016 over the entire year, compared with 1.6 % in 2015. A major cause of this was the persistent drought caused by the weather phenomenon El Niño, during which the least rain fell for over 100 years. Traditionally an exporter of agricultural products, South Africa had to import large quantities of food for the first time, and the price of this increased significantly. The global fall in commodity prices, which are an important export for the economy, also hit the mining industry hard. As a result, the South African rand fell by up to 30 % against the US dollar, but stabilised again at the end of the year. In the insurance industry, the frequency of claims due to hailstorms, flooding and fire damage increased in 2016.

The **Chinese** insurance market remained robust, although with falling growth rates. Market players were anxious to expand their product ranges, particularly in the accident and general liability divisions. Growth in the market for agricultural insurance products was faster than average due to extensive subsidies. Newly founded direct insurers attempted to take market share from established companies. For most Chinese direct insurers, it was increasingly difficult to get well-trained personnel. No serious events for the direct or reinsurance market occurred in 2016 with regard to losses. Despite a high frequency of typhoons on the Chinese mainland, losses for the insurance industry remained manageable.

To attain growth and diversification, established direct insurance companies also entered the **other Asian markets**. As a result of weak growth in shipbuilding and goods transport, the need for insurance also decreased. However, demand for non-life and motor insurance remained stable, although there were very competitive conditions in many markets. The earthquake in Southern Taiwan in February 2016 was the most significant event. The earthquake hit a region with a high density of production plants for the high-tech industry.

Performance of individual special segments

Global **commercial credit and surety reinsurance** in 2016 remained similar to the previous year. Due to the economic recovery in the USA, public investment and thus the volume of the surety segment increased. There continued to be a relatively high level of basic claims in the commercial credit sector, as economic problems persisted in many countries in South-East Europe and in the emerging markets. The global commodities industry also suffered an increasing claims frequency. Great Britain’s exit from the EU had no significant, noticeable effects on the claims situation. The major loss burden remained within expectations overall. Reinsurance prices stabilised.

The global direct insurance and reinsurance market experienced an above-average claims burden in the **aviation industry** in 2016, which was affected by only a few events that gained media attention, such as the crash landing of the Emirates Boeing 777 in Dubai. As a result, there were no noteworthy positive effects on the persistently low price level. Some of the market leaders have now reduced their capacity somewhat and refuse to take on inadequately priced risks in spite of negative effects on the total premium volume, although these risks are normally picked up by less resolute market participants.

The **aerospace sector** continued to offer takeoff cover for the successful series of the Ariane launcher family, but the market was hit by damage to Intelsat 33E, which was not able to reach its destination orbit despite an initially successful Ariane launch. The private space agency Space X again suffered a setback after the launcher exploded during refuelling together with the freight on the launch ramp. These losses were actually insured on the transport insurance market but research into the cause delayed the programme so that the launch took place significantly later than planned, and the originally anticipated market premiums decreased noticeably.

The previous year's trend in the **worldwide, facultative non-life business** continued. High price pressure remains in some markets due to excess capacity and new market participants. The German market was characterised by several major losses in the industrial non-life insurance sector and stabilised. Partial cover for specific natural disasters in particular or lower layer and proportional cover instead of non-proportional cover continued to be sought after in other markets. In the construction industry, the situation appeared to stabilise somewhat, so several new projects were launched, even if state investments have still not returned to the levels of previous years.

Overview of the business development of R+V Versicherung AG

R+V Versicherung AG again reported good business development in 2016. With a 12.5 % increase to EUR 2,228.6 million, the growth in premiums once again exceeded the levels of the previous years which had already been high. With adjustments due to the effects of the foreign exchange rates, growth in premiums amounted to 12.6 %. The percentage of income from premiums arising from non-proportional reinsurance reached 28.2 % (2015: 29.9 %).

As in previous years, domestic group business was characterised by a significant increase in written premiums in the motor divisions of the direct insurance companies. Premium increases were also reported in the comprehensive home-owner's, liability and accident divisions. Outside group business, the premium volume from domestic cedents increased significantly, particularly in the fire, motor, comprehensive household contents and comprehensive home-owners' divisions.

At EUR 1,570.8 million, the proportion of foreign business amounted to 70.5 % of the total premiums written (2015: 70.4 %). The increase by EUR 175.9 million primarily resulted from Great Britain and South Africa. The net premiums written followed the growth of the gross premiums written and increased by 12.8 % to EUR 2,187.9 million (2015: EUR 1,940.1 million). At 98.2 %, the retention rate remained at the high level of the previous years.

In the non-life segment the reported gross loss ratio for the group business was 74.7 %, following 71.5 % in the previous year. Having taken retrocession into consideration, there remained a reported gross loss ratio of 78.3 % (2015: 75.2 %).

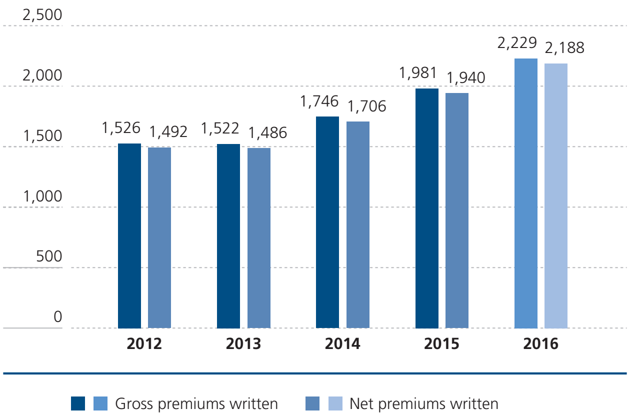
On 31 December 2016, the gross major loss burden (claims greater than EUR 3.0 million) in external business came to EUR 230.1 million, which corresponds to 10.4 % of the total gross premium. The reported gross loss ratio for the non-life segment for external business was 73.6 % (2015: 74.0 %). The reported net loss ratio was 73.7 % compared to 74.2 % during the previous year.

For the whole non-life segment the reported gross loss ratio came to 73.8 % in the fiscal year (2015: 73.5 %), while the gross combined ratio came to 99.0 % (2015: 98.0 %).

Before the change in equalisation provisions and similar provisions, the technical result for the total business during the fiscal year amounted to EUR - 10.5 million (2015: EUR 11.9 million). Taking into consideration the EUR 20.4 million contribution to equalisation provisions and similar provisions

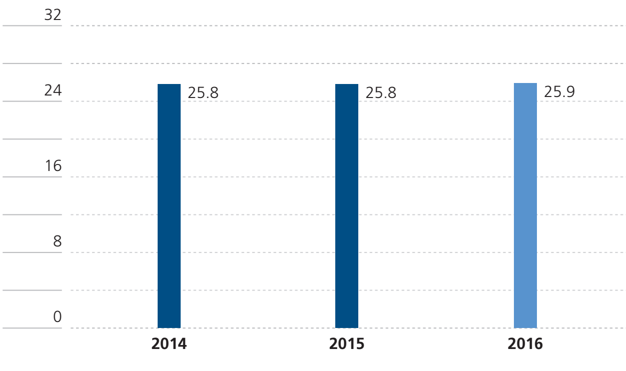
PREMIUMS WRITTEN

in EUR million



LIFE INSURANCE – GROSS PREMIUMS

in EUR million



TOTAL BUSINESS NON-LIFE

in %	2014	2015	2016
Reported gross loss ratio	75.2	73.5	73.8
Gross expenses ratio	25.0	24.6	25.3
Gross combined ratio	100.3	98.0	99.0

LIFE INSURANCE – PORTFOLIO DEVELOPMENT

in EUR million according to totals insured		2015	2016
Assumed business	Capital	5,240.2	5,187.3
Total insured	Annuity	1,854.6	1,879.9
Business ceded	Capital	646.3	632.2
Total insured	Annuity	1,336.6	1,351.7
Retained business	Capital	4,593.9	4,555.1
Total insured	Annuity	518.0	528.2

(2015: EUR 55.5 million), there was an own-account technical result amounting to EUR - 30.9 million (2015: EUR - 43.6 million).

The result from capital investments was directly affected by the profit and loss transfer agreements with the two large Group affiliates, R+V Allgemeine Versicherung AG and R+V Lebensversicherung AG, and amounted to EUR 298.0 million (2015: EUR 278.3 million).

After taking into consideration the balances in other income and other expenditure which amount to EUR - 45.2 million (2015: EUR - 6.5 million), the fiscal year ended with a result of EUR 220.1 million for the normal business activities (2015: EUR 226.2 million).

Based on the tax allocation agreement with DZ BANK AG, tax expenditure came to EUR 54.0 million (including the tax transfer) so that a profit of EUR 166.1 million was transferred on the basis of the profit transfer agreement concluded with DZ BANK AG (2015: EUR 96.8 million).

Business developments in the individual classes

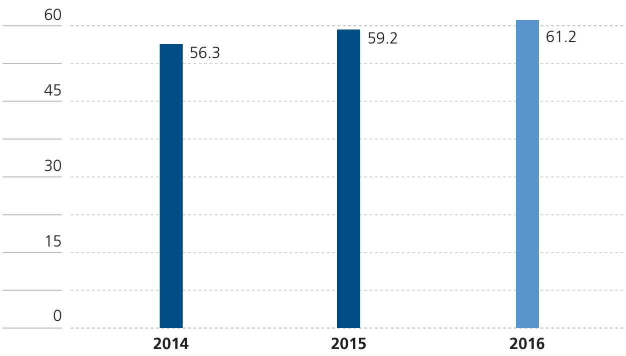
Life

Gross premium income at the previous year's level

The active underwriting of the life reinsurance business was discontinued in 2004. In 2016, gross premiums written amounting to EUR 25.9 million (2015: EUR 25.8 million) were achieved. The class closed with a gross technical profit of EUR 3.2 million (2015: EUR 5.6 million).

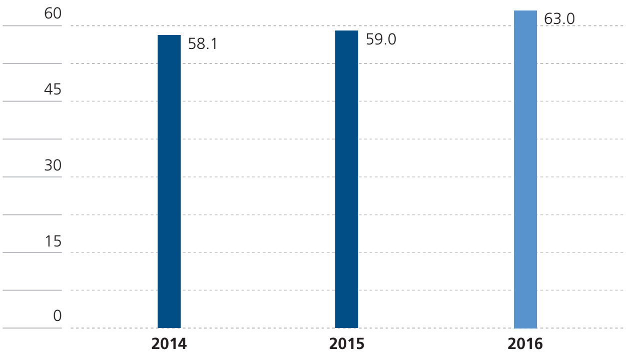
ACCIDENT INSURANCE – GROSS PREMIUMS

in EUR million



LIABILITY INSURANCE – GROSS PREMIUMS

in EUR million



ACCIDENT INSURANCE

in %	2014	2015	2016
Reported gross loss ratio	47.9	58.0	64.1
Gross expenses ratio	49.7	49.4	48.6
Gross combined ratio	97.6	107.4	112.8

LIABILITY INSURANCE

in %	2014	2015	2016
Reported gross loss ratio	63.2	68.8	56.1
Gross expenses ratio	33.0	37.6	38.9
Gross combined ratio	96.2	106.4	95.0

Accident

Further increase in gross premiums written

The accident insurance branch includes general accident insurance and motor vehicle accident insurance. With an unchanged 98.6 % of premiums, general accident insurance continues to be the major individual insurance class within the insurance segment. The gross premiums written rose by 3.3 % to EUR 61.2 million (2015: EUR 59.2 million).

The increase in the reported gross loss ratio to 64.1 % (2015: 58.0 %) resulted from disproportionately increased claims expenditure over the entire year in conjunction with an improved settlement result for the claims provisions carried over from the previous year.

Gross expenditure on insurance operations only increased disproportionately in relation to the premiums written (+ 0.7 %), so the gross cost ratio improved. Before the change in the equalisation provision, the result for the class amounted to EUR - 7.8 million (2015: EUR - 4.4 million). Due to the claims experience, EUR 6.2 million were withdrawn from the equalisation provision (2015: EUR 3.5 million). The fiscal year resulted in an own-account technical result amounting to EUR - 1.6 million (2015: EUR - 0.9 million).

Liability

Significantly improved gross combined ratio

The class recorded a 6.8 % increase in the gross premiums written to EUR 63.0 million (2015: EUR 59.0 million).

The reported gross loss ratio improved to 56.1 % (2015: 68.8 %). This positive development was primarily due to an improved settlement result for the provisions carried over from the previous year, whereas the claims expenditure for the fiscal year increased from the previous year by 10.6 %. In connection with the gross cost ratio of 38.9 % (2015: 37.6 %), the gross combined ratio developed positively and amounted to 95.0 % (2015: 106.4 %).

Before equalisation provisions and similar provisions, the technical gross result amounted to EUR 3.0 million (2015: EUR - 3.8 million). EUR 1.5 million were added to the equalisation provisions and similar provisions (2015: withdrawal of EUR 25.4 million). The class closed with a technical own-account profit of EUR 1.6 million (2015: EUR 21.6 million).

Motor

Positive claims experience over the entire year with increase in gross premiums

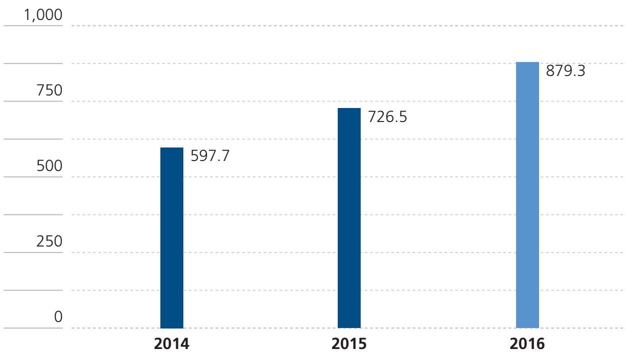
Motor insurance business is written worldwide. Its proportion of the gross premiums written of 39.5 % again increased from the previous year. 41.7 % of the premium volume in this class originates from R+V companies, which have a large market share in Germany. Thanks to this presence in the competitive motor vehicle reinsurance market, R+V again exhibited a significant increase in premiums of 21.0 % in total to EUR 879.3 million (2015: EUR 726.5 million). There was 6.8 % growth in the domestic market. In overseas business, a total premium growth of 36.9 % was achieved, particularly in Great Britain and South Africa.

Over the entire year the claims experience disproportionately followed the premium development. This was also reflected in the loss ratio for the financial year which was 83.8 % and lower than the level of the previous year (2015: 88.1 %), so that despite a decrease in the settlement result for the claims provisions carried over from the previous year, there was an improvement in the reported gross loss ratio of 84.9 % (2015: 85.7 %).

The expenditure on insurance operations followed the growth in premiums and increased to EUR 144.4 million (2015: EUR 117.9 million). The equalisation provision was furnished with

MOTOR INSURANCE – GROSS PREMIUMS

in EUR million



MOTOR INSURANCE

in %	2014	2015	2016
Reported gross loss ratio	85.2	85.7	84.9
Gross expenses ratio	17.0	16.4	16.5
Gross combined ratio	102.3	102.1	101.4

EUR 26.7 million (2015: EUR 16.5 million) and the technical own-account result was EUR – 51.0 million (2015: EUR - 39.0 million).

Fire

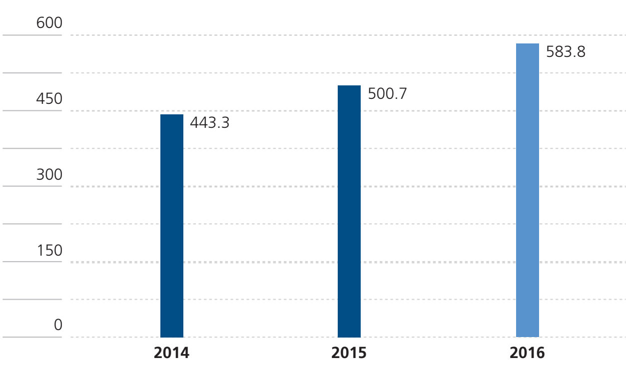
Positive premium development

Fire insurance recorded an increase in the premiums written to EUR 583.8 million (2015: EUR 500.7 million). The positive development of previous years thus continued. The volume of premiums still arose from cedents beyond R+V. EUR 492.3 million, or 84.3 % of gross premiums, in this insurance sector were attributed to overseas business.

Characterised by burdens from the hailstorms and storms in May and June in Germany and the Netherlands, which are reported in this insurance sector in accordance with interna-

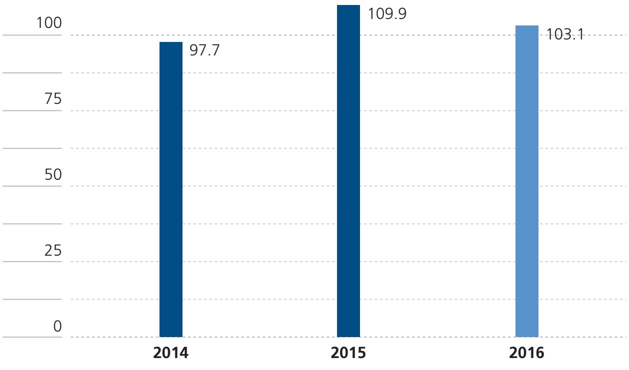
FIRE INSURANCE – GROSS PREMIUMS

in EUR million



MARINE AND AVIATION INSURANCE – GROSS PREMIUMS

in EUR million



FIRE INSURANCE

in %	2014	2015	2016
Reported gross loss ratio	66.5	72.1	74.7
Gross expenses ratio	29.4	29.0	31.9
Gross combined ratio	95.9	101.1	106.6

MARINE AND AVIATION INSURANCE

in %	2014	2015	2016
Reported gross loss ratio	77.5	64.6	81.5
Gross expenses ratio	26.8	27.2	30.7
Gross combined ratio	104.3	91.8	112.2

tional practice, the claims expenditure for the fiscal year increased disproportionately in relation to the growth in premiums by 23.9 % to EUR 448.4 million (2015: EUR 362.1 million). Together with the improved settlement result for the provisions carried over from the previous year, the reported gross loss ratio was 74.7 % (2015: 72.1 %) so that, when combined with the expenditure on insurance operations, the gross combined ratio increased to 106.6 % (2015: 101.1 %).

