ANNUAL REPORT
2017

R+V Versicherung AG

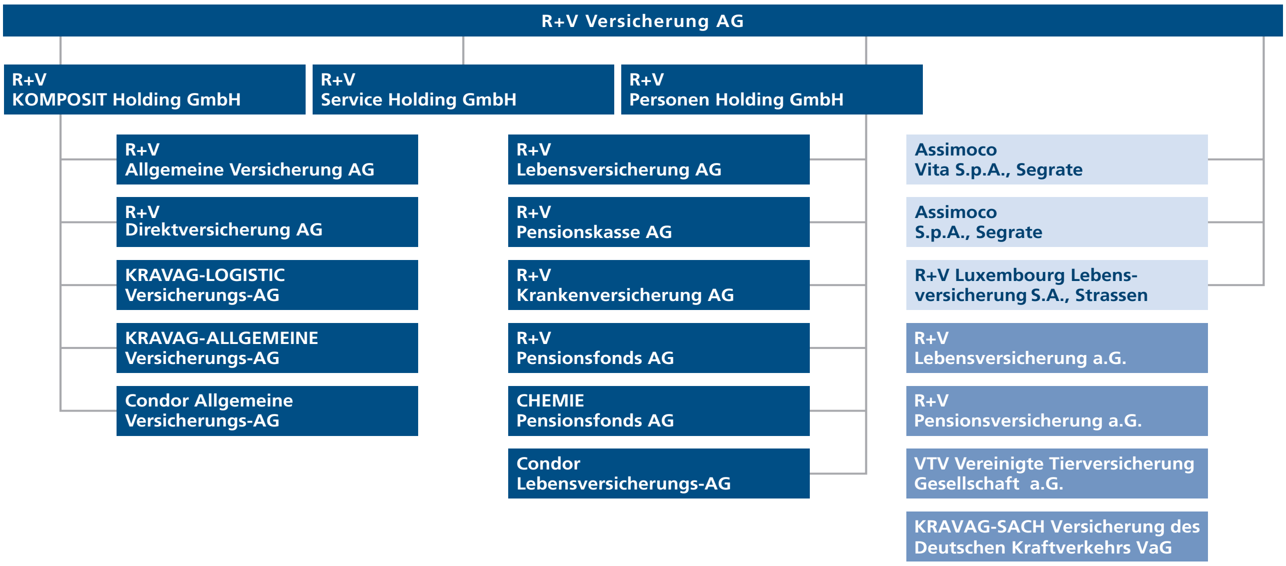
Volksbanken Raiffeisenbanken
cooperative financial network

R+V Versicherung AG

Annual Report 2017

Presented at the annual general meeting
on 7 June 2018

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 2017	2016
Gross premiums written	2,564	2,229
Gross expenditure on claims for the fiscal year	2,007	1,649
Current income from capital investments	364	305
Capital investments	6,618	6,218
Employees as at 31 December (number)	574	528
Gross premiums written		
Direct domestic insurers in the R+V Group (HGB)	13,659	13,277
R+V Group (IFRS)	15,338	14,767
Annual result – R+V Group (IFRS)	543	517
Capital investments – R+V Group (IFRS)	98,930	92,685

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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 for R+V Versicherung AG is responsible for all insurance business within the DZ BANK Group.

With effect from 1 January 2017, R+V Versicherung AG and DZ BANK AG concluded a new profit transfer agreement running until 31 December 2021 after the existing profit transfer agreement ceased due to its expiry on 31 December 2016. The annual general meeting of R+V Versicherung AG approved the conclusion of the profit transfer agreement on 8 June 2017 and also passed a resolution regarding the creation of authorised capital. This authorised the Board of Management, with the agreement of the Supervisory Board, to increase the share capital of R+V Versicherung AG, as a one-off or several times, by issuing new registered individual shares in exchange for cash contributions from a nominal amount up to a total amount of EUR 22.9 million, corresponding to a total issue amount of approximately EUR 250 million. The authorised capital can be used until 31 May 2022. This ensures that R+V is constantly in a position to grow in a sustainable and profitable manner.

In connection with the profit transfer agreement, there is also a tax sharing agreement in place 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 shareholdings in the following domestic property casualty 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 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 mbH
- 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.

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 Service Holding GmbH has concluded a profit and loss transfer agreement with R+V Service Center GmbH.

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
- 574 co-operative banks from all regions of Germany
- 6 free-float shares

Relations to affiliated companies

Owing to the profit 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
- International Credit Insurance & Surety Association (ICISA), Amsterdam
- 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, the Supervisory Board and the Board of Management of R+V Versicherung AG first stipulated the following targets in 2015, with the aim of reaching those targets by 30 June 2017.

PROPORTION OF WOMEN

in %	Specified target by 30 June 2017	Proportion as at 30 June 2017	Specified target by 30 June 2022
Supervisory Board	25.0	18.8	25.0
Board of Management	12.5	12.5	12.5
First level of management below the Board of Management	15.4	16.6	16.6
Second level of management below the Board of Management	5.3	15.0	15.0

The missed target for the proportion of women on the Supervisory Board can be attributed to the fact that a male employee was judicially appointed as a member of the Supervisory Board on 26 April 2016, replacing a female employee departing with effect from 10 March 2016.

In 2017, the Board of Management and Supervisory Board stipulated new target ratios to be reached by 30 June 2022 in accordance with the maximum period of five years specified by the legislator.

Personnel report

The number of employees[1]) at R+V Versicherung AG increased by 46 employees to 574 compared with 528 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 it places its clients at the heart of its business. This is because R+V can only continue to compete successfully with good, motivated employees.

Training and professional development / opening of the R+V Academy

R+V has bundled its training and professional development opportunities into the newly formed R+V Academy, as of autumn 2017. The Academy is much more than just a place for teaching knowledge and strategy. In fact, it provides a place for individuals to work together, exchange views and learn. In doing so, the Academy facilitates inspiration, development and networking in a new dimension. It supports employees and executives working in administration and field sales with shaping future topics, from digitalisation and innovation to customer satisfaction – using new learning formats, creative collaboration and networking strategies and digital teaching and learning approaches, such as web-based training sessions, webinars or virtual classrooms. Around 60 R+V employees work at the new Academy based on the R+V Campus in Wiesbaden, a site measuring 600 square metres and offering modern seminar and workshop facilities as well as creative zones and so-called quiet working areas. This also includes decentralised training and professional development events whereby the Academy is able to make an important contribution.

In the race for talent, the company is strongly committed to training junior staff. This is why R+V offers numerous career opportunities 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 integrated training as 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 training will take place at the R+V Head Office in Wiesbaden.
- Bachelor of Science in Business Information Systems alongside integrated training as an IT specialist. The theoretical part will take place at the University of Applied Sciences, Mainz and specialise in applications development or system integration. Practical training will also take place at the Head Office in Wiesbaden.

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

– Bachelor of Arts in Business Administration and Insurance. The theoretical part will take place at the Baden-Württemberg Cooperative State University (DHBW) in Stuttgart and the practical training at the R+V Stuttgart branch office.
– Bachelor of Arts (Sales) with theoretical part at the following (Cooperative State) Universities: Berlin School of Economics and Law, Berufsakademie Dresden, Baden-Württemberg Cooperative State University, Heidenheim, Karlsruhe and Mannheim sites and practical training in the R+V sales units.
– Bachelor of Arts (Business Administration and Industry Insurance) offered with theoretical part at the Berlin School of Economics and Law. The practical phases are completed in the broker or cooperative group sales channels, as well as in the Corporate Client department at the Head Office in Wiesbaden, this applying from 1 August 2018 onwards.

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 be able to immediately commence a Master of Science degree in Insurance and Finance at the Wiesbaden Business School, RheinMain University.