Before the change in the equalisation provision, the class closed with a net deficit of EUR - 45.4 million (2015: EUR - 16.6 million loss). The equalisation provision was furnished with EUR 37.8 million (2015: EUR 37.0 million). Consequently, there was a technical result of EUR - 83.2 million (2015: EUR - 53.6 million).

Transport and aviation

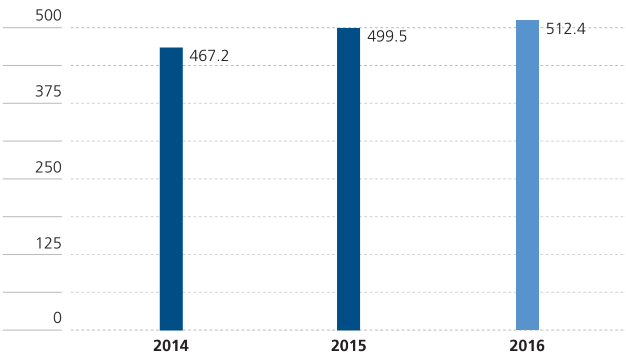
Declining in premium development

While the gross written premiums in the transport insurance sector of EUR 54.1 million were at the previous year's level (2015: EUR 53.9 million), the volume of premiums in the aviation insurance sector decreased due to lower additional premiums (EUR - 7.0 million, or - 12.5 %), resulting in a total decrease in premiums of - 6.2 %, or EUR - 6.9 million, to EUR 103.1 million (2015: EUR 109.9 million). The most important markets for premium volumes were still Germany for the transport business and the USA for the aviation business.

With an increase of 27.3 %, the claims expenditure for the fiscal year developed disproportionately in relation to premiums, resulting in a higher reported gross loss ratio of 81.5 % (2015: 64.6 %). EUR 12.6 million were withdrawn from the equalisa-

OTHER INSURANCE CLASSES – GROSS PREMIUMS

in EUR million



OTHER INSURANCE CLASSES

in %	2014	2015	2016
Reported gross loss ratio	74.9	61.7	55.8
Gross expenses ratio	26.8	26.7	27.0
Gross combined ratio	101.8	88.4	82.8

tion provision (2015: EUR 3.5 million contribution). The own-account technical result was EUR - 1.3 million (2015: EUR 5.5 million).

Other insurance classes

Technical result for own account

Miscellaneous insurance classes include health, legal, comprehensive home contents and home-owners, other non-life insurance, other insurance and credit and bonds insurance. The burglary and theft, engineering, water damage, glass, storm, hail, livestock and nuclear facility non-life insurance classes are grouped together in the other non-life insurance category. Other insurance includes the all risks and fidelity losses classes as well as motor warranty insurance.

In the other insurance classes gross premiums written increased by 2.6 % to EUR 512.4 million (2015: EUR 499.5 million). Again, the dominating classes were the storm, credit/bonds and hail classes, with a combined premium share of 76.6 % (2015: 78.5 %). Whereas storm insurance exhibited an increase in premiums during the fiscal year, hail and credit/bonds insurance showed a decrease in premiums.

Loss expenditure was reduced in each of the classes listed. The reported gross loss ratio for storm insurance showed a significant improvement to 38.9 % (2015: 53.5 %). There was also a significant decrease in the gross loss ratio for credit and bonds insurance to 61.3 % (2015: 69.9 %). The reported gross loss ratio for hail insurance was 61.3 % for the fiscal year (2015: 66.1 %).

Overall, after allowing for the changes due to the equalisation provisions and similar provisions, the other insurance classes showed an overall technical own-account profit of EUR 105.3 million (2015: EUR 20.0 million).

Summarised appraisal of the business performance

R+V Versicherung AG again achieved a significant increase in income from premiums while upholding its risk-sensitive and profit-orientated underwriting policy. The reported gross loss ratio remained at the good level of the previous year.

The gross expenses ratio lay slightly above the previous year's level due to the growth in premiums.

The technical own-account result – following a claims-related increase in equalisation and other profits – improved compare with the previous year.

The non-technical result was lower than the previous year's originating from a decrease in the other result despite an improved capital investment result.

Based on the profit transfer agreement concluded with DZ BANK AG, the transferred profit was higher than previous year.

Earnings position

Technical result

The gross technical result amounted to EUR 17.1 million (2015: EUR 38.8 million). Having taken retrocession into consideration, there was a technical net result of EUR - 10.5 million (2015: EUR 11.9 million). EUR 20.4 million were added to the equalisation provisions and similar provisions (2015: EUR 55.5 million). The own-account technical result was then EUR - 30.9 million (2015: EUR - 43.6 million). This technical loss particularly arose from fire, with EUR - 83.2 million (2015: EUR - 53.6 million), motor liability, with EUR - 46.3 million (2015: EUR - 32.9 million) and credit/bonds, with EUR - 22.5 million (2015: EUR - 29.1 million).

Capital investment result

R+V Versicherung AG attained ordinary income of EUR 305.0 million from its capital investments. Less ordinary expenses of EUR 14.4 million in consideration of scheduled property depreciation of EUR 0.1 million, there was an ordinary result of EUR 290.6 million (2015: EUR 277.4 million).

Depreciation of EUR 2.1 million was required for R+V Versicherung AG's capital investments. Due to the recovery in value of previous depreciation a figure of EUR 3.6 million was imputed. Through sales of assets, R+V Versicherung AG achieved capital gains of EUR 0.4 million on the one hand and losses of EUR 21.7 thousand on the other. The write-ups and write-downs as well as the capital gains and losses resulted in an ordinary result of EUR 1.9 million (2015: EUR - 3.4 million).

The net result from capital investments from the total of the ordinary and extraordinary results thus amounted to EUR 292.5 million for the 2016 fiscal year compared to EUR 274.0 million in the previous year. The net interest was 4.9 % (2015: 5.0 %).

Other earnings and expenses

During the fiscal year, other earnings came to EUR 29.0 million (2015: EUR 58.3 million). The service and interest incomes were important components. The decrease from the previous year was primarily due to lower exchange rate gains and decreasing income from services rendered. Higher interest income from tax receivables relating to tax audits was also experienced in the previous year.

Other expenses of EUR 74.2 million (2015: EUR 64.8 million) primarily included operating costs, which are seen alongside income from the recharges to Group affiliates, interest and consultancy fees, exchange rate losses, and association and membership fees. Higher exchange rate losses as at the reporting date, amongst other things, contributed to the increase from the previous year.

Overall result

The result from ordinary business activities was EUR 220.1 million (2015: EUR 226.2 million). In consideration of tax expenditure (including transfers) of EUR 54.0 million in total (2015: EUR 129.4 million), this produced a profit transfer of EUR 166.1 million based on the profit and loss transfer agreement concluded with DZ BANK AG (2015: EUR 96.8 million).

Financial situation

Capital structure

Subscribed capital remained unchanged at EUR 352.2 million. Capital reserves – also unchanged – amounted to EUR 1,632.9 million.

The shareholders' equity of R+V Versicherung AG as at the reporting date thus amounted to EUR 2,149.8 million, as in the previous year.

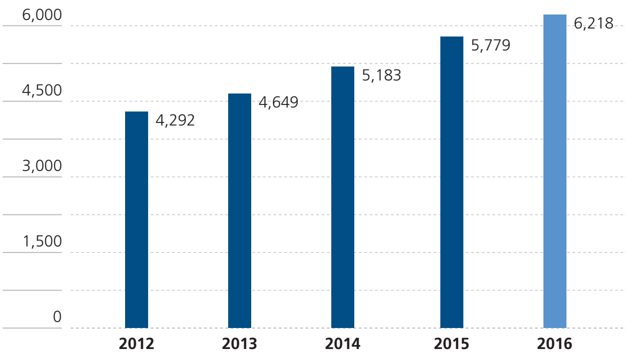
Guarantee funds increased by EUR 343.0 million to EUR 6,373.8 million so that, the ratio of guaranteed funds remained high at 291.3 % in spite of the strong growth experienced by R+V Versicherung AG (2015: 310.9 %). The equity capital ratio based on the net premiums earned was 98.3 % (2015: 110.8 %).

GUARANTEE FUNDS

in EUR million	2016	2015
Share capital	352.2	352.2
Capital reserves	1,632.9	1,632.9
Retained earnings	164.7	164.7
Net retained profits	–.–	–.–
Shareholders' equity	**2,149.8**	**2,149.8**
Unearned premium reserves	172.8	173.9
Actuarial reserves	32.2	29.4
Provision for outstanding claims	3,197.6	2,877.5
Provision for premium funds	4.2	3.5
Equalisation provision and similar provisions	816.5	796.2
Other technical provisions	0.7	0.6
Total technical provisions	4,224.0	3,881.0
Guarantee funds	**6,373.8**	**6,030.8**

DEVELOPMENT OF THE CAPITAL INVESTMENTS*

in EUR million



* without deposit receivables

Asset situation

Capital investments portfolio

The capital investments of R+V Versicherung AG grew by EUR 438.4 million or by 7.6 % during the 2016 fiscal year. The book value of the capital investments as at 31 December 2016 thus amounted to EUR 6,217.5 million. R+V Versicherung AG mostly invested the funds available for reinvestment in bonds. In this respect it was diversified mainly in government bonds, corporate bonds and german covered bonds. For the interest-bearing securities, care was taken that the issuer had a good credit standing in order to minimise the risk of default. In addition to this, forward purchases were made in order to stabilise the investment. R+V Versicherung AG also invested in property and shares. Excluding the shares in affiliated companies and shareholdings, the calculated share ratio for market values as at 31 December 2016 amounted to 2.1 % (2015: 1.7 %).

The reserve ratio relating to the total capital investments as at 31 December 2016 was 50.1 % (2015: 52.7 %) and was dominated by the investment items.

Social, ethical and ecological principles are taken into consideration when making capital investments so that the company consciously does not make capital investments which are contrary to the generally recognised principles of sustainability. Investment in the manufacturers of controversial weapons and financial products for agricultural commodities are also excluded within this context.

Technical provisions

The gross technical provisions rose by 8.5 % to EUR 4,264.6 million (2015: EUR 3,929.5 million). After deducting the retrocessionaires' shares, net technical provisions were EUR 4,224.0 million (2015: EUR 3,881.0 million. In terms of the own-account premiums written, this was equivalent to a ratio of 193.1 % (2015: 200.0 %).

At 45.1 % (2015: 43.0 %) of the balance sheet total, the provisions for outstanding insurance claims represent the largest proportion of the net technical provisions. The volume of this item increased by 11.1 % to EUR 3,197.6 million (2015: EUR 2,877.5 million).

The equalisation provisions and other provisions were increased by EUR 20.3 million to EUR 816.5 million.

Chance and risk report

Risk management system

R+V Versicherung AG's risk management aims to ensure that the company always meets its insurance obligations in all its business activities. This particularly refers to solvency and the long-term capacity to bear risks, the creation of sufficient technical provisions, investment in appropriate assets, compliance with commercial principles including proper business organisation and compliance with the other basic financial principles of the business.

It encompasses all systematic measures for identifying, evaluating and controlling risks. It also analyses risks and other negative developments that could have a significant impact on the assets, the financial situation and profitability and initiates countermeasures.

One risk management process which has been implemented in all R+V companies defines the rules for identifying, analysing and evaluating, managing and monitoring, and reporting and communicating the risks and for a centralised early warning system. Shareholdings are also included in R+V Versicherung AG's risk management. The risk management system also includes a Business Continuity Management System.

The aim of the annual risk inventory is to identify risks and assess their significance. The specific purpose of the risk inventory is to review and document all known individual and cumulative risks. The results of the risk inventory are recorded in the risk profile.

The risks identified are assigned to the following risk categories: technical risk life, technical risk health, technical risk non-life, market risk, counterparty risk, operational risk, liquidity risk, risk concentrations, strategic risk and reputation risk. After being categorised in this way, the significant risks are described in this chance and risk report and measures for limiting them are explained.

A review and assessment of the risk-bearing capacity takes place at least quarterly and also includes a qualitative review of the bindingly determined indicators and thresholds. Measures are introduced if a defined index value has been exceeded.

There is a definitive evaluation of the regulatory risk-bearing capacity and all significant risks at the risk conference which takes place four times a year. The central risk reporting system ensures transparency in reporting. The appropriate board member and the board member responsible for risk management are notified if there is a significant change to risks. Risk-relevant corporate information is made available to the relevant supervisory committees at regular intervals and ad hoc, as required.

The impact on the company risk profile is analysed and assessed as part of the new product process during product development. When developing new business areas or introducing new capital market, insurance or reinsurance products, their impact on the overall risk profile is to be evaluated. The finance committee, the product commission and the reinsurance committee are responsible for dealing with new products in accordance with the respective provisions included in the procedural rules.

The new product process ensures that the impact that innovative products have on the risk profile of the insurance portfolio and the investment portfolio is evaluated and rated in relation to organisation, processes, IT systems, staff, valuation models and risk models, accounting, taxes and supervisory legislation.

Risk factors are also taken into account when planning and carrying out projects. Larger projects and investments are regularly assessed by the investment commission or the product commission as well as by the finance committee. At the same time, special attention is paid to results and any measures taken, as well as to budget compliance. Any necessary adjustments are made.

Governance structure

At R+V Versicherung AG, risk management is embedded into the corporate strategy as an integral part of corporate management. It builds on the risk strategy approved by the Board of Management and is based on three connected functions embedded in the control and monitoring system: operating risk management, risk monitoring and internal auditing. The control environment is completed by the Supervisory Board and external auditors.

The management of risks and extensive information on methods, processes and responsibilities is documented in the guidelines for risk management and ORSA (Own Risk and Solvency Assessment). The separation of risk management and risk monitoring is a basic principle of the organisation of risks and the risk management processes.

Risk management is understood to mean the operative implementation of the risk strategy in the risk-bearing business divisions. The operative business divisions make decisions on consciously accepting or avoiding risks. When doing so, they must keep in mind the current general conditions and risk limitations. The roles of those responsible for setting up risk items are separated from the risk management functions in terms of both personnel and organisation.

At R+V, risk monitoring duties are performed by the following key roles: risk management officer (deemed an independent risk controlling function by the Versicherungsaufsichtsgesetz (VAG, Insurance Regulation Act), the compliance officer and the technical officer. The above officers remain in close contact with each other to ensure that the risk management system is consistent.

R+V's risk management officer assists the Board of Management and the other officers with handling the risk management system effectively, and monitors both this and the risk profile. The role of the risk management officer at R+V consists of both centralised overall risk management and decentralised departmental risk management. The person is responsible for identifying, analysing and assessing risks within the scope of the risk management process in accordance with ORSA. This includes the early recognition, complete recording and internal monitoring of all significant risks. The risk management officer thus sets basic guidelines for the risk assessment methods applicable for all companies in the R+V insurance group. The aim of this is to ensure consistent risk management. Risk management also reports risks to the risk conference, the Board of Management and the Supervisory Board. The holder of the risk management role reports directly to the Board of Management and, organisationally, is assigned directly to the member of the R+V Versicherung AG Board of Management responsible for risk management.

The primary role of the compliance officer is to monitor compliance with external requirements. The person also advises the Board of Management with regard to compliance with the laws and administrative regulations applicable to the operation of the insurance company, examines the possible effects of changes in the legal environment to the company, and identifies and assesses the risk associated with violating legal regulations (compliance risk). Due to the overarching organisation of business processes, the role of compliance officer is performed by one central compliance officer in cooperation with decentralised compliance officers within the management division of R+V Versicherung AG. The quarterly compliance conference forms the central coordination and reporting committee for the compliance officer. At the conference, the activities of the central and decentralised compliance officers are reported and coordinated, and relevant incidents are discussed. The compliance conference is also an opportunity to exchange information and interact with the other key roles. Ad-hoc notifications are issued to the central compliance officer for particularly serious violations. The holder of the compliance role reports directly to the Board of Management and is organisationally assigned directly to the chair of the R+V Versicherung AG Board of Management.

The technical officer is primarily entrusted with control duties relating to the proper formation of technical provisions in the solvency overview. Specifically, the person coordinates the calculation of technical provisions and ensures that the assumptions, methods and models for the calculations are adequate. He/she also evaluates the quality of the data and information technology systems used when calculating the technical provisions. The technical officer issues a written report to the Board of Management at least once a year. The technical officer also gives his/her opinion on the general underwriting policy and the adequacy of reinsurance agreements. Organisationally, the technical officer at R+V is found at company level.

The role of the internal auditor is performed by the Group audit department at R+V. This department ensures compliance with the provisions of the risk management system and their effectiveness. The Group audit department is detached, independent and organisationally separate from the operating business divisions. It is subordinate to the management of the company and, organisationally, is assigned directly to the chair of the R+V Versicherung AG Board of Management. Measures are agreed to address any shortfalls that have been identified and are monitored by the Group audit department.

Risk strategy

The risk management principles are based on the risk strategy that is adopted and updated annually by R+V Versicherung AG.

Technical risks are managed with the aim of optimising the portfolio in terms of income and risk factors. Risk selection is based on binding underwriting guidelines and the exclusions of liability they contain. Individual and cumulative liability limitations are derived from the underwriting capacities that limit the risk. For the purpose of monitoring and managing limits, capacity is redistributed and expanded as necessary and retrocession is used as a means of protection.

Interest, spread and equity risks in particular result from capital investments. The market risk strategy is determined by the provisions of the regulatory investment principles of Section 124 VAG as well as by the internal regulations in the guidelines for risk management and ORSA. Insurance companies are obligated to invest all assets in such a way that the safety, quality, liquidity and profitability of the portfolio as a whole are guaranteed; assets must also be invested in such a way that they are available.

The market risks taken by R+V Versicherung AG reflect the portfolio structure of the capital investments made in line with the strategic asset allocation in consideration of the individual risk-bearing capacity and long-term income requirements.

Managing market risk is associated with the fundamental aims of risk policy of ensuring competitive results from capital investment in consideration of individual risk-bearing capacity, achieving defined minimum capital investment results in stress scenarios and ensuring an adequate level of asset provisions to guarantee the continuity of results. The aim is also to guarantee an adequate proportion of fungible investments.

The purpose of the risk strategy for counterparty default risk is to endeavour to maintain the average rating of portfolios, to avoid issuer concentration at portfolio level and to comply with the specified counterparty limits in relation to counterparties and debtors.

The risk strategy for operational risk requires a further increase in risk awareness for operational risks.

The strategy for managing strategic risk is aimed in particular at monitoring market developments and changes in legislation, monitoring general conditions and taking risk factors into account in strategic initiatives and projects.

The aim of the reputation risk strategy is to promote the positive image of the R+V brand and to be vigilant about transparency and credibility.

Internal control system relating to the accounting process

An extensive internal control system (ICS), amongst other things, has been established within R+V in order to ensure the proper and timely provision of information for those who receive the financial statements and management report. The accounting-related ICS is an important component of the company-wide risk management system; its aim is to minimise identified risks by implementing controls in relation to the entire accounting and financial reporting process and to ensure that the financial statement is prepared in compliance with the regulations. The ICS is regularly reviewed by the Group's internal audit department and the external auditors in order to ensure its ongoing development and effectiveness.

The accounting-related ICS focuses on the key audit processes. These are documented, risks inherent in the process are identified and adequate, risk-appropriate control measures are implemented. The assessment of the risks inherent in the process is based on an evaluation grid and set materiality thresholds. Documentation is reviewed annually to ensure it is up-to-date and adjusted as required.

The ICS includes organisational safeguards that are integrated into both the structural and procedural organisation, such as, for example, the basic separation of functions or the clear allocation of tasks and responsibilities. Targeted checks are carried out at key points within the accounting-related business processes in order to minimise the probability of errors occurring or to identify errors that have already occurred. These are controls that are integrated into the workflow, such as the application of the principle of double-checking or interface checks, for example. The efficacy and effectiveness of the accounting-related ICS is regularly reviewed and recorded.

R+V employees are responsible for the process of preparing the financial statement and the management report which follows defined deadlines and schedules. The steps to be performed during the financial reporting process are subject to both system-based and manual checks. External experts are involved in part, in order to determine certain accounting data.

The financial reporting process is highly dependent on IT systems and is therefore subject to potential operational risks, such as malfunctions, interruptions and data loss. These are counteracted by methods which include extensive protective mechanisms such as emergency planning and back-up solutions, as well as permissions management and technical safeguards to prevent unauthorised access. The IT systems used are also tested for compliance with the generally accepted bookkeeping principles and statutory safekeeping and documentation requirements. The regular examination of the accounting processes is both an integral part of the internal audits and a part of the annual audits conducted by the annual auditor.

Opportunity management

R+V also anticipates sufficient opportunities for profitable business in the coming years. On the one hand, direct insurers are becoming increasingly risk-conscious and are using reinsurance as a risk management tool. On the other hand, coverage by reinsurance partners with a good rating has been supported by the introduction of Solvency II.

In terms of demand for reinsurance, it has become clear that the relationship between the direct and reinsurance companies is subject to constant change. Customers always take care that they are purchasing coverage plans which are attractively priced and tailored to meet their needs.

R+V Versicherung AG feels that growth is stimulated by becoming more open to global players and US businesses as well as the Asian market. This involves handling markets in a differentiated manner with respect to a balanced and profitable portfolio.

In the past, R+V Versicherung AG has been able to make use of opportunities for growth and to expand its market position significantly. The move towards becoming a leading reinsurer and the development towards specialising in actuarial insurance classes were intended to develop this position further in the coming years.

As a traditional, European alternative to the large insurance companies, R+V is well-positioned in a demanding reinsurance market due to its portfolio which is well-diversified in geographical terms.

R+V is a stable investor with long-term objectives. Due to its business model and high risk-bearing capacity, R+V can take advantage of opportunities offered by investments with a longer time horizon in particular, largely irrespective of short-term capital market fluctuations. Due to its broad diversification, R+V is highly stable in the face of potential adverse capital market developments. Investments are made in a stringent investment process which considers strategic, tactical and operational allocations supported by modern risk management. This process ensures capital investments can respond proactively to market developments, changes in the company and in the insurance business as well as to regulatory requirements.

R+V will continue to increase productivity by continuously analysing processes and consistently implementing the resulting measures. This reduces complexity, costs and process times to a minimum. As a result, customer satisfaction as well as the satisfaction of both the employees and sales partners is increased.

Once again, the rating agency Standard & Poor's assessed the financial strength of R+V Versicherung AG as very good during the 2016 fiscal year. The AA- rating and a stable outlook were confirmed within the framework of the interactive rating process.

Risk-bearing capacity

The overall solvency needs, as Value at Risk from the changes in financial capital resources, have been determined with a confidence level of 99.5 % over the course of a year when measuring the economic risk-bearing capacity. The quantification always takes place according to the risk types for the standard Solvency II formula. Risk diversification, which constitutes an important aspect of the business model for an insurance company, is always taken into consideration as appropriate.

Risk relief is factored in, for example through reinsurance. The overall solvency needs are compared to the capital resources in order to determine whether there is sufficient financial capital when analysing the risk-bearing capacity.

The adequacy of the approach to quantifying risk is reviewed regularly and as warranted, if necessary.

The current analysis of the capacity to bear financial risks shows that the capital resources of R+V Versicherung AG exceed the overall insolvency needs.

Following the introduction of Solvency II on 1 January 2016, regulatory risk-bearing capacity has been determined using the standard Solvency II formula. The risk capital requirement (SCR: solvency capital requirements) is calculated as Value at Risk with a confidence level of 99.5 %.

Regulatory risk-bearing capacity is the ratio of available equity to the risks resulting from business activities. The development of R+V Versicherung AG's risk-bearing capacity is analysed at least every quarter.

R+V Versicherung AG met the statutory minimum solvency requirements of Solvency II in the 2016 fiscal year.

The capital market scenarios which are used as part of the internal planning indicate that the regulatory risk-bearing capacity of R+V Versicherung AG will exceed the statutory minimum requirements on 31 December 2017. Due to the continuing tense economic situation on the financial markets, there are considerable uncertainties concerning statements about trends in the solvency capital requirements and capital resources. R+V has therefore employed appropriate measures to ensure sufficient risk-bearing capacity.

Technical risks

Technical risk refers to the risk of the actual expenditure on losses and services differing from the expected expenditure due to chance, error or change. According to the Solvency II classifications the technical risk essentially lies in non-life for R+V Versicherung AG.

The non-life technical risk indicates the risk that results from taking on non-life insurance obligations, namely with regard to the risks covered and the processes employed when conducting business. It is calculated as a combination of the capital requirements for the following named subcategories:

- The premium and reserve risk refers to the risk of a loss or an adverse change in the value of the insurance liabilities which results from fluctuations with regard to the occurrence, the frequency and the severity of the insured events and with regard to the occurrence and the amount of the claims settlement.

- The non-life catastrophe risk describes the risk of a loss or an adverse change in the value of the insurance liabilities which results from significant uncertainty with regard to pricing and the assumptions made when forming provisions for extreme or unusual events.

- The lapse risk describes the uncertainty about the continuation of direct and reinsurance policies. It results from the fact that the discontinuation of contracts that are profitable for insurance companies leads to a reduction in the capital resources.

Technical risks arise in the form of deviations from the expected claims experience as a consequence of the uncertainty concerning the date, frequency and amount of insurance cases. Unforeseeable changes in insured risks and the distribution of claims, expected values and variation, such as caused by changes in climatic and geological environmental conditions or technical, economic or social changes, can also pose risks. Further causes can be incomplete information about the true frequency of damage through faulty statistical analysis or incomplete information about the future validity of the frequency of damage in the past.

The measurement of technical risk is based on the Solvency II procedure and takes place according to the Value at Risk procedure. When determining Value at Risk, negative scenarios taken from the Solvency II guidelines are considered and are partially supplemented with own parameterisation.

For the non-life catastrophe risk, modelling and risk quantification on the basis of data about historic damage also take place. These are based on our own inventory as well as data from third parties in the case of natural disasters.

R+V counteracts the premium and reserve risk by continuously monitoring the economic and political situation and manages risk according to strategic direction, while considering risk-based pricing. Risk is managed through a clearly structured and profit-orientated underwriting policy. Risks are taken within binding underwriting guidelines and limits which confine the liability in both individual claims and cumulative loss. R+V takes the economic cost of capital into account when underwriting risks. Compliance with these guidelines is monitored regularly.

The substantial technical risks in the reinsurance portfolio lie in the catastrophe and long tail risks (for example in the credit/bonds reinsurance class), the reserve risk as well as in major changes in the basic trends in the primary markets.

The actual and possible impact of losses caused by natural disasters with regard to their extent and frequency is continually recorded and assessed using standard industry software, supplemented by in-house verification. The portfolio is continuously monitored for possible risk concentrations from natural disaster risks.

The aim when managing risk is to ensure a broad balance of risk over all classes and worldwide territorial diversification. Limits have been set to facilitate centralised management and the demarcation of cumulative risks from individual natural risks. Systematic control of accumulation risk, in terms of the approved limits for natural disaster risks, is an important risk management instrument. The modelled exposures were within the approved limits.

Risk mitigation measures include, among other things, the management of retention and retrocession, considering the risk-bearing capacity and the actual retrocession costs. In this respect, the minimum requirements in terms of the creditworthiness of the retrocessionaires apply. No retrocession cover has been purchased in the fiscal year for the external business due to adequate equity and reserves.

Major losses and accumulative losses incurred in assumed reinsurance contracts were at an average level overall during 2016 and were in the anticipated range.

The reserve risk relates to the risk that there has been an inadequate assessment of the loss provisions for losses that have already occurred. A permanent and prompt observation of the loss developments makes it possible to derive preventive measures for achieving a sufficient reserve level. One way in which the reserves are monitored is through the annual preparation of a reserve report.

Market risk

Market risk describes the risk that arises from fluctuations in the amount or the volatility of market prices of assets, liabilities and financial instruments, which influence the value of the company's assets and liabilities. It reflects the structural incongruence between assets and liabilities, particularly with regard to their time periods.

Market risk comprises the following sub-categories:

- Interest risk describes the sensitivity of assets, liabilities and financial instruments with regard to changes in the interest rate curve or to the volatility of interest rates.

- Spread risk describes the sensitivity of assets, liabilities and financial instruments with regard to changes in the amount or in the event of credit spread volatility above the risk-free interest rate curve. The risk of default and migration risk are also considered in this sub-category. The interest differential between a risky and a risk-free fixed-income asset is called credit spread. Changes in these credit spreads lead to changes in the market value of the corresponding securities.

- Equity risk describes the sensitivity of assets, liabilities and financial instruments with regard to changes in the amount or in the event of volatility in the market price of shares. Shareholder risk is also mapped within equity risk. Equity risk arises from market fluctuations in current shareholdings.

- Exchange rate risk describes the sensitivity of assets, liabilities and financial instruments with regard to changes in the amount or in the event of exchange rate volatility. It arises from fluctuations in the exchange rate either from capital investments held in foreign currencies or if there is a currency imbalance between the technical liabilities and the capital investments.

- Property risk describes the sensitivity of assets, liabilities and financial instruments with regard to changes in the amount or in the event of market price volatility for property. Property risk can result in negative changes in value for directly or indirectly held property. These may arise from a deterioration of the particular features of the property or general market changes (for example as part of a housing crisis).

- Concentration risk includes additional risks for an insurance or reinsurance company, which can either be attributed to an insufficient diversification of the asset portfolio or to high exposure to the risk of default of an individual issuer of securities or a connected group of issuers.

Market risk also includes the bulk of the credit risk allocated to the spread risk according to the definitions in Solvency II. Other parts of the credit risk are evaluated in the counterparty default risk, inter alia.

Shock scenarios are examined when measuring market risks. These have been taken from the Solvency II guidelines and partially supplemented by the company's own parameters.

The management of market risks is a substantial part of R+V Versicherung AG's total risk management. Market risks are limited, among other things, by the specification of the minimum financial results requirements.

Risks from capital investment are managed in line with the guidelines specified by the European Insurance and Occupational Pensions Authority (EIOPA), the provisions of VAG, regulatory circulars and internal investment guidelines. R+V Versicherung AG employs competent investment management, suitable internal control procedures, an applicable investment policy and other organisational measures to ensure compliance with the internal regulations for investment risk included in the risk management guidelines as well as with additional regulatory investment principles and regulations. Both the economic and financial aspects are included in the management of risks in this respect. At an organisational level, R+V Versicherung AG counteracts investment risks by maintaining a strict, functional separation of investment, processing and cost control.

R+V Versicherung AG has continued to expand and improve the tools for identifying, evaluating and assessing the risks for new investments and also for monitoring the investment portfolio in order to respond to the changes in the capital market and to identify, limit or avoid risks at an early stage.

R+V Versicherung AG counteracts capital investment risks in general by applying the principle of maintaining the maximum possible security and profitability whilst ensuring constant liquidity to guarantee the quality of the portfolio. The investment policy of R+V Versicherung AG particularly focuses on minimising risk by ensuring that there is an appropriate mix and spread of capital investments.

With respect to all market risks, R+V Versicherung AG tracks their changes by constantly measuring them and by reporting to the relevant committees. The risks of all sub-categories are quantified within the context of regulatory and company-specific economic calculations. Stress tests serve as an important instrument for early identification. Risks are restricted through limitations as well as natural diversification relating to terms, issuers, countries, counterparties, asset classes and so on.

Regular tests are performed as part of asset liability management at R+V Versicherung AG. Stress and scenario analyses are used to continually assess the required level of securities in order to maintain solvency. The impact of a long-lasting, low interest rate and volatile capital markets are systematically tested in particular.

R+V Versicherung AG uses derivative instruments to manage market risks. Please refer to the information included in the annex to this report.

R+V Versicherung AG makes sure that the management of interest risks involves a broad mix and spread of capital investments linked with duration management according to the liability structure as well as intelligent risk-taking in selected asset classes. In addition to this, forward purchases make it possible to stabilise investment and to manage interest rate and duration developments.

For R+V Versicherung AG, interest risk plays a rather minor role compared to technical risks.

When managing spread risks, R+V Versicherung AG particularly looks for investments with a very high creditworthiness, whereby the bulk of the bond portfolios is invested in the investment-grade sector. Furthermore, a significant proportion of the portfolio is additionally collateralised. The use of in-house credit risk assessments, which are, to some extent, more rigorous than the credit ratings available on the market, further reduces risks.

If interest rates increase or the credit spreads for bonds widen on the market, this will decrease the market value. These forms of negative trends in market value can lead to temporary or, when sales are required, lasting pressure on results.

The possible deterioration in the economic circumstances of issuers or debtors and the resulting risk of a partial or total default on receivables or an impairment due to a change in creditworthiness creates a risk of default. In principle, the capital investments of R+V Versicherung AG indicate a high credit standing and a solid collateralisation structure. The public sector and the financial sector, which are the dominant areas, particularly deal with receivables in the form of government bonds and legally collateralised German and European covered bonds.

The management of equity risks is based on a core-satellite approach in which the core shares include large stable companies on recognised indexes and satellite shares are added to improve the yield-risk profile. Additionally, asymmetric strategies are used to reduce or increase the rule-based equity exposure.

At R+V Versicherung AG, shares are used as part of a long-term investment strategy to guarantee that commitments towards cedents can be met. There is no demand to realise profit from short-term fluctuations. The broad diversification of the capital investment portfolio reduces the risk of having to sell shares at a disadvantageous time.

As part of its role as the parent company of the R+V Group, R+V Versicherung AG directly or indirectly holds a majority of the shares in the companies in the R+V Group as strategic shareholdings. These shareholdings make up the vast majority of the investment portfolio. The market risk from these shareholdings is depicted in the risk assessment as part of equity risk. To limit the risks from these shareholdings, the acquisition, holding and fundamental orientation of the shareholdings is consciously managed in consideration of all general conditions.

Exchange rate risks are managed by systematic currency management. Almost all of the reinsurance portfolios are covered in the same currency.

Property risk is reduced by diversification into different locations and forms of use. This risk is of minor importance for R+V Versicherung AG because of the fact that property poses a low risk in comparison to the overall risk and because of the cautious investment strategy.

Concentration risks are of minor relevance and at R+V Versicherung AG they are reduced by maintaining an appropriate mix and spread of capital investments. This is particularly evident in the broad base of issuers included in the portfolio.