In addition to degree study programmes, R+V also offers vocational training places in administration both at the Head Office as well as in the branch offices to qualify as a specialist in insurance and finance, with a main focus on insurance. The sales department trains insurance and financial specialists nationwide in the banking and general agent sales channels. The hiring rate for trainees in 2017 was 90 % in administration and 56 % in field sales. With regard to dual students, the totals were 77 % in administration and 55 % in field sales.

The office or field-based trainee programmes are entry level programmes and training programmes for university graduates. Each year, approximately 15 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 technical 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 and receive individual support and encouragement. Nine university graduates started the specialist trainee programme in 2016, with a further six graduates starting in 2017. This two-year 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.

The targeted, continuous training of employees is of great importance to R+V. In light of increasing and changing requirements, qualification enables employees to make use of the best possible support and overcome the challenges of an increasingly complex working world. The average number of professional development days per employee in 2017 totalled 4.4 days in administration and 10.6 days in field sales. R+V ensures that its employees remain loyal to the company in the long term thanks to attractive development prospects and, in doing so, is combating the apparent shortage of skilled labour given the demographic developments. At R+V, employees are deployed, challenged and supported 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.

R+V offers comprehensive professional development programs with technical and methodological training as well as a wide range of events. The Group leader qualification is predominantly based on the R+V leadership principles and the St. Gallen Management Model. Through the project manager qualification and the mentor programme, R+V also offers qualification programmes in project management and specialist areas. Systematic development paths with specific development measures are produced for clearly defined target roles.

Cultural change

The market conditions are rapidly changing – customer requirements are increasing, digital communication channels are becoming increasingly important for customers and employees, new competitors are joining in and the low interest environment is proving to be burdensome. R+V operates within this environment from a position of financial strength and is taking the right steps with its "growth through change" strategic programme to also ensure success in the years to come.

In order to do this, R+V will rely on its successful corporate culture and develop it further in a targeted manner. The subjects of customer orientation, innovation, digitalisation and agility are at the heart of this, given that the increasing requirements here have in particular proven to be exceptionally critical to the success of companies. R+V therefore 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. Based on this strategic approach R+V has used various new formats for executives and employees to "think differently and try something new", an initiative which already had more than 2,000 participants in 2016 and 2017.

– The "Learning Journey" is an inspirational and educational format. Co-working spaces are visited for this purpose, and there are also exchanges with founders, start-ups and innovative and agile companies. The aim is to think outside the box and question established approaches, as well as to bring some impetus to everyday tasks at R+V.

– The "CoffeeTalk" and "Lernen@Lunch" are presentation formats in which internal or external speakers can inform about interesting and useful topics in a mixture of presentations and dialogue, as well as provide participants with inspiring stimuli. This is the time and opportunity to have discussions and network in a relaxed atmosphere.

– The "BarCamp" is a new conference format. Unlike traditional specialist conferences, there is a mutual exchange of knowledge and experience here. Contributions are made and laid out by the participants. A BarCamp is therefore a hands-on conference. Each contribution, referred to as a "session" in a BarCamp, is just as welcome as any participant interested in it.

– Workshops on "Agile Development" and "Design Thinking" are also offered, as well as seminars on insurance trends.

The HR departments also advise executives, project managers and teams with regard to queries on change, methods, mindset and culture. Stimulating presentations, process support, workshops and coaching sessions are offered for this purpose in order to support the notion of "thinking differently and trying something new".

Video consultation taking hold in sales

As part of the focus on digitalisation and customer orientation, R+V is expanding its customer service to include other digital technologies: video consultation is taking hold in sales. In doing so, R+V is able to meet the expectations of customers and banks regarding the timely provision and easy access to advice. The first 500 of more than 5,000 customer consultants employed in total by R+V in field sales have already received video consultation training and have gained initial positive experiences in doing so. Video consultation is due to be rolled out fully in 2018 at the end of the pilot project and following corresponding consultation between the decision-making committees.