Particular aspects of the credit portfolio

R+V Versicherung AG primarily invests in issuers and borrowers with good to very good credit standing. R+V uses generally approved external credit ratings in order to assess creditworthiness. In addition to this, experts conduct internal ratings in order to check the plausibility of the external ratings in accordance with the provisions included in the EU regulation on credit ratings agencies (CRA III). R+V has applied the external ratings as the maximum rating even when its own assessments arrive at a more favourable outcome.

Counterparty risk is also restricted by a system of limits. Of the investments in fixed-income securities, 89.9 % (2015: 91.6 %) have a Standard & Poor's rating of 'A' or above and 71.8 % (2015: 75.1 %) have a rating of 'AA' or above. In the past fiscal year, the capital investments of R+V Versicherung AG have suffered interest losses from securities of EUR 0.1 million. No capital losses from securities were recorded.

R+V Versicherung AG continuously checks its credit portfolio for critical developments. Regular reporting and discussions within R+V's operational decision-making committees assist in monitoring, analysing and controlling the identified risks. Adjustments are made to the portfolio as required.

EUR 70.5 million were invested in government bonds in peripheral countries in the euro area as at 31 December 2016 (2015: EUR 72.4 million). The following table shows the allocation of these government bonds by country.

MARKET VALUES

in EUR million	2016	2015
Italy	21.3	23.7
Spain	49.2	48.7
Total	**70.5**	**72.4**

As a result of its significant rating improvement, Ireland has not been reported separately in internal risk reporting since the beginning of the fiscal year. Therefore, the total credit volume in the European peripheral states reported in this chance and risk report for 31 December 2015 differs from the relevant information provided in the chance and risk report for the previous year.

The R+V Versicherung AG's investment, that is potentially affected by the current Italian banking crisis, amounted to EUR 106.2 million as at 31 December 2016. This included EUR 10.7 million which were attributable to secured bonds.

The forthcoming exit of Great Britain from the EU has led to a deterioration of the country's credit rating. The company had investments in Great Britain totalling EUR 231.7 million as at 31 December 2016.

Counterparty default risk

The counterparty default risk takes into account possible losses which are the result of an unexpected default or the deterioration in the creditworthiness of counterparties and debtors of insurance and reinsurance companies during the following twelve months. It covers risk-mitigating contracts such as reinsurance arrangements, securitisations and derivatives as well as receivables from intermediaries and all other credit risks, unless they have already been otherwise factored into the risk measurement.

The counterparty default risk considers the accessory or other securities which are held by or for the insurance or reinsurance company and the associated risks.

These risks exist for R+V Versicherung AG, particularly in relation to the counterparties of derivative financial instruments as well as reinsurance counterparties.

The relevant exposure and the expected losses for each counterparty form the basis for determining the capital requirements for counterparty default risk.

In-house guidelines explicitly regulate transactions with derivative financial instruments. These include the volume and counterparty limits in particular. The different risks are regularly monitored and presented in a transparent manner by means of an extensive and prompt reporting system. The annex sets out details on the derivative financial instruments.

R+V Versicherung AG refers to the ratings from international rating agencies and supplements these with its own in-house creditworthiness analyses in order to assess the counterparty and issuer risks. Compliance with the limits is continuously checked with respect to material counterparties. The utilisation of the limits and compliance with the investment guidelines are regularly monitored.

The constant monitoring of the ratings and other sources of information available on the market limits the risk of default for settlement receivables from reinsurance business taken on and ceded.

Currently, there are no particular existing drivers of risk concerning the counterparty default risk because due regard was paid to the creditworthiness of the counterparties when the transactions were concluded and these are monitored over time. Furthermore, this risk category is also of secondary importance for R+V Versicherung AG from a material point of view.

Operational risks

Operational risks refers to the risk of loss arising from the inadequacy or failure of internal processes, employees, systems or external events. This includes legal risks.

Changes in legal frameworks (laws and jurisdictions), changes in official interpretations and changes in the business environment in particular may give rise to legal risks. Legal disputes arising from the handling of claims and payments in insurance cases are taken into account by the technical provisions and are thus not part of the operational risk. During the reporting period, there were no significant operational risks as a result of non-technical legal disputes.

The risk capital requirement is determined on the basis of a factor approach for volume measures of premiums and provisions as well as for expenses in terms of the unit-linked business.

R+V uses risk self assessments (RSA) based on scenarios as well as risk indicators to manage and control operational risks. As part of the RSA, operational risks are evaluated in terms of the probability that they will occur and the amount of losses they will incur. Qualitative assessments can be used in exceptional cases.

Risk indicators provide early evidence of trends and accumulations in risk development and enable weaknesses in the business processes to be identified. A traffic light system is used to signal risk situations based on prescribed thresholds. Risk indicators are checked systematically and on a regular basis.

In order to assist with managing operational risks, all R+V business processes are structured in accordance with the provisions of the general guidelines on the powers and responsibilities of employees of R+V companies. For the areas not covered by these guidelines there are additional guidelines, particularly underwriting guidelines. The ICS is a key instrument for limiting operational risks. Regulations and controls in the specialist areas and the monitoring of the application and effectiveness of the ICS by Group auditing protect against the risk of mistakes and fraudulent activities. Payments are automated to a large extent. Authorisations stored within the user profile and authorisation regulations as well as automatic submittals for clearance based on the stored random number generator provide additional security. Manual payments are in general approved using the principle of double-checking.

To ensure its continued operation, R+V has a holistic Business Continuity Management system with a central coordination function. A committee with crisis managers responsible for IT, buildings and personnel provides support on specialist issues. It also helps with the networking of emergency management activities and reports to the risk conference on significant findings and on the emergency exercises carried out.

Business continuity management ensures that business operations can be maintained in the event of a crisis. As part of emergency planning, the time-sensitive business processes and the resources necessary for their maintenance are recorded.

The quality assurance in the IT area is a result of established processes whilst using best practices. Current issues are dealt with and assigned for processing at a daily meeting. During a monthly meeting involving the Head of IT, appropriate measures are taken concerning compliance with service level agreements (such as system availability and system response times).

Comprehensive physical and logical protections ensure the security of data and applications as well as the continuity of the ongoing business. The partial or total breakdown of the data processing system would be a particular danger. R+V has made provisions against these dangers by establishing two separate data centre sites with data and system mirroring, special access control, sensitive fire protection measures and a secure power supply using emergency power generators. The effectiveness of a defined restart procedure to be used in the event of a disaster is regularly tested in exercises. Data backups are made in different buildings with high security rooms. Furthermore, the data is mirrored on a tape robot at an off-site and distant location. Thus the data would be available in Wiesbaden even after the total loss of all data processing centres.

R+V requires capable, qualified managers and employees to ensure its success in future. There is a competition for managers and employees on the labour market due to high demand and a small amount of suitable personnel. If the necessary number of suitable managers and employees cannot be acquired or cannot be acquired by the necessary dates, or if managers and employees who are already employed cannot be retained, there is a higher risk of tasks not being performed or not being performed fully due to qualitatively and quantitatively insufficient technical skills. Through sustained development of personnel and the development of talent management, R+V ensures that employees are always supported and qualified so that any future personnel needs can be met from within the company. The instruments used for this include, among other things, a procedure to appraise potential, systematic succession planning and training programmes. In the interest of long-term staff retention, R+V has programmes to strengthen and increase the attractiveness of jobs, for example, occupational health management, support with work/family balance and regular employee surveys.

Other significant risks

Liquidity risk

Liquidity risk refers to the risk that insurance companies are not in a position to realise their investments and other assets in order to meet their financial obligations when they fall due.

The liquidity of the R+V companies is managed centrally. An integrated simulation of the development of the portfolio and profit or loss in the capital investment area as well as the cash flow development is carried out within the context of the multi-year planning. The basis of this control is the forecast development of all important cash flows from the technical business, capital investments and general administration. There is constant monitoring that regulatory liquidity requirements are met with respect to new investments.

The anticipated development of the cash flow at the individual company level is presented in detail in a liquidity report on the current year which is updated every month. Furthermore, precise daily cash flow planning is also carried out in the cash management.

To guarantee sufficient liquidity under market crisis conditions, there are regular reviews in the form of sensitivity analyses of important technical parameters. The results show the ability of R+V Versicherung AG to meet its obligations at any time.

The projections of the liquidity situation and the highly fungible securities ensure that obligations towards cedents can be met at any time.

Risk concentrations

Risk concentrations in the broader sense are accumulations of individual risks where there is a significantly higher probability that they may come into effect at the same time due to a high degree of dependency or related interdependencies. To some extent, the dependencies and the relationship of the interdependencies only become apparent in stressful situations.

The investment behaviour for R+V Versicherung AG is geared towards avoiding risk concentrations in the portfolio. The extensive diversification of investments guarantees that risks are reduced by complying with the quantitative limits stipulated by both the internal regulations included in the risk management guidelines for investment risks and other regulatory provisions. An analysis of the structure of issuers in the portfolio did not identify any significant risk concentrations.

R+V responds to risk concentrations in the assumed reinsurance business with a balanced portfolio which has global territorial diversification of classes and customer groups.

Strategic risk

Strategic risk is the risk that arises from strategic business decisions or that these decisions are not adjusted to a changed economic environment.

There is a continuous monitoring of any changes to the legislative and regulatory frameworks as well as changes in the market and competition in order to be able to respond to opportunities and risks promptly. R+V analyses and forecasts ongoing national and global circumstances that influence parameters relevant for business.

The management of strategic risks is based on the proactive assessment of success factors and on deriving targets for R+V's corporate departments. Strategic planning for the next four years is carried out as part of the annual strategic planning process and takes the risk-bearing capacity into account. R+V counters strategic risk through strategic planning and discussion about success potential in the Board of Management meeting. R+V uses the common instruments for strategic controlling for this. These include both external strategic analyses of the market and competitors and internal analyses of the company such as portfolio or SWOT analyses. The results of the strategic planning processes, in the form of target figures which have been adopted, are put into operation within the context of the operational planning for the coming three years and take account of the risk-bearing capacity. Together with the upper loss limits they are passed by the Board of Management each autumn. The implementation of decisions taken there is followed up regularly on a quarterly basis in the context of the plan/actual comparison. In this way the dovetailing of the strategic decision process and the risk management is organised. Business strategy changes which have an impact on the risk profile of R+V Versicherung AG are expressed in the risk strategy.

Reputation risk

Reputation risk is the risk of possible damage to the reputation of the company or to the whole sector as a result of a negative public perception (for example, on the part of customers, business partners, shareholders, government authorities).

The positive image of R+V within the cooperative financial network (FinanzGruppe Volksbanken Raiffeisenbanken) and in public is an important aim of the company.

In order to prevent any damage to image for R+V, attention is paid to ensuring a high quality standard in product development and all other parts of the value chain. Furthermore, R+V corporate communication is coordinated centrally through the department of the Chairman of the Board of Management in order to counteract any false presentations of circumstances effectively and cohesively. Reports in the media about the insurance business in general and R+V in particular are monitored and continually analysed across all departments. Rating results and market comparisons of the parameters that are significant for customer satisfaction – service, product quality and competence of advice – are taken into account in the context of a continuous improvement process.

From an IT perspective, incidents that could lead to negative public perceptions are particularly considered. Examples here include breaching data confidentiality, lack of availability of IT systems (portals) that can be accessed by end or business customers, or loss events that are caused by defective operational security in IT. Therefore, the IT security strategy is continually reviewed and adjusted to current threats. The validity of the IT security principles is also regularly reviewed.

Summary of the risk situation

The current analysis of the capacity to bear financial risks shows that the capital resources of R+V Versicherung AG exceed the overall insolvency needs. The regulatory risk-bearing capacity of R+V Versicherung AG also exceeds the minimum required solvency ratio as per 31 December 2016. Due to the ongoing tense economic situation on the financial markets, there is considerable uncertainty concerning statements about trends in the solvency capital requirements and capital resources, and therefore R+V has employed appropriate measures to ensure a sufficient risk-bearing capacity.

The possibility of a new crisis in Europe is a risk factor for the development of business for R+V Versicherung AG. The upcoming elections in the Netherlands, France, Germany and possibly Italy and the increase in populist, rather anti-European tendencies could be the political trigger or catalyst of this. The associated impact on the capital markets, the real economy and public demand are difficult to assess. Great Britain's upcoming exit from the EU (Brexit) is also expected to have deflationary effects. R+V Versicherung AG considers the opportunities and risks arising from the outcome of the election in the USA to balance each other out at present.

Furthermore, from today's perspective, there are no perceivable trends which could inflict lasting damage on the assets, the financial situation and the profitability of R+V Versicherung AG.

Forecast

Caveat for statements about the future

Assessments concerning the forthcoming development of R+V are primarily based on planning, forecasts and expectations. Thus the following assessment of the development of R+V reflects incomplete assumptions and subjective opinions for which no liability can be assumed.

The assessment and comments on the probable development, including their significant opportunities and risks, are provided to the best of our knowledge and belief on the basis of what we know about the prospects of the industry, future economic and political conditions and development trends and their significant influencing factors. These prospects, basic conditions and trends can obviously change in future without this being predictable at present. The actual performance of R+V may therefore significantly differ overall from the forecasts.

Macroeconomic development

Leading economic research institutes are anticipating a slight decrease in the growth of the German economy in 2017 compared to last year. This is mostly due to a statistical calendar effect, as 2017 has fewer working days than the year before. In its annual autumn report, the German Council of Economic Experts forecasts an 1.3 % increase in the real gross domestic product in Germany. GDV is anticipating a growth rate of 1.4 % (calendar-adjusted) for 2017.

Development on the capital markets

A continuation in the economic recovery with low rates of inflation will have an impact on the development of the capital markets in 2017. The central bank will continue its expansive monetary policy in the euro area. In the USA, on the other hand, the capital markets will be influenced by the central bank's expected interest rate increases and a realignment of fiscal policy. It is anticipated that there will have only been a slight increase in interest rates by the end of 2017. Equities will remain volatile, but there may be moderate increases overall.

The capital investment strategy of R+V ensures that there is a high proportion of fixed-interest and highly creditworthy securities so that the technical liabilities can be met at any time. The continuing high quality of securities, a broad spread and strict risk management are the requirements for making use of the opportunities available on the capital markets. Shareholding commitments should be slightly increased depending on R+V Versicherung AG's risk-bearing capacity. The property and infrastructure commitments will be gradually increased further with the presence of attractive investments. This long-term investment strategy, which is oriented towards security, combined with modern risk management, will also determine the course in 2017.

Development on the reinsurance markets

An increase in the volume of reinsurance business worldwide is expected in future. In some regions, stricter regulatory capital endowment requirements will lead to increased demand for reinsurance. There will be further demand in emerging divisions such as cyber insurance but also in traditional divisions such as agricultural insurance. The increasing awareness of economic damage resulting from natural disasters such as earthquakes, flooding, storms and droughts will contribute to lasting high demand for reinsurance.

Direct insurers in many countries currently have free access to the international reinsurance market. The possibility that national legal systems will in future create stricter conditions under which international reinsurers are permitted to provide reinsurance to national direct insurers cannot be ruled out.

During the 2017 fiscal year R+V Versicherung AG will continue to apply its strategy of profit-oriented growth in all markets in which it operates. Regional focal points include the USA and Great Britain. There will in principle be a selective use of the available underwriting capacity in segments which show adequate risk margins. R+V Versicherung AG continues to benefit from an excellent AA- rating by Standard and Poor's, which represents a clear differentiation criterion compared to many competitors. Underwriting, pricing and loss management, which are the key processes, are continually adjusted to the market conditions in order to improve the level of service for the customers and to withstand the overriding pressure on prices.

The discount rate to be applied in Great Britain for one-off payments enforced by a court for physical injury covered by insurance will be significantly decreased from 20 March 2017. The extent to which this will affect R+V Versicherung AG as a global reinsurer can only be quantified when it is has been determined how direct insurers have been affected. Based on the information currently available, the assets, the financial situation and profitability will not be affected significantly due to compensatory technical effects and anticipated premium increases.

R+V Versicherung AG expects a premiums increase for 2017. Claims expenditure and expenditure on insurance operations will increase parallel to this. Based on the assumption that no major losses will be incurred in excess of the expected value, the reported gross loss ratio and the cost ratio will not exceed the previous fiscal year's levels. A satisfactory result from normal business activities is expected to be achieved overall.

Thank you

The Board of Management would like to express its thanks and appreciation to all staff for their commitment and their work.

The Board of Management would like to thank the representatives of the Senior Management Committee and the Works Council for their trustworthy cooperation.

We would particularly like to thank our business partners and clients for the trust they have placed in us.