Talent management / executive 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 coverage 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, management audits, individual development plans, career-specific development programmes and support groups. This ensures that they are suitably qualified to take on additional responsibilities.

Senior executives are prepared for new tasks and challenges through targeted programmes within the framework of management development measures. The basis for the understanding of leadership is formed by the R+V leadership principles and the St. Gallen Management Model, which has been supplemented and developed further this year by elements regarding transformational leadership, agility and change management. The aim is to prepare executives for the increasing dynamism and uncertainty within the market. To this end, top managers (divisional heads and sales directors) are participating in 2017 and 2018 in a Leadership Excellence Programme involving corresponding follow-up activities within the respective areas of responsibility.

An additional key component of succession planning is the promotion of career development opportunities for women with the aim of increasing the proportion of female executives. R+V is expanding the career opportunities available for female employees subject to the following premises:

- R+V supports an increase in the percentage of women in managerial roles, equal opportunities and the reconciliation of work and private 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 supported in accordance with their skills and their performance.

As a force of change, the measures taken focus on three areas of action: Identification and promotion of highly capable employees and improvement in the work/family balance. R+V introduced relevant support measures and formats such as seminars, workshops, networking events, webinars on career planning and advice as well as a mentoring programme for highly capable employees. 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.

Each year at R+V, the “Women in Leadership” programme of events takes place for the administration team, with the “Women in Sales Management” workshop being held in field sales respectively. The events focus on shared learning, dialogue and networking. Events feature successful female managers at R+V giving an insight into their career path and relating key moments and challenges and how they overcame them.

Employee survey 2017

A positive overall result once again for R+V and an above-target response rate of 83 %. This is the summary of the 2017 employee survey, or MEX in short. Approximately 11,500 employees therefore took part in the survey. The R+V results were beyond the national standard in Germany in all seven categories surveyed. Even a comparison with 2014 shows that R+V managed to achieve higher values in virtually all of the categories than it did in 2014.

The “Leadership” subject block is rated the second best – after “Working Conditions”. Although the “Leadership” category achieved a slightly worse score than in 2014, it managed to achieve an approval rating of 87 % – a figure that is twelve percentage points above the national standard in Germany. The question dealing with respect shown by executives towards employees was particularly convincing with a score of 92 %.

The starting points for further improvement can be found in the "Customer Orientation and Service" and "Realising An Employee's Full Potential" subject blocks. The starting points are also integrated within the framework of the "growth through change" strategic programme. Overall, R+V recorded a very good and sustainable level of commitment of 85 %. This figure fluctuated between 81 % and 92 % within the various departments and participating subsidiaries.

The follow-up process is focused on three areas of action derived from the survey results by executives and employees for their teams.

Measures to establish equal pay for men and women

As an employer, R+V is responsible for ensuring that employees with comparable duties are paid the same, regardless of their gender, and that the individual performances and deliverables are also reflected at the same time in the employee's salary.

Employee remuneration is generally in accordance with the latest version of the collective wage and salary agreement in force within the insurance industry, which makes provision for equal pay for comparable duties. For non-collective wage agreement employees, additional criteria, such as employment market, performance and deliverable-related criteria, are also taken into account alongside duties and qualifications. Furthermore, there are also a number of additional regulations, including in particular works agreements, in which Group benefit programs and a variable remuneration system are stipulated. Salary increases and bonuses are also managed and reviewed on a regular basis by the Board of Management, such as the definition and achievement of targets for variable remuneration for employees and executives.

The works council is involved both in the conclusion of works agreements as well as the introduction of salary systems and the individual contractual implementation of such for individual employees. In doing so R+V ensures in its capacity as employer together with employee representatives, there is a remuneration policy in place that is appropriate, transparent and aligned with sustainable development measures.

The composition of employees in 2016 can be found in the following table:

COMPOSITION OF EMPLOYEES

2016	Thereof female	Thereof male	Overall
Average Number of employees	272	250	522
thereof employed full time	189	239	428
thereof employed part time	83	11	94

Integration of work, family and private life

Family-friendly working conditions are an important requirement for a good work/family balance. R+V has also for quite some time 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 "Lokales Bündnis für Familie und Beruf Wiesbaden" (Wiesbaden Local Alliance for Work and Family). Further evidence of R+V's family-friendly personnel policy is the "audit berufundfamilie" (audit work and familiy) certificate which R+V was awarded by the charitable Hertie Foundation in 2012 and has been regularly reviewed since then. R+V offers a wide range of support for the reconciliation of work, family and private life. The range of 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. Some locations feature the R+V Kids' Day, which offers employees childcare on long weekends.

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.

Corporate health management

The health of its employees is a key priority for R+V as an employee-orientated company. Healthy and committed employees are one of the most important prerequisites 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 for example in relation to leadership behaviour, cooperation, work organisation and workplace design. Employees are helped 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.

Many employees make use of the diverse CHM offering. The health campaigns varying each year are carried out all over Germany. The motto for 2017 was “Healthy and successful”. The key measures included a drinking bottle campaign which highlighted the importance of staying hydrated at work, heart and circulation check-ups performed by the company doctors along with the recording of risk factors for cardiac and circulatory diseases, as well as a step counter campaign that was participated in by a total of 719 employees forming 82 teams, based across all over Germany from Bremen to Landshut.

In addition, the pur-life online health portal is also available to all employees free of charge, helping to promote a healthy lifestyle. Alongside a variety of preventative sporting and relaxation courses, it also offers the opportunity to create your own profile with a customised nutrition plan and courses. Doctors, sports instructors and sports scientists respond to individual questions on training, medication and diet by email, chat and over the telephone. 27.9 % of employees were registered as members of the online health portal in 2017. The number of members has therefore increased by 2.4 percentage points from 25.5 % in 2016. The number of members of the local fitness centres in Wiesbaden, Hamburg and the fitness partnerships with Hansefit in Hanover and Oldenburg varies between 8.6 % and 24.3 %.

The social advisory services and, thus, the network of social workers established throughout Germany is very much appreciated by employees. 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 a crisis situation themselves. To standardise and expand the quality standards of the social advisory services at all locations, R+V gives voluntary social workers the opportunity to complete a comprehensive two-year qualification. In the meantime, 37 social workers have completed their professional development in becoming IHK-certified “Betrieblicher Sozialhelfer IHK“ (IHK Occupational Social Workers). 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 or feel overworked, who are experiencing acute mental health crises or who 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 2017 and is thus one of “Germany’s Top Employers”. R+V has been awarded the “audit berufundfamilie” (audit work and family) certificate by the charitable Hertie Foundation for its family-friendly personnel policy, which is continuously 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 Schülerbarometer“ (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“ (Wiesbaden Local Alliance for Work and Family and the “Charta der Vielfalt“ (Diversity Charter).

Sustainability

With regard to the subject of sustainability, R+V has once again achieved many milestones in the 2017 fiscal year, and has also successfully continued a number of existing initiatives. The projects implemented by R+V are divided into all six of the key areas of action of the R+V sustainability strategy: products and services, customers, corporate leadership, environment, employees and society. In general terms, R+V defines sustainability as a responsible way of acting as well as a commitment to the environment, employees and society.

One of the most important aspects was the subject of recycled paper. R+V is committed to the target of switching completely to recycled paper by 2020. Accordingly, the recycling ratio would need to be at least 80 %, with the remainder coming from sustainable sources. As recently as 2012, the combined share of recycled paper and paper from FSC-certified sources at R+V was below five percent. In addition, the Chairman of the Board of Management of R+V Versicherung AG joined the “CEOs Pro Recyclingpapier“ (CEOs Pro Recycled Paper) environmental initiative in April 2017.