Wiesbaden, 3 March 2017

The Board of Management

Appendix to the Management Report

In the fiscal year the company was active in the following branches of domestic and foreign reinsurance:

Life

Health

Accident

Liability

Motor

Aviation

Legal

Fire and allied perils

Burglary and theft

Water damage

Storm

Comprehensive home contents

Comprehensive home-owners

Glass

Hail

Livestock

Engineering

Marine

Credit and bonds

Business interruption

Other

Annual Financial Statements 2016

Balance sheet

as at 31 December 2016*

ASSETS

in EUR				2016	2015
A. Intangible assets					
Purchased franchises, industrial and similar rights and assets as well as licences to such rights and values				**5,535.—**	**12,178.—**
B. Capital investments					
I. Land, leasehold rights and buildings including buildings on third-party land			3,526,509.17		3,593,893.17
II. Capital investments in affiliated companies and shareholdings					
1. Shares in affiliated companies		2,489,212,216.99			2,429,684,496.99
2. Loans to affiliated companies		98,051,177.97			136,991,605.36
3. Holdings		861,102.78			861,102.78
4. Loans to associated companies		—.—	2,588,124,497.74		13,603,591.34
III. Other capital investments					
1. Stocks, shares or shares in investment funds and other variable interest securities		595,439,851.24			515,042,160.65
2. Bearer bonds and other fixed-interest securities		2,037,918,268.27			1,723,156,911.69
3. Other loans					
a) Registered bonds	484,124,602.75				492,010,381.19
b) Bonded debt receivables and loans	253,860,251.83	737,984,854.58			236,195,948.40
4. Deposits at banks		231,534,390.13			210,395,644.74
5. Other capital investments		22,979,039.77	3,625,856,403.99		17,523,466.77
IV. Deposits with ceding reinsurers			223,643,029.79		196,317,513.32
				6,441,150,440.69	**5,975,376,716.40**

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

in EUR					2016	2015
C. Receivables						
I. Settlement receivables from reinsurance business				179,082,021.20		168,990,977.23
Thereof due to:						
Affiliated companies	€3,968,565.31	(€5,461,644.86)				
II. Other receivables				261,160,200.76		344,437,315.—
Thereof due to:						
Affiliated companies	€208,679,645.47	(€284,454,007.55)				
					440,242,221.96	**513,428,292.23**
D. Other assets						
I. Property, plant, equipment and inventories				339,171.61		391,854.37
II. Cash at banks, cheques and cash in hand				164,994,555.97		166,577,954.83
III. Other assets				29,888.47		711,161.22
					165,363,616.05	**167,680,970.42**
E. Accruals						
I. Accrued interest and rents				40,002,644.91		38,116,387.11
II. Other accruals				267,674.23		158,797.73
					40,270,319.14	**38,275,184.84**
					7,087,032,132.84	**6,694,773,341.89**

LIABILITIES

in EUR			2016	2015
A. Shareholders' equity				
I. Called-up capital				
Subscribed capital	352,220,259.74			352,220,259.74
minus uncalled outstanding investments	—.—	352,220,259.74		—.—
II. Capital reserves		1,632,887,360.26		1,632,887,360.26
Thereof reserves in accordance with section 9 para. 2 (5) VAG €– (€–)				
III. Retained earnings				
Other retained earnings		164,666,337.05		164,666,337.05
			2,149,773,957.05	**2,149,773,957.05**
B. Technical provisions				
I. Unearned premium reserves				
1. Gross	174,347,549.58			175,666,401.65
2. Thereof: less reinsurance amount	1,573,153.48	172,774,396.10		1,740,329.—
II. Actuarial reserves				
1. Gross	58,093,322.71			56,755,422.90
2. Thereof: less reinsurance amount	25,895,793.57	32,197,529.14		27,376,265.08
III. Provision for outstanding claims				
1. Gross	3,210,718,211.50			2,896,921,019.43
2. Thereof: less reinsurance amount	13,078,760.11	3,197,639,451.39		19,409,907.85
IV. Provisions for performance based and non-performance based premium funds				
1. Gross	4,245,518.50			3,465,085.25
2. Thereof: less reinsurance amount	—.—	4,245,518.50		—.—
V. Equalisation provision and similar provisions		816,535,408.—		796,180,128.—
VI. Other technical provisions				
1. Gross	653,717.20			561,425.09
2. Thereof: less reinsurance amount	—.—	653,717.20		—.—
			4,224,046,020.33	**3,881,022,980.39**

in EUR				2016	2015
C. Other provisions					
I. Provisions for pensions and similar obligations			1,699,836.73		2,566,666.98
II. Tax provisions			3,814,711.37		36,984,326.87
III. Other provisions			56,783,392.72		58,529,329.99
				62,297,940.82	**98,080,323.84**
D. Deposit liabilities received from reinsurers				**27,834,438.19**	**29,578,195.35**
E. Other liabilities					
I. Settlement liabilities from reinsurance business			277,684,830.18		280,901,363.11
Thereof due to:					
Affiliated companies	€42,462,627.63	(€56,390,285.39)			
Associated companies	€1,527,838.97	(€1,154,445.94)			
II. Bonds			29,504,515.47		29,075,288.14
III. Liabilities due to banks			—.—		5,640.68
IV. Other liabilities			315,890,430.80		226,335,593.33
Thereof:					
From taxes	€1,025,903.50	(€978,953.90)			
Social security	€45,577.53	(€53,615.30)			
Due to:					
Affiliated companies	€308,035,442.72	(€219,361,616.38)			
				623,079,776.45	**536,317,885.26**
				7,087,032,132.84	**6,694,773,341.89**

Income statement

for the period 1 January to 31 December 2016*

INCOME STATEMENT

in EUR			2016	2015
I. Technical account				
1. Premiums earned for own account				
a) Gross premiums written	2,228,602,236.15			1,980,554,345.54
b) Reinsurance premiums ceded	40,695,708.96			40,462,765.87
		2,187,906,527.19		
c) Change in gross unearned premium reserve	8,388,055.17			–6,558,030.58
d) Change in gross unearned premium reserve – reinsurers' share	158,658.03			–127,091.39
		8,229,397.14		
			2,196,135,924.33	**1,933,660,640.48**
2. Technical interest income for own account			**837,617.57**	**859,282.51**
3. Expenditure for insurance claims for own account				
a) Payments for claims				
aa) Gross	1,302,092,431.56			1,055,191,444.03
bb) Reinsurers' share	13,875,600.89			45,107,988.73
		1,288,216,830.67		
b) Change in provision for outstanding claims				
aa) Gross	343,964,235.35			395,332,107.47
bb) Reinsurers' share	–6,467,807.97			–37,792,088.33
		350,432,043.32		
			1,638,648,873.99	**1,443,207,651.10**
4. Change in other technical net provisions				
a) Net actuarial reserves		–2,494,832.77		4,091,792.29
b) Other technical net provisions		–87,405.90		194,577.30
			–2,582,238.67	**4,286,369.59**
5. Expenditure on performance-based and non-performance based premium funds for own account			**4,155,940.58**	**3,498,580.16**
6. Expenditure on insurance operations for own account				
a) Gross expenditure on insurance operations		567,498,159.13		487,468,777.42
b) Thereof:				
less reinsurance commissions and profit participations received		8,357,864.54		9,043,262.76
			559,140,294.59	**478,425,514.66**
7. Other technical expenses for own account			**2,957,443.32**	**1,809,855.01**
8. Subtotal			**–10,511,249.25**	**11,864,691.65**
9. Change to equalisation provision and similar provisions			**–20,355,280.—**	**–55,511,668.—**
10. Technical result for own account			**–30,866,529.25**	**–43,646,976.35**

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

in EUR				2016	2015
II. Non-technical account					
1. Income on capital investments					
a) Income from holdings		51,700.38			53,346.78
Thereof from affiliated companies:					
€7,010.46 (€7,010.35)					
b) Income from other capital investments					
Thereof from affiliated companies:					
€3,943,790.30 (€4,007,926.46)					
aa) Income from land, leasehold rights and buildings including buildings on third-party land	670,466.37				663,059.13
bb) Income from other capital investments	104,695,574.03				98,017,724.29
		105,366,040.40			
c) Income from write-ups		3,557,752.77			4,918,112.51
d) Realised gains on capital investments		428,758.79			2,236,182.21
e) Income from profit pooling, profit and loss transfer agreements and partial profit and loss transfer		205,138,683.61			187,895,132.97
			314,542,935.95		293,783,557.89
2. Expenditure for capital investments					
a) Expenditure for management of capital investments, interest expenditure and other expenditure on capital investments		14,354,874.32			4,921,149.24
b) Depreciation on capital investments		2,144,429.71			10,373,154.72
c) Realised losses on capital investments		21,727.38			200,655.03
			16,521,031.41		15,494,958.99
			298,021,904.54		278,288,598.90
3. Technical interest income			–1,873,254.69		–1,965,037.44
				296,148,649.85	**276,323,561.46**
4. Other income			29,047,821.14		58,296,225.58
5. Other expenditure			74,231,764.74		64,750,602.97
				–45,183,943.60	**–6,454,377.39**
6. Non-technical result				**250,964,706.25**	**269,869,184.07**
7. Result of ordinary business activities				**220,098,177.—**	**226,222,207.72**

in EUR					2016	2015
8. Taxes on income and earnings				53,944,127.93		129,181,482.74
Thereof:						
Allocation within consolidated entity	€64,188,826.73	(€118,289,057.47)				
9. Other taxes				88,022.01		200,098.65
Thereof:						
Allocation within consolidated entity	€243,419.66	(€–478,061.43)				
					54,032,149.94	**129,381,581.39**
10. Profits transferred as a result of profit pooling, a profit and loss transfer agreement or a partial profit and loss agreement					**–166,066,027.06**	**–96,840,626.33**
11. Annual net income					**—.—**	**—.—**

Notes

Accounting and valuation methods

The 2016 annual financial statements for R+V Versicherung AG have been prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch, HGB), the version of the German Accounting Directive Implementation Act (Bilanzrichtlinien-Umsetzungsgesetz, BilRUG) dated 22 July 2015 and the Insurance Accounting Directive (Verordnung über die Rechnungslegung von Versicherungsunternehmen, RechVersV).

Land, similar rights and buildings including buildings on third-party land were accounted for using the acquisition or construction costs less depreciation while complying with the lower of cost or market value principle when there is a permanent impairment. Scheduled depreciation was carried out on a linear basis. Write-ups were carried out in accordance with section 253 para. 5 (1) HGB, but subject to a maximum of the acquisition and construction costs reduced by scheduled depreciation.

Shares in affiliated companies and **holdings** as well as **other capital investments** were accounted for at acquisition costs. In the event of anticipated permanent impairment in value, these items were reduced by depreciation. In case the reasons for past depreciation no longer existed, write-ups were carried out to the fair value up to a maximum of the acquisition value in accordance with section 253 para. 5 (1) HGB.

Loans to affiliated companies were valued in line with their affiliation to the items listed below.

Stocks or shares in investment funds which have been assigned to assets according to section 341 b para. 2 (1) HGB were written down to market value according to the option right pursuant to section 253 para. 3 (6) HGB.

Bearer bonds and other fixed-interest securities were valued at acquisition costs, less depreciation according to the strict lower of cost or market value principle, unless they were assigned to assets.

Bearer bonds and other fixed-interest securities which have been assigned to assets according to section 341 b para. 2 (1) HGB were reported at amortised acquisition value. In the event of permanent impairment in value in accordance with section 253 para. 3 (5) HGB, depreciation was carried out to the fair value. The amortisation of any difference between the amortised acquisition costs and the repayment amount was carried out using the effective interest method.

In case the reasons for past depreciation of fixed and current assets no longer existed, write-ups were carried out to the fair value up to a maximum of the amortised acquisition value in accordance with section 253 para. 5 (1) HGB.

Other loans were recognised at the amortised acquisition cost insofar as no single value adjustments were to be carried out. The amortisation of any difference between the acquisition costs and the repayment amount was carried out using the effective interest method.

Deposits at banks were recognised at the respective repayment amount. Negative interest rates on deposits were reported with income.

Deposit receivables and **settlement receivables** from the reinsurance business were recognised at the nominal amounts. Doubtful settlement receivables were directly written off.

All other **receivables** were valued at the nominal value.

Assets that were placed beyond the access of all other creditors, and which exclusively concern the fulfilment of pension provision obligations or comparable long-term obligations, were valued at fair value in accordance with section 253 para. 1 HGB and applied against the corresponding debts. The interest share of the change in asset value is offset against the interest share of the change to the corresponding obligation.

The valuation of **operating and office equipment** was carried out at acquisition costs, which were written down using the straight line method over the useful life permitted under taxation law. Additions and disposals during the fiscal year were written down pro rata temporis. Assets, whose acquisition costs were between EUR 150 and EUR 1,000, were placed in a collective item that is written down over five years – beginning with the year of formation.

Negative interest on **cash at banks** was reported in other expenditure.

An integrated intercompany agreement with regard to income tax has existed between R+V Versicherung AG and DZ BANK AG since 2012. As owing to deviating accounting under commercial and taxation law the consequences with regard to income tax arise at the controlling company, the valuation differences between the commercial and tax balance sheet existing at R+V Versicherung AG as of 31 December 2016 are taken into consideration within the formation of the deferred taxes at DZ BANK AG.

Therefore, no deferred taxes are disclosed at R+V Versicherung AG as of 31 December 2016.

The **other assets** were recognised at their nominal amounts. Necessary value adjustments were carried out and deducted on the assets side.

In principle, the **technical provisions** (unearned premium reserves, actuarial reserves, provisions for outstanding claims and other technical provisions) were shown on the balance sheet according to the information provided by the cedents.

If no information was available, the provisions were estimated; the contractual terms and conditions and the previous course of business were decisive in this respect. Appropriate increases were carried out in the case of claims provisions based on typically underestimated values by the cedents. Accordingly, appropriate provisions were also made for claims burdens expected in the future. The reinsurance shares of the provisions were determined in accordance with contractual agreements.

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

Deposit liabilities and **settlement liabilities** from the reinsurance business were valued at the nominal amounts.

The **provisions for pensions and similar obligations** (such as provisions for service anniversaries) were measured according to the projected unit credit method (PUC method) in conjunction with section 253 para. 1 HGB based on the 2005 G mortality tables by Klaus Heubeck. Future developments and trends were taken into account. The discounting of provisions for pensions was carried out using the average interest rate for the past ten years published by the German Federal Bank for October 2016 with an assumed remaining term of 15 years. The discounting of provisions for service anniversaries was also carried out using the average interest rate for the past seven years published by the German Federal Bank for October 2016 with an assumed remaining term of 15 years. The interest rate was projected to the end of the year.

The following parameters were used:

Increases in salary:	2.50 %
Increase in pensions:	1.75 %
Fluctuation:	0.90 %
Interest rate for pension provisions:	4.01 %
Interest rate for similar obligations:	3.22 %

Pension commitments through deferred compensation and lifetime working time accounts are largely covered by appropriate reinsurance policies pledged as security. Their value thus corresponds with the current value of the assets in accordance with section 253 para. 1 HGB.

All other **non-technical provisions** have been valued at their settlement amount in accordance with section 253 HGB and discounted if the term of the provision is longer than one year. In each case, the interest rate was projected to the end of the year, based on the average interest rate for the past seven years published by the German Federal Bank for October 2016.

The **other liabilities** were recognised at the repayment amount. Securities from bilaterally collateralised OTC derivatives were reported net under the item other liabilities.

Currency conversion

All items in foreign currencies were converted into euros.

The items posted under Assets B. Capital investments I. to III. were converted into euros at the average spot rate on the reporting date, with the exception of shareholdings and other loans. The average spot rate on the date of acquisition was used for shareholdings and other loans. The average spot exchange rate at the time of the cash flow was used as the basis for converting income and expenditure from capital investments.

All other items on the balance sheet and income statement, in particular technical items, were converted using the average spot exchange rate on 28 December 2016 in order to speed up the preparation of the annual financial statements.

Any exchange rate gains and losses incurred in relation to a single currency were balanced against each other.

List of shareholdings

SHARES IN AFFILIATED COMPANIES

Name of company and registered office	Shares in capital in %	Currency	Figures for fiscal year	Equity EUR	Result EUR
Insurance companies					
Assimoco S.p.A., Segrate	67.0	EUR	2015	116,112,715	11,662,992
Assimoco Vita S.p.A., Segrate	64.6	EUR	2015	121,625,951	6,954,896
CHEMIE Pensionsfonds AG, Munich	100.0	EUR	2016	22,317,843	2,000,000
Condor Allgemeine Versicherungs-AG, Hamburg	100.0	EUR	2016	41,761,661	[1])
Condor Lebensversicherungs AG, Hamburg	95.0	EUR	2016	48,588,513	[1])
KRAVAG-ALLGEMEINE Versicherungs-AG, Hamburg	76.0	EUR	2016	96,033,793	7,296,209
KRAVAG-LOGISTIC Versicherungs-AG, Hamburg	51.0	EUR	2016	185,920,342	19,309,861
R+V Allgemeine Versicherung AG, Wiesbaden	95.0	EUR	2016	774,176,663	[1])
R+V Direktversicherung AG, Wiesbaden	100.0	EUR	2016	13,320,000	[1])
R+V Krankenversicherung AG, Wiesbaden	100.0	EUR	2016	68,485,231	5,500,000
R+V Lebensversicherung AG, Wiesbaden	100.0	EUR	2016	434,980,723	[1])
R+V Luxembourg Lebensversicherung S.A., Strassen	100.0	EUR	2016	376,699,241	33,947,462
R+V Pensionsfonds AG, Wiesbaden	74.9	EUR	2016	26,003,166	1,850,000
R+V Pensionskasse AG, Wiesbaden	100.0	EUR	2016	105,772,238	400,000
Service, Holding and Real Estate Companies					
Assimocopartner Unipersonale S.r.L., Segrate	57.0	EUR	2015	132,039	–47,809
Aufbau und Handelsgesellschaft mbH, Stuttgart	82.3	EUR	2015	525,138	[1])
BWG Baugesellschaft Württembergischer Genossenschaften mbH, Stuttgart	82.2	EUR	2015	9,965,213	[1])
carexpert Kfz-Sachverständigen GmbH, Walluf	60.0	EUR	2016	4,605,442	272,778
CI CONDOR Immobilien GmbH, Hamburg	95.0	EUR	2016	25,500,000	[1])
compertis Beratungsgesellschaft für betriebliches Vorsorgemanagement mbH, Wiesbaden	51.0	EUR	2016	4,039,296	534,492
Condor Dienstleistungs-GmbH, Hamburg	95.0	EUR	2016	237,744	29,274
Englische Strasse 5 GmbH, Berlin	90.0	EUR	2015	19,114,485	605,484
Finassimoco S.p.A., Segrate	57.0	EUR	2015	101,029,987	19,609

[1]) A profit and loss transfer agreement exists.

SHARES IN AFFILIATED COMPANIES

Name of company and registered office	Shares in capital in %	Currency	Figures for fiscal year	Equity EUR	Result EUR
GbR Dortmund, Westenhellweg 39-41, Wiesbaden	94.0	EUR	2015	40,581,037	3,295,850
GTIS Brazil II S-Feeder LP, Edinburgh	97.9	USD	2015	23,133,036	–10,768,868
GWG 1. Wohn GmbH & Co. KG, Stuttgart	91.4	EUR	2015	2,000,000	370,941
GWG 2. Wohn GmbH & Co. KG, Stuttgart	91.4	EUR	2015	3,000,000	621,962
GWG 3. Wohn GmbH & Co. KG, Stuttgart	91.4	EUR	2015	7,000,000	1,385,122
GWG 4. Wohn GmbH & Co KG, Stuttgart	91.4	EUR	2015	9,000,000	822,940
GWG Beteiligungsgesellschaft mbH, Stuttgart	91.4	EUR	2015	24,526	1,728
GWG Gesellschaft für Wohnungs- und Gewerbebau Baden-Württemberg AG, Stuttgart	91.4	EUR	2015	265,549,292	53,866,015
GWG ImmoInvest GmbH, Stuttgart	86.7	EUR	2015	6,409,548	756,145
GWG Wohnpark Sendling GmbH, Stuttgart	81.5	EUR	2015	2,782,512	405,133
HANSEATICA Sechzehnte Grundbesitz Investitionsgesellschaft mbH & Co. KG, Berlin	95.0	EUR	2015	22,868,274	850,980
Henderson Global Investors Real Estate (No. 2) L.P., London	73.2	GBP	2015	11,490,564	–89,532
HGI Immobilien GmbH & Co. GB I KG, Frankfurt am Main	73.2	EUR	2015	15,080,822	814,122
HumanProtect Consulting GmbH, Cologne	100.0	EUR	2015	213,367	71,021
IZD-Beteiligung S.à.r.l., Luxembourg	96.2	EUR	2015	21,852,490	–12,536
KRAVAG Umweltschutz- und Sicherheitstechnik GmbH, Hamburg	51.0	EUR	2016	238,912	15,851
Martens & Prahl Hannover-Contor Versicherungsmakler GmbH, Hannover [2])	51.0	EUR	2015	153,257	167,301
Medico 12 GmbH & Co. KG, Frankfurt am Main	100.0	EUR	2015	2,057,941	–691,622
MSU Management-, Service- und Unternehmensberatung GmbH, Kaiserslautern	74.0	EUR	2015	731,137	230,484
NF Nordstrand GmbH & Co. Heidenkampsweg 100 Nord KG, Norderfriedrichskoog	89.3	EUR	2015	–3,688,517	136,317
NF Nordstrand GmbH & Co. Heidenkampsweg 100 Süd KG, Norderfriedrichskoog	47.9	EUR	2015	–2,791,253	58,735
PASCON GmbH, Wiesbaden	100.0	EUR	2016	25,000	[1])
Paul Ernst Versicherungsvermittlungsgesellschaft mbH, Hamburg	51.0	EUR	2016	82,055	20,687
Pension Consult Beratungsgesellschaft für Altersvorsorge mbH, Wiesbaden	74.9	EUR	2016	1,403,403	120,062
R+V Dienstleistungs-GmbH, Wiesbaden	100.0	EUR	2015	630,506	3,678

[1]) A profit and loss transfer agreement exists.
[2]) Shares newly purchased on 18 November 2016.

SHARES IN AFFILIATED COMPANIES

Name of company and registered office	Shares in capital in %	Currency	Figures for fiscal year	Equity EUR	Result EUR
R+V Erste Anlage GmbH, Wiesbaden	95.0	EUR	2016	1,063,844	–9,510
R+V INTERNATIONAL BUSINESS SERVICES Ltd., Dublin [2])	100.0	EUR	2014	1,053,150	–1,985,634
R+V KOMPOSIT Holding GmbH, Wiesbaden	100.0	EUR	2016	1,801,621,575	[1])
R+V Kureck Immobilien GmbH, Wiesbaden	95.0	EUR	2016	37,462	861
R+V Leben Wohn GmbH & Co. KG, Wiesbaden	100.0	EUR	2016	70,604,279	2,823,517
R+V Mannheim P2 GmbH, Wiesbaden	94.0	EUR	2015	59,929,146	1,941,751
R+V Personen Holding GmbH, Wiesbaden	100.0	EUR	2016	732,588,847	[1])
R+V Rechtsschutz-Schadenregulierungs-GmbH, Wiesbaden	100.0	EUR	2016	147,635	32,359
R+V Service Center GmbH, Wiesbaden	100.0	EUR	2016	2,869,375	[1])
R+V Service Holding GmbH, Wiesbaden	100.0	EUR	2016	171,910,250	[1])
R+V Treuhand GmbH, Wiesbaden	100.0	EUR	2016	40,273	4,185
RC II S.a.r.L., Luxembourg	90.0	EUR	2015	9,496,889	361,323
RUV Agenturberatungs GmbH, Wiesbaden	100.0	EUR	2016	405,947	138,254
RV-CVIII Holdings, LLC, Los Angeles	99.0	USD	2015	45,298,078	1,227,701
Schuster Versicherungsmakler GmbH, Bielefeld	51.0	EUR	2015	325,942	162,821
Schuster Versicherungsservice GmbH, Bielefeld	51.0	EUR	2015	27,884	2,319
SECURON Versicherungsmakler GmbH, Munich	51.0	EUR	2015	788,390	408,822
Sprint Sanierung GmbH, Cologne	100.0	EUR	2015	31,610,825	608,291
Tishman Speyer Brazil Feeder (SCOTS/D), L.P., Edinburgh	97.5	BRL	2015	97,345,545	11,286,958
Tishman Speyer European Strategic Office Fund Feeder, L.P., New York	97.2	EUR	2015	19,895,136	7,249,437
UMB Unternehmens-Management beratungs GmbH, Wiesbaden	100.0	EUR	2016	2,057,886	605,552
UMBI GmbH, Wiesbaden [3])	100.0	EUR	2016	73,588	–3,267
Unterstützungskasse der Condor Versicherungsgesellschaften GmbH, Hamburg	98.3	EUR	2016	26,076	–
VMB Vorsorgemanagement für Banken GmbH, Overath	90.0	EUR	2015	58,069	–7,673

[1]) A profit and loss transfer agreement exists.
[2]) Company in liquidation, 2015 annual financial statements not yet available.
[3]) Formerly R+V Gruppenpensionsfonds Service GmbH (name changed on 29 June 2016, registered office relocated from Munich to Wiesbaden).

SHARES IN AFFILIATED COMPANIES

Name of company and registered office	Shares in capital in %	Currency	Figures for fiscal year	Equity EUR	Result EUR
VR BKE Beratungsgesellschaft für Klima und Energie mbH i.L., Wiesbaden	66.7	EUR	2015	242,988	–517,887
VR GbR, Frankfurt am Main	41.2	EUR	2015	235,947,191	90,974,766
VR Hausbau AG, Stuttgart	82.0	EUR	2015	2,750,000	[1])
WBS Wohnwirtschaftliche Baubetreuungs- und Servicegesellschaft mbH, Stuttgart	86.7	EUR	2015	14,224,017	1,625,747

[1]) A profit and loss transfer agreement exists.

ASSOCIATES

Name of company and registered office	Shares in capital in %	Currency	Figures for fiscal year	Equity EUR	Result EUR
ASSICONF S.r.L., Turin	11.4	EUR	2015	79,945	5,786
ASSICRA Servizi Assicurativi Banche di Credito Cooperativo Abruzzo e Molise s.r.L., Pescara	14.3	EUR	2015	376,302	28,090
ATRION Immobilien GmbH & Co. KG, Munich	31.6	EUR	2015	45,241,103	4,807,510
BAU + HAUS Management GmbH, Wiesbaden	50.0	EUR	2015	11,208,701	869,020
bbv-Service Versicherungsmakler GmbH, Munich	25.2	EUR	2015	1,822,090	453,938
BCC Risparmio Previdenza S.G.R.p.A., Milan	16.1	EUR	2015	38,392,710	12,805,533
Consorzio Caes Italia S.C.S., Milan	11.4	EUR	2015	155,635	41,832
Credit Suisse Global Infrastructure SCA SICAR, Luxembourg	29.6	USD	2015	367,652,969	123,703,349
European Property Beteiligungs-GmbH, Wiesbaden	38.6	EUR	2015	1,027,533	–22,370
GbR "Ackermannbogen.de – Wohnen am Olympiapark", Munich	41.0	EUR	2015	1,600	–86,300
Golding Mezzanine SICAV IV Teilfonds 2, Munsbach	47.5	EUR	2015	11,863,492	1,850,574
Henderson Global Investors Property (No. 2) Limited, London	50.0	GBP	2015	46,686	4,897
HGI Immobilien GmbH, Frankfurt am Main	50.0	EUR	2015	112,378	10,306
IZD-Holding S.à.r.l., Luxembourg	48.4	EUR	2015	42,860,537	–390,043
MB Asia Real Estate Feeder (Scot) L.P., New York	34.1	USD	2015	8,233,740	–1,871,235
Office Tower IZD GmbH, Vienna	48.5	EUR	2015	37,999,757	–4,258,623
R+V Kureck Immobilien GmbH Grundstücksverwaltung Braunschweig, Wiesbaden	50.0	EUR	2015	8,118,728	362,672
R.G.A. Agrupación de Interés Ecónomico, Madrid	12.0	EUR	2015	117,197	–
R.G.A. Mediación, Operador de Banca-Seguros Vinculado, S.A., Madrid	28.5	EUR	2015	4,896,578	641,442
Rural Pensiones, S.A. Entidad Gestora de Fondos de Pensiones, Madrid	17.5	EUR	2015	16,731,000	219,000
Rural Vida, S.A. de Seguros y Reaseguros, Madrid	28.5	EUR	2015	133,742,000	11,867,000
Schroder European Property Investments No. 1 S.A., Senningerberg	44.3	EUR	2015	1,552,103	–186,093
Schroder Italien Fonds GmbH & Co. KG, Wiesbaden	23.1	EUR	2015	728,278	–2,286,098
Schroder Italien Fonds Holding GmbH, Frankfurt am Main	23.1	EUR	2015	–27,911,665	–30,146,416

ASSOCIATES

Name of company and registered office	Shares in capital in %	Currency	Figures for fiscal year	Equity EUR	Result EUR
Schroder Property Services B.V., Amsterdam	30.0	EUR	2015	141,467	40,209
Seguros Generales Rural, S.A. de Seguros y Reaseguros, Madrid	28.5	EUR	2015	250,393,000	18,313,000
Tintoretto Rome S.r.L., Milan	23.1	EUR	2015	756,299	–29,094,944
Versicherungs-Vermittlungsgesellschaft des Sächsischen Landesbauernverbandes mbH, Dresden	50.0	EUR	2015	199,720	22,074
Versicherungs-Vermittlungsgesellschaft mbH des Bauernverbandes Mecklenburg-Vorpommern e.V.(VVB), Neubrandenburg	50.0	EUR	2015	156,248	11,062
Versicherungs-Vermittlungsgesellschaft mbH des Landesbauernverbandes Sachsen-Anhalt e.V.(VVB), Magdeburg	50.0	EUR	2015	49,895	7,008
VVB Versicherungs-Vermittlungs-gesellschaft mbH des Landesbauern-verbandes Brandenburg, Teltow	50.0	EUR	2015	32,982	3,536
VV Immobilien GmbH & Co. United States KG i.L., Munich	24.7	EUR	2015	7,332	80,482

Notes to the balance sheet – assets

STATEMENT OF CHANGES TO ASSET ITEMS A., B. I. TO III IN FISCAL YEAR 2016[1])

	Values for previous year		Additions
	Thou. Euro	%	Thou. Euro
A. Intangible assets			
Acquired concessions, commercial copyrights and similar rights and values and licences to such rights and values	12	100.0	–
Total A	**12**	**100.0**	**–**
B. Capital investments			
I. Land, leasehold rights and buildings including buildings on third-party land	3,594	0.1	–
II. Capital investments in affiliated companies and shareholdings			
1. Shares in affiliated companies	2,429,684	42.0	59,528
2. Loans to affiliated companies	136,992	2.4	12
3. Holdings	861	0.0	–
4. Loans to associated companies where there is a shareholding interest	13,604	0.2	6,292
Total B. II.	2,581,141	44.7	65,832
III. Other capital investments			
1. Stocks, shares or shares in investment funds and other fixed-interest securities	515,042	8.9	80,746
2. Bearer bonds and other fixed-interest securities	1,723,157	29.8	457,354
3. Other loans			
a) Registered bonds	492,010	8.5	39,227
b) Bonded debt receivables and loans	236,196	4.1	18,229
4. Deposits at banks	210,396	3.6	24,042
5. Other capital investments	17,523	0.3	6,818
Total B. III.	3,194,325	55.3	626,417
Total B	**5,779,059**	**100.0**	**692,249**
Total	**5,779,071**		**692,249**

[1]) Discrepancies in totals are due to rounding
[2]) thereof currency write ups: EUR 20,488 thousand
[3]) thereof currency depreciation: EUR 64,398 thousand

Transfers	Disposals	Write-ups[2])	Depreciation[3])	Values for current fiscal year	
Thou. Euro	Thou. Euro	Thou. Euro	Thou. Euro	Thou. Euro	%
–	–	–	7	6	100.0
–	**–**	**–**	**7**	**6**	**100.0**
–	–	–	67	3,527	0.1
				2,489,212	40.0
36,803	75,491	471	736	98,051	1.6
–	–	–	–	861	0.0
–19,896	–	–	–	–	–
16,907	75,491	471	736	2,588,124	41.6
–	134	1,644	1,858	595,440	9.6
–	103,546	17,844	56,891	2,037,918	32.8
–16,907	30,206	–	–	484,125	7.8
–	565	–	–	253,860	4.1
–	–	4,087	6,990	231,534	3.7
–	1,363	–	–	22,979	0.4
–16,907	135,814	23,575	65,739	3,625,856	58.3
–	**211,305**	**24,046**	**66,542**	**6,217,507**	**100.0**
–	**211,305**	**24,046**	**66,549**	**6,217,513**	

B. CAPITAL INVESTMENTS

in thousand EUR			2016
Balance sheet items	**Book value**	**Current value**	**Reserve**
I. Land, land rights and buildings, including buildings on third-party land	3,527	8,868	5,341
II. Capital investments in affiliated companies and shareholdings			
1. Shares in affiliated companies	2,489,212	5,393,343	2,904,131
2. Loans to affiliated companies	98,051	102,415	4,364
3. Holdings	861	1,023	162
III. Other capital investments			
1. Stocks, shares or shares in investment funds and other variable interest securities	595,440	630,936	35,496
2. Bearer bonds and other fixed-interest securities	2,037,918	2,187,378	149,460
3. Other loans			
a) Registered bonds	484,125	571,346	87,221
b) Bonded debt receivables and loans	253,860	295,895	42,035
4. Deposits at banks	231,534	231,561	27
5. Other capital investments	22,979	23,400	421
IV. Deposits with ceding insurers	223,643	223,643	–
Total capital investments	**6,441,150**	**9,669,810**	**3,228,659**

Stock prices or redemption prices were used to determine the fair value of listed securities. The discounted cash flow method was used to provide a synthetic market valuation for government bonds for which price data is not regularly supplied.

The discounted cash flow method is used to determine the market values of registered bonds and other loans whilst taking into account the remaining term and the risk premiums in relation to creditworthiness.

The formula to determine the net earnings value according to IDW S1 in conjunction with IDW RS HFA 10 or the net asset value are used to determine the attributable fair values for shareholdings.

The building was revalued as of 31 December 2016. The land is valued every five years; last valued in 2014. If any other valuation methods have been used, these comply with the provisions of section 56 RechVersV.

In accordance with section 341 b para. 2 HGB, EUR 2,625.2 million of capital investments have been assigned to assets. This includes positive valuation reserves of EUR 192.7 million and negative valuation reserves of EUR 7.9 million based on the rates on 31 December 2016.

The valuation reserves of the total capital investments amount to EUR 3,228.7 million, which corresponds to a reserve ratio of 50.1 %.

B. III. OTHER CAPITAL INVESTMENTS – STOCKS, SHARES OR SHARES IN INVESTMENT FUNDS

in thousand EUR

Type of fund	Market value	Difference market value/ book value	Distribution for the fiscal year	Omitted non-scheduled depreciation
Equity fund	9,420	991	208	–
Pension fund	43,976	–	2,678	–
Mixed fund	520,343	25,529	17,665	–
	573,738	**26,519**	**20,552**	**–**

The security funds have a predominantly European or international focus and investment is concentrated on securities.

The investment principle of section 215 para. 1 VAG regarding security is observed at all times.