Successful TÜV surveillance audit

The foundation of all these measures for environmental and climate protection is the environmental management system (EMS). Here R+V records, among other things, the data for energy and paper consumption, amounts of waste, hazardous substances and CO2 emissions. Moreover, this system contains clear environmental guidelines and targets on how the company aims to further improve in matters of environmental protection. After TÜV Rheinland had certified R+V’s EMS in 2013 and 2016, the TÜV auditors once again scrutinised R+V as part of the mandatory surveillance audit in 2017. This review did not result in any objections.

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 2017. This title is given exclusively to those companies that protect the environment and whose activities are also economically viable.

R+V promotes electromobility

R+V has supported electromobility in the form of several projects. One such measure involves the installation of three charging stations with a total of six charging points at the Head Office in Wiesbaden, available since summer 2017. Employees and guests are able to “fill up” their electric vehicles here which is even free of charge during the course of the one-year trial operation. There are also twelve electric cars in R+V’s own fleet. 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 respective 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. With regard to products, R+V extended the insurance cover in 2017 for electric cars and hybrid vehicles to include many features, thus offering additional benefits to car-sharing users since then.

R+V supports not-for-profit initiatives

R+V supports projects and initiatives which implement the co-operative ideal of "helping people to help themselves" to an exceptional degree and focus on supporting children and young people in need as well as their education. R+V places significant value on long-term partnerships. The funded organisations include, among others, the "Wiesbadener BürgerKolleg" foundation, which provides training free of charge to individuals working as volunteers, the "JOBLINGE e.V." association, which helps young people with the transition into working life with the aid of volunteer mentors (including more than 50 R+V employees), and the "Franz das Theater" theatre group of the association „Lebenshilfe Wiesbaden e.V. (an organisation for people with a disability) which is made up primarily of actors with mental disabilities. In addition, R+V also set up an educational learning workshop for the "Evangelischer Verein für Innere Mission in Nassau" association, and also funded Christmas presents for the third time for children whose parents receive food from the "Wiesbadener Tafel" association.

In addition, 2017 saw a new record set for the traditional Christmas donations campaign funded by R+V employees in Wiesbaden. The exact amount of EUR 55,555 was raised for this particular campaign, which has been held since 1994. The money was shared in equal amounts between the "ALBATROS e.V.", "DIE CLOWN DOKTOREN E.V.", "ZWERG NASE", "Barrierefrei Starten e.V." and "Gemeinnützige Känguru Kindertagesstätten Wiesbaden GmbH" aid organisations as well as the "Aktion Kinder-Unfallhilfe e.V." association in Hamburg. Since the donation campaign was started, it has already raised EUR 540,000 in total for charitable purposes.

R+V publishes fourth sustainability report

The sustainability report provides an overview of all the activities concerning sustainability. R+V published the fourth report in the summer of 2017. As was the case in previous years, the report complies with the guidelines for sustainability reporting issued by the Global Reporting Initiative (GRI), and therefore satisfies internationally-recognised transparency standards. The approximately 100-page-long report is only available online on the R+V homepage at www.nachhaltigkeitsbericht.ruv.de.

Non-financial reporting in accordance with the CSR Directive Implementation Act

R+V Versicherung AG is exempt from submitting a non-financial declaration according to Section 289 b (2) sentence 2 in conjunction with sentence 1 HGB. R+V Versicherung AG is included in the non-financial Group declaration of DZ BANK AG. The non-financial Group declaration can be found in German at the following website: www.berichte2017.dzbank.de.