B. III. OTHER CAPITAL INVESTMENTS – INFORMATION ON FINANCIAL INSTRUMENTS, WHICH ARE SHOWN AT THEIR FAIR VALUE

in thousand EUR

Type	Nominal volume	Book value	Current value
Bearer bonds and other fixed-interest securities [1]	447,081	450,329	442,431
Registered bonds and other loans [2]	56,936	56,185	53,947
Holdings and other capital investments [3]	–	142,802	141,350

[1]) Due to the existing creditworthiness of the issuers, the impairments are not permanent but dependent on market price changes.
[2]) The lower fair value relates to bonded loans, registered bonds and registered profit certificates, which are expected to show a temporary impairment as a result of their credit rating.
[3]) Due to the expected profits of the companies, the impairments are not permanent but dependent on market price changes.

B. III. OTHER CAPITAL INVESTMENTS – INFORMATION ON DERIVATIVE FINANCIAL INSTRUMENTS

in thousand EUR

Type	Nominal volume	Book value	Positive fair value	Negative fair value
Interest-related business				
Futures / registered certificates forward purchases [1])	57,500	–	18,586	–
Futures / bearer bonds forward purchases [2])	49,000	–	8,918	–400
Currency-related business				
Forward exchange transactions[3])	185,780	1,243	3,330	–1,243

[1]) Determined fair value is calculated on the value date: SWAP and money market curve valuation parameters.
[2]) Stock exchange value is calculated on the value date: SWAP and money market curve valuation parameters.
[3]) Valuation method = Delta from the forward rate and spot rate as of value date. The disclosure for the liabilities is carried out under item C.III. Other provisions.

Recognised actuarial methods were used to assess financial derivatives and structured products. The present value method was used to assess forward transactions and a Shifted Libor Market Model was used for structured products and swaps.

The market values of the ABS products were determined according to the discounted cash flow method; values were used which could be observed on the market.

E. II. OTHER ACCRUALS AND DEFERRALS

in EUR	2016
Expenditure relating to subsequent fiscal years	
Status as of 31 December	**267,674.23**

Notes to the balance sheet – equity and liabilities

A. I. CALLED-UP CAPITAL

in EUR	2016
Subscribed capital divided into 13,560,480 individual shares	
Status as of 31 December	**352,220,259.74**

DZ BANK AG has declared that it holds the majority of the shares in R+V Versicherung AG in accordance with section 20 para. 4 AktG.

A. II. CAPITAL RESERVES

in EUR	2016
Status as of 31 December	**1,632,887,360.26**

The status of the capital reserves has not changed from that as at 31 December 2015.

A. III. RETAINED EARNINGS

in EUR	2016
Other retained earnings	
Status as of 31 December	**164,666,337.05**

The status of the retained earnings has not changed from that as at 31 December 2015.

C. I. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

in EUR	2016
Amount payable	16,911,450.43
Offsettable reinsurance assets (claims from life insurance policies)	15,211,613.70
Status as of 31 December	**1,699,836.73**

The difference between discounting the provisions for pensions with the average market interest of the last ten years and discounting with an average market interest rate from the last seven years is EUR 1,161,080.–.

C. III. OTHER PROVISIONS

in EUR		2016
Holiday/flexi-time credits		1,466,000.—
Working life		—.—
Provision	2,475,924.86	
Offsettable reinsurance assets (claims from life insurance policies)	2,475,924.86	
Capital investment area		1,873,118.13
Annual financial statements		176,154.—
Storage of business records		683,705.—
Employer's Accident Liability Association		133,000.—
Personnel costs		5,709,400.—
Anniversaries		2,214,063.—
Other provisions		44,527,952.59
Status as of 31 December		**56,783,392.72**

The Other provisions essentially relate to the risk items connected with the change in the valuation of fixed interest securities from previous years.

E. OTHER LIABILITIES

in EUR	2016
Liabilities with a remaining term of more than five years	
Loans	
Status as of 31 December	**6,056,800.—**

There were no liabilities secured by liens or similar rights.

Notes to the income statement

I. 1.A.) GROSS PREMIUMS WRITTEN

in EUR	2016	2015
Property and casualty, health and accident insurance	2,202,745,764.24	1,954,803,801.81
Life insurance	25,856,471.91	25,750,543.73
Status as of 31 December	**2,228,602,236.15**	**1,980,554,345.54**

I. 2. TECHNICAL INTEREST INCOME FOR OWN ACCOUNT

in EUR	2016	2015
Status as of 31 December	**837,617.57**	**859,282.51**

This concerns deposit interest from securities in the amount of the securities provided for the actuarial reserves and the annuity actuarial reserves with the reinsurers.

The reinsurers' shares were calculated in accordance with contractual agreements and deducted accordingly.

I. 3. EXPENDITURE ON CLAIMS FOR OWN ACCOUNT

in EUR	2016	2015
Status as of 31 December	**1,638,648,873.99**	**1,443,207,651.10**

There was a gross profit of EUR 2.5 million from the settlement of the provisions for outstanding claims assumed from the previous fiscal year.

II. 2.B.) DEPRECIATION ON CAPITAL INVESTMENTS

in EUR	2016	2015
Scheduled depreciation	67,384.—	67,384.—
Non-scheduled depreciation in accordance with section 253 para. 3 (5) HGB	—.—	2,121,044.35
Non-scheduled depreciation in accordance with section 253 para. 3 (6) HGB	1,858,045.71	7,809,426.37
Non-scheduled depreciation in accordance with section 253 para. 4 HGB	219,000.—	375,300.—
Status as of 31 December	**2,144,429.71**	**10,373,154.72**

II. 4. OTHER INCOME

in EUR	2016	2015
Income on services provided	18,487,582.55	27,066,579.23
Other interest income	5,987,272.03	7,045,792.28
Income from liability insurances	1,336,451.56	974,179.89
Other income	3,236,515.—	23,209,674.18
Status as of 31 December	**29,047,821.14**	**58,296,225.58**

Other income includes exchange rate gains of EUR 2.5 million.

II. 5. OTHER EXPENDITURE

in EUR	2016	2015
Expenditure on services provided	18,166,061.55	26,853,808.03
Expenditure that affects the company as a whole	14,160,446.92	11,638,260.70
Interest transferred to provisions	866,805.76	1,009,711.08
Interest to be offset from offsettable assets	–710,048.14	–786,001.70
Other interest expenditure	6,862,774.14	4,089,105.72
Expenditure from outsourcing pension provisions	460,991.56	132,776.17
Other expenditure	34,424,732.95	21,812,942.97
Status as of 31 December	**74,231,764.74**	**64,750,602.97**

Other expenditure includes exchange rate losses of EUR 31.6 million caused by effects on the reporting date. Other expenditure also includes expenditure in the reporting year on the allocation for the first time of provisions for payments to retiring and retired employees, which do not affect the occupational pension.

Other explanatory notes

SUPERVISORY BOARD OF R+V VERSICHERUNG AG

Wolfgang Kirsch
– Chairman –
Chairman of the Board of Management, DZ BANK AG
Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main

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

Uwe Abel
Chairman of the Board of Management, Mainzer Volksbank eG,
Mainz

Thomas Bertels
Chairman of the General Works Council,
R+V Service Center GmbH, Münster

Uwe Fröhlich
President of the Bundesverband der Deutschen Volksbanken
und Raiffeisenbanken e.V., Berlin

Rita Jakli
Divisional Director, R+V Versicherung AG,
Wiesbaden head office, Wiesbaden
(until 31 December 2016)

Engelbert Knöpfle
Head of the Sales Division, R+V Allgemeine Versicherung AG,
South-East sales division, Munich
(as of 1 January 2017)

Klaus Krömer
Member of the Board of Management,
Emsländischen Volksbank eG, Meppen

Karl-Heinz Moll
Member of the Board of Management, DZ BANK AG
Deutsche Zentral-Genossenschaftsbank, Düsseldorf

Dirk Schiweck
Member of the General Works Council, R+V Versicherung AG,
Wiesbaden head office, Wiesbaden

Armin Schmidt
Trade Union Secretary for Financial Services,
Vereinte Dienstleistungsgewerkschaft ver.di,
Wiesbaden district, Wiesbaden

Sigrid Schneider
Chairwoman of the Works Council,
R+V Allgemeine Versicherung AG, Dresden branch office,
Dresden

Ingo Stockhausen
Chairman of the Board of Management,
Volksbank Oberberg eG, Wiehl

Ursula-Maria von Tesmar
Chairwoman of the Works Council of the joint operation
R+V Direktionsbetrieb Hamburg/KRAVAG, Asendorf

Martina Trümner
Legal Advisor for the Federal Administration,
Vereinte Dienstleistungsgewerkschaft ver.di, Berlin district,
Berlin

Rainer Wiederer
Spokesman for the Board of Management, Raiffeisenbank
Würzburg eG, Würzburg

Jürgen Zachmann
Chairman of the Board of Management,
Volksbank Pforzheim eG, Pforzheim

BOARD OF MANAGEMENT OF R+V VERSICHERUNG AG

Dr Friedrich Caspers
– Chairman –
(until 31 December 2016)

Dr Norbert Rollinger
– Chairman as of 1 January 2017 –

Frank-Henning Florian

Heinz-Jürgen Kallerhoff

Dr Christoph Lamby

Dr Edgar Martin
(as of 1 January 2017)

Julia Merkel

Marc René Michallet

Peter Weiler

PERSONNEL EXPENDITURE

in EUR	2016	2015
1. Wages and salaries	47,886,490.21	46,874,946.84
2. Social security deductions and expenditure on other benefits	5,907,484.67	5,620,040.27
3. Expenditure on pension provision	3,941,925.68	5,820,212.05
Total expenditure	**57,735,900.56**	**58,315,199.16**

Total remuneration of the members of the Board of Management amounted to EUR 8,652,590.00 (2015: EUR 8,320,824.17).

EUR 729,040.– was paid to former members of the Board of Management and their dependants (2015: EUR 611,756.37). As part of the outsourcing of pension obligations for members of the Board of Management in 2016, contribution payments of EUR 2,046,948.70 (2015: EUR 2,628,583.55) were made to Versorgungskasse genossenschaftlich orientierter Unternehmen e.V; EUR 591,670.73 (2015: EUR –.–) was paid to R+V Pensionsfonds AG and EUR 101,818.47 (2015: EUR 195,967.57) to Versorgungskasse genossenschaftlich orientierter Unternehmen e.V for former members of the Board of Management and their dependents.

For the pensions and pension entitlements of former members of the Board of Management and their dependents, there is a provision of EUR 6,815,579.– (2015: EUR 6,961,922.–).

Furthermore, obligations for this group of people of EUR 1,414,129.– (2015: EUR 1,350,209.–) are not included in the balance sheet in line with section 67 para. 1 EGHGB (Einführungsgesetz zum Handelsgesetzbuch [Introductory Act to the German Commercial Code]).

EUR 367,970.– (2015: EUR 369,896.43) was paid out to the Supervisory Board in the fiscal year. No contributions that require disclosure in accordance with section 285 para. 9c HGB were recorded in the fiscal year.

Number of employees

During the 2016 fiscal year, an average of 522 employees (2015: 507) were employed at R+V Versicherung AG.

Information about related parties and companies

During the reporting period no transactions as defined by section 285 para. 21 HGB were carried out with related parties or companies.

AUDITOR'S FEES AND SERVICES

The following fees were recorded as expenditure (net) in the fiscal year:

in EUR	2016
Audit services	622,500.—
Other certification services	225,000.—
Other services	243,477.75
Total expenditure	**1,090,977.75**

The auditor of R+V Versicherung AG is Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft.

INFORMATION ON CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

On the reporting date the following contingent liabilities arose from contracts concluded and memberships in accordance with section 251 HGB and other financial obligations in accordance with section 285 para. 3a HGB:

in EUR	Details concerning amount	Thereof due to affiliated companies	Risks	Benefits
1. Letters of Credit	292,569,309.—	—.—	The guarantees can be used if payment obligations to cedents are not met.	Bank guarantees used to provide collateral for technical liabilities so that business can be conducted in foreign markets.
2. Supplementary payment obligations	103,030,432.97	85,516,950.—	There is an obligation to pay. No influence on the time of the claim is possible. There is a risk that the holding will fall in value in the meantime.	No increase in reported capital investments as long as this is not paid out. Liquidity benefits arise from non-payment that can be used for a capital investment with better interest yield, if applicable.
3. Letters of comfort	19,900,000.—	19,900,000.—	Liability for granting loans.	Better credit procurement possibilities for a borrowing company within the R+V Group.
4. Put options from multi-tranches Remaining term > 1 year	123,000,000.—	20,000,000.—	Outflow of liquidity. Opportunity costs are incurred due to the low interest rate and an issuer risk.	Higher coupon of underlying asset.
5. Blocked deposit	164,921,231.53	—.—	Outflow of liquidity. Opportunity costs are incurred due to the low interest rate.	Investments were blocked in separate deposit accounts in favour of direct insurers.
6. Liabilities from pending transactions	106,500,000.—	68,000,000.—	Opportunity costs due to low interest rate; counterparty risk and issuer risk.	Compensation for liquidity fluctuations during the course of the fiscal year and avoidance of market disturbances with high investment requirements.
7. Amount of liability	5,000.—	—.—	No increase in balance sheet capital investments on recourse. There is no reported current value for the liability total.	Increase in liable shareholders' equity at cooperative companies, low probability of occurrence through deposit guarantee funds.
8. Service agreements	96,462.95	—.—	Price change risk.	Attainment of economically viable rebates and safeguarding reliable estate management.
Total	**810,022,436.45**	**193,416,950.—**		

It is unlikely that contingent liabilities will be utilised according to section 251 HGB.

There are no other financial liabilities towards associated companies.

INFORMATION ON THE IDENTITY OF THE COMPANY AND ON THE CONSOLIDATED FINANCIAL STATEMENTS

R+V Versicherung AG with its registered office at Raiffeisenplatz 1, 65189 Wiesbaden is registered at the District Court (Amtsgericht) of Wiesbaden under HRB 7934.

R+V Versicherung AG prepares consolidated financial statements in accordance with IFRS. This is filed in the German Federal Electronic Gazette (Bundesanzeiger).

The consolidated financial statements of R+V Versicherung AG are included in the higher ranking consolidated financial statements of DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main. This is filed in the German Federal Electronic Gazette (Bundesanzeiger).

SUPPLEMENTARY REPORT

After the end of the fiscal year, there were no further events of particular significance to report.

Wiesbaden, 3 March 2017

Der Vorstand

Dr. Rollinger	Florian	Kallerhoff	Dr. Lamby
Dr. Martin	Merkel	Michallet	Weiler

Audit Opinion

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of R+V Versicherung AG, Wiesbaden, for the fiscal year from 1 January to 31 December 2016. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB ["Handelsgesetzbuch": "German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (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 expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal 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 management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements [and supplementary provisions of the partnership agreement/articles of incorporation and bylaws] and 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. The management report is consistent with the annual financial statements complies with the legal requirements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Eschborn/Frankfurt am Main, 6 March 2017

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Gehringer	Kaminski
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Report of the Supervisory Board

The german economy performed positively again in 2016, with real gross domestic product having grown by 1.9 % based on estimations made by the Federal Statistical Office. Private consumption was primarily the mainstay of the good economic development. Continued dynamic development in employment and income also contributed to this growth. Increasing investment, particularly in the construction industry, has also had a positive effect on the good economic situation over the past year.

The economic recovery also continued in the euro area, and the USA – another important sales market for Germany – experienced persistently robust economic growth too. However, slower production in China and increasingly protectionist tendencies worldwide dampened export prospects. The general interest rate level initially sank further in 2016 due to the further interest rate cut by the European Central Bank and the expansion of its bond buying programme. Due to the surprising result of the Brexit referendum at the end of June 2016, the interest rate on ten-year government bonds was negative for the first time. The expectation growing on the market that the US Federal Reserve would increase interest rates then led to a slight increase in interest again in October. This change in interest rates was enhanced by the outcome of the US presidential election. The rate of inflation increased slightly in 2016 due to rising oil prices, but remained very low in the euro area. Equity prices in the euro area were extremely volatile throughout the year, but lay slightly above the previous year's figure at the end of the year.

The German insurance industry reported stable premium development of EUR 194 billion in 2016 compared to the previous year. The industry was defined by persistently low interest rates, further increases in additional provisions for interest and the higher equity requirements of Solvency II. The decrease in the maximum technical interest rate decided by the legislator to 0.9 % on 1 January 2017 led to a recalculation of many tariffs. The trend of moving away from traditional guarantee products in life and pension insurance to new product ranges continued in 2016. Political discussion at the end of the year was dominated by the pensions debate and a planned reform of occupational pension scheme.

The Supervisory Board took the general economic conditions in 2016 into consideration in its work.

Supervisory Board and committees
In order to discharge its duties, the Supervisory Board has formed an audit committee, a personnel committee and a mediation committee.

The Supervisory Board and its committees have continuously monitored the management of the Board of Management in accordance with statutory regulations and the articles of association, advised the Board of Management and made decisions on the transactions presented to them for their approval. The supervisory role of the Supervisory Board and the audit committee relates in particular to the effectiveness of the risk management system, the internal control system and the internal auditing system.

Internal events providing information on the issues of risk management and Solvency II, legal issues relating to the Supervisory Board's duties, capital investment by insurance companies and financial reporting by insurance companies are held for the members of the Supervisory Board as required.