Macroeconomic development 2017

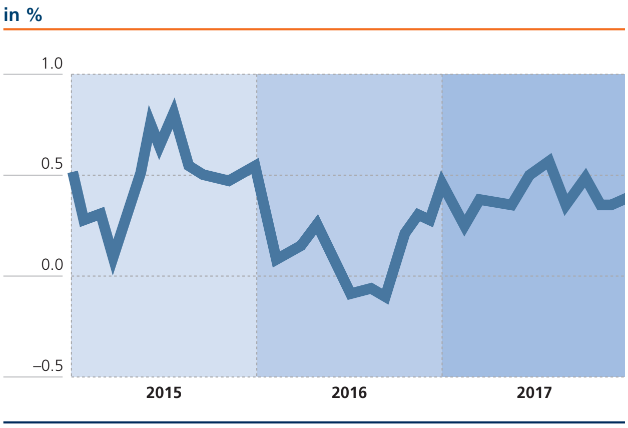
The German economy showed a positive trend in 2017. According to the initial calculations by the German Federal Statistical Office, last year's gross domestic product in real terms grew by 2.2 %. Growth has broadened and is based on increasing exports, increasing investment and increasing consumer spending of the population. Unemployment fell to its lowest level since reunification, and inflation rose.

The economy has also developed very positively in the euro area. Nevertheless, the inflation rate is well below the Central Bank target of 2.0 %. The US economy is continuing its growth with inflation recovering as well.

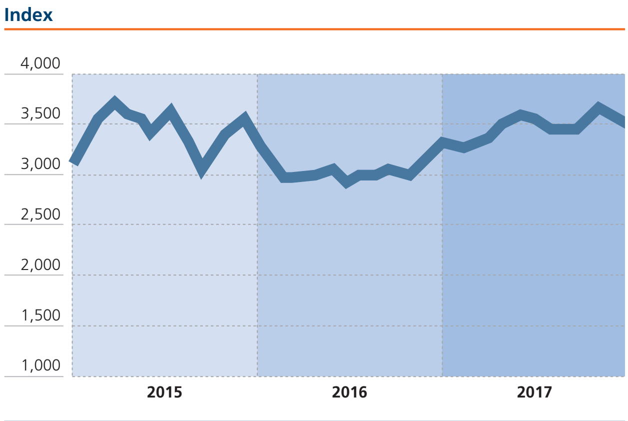
Development on the capital markets

The divergent monetary policies have had a major impact on the capital markets. While the American Fed has marked out a gradual path towards normalisation with three additional base rate increases, the European Central Bank (ECB) has persisted with its zero-rate policy and expansive injection of liquidity

YIELD OF GOVERNMENT BONDS – 10 YEARS RESIDUAL TERM



DEVELOPMENT OF SHARE INDEX EURO STOXX 50



into the economy. The political uncertainty at the start of the year has declined somewhat with the election results in the euro area and greater dose of political realism in the USA. Geopolitical tensions have caused risk-averse behaviour on the markets at times.

The interest on ten-year German federal bonds increased slightly in 2017 to 0.4 %, but continues to remain at a low level in historical terms. Thanks to the purchases made by the ECB, and owing to the positive economic news, the spreads of corporate and bank bonds have narrowed significantly. The spreads for covered bonds persisted at their low level.

The German share index DAX, which also takes into account dividend payments alongside market developments (performance index), reached new historic highs during the course of the year, and was up by 12.5 % to 12,918 points by the end of the year. The Euro Stoxx 50 stock market index (price index) relevant to the euro area climbed to 3,504 points. In doing so, its performance was 6.5 % higher.

Situation in the insurance industry

The German insurance industry grew once again in 2017. As the Gesamtverband der Deutschen Versicherungswirtschaft (GDV, German Insurance Association) announced at its annual press conference, the industry's premium revenues grew by 1.7 % to EUR 197.7 billion. The dominant topics were the new regulatory requirements, the low interest environment and digitalisation and its impact on the insurance industry. A number of insurers, including R+V, have already firmly anchored digitalisation as a key issue for the future in their corporate strategy.

With regard to life and pension insurance, the gross premium income of EUR 90.7 billion was almost identical to the previous year's result. There was new stimulus for life and health insurers provided by the Act to Strengthen Occupational Pensions (Betriebsrentenstärkungsgesetz) passed by the legislator in summer 2017, and entering into force at the start of 2018.

Private health insurers were once again able to increase their premium revenues, this time by 4.3 % to EUR 38.8 billion. Insured benefits paid out increased by 1.6 % to EUR 27.0 billion