Cooperation with the Board of Management
The Board of Management has regularly, promptly and comprehensively reported to the Supervisory Board on the position and development of R+V Versicherung AG, in writing and verbally. This has taken place during the Supervisory Board meetings and the committee meetings as well as by means of quarterly written reports from the Board of Management. The Board of Management has regularly provided the Supervisory Board with detailed information on business performance and the risk situation with regards to the economic and regulatory risk-bearing capacity of R+V Versicherung AG and the R+V Group. The Board of Management has also reported to the Supervisory Board on the risk strategy and the risk management system.

The Supervisory Board has discussed the above issues with the Board of Management, advised the Board of Management and supervised its management. When doing so, the Supervisory Board has discussed the regulatory environment intensively. The Supervisory Board has always been involved in decisions which are of key significance and transactions which require its approval.

In addition to this, the Chairs of the Board of Management have held regular talks with the Chairs of the Supervisory Board – including outside of meetings – to discuss essential, important decisions and key business developments beforehand.

Meetings held by the Supervisory Board and its committees
The Supervisory Board held four meetings during the 2016 fiscal year: on 18 March 2016, 12 May 2016, 7 September 2016 and 25 November 2016.

In addition, the audit committee held a meeting on 14 March 2016 and the personnel committee held meetings on 10 March 2016, 7 September 2016 and 25 November 2016. During the meetings the Supervisory Board and the committees received and discussed verbal and written reports provided by the Board of Management.

The Supervisory Board used a written decision procedure in urgent cases.

Deliberations by the Supervisory Board and the committees
The Supervisory Board has dealt with the economic situation for R+V Versicherung AG and the R+V Group, corporate planning and perspectives as well as key financial indicators in detail as part of its work. The Supervisory Board discussed in particular the business development of the following three sectors: life and health insurance, property and accident insurance and active reinsurance. In this regard, the Supervisory Board addressed among other things the effects of advancing digitalisation, product developments, the draft occupational pensions act, allocations to additional provisions for interest in life insurance and persistently low interest rates. The Supervisory Board also discussed changing conditions in motor insurance, online application processes and R+V Direktversicherung AG's position on the market. The strategy and market position of active reinsurance were also the subject of reports on the Supervisory Board. The Supervisory Board also discussed how to proceed with regard to the conclusion of a new profit and loss transfer agreement between R+V Versicherung AG and DZ Bank AG Deutsche Zentral-Genossenschaftsbank and the creation of authorised capital, as the existing profit and loss transfer agreement expired on 31 December 2016. Discussions by the Supervisory Board also focused on the development of capital investments, regulatory and economic risk-bearing capacity and the auditing of the solvency balance sheet in accordance with Solvency II. The Supervisory Board also addressed the effects of the EU Insurance Distribution Directive on issues relating to sales, the Board of Management and the Supervisory Board, as well as the company's remuneration system and personnel-related initiatives and measures.

The audit committee discussed the pre-audit of the annual financial statements, the risk strategy and the risk report as well as the annual report by the Group audit department.

The personnel committee handled the proposed resolutions to appoint Dr Norbert Rollinger as Chairman of the Board of Management and CEO as of 1 January 2017, to appoint Dr Edgar Martin as a member of the Board of Management from 1 January 2017 and to reappoint Mr Heinz-Jürgen Kallerhoff as member of the Board of Management as of 1 October 2017. The personal committee also handled the Board of Management employment contracts, the variable remuneration of the Board of Management for 2015, the status of target achievement by members of the Board of Management in 2016 and the agreement of targets for variable remuneration for members of the Board of Management for 2017.

No action by the mediation committee was required.

Working with the auditor

The Supervisory Board and audit committee chose and appointed the auditors Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft in accordance with legal requirements. They checked that that the auditors remained independent and monitored the quality of their auditing on an ongoing basis. The Supervisory Board issued guidelines in line with the EU statutory audit reform and the Abschlussprüfungsreformgesetz (Audit Reform Act).

The auditors found the annual financial statements for R+V Versicherung AG, which were presented by the Board of Management, as well as the accounting methods and the management report for R+V Versicherung AG, the consolidated financial statements and the group management report for the 2016 fiscal year to be in line with statutory requirements. The auditors gave an unqualified audit report in each case. The auditor's certificates were sent to the members of the Supervisory Board and were deliberated and discussed in detail. The Supervisory Board agrees with the results of the audit as presented by the auditors.

Confirmation of the Annual Financial Statements

The audit committee and the Supervisory Board have examined in detail the annual financial statements and the management report as well as the consolidated financial statements and the consolidated management report for the 2016 fiscal year.

The representatives of the auditors took part in both the audit committee meeting on 17 March 2017 and the Supervisory Board meeting on 22 March 2017 in order to report on the key findings of the audit. The auditor's certificate issued by the auditors, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, who gave the unqualified audit report, was also presented. The annual financial statement, the management report, the consolidated financial statements, the consolidated management report, the respective auditor's certificates and the focal points of the audit (particularly the evaluation of the capital investments, the adequacy of claims provisions, premium growth, foreign currency valuation, the audit of the early risk identification system in accordance with section 91 para. 2 AktG) and the annual report by the Group audit department were all discussed. Representatives of the auditor were available to the members of the committee and the Supervisory Board for additional clarification. The Chairman of the audit committee meeting gave the Supervisory Board a comprehensive account of the committee's deliberations.

The Supervisory Board did not raise any objections to the annual financial statements, management report, consolidated financial statements or the consolidated management report prepared by the Board of Management for the 2016 fiscal year and it has endorsed the auditors' report.

Following the recommendation of the audit committee, the Supervisory Board endorsed the annual financial statements presented by the Board of Management for the 2016 fiscal year in its meeting on 22 March 2017. The annual financial statements have thus been adopted in accordance with section 172 AktG. At the same meeting, the consolidated financial statements presented by the Board of Management were endorsed by the Supervisory Board.

Changes to the Board of Management

Dr Friedrich Caspers, long-standing Chairman of the Board of Management and CEO, left the Board of Management due to retirement on 31 December 2016.

Dr Norbert Rollinger was appointed new Chairman of the Board of Management and CEO as Dr Casper's successor from 1 January 2017.

Dr Edgar Martin was appointed member of the Board of Management with responsibility for composite insurance and passive reinsurance from 1 January 2017.

Changes to the Supervisory Board and the committees

Mr Wolfgang Kirsch's mandate as member and Chairman of the Supervisory Board ended as scheduled upon completion of the ordinary annual general meeting on 12 May 2016. Mr Kirsch's mandate as member and Chairman of the personnel committee and the mediation committee ended at the same time.

The ordinary annual general meeting re-elected Mr Kirsch as a member of the Supervisory Board on 12 May 2016, with effect from completion of the meeting.

The Supervisory Board re-elected Mr Kirsch as its Chairman in its meeting on 12 May 2016. In accordance with section 9 para. 2 of the Rules of Procedure of the Supervisory Board and section 27 para. 3 MitbestG (Mitbestimmungsgesetz [Co-Determination Act]), this meant that Mr Kirsch remained a member of the personnel committee and a member of the mediation committee. The Supervisory Board re-elected Mr Kirsch as Chairman of the personnel committee and the mediation committee in its meeting on 12 May 2016.

Thanks to the Board of Management and employees
The Supervisory Board thanks the Board of Management and all the employees of the R+V Group for their work in 2016.

Wiesbaden, 22 March 2017

The Supervisory Board

Kirsch
Chairman

Glossary

Accumulation
Accumulation describes several risks insured or reinsured by the same insurance company that could be affected by one loss event simultaneously.

Actuarial reserves
Technical provisions calculated according to actuarial methods, providing future cover for the policy holders in terms of life insurance, health insurance and personal accident insurance. It corresponds to the difference of cash value of the future liabilities minus the cash value of the future premiums.

Actuary, the German Actuary Association
Actuaries are qualified mathematical experts. They are organised into national and international professional bodies such as the German Actuary Association.

Additional interest reserve
The increase in actuarial reserves due to the interest rate environment are combined together in the additional interest reserves. In the new portfolio this is calculated according to section 5 DeckRV (Deckungsrückstellungsverordnung, Actuarial Reserve Ordinance) and in the old portfolio according to one of the business plans approved by the Federal Financial Supervisory Authority (BaFin).

Affiliated companies
The parent company (group controlling company) and all subsidiaries. Subsidiaries are companies over which the parent company can exert a dominant influence on business policy (control principle). This is possible, for example, if the group parent holds the majority of voting rights either directly or indirectly or has the right to appoint or dismiss the majority of the members of company bodies (Board of Management, Supervisory Board) or if there is a contract of domination.

Assumed business
A transaction concluded between two insurance companies. It is synonymous with the forwarding of part of the loss distribution assumed from the policy holder from the direct insurance company to a reinsurance company.

Black Formula 76
The Black Formula 76 is a finance mathematical model used to value interest options, which was published by Fischer Black in 1976.

Black-Scholes model
The Black-Scholes model is a finance mathematical model used to value financial options, which was published by Fischer Black and Myron Scholes in 1973.

Cancellation rate
The cancellation rate is the volume-weighted proportion of cancelled contracts to recently concluded contracts or existing contracts. Insofar as payable premiums develop in damage and personal accident insurance, which can still be dropped due to an end or reduction in insurance risk, cancellation reserves were developed for this scenario.

Combined Ratio
Percentage relationship of the total of expenditure on claims plus net expenditure on insurance operations to earned premiums. This is equivalent to the total of the loss and cost ratio. This is an important indicator when considering the profitability of a policy, a subportfolio or a complete insurance portfolio. If this figure exceeds 100% it results in a technical loss for the transaction in question.

Commission
Reimbursement paid by the insurance company to representatives, brokers or other intermediaries for their costs relating to the conclusion and administration of insurance policies.

Composite insurer
Insurance companies which unlike single branch companies (such as life insurance companies) run several lines of insurance.

Cost ratio gross
Expenditure on insurance operations in proportion to the earned premiums – all net.

Cost ratio net
Expenditure on insurance operations in relation to earned remiums – all net.

Current value
The current value of a capital investment normally refers to its market value. If the value cannot be calculated directly, one must make do with the value at which the asset was traded between knowledgeable, willing and independent parties.

Deposit receivables and liabilities
Security payments to cover actuarial liabilities between direct insurers and reinsurers. In this case the retaining company reports deposit liabilities and the ceding company reports deposit receivables.

Derivative financial instrument
Financial instrument whose value rises or falls if a basic variable (a certain interest rate, security price, exchange rate, price index, etc.) changes. Derivatives include futures, forwards, swaps and options in particular.

Direct business
Transactions concluded directly between the insurance company and the policy holder. In contrast to ➔ assumed business.

Discounted cash flow method (DCF)
The discounted cash flow method builds on the mathematical concept of discounting future cash flows for calculating capital value.

Duration
The duration describes the average term of an interest-sensitive capital investment or of a portfolio. It is a risk measurement for their sensitivity with respect to interest rate changes.

Equalisation provision
Provision to compensate for fluctuations in the course of a claim. In years with relatively low or relatively high claims, funds are allocated to or withdrawn from the equalisation provision.

Equity ratio
Equity ratio in relation to net premium.

Excess insurance
Excess insurance is a total increase of an existing pecuniary damage liability insurance policy. High risks require higher insurance amounts.

Expenditure for insurance claims for own account
Total of claims paid and the provisions for losses occurring in the fiscal year supplemented by the settlement result, each after deduction of own reinsurance deductions.

Fiscal year loss ratio gross
Loss expenditure for the fiscal year in relation to earned premiums – all gross.

Fiscal year loss ratio net
Loss expenditure for the fiscal year in proportion to the earned premiums – all net.

Genossenschaftliche FinanzGruppe Volksbanken Raiffeisenbanken
A network of mutual central and special institutes within the framework of a comprehensive all-finance concept. R+V Versicherung's partners include: DZ BANK AG, Bausparkasse Schwäbisch Hall, Union Investment, VR Leasing.

Gross/Net
In gross or net accounts the technical items are shown before or after deduction of the proportion of the transaction given that is due on counter indemnity. Instead of “net” the description “own account” is also used.

Guarantee funds
The total of shareholders’ equity, technical provisions and the equalisation provision. This amount is available at a maximum to offset liabilities.

Hedging transaction
To hedge against exchange rate fluctuations special financial contracts are used, particularly derivative financial instruments. Hedging transactions thus balance the underlying transaction risks which could occur in the event of an unfavourable rate or price development.

Hull-White model
The Hull-White model is a finance mathematical model used to value interest derivatives, which was published by John C. Hull and Alan White.

IFRS – International Financial Reporting Standards
International accounting standards that guarantee internationally comparable financial reporting and publicity.

Libor market model
The Libor market model is a mathematical model (yield curve model) used to evaluate interest rate derivatives and complex interest-bearing products. It is based on the work undertaken by Brace, Gatarek and Musiela.

Loss ratio
Percentage ratio of the expenditure on claims to earned premiums.

Net
➔ Gross/Net

Net return on capital investments
Total earnings less total expenses for capital investments in relation to the mean asset value of the capital investments as of 1 January and 31 December of the respective fiscal year.

Net return – three year average
Total earnings less total expenditure on capital investments in relation to the mean asset value of the capital investments as of 1 January and 31 December of the respective fiscal year, calculated over a period of three years.

New portfolio
Insurance companies have been organising all their insurance contracts into old and new portfolios since the insurance industry was deregulated in 1994. The new portfolio comprises contracts concluded since the deregulation.

Old portfolio
Insurance companies have been organising all their insurance contracts into old and new portfolios since the insurance industry was deregulated in 1994. The old portfolio comprises the contracts closed prior to deregulation.

Operating expenses (net)
Commission and personal and operating expenditure for the acquisition and the ongoing administration of insurance policies, net of commission and profit shares repaid by reinsurers.

Own account
The respective technical items or the ratio after deduction of the reinsurance transaction ➔ Gross/Net.

Portfolio(s)
a) All risks assumed in total or in a sub-segment (e.g. insurance class, country); b) Groups of capital investments structured in accordance with certain criteria.

Premiums
The premium is the price paid for the insurance cover provided by the insurer. It can be paid in an ongoing manner or as a one off contribution. “Written premiums” are understood to mean all premium income that was due during the fiscal year. The proportion of premium income that is consideration for insurance cover in the fiscal year is described as “earned premiums”.

Production
Production is classified as the new customers’ monthly premium rate and the higher monthly premium rate for contracts of pre-existing customers for adding more tariffs, supplementary insurance and tariff exchange, including any risk premiums.

Provision for outstanding claims
Provision for the liabilities arising from insurances claims which had already occurred on the balance sheet date but which had not been reported or could not be fully processed.

Provision for premium funds
Provision for obligations for premium funds to policy holders not yet due as at the balance sheet date which is separated by ➔ composite insurers into performance based and non-performance based; the approach is the result of regulatory or individual-based regulations.

PUC method
The **P**rojected **U**nit **C**redit method is an actuarial valuation procedure for obligations arising from the company pension plan.

Rating
Standardised assessment of the creditworthiness of debt securities and companies by specialised, independent rating agencies.

Reinsurer
Insurance company that assumes the risks of other insurance companies and does not itself have any direct contractual relations with the policy holder.

Reported loss ratio gross
Expenditure on insurance claims in relation to earned premiums (all gross).

Reported loss ratio net
Expenditure on insurance claims in relation to earned premiums (all net).

Reserve ratio
The reserve ratio is calculated to a reporting date from capital investments to ➔ current values in relation to the capital investments at book values.

Retention
The part of the assumed risks that the insurer does not give in counter indemnity i.e. shows ➔ Gross/Net. (Retention rate: percentage of the retention of the gross premiums written).

Road transport cooperatives
Economic organisations of the road transport industry which provide services for the transportation of people and goods. This includes, for example, consulting and insurance services.

Rolling average return (according to Association formula)
Current gross earnings less expenditure on administration of capital investments less scheduled depreciation in relation to the mean asset value of the capital investments as of 1 January and 31 December of the respective fiscal year.

Security assets
The portion of an insurance company’s assets which serve to secure the claims of the policy holders. In order to secure the claims of the insured in case of insolvency, security assets are assets separated from the others within an insurance company, access to which is forbidden to other creditors.

Settlement result
The settlement result shows how the loss provisions have changed over the course of time through payments made and by reassessment of the expected final loss on the respective reporting date.

Shifted Libor market model
The Shifted Libor market model is a development of the ➔ Libor Market model, which is used to depict negative interest rates.

Solvency
Capital resources of an insurance company.

Stress test
Stress tests are a special type of scenario analysis. Their aim is to make it possible to give a quantitative statement about the loss potential of ➔ portfolios in the event of extreme market fluctuations.

Structured products
In a structured product a ➔ derivative financial instrument (e.g. an option) is combined with a non-derivative instrument (e.g. a bond).

Tax deferral (active/passive deferred taxes)
In a single-entity financial statement, tax deferral is possible if there are differences between the tax valuation of assets and liabilities in the commercial and tax balance sheets. By considering deferred taxes, future tax burdens (passive deferred taxes) or reliefs (active deferred taxes) are mapped in the commercial balance sheet.

Technical provisions
Uncertain liabilities that are directly connected with the insurance business. Their formation ensures that obligations from insurance policies can be met permanently.

Technical result
Balance of earnings and expenditure that are attributable to the insurance business.

Underwriting capacity
On the one hand, determining factors in underwriting capacity include the volume and structural features (insurance class, private clients, commercial or industrial business) of the insurance portfolio, and on the other hand, they include the provision of equity and reinsurance protection.

Unearned premium reserves
The proportion of premiums received in the fiscal year that are due in the time after the reporting date are shown as unearned premium reserves under technical provisions.

Valuation reserves
The difference between the carrying amount and the ➔ present value of a capital investment.

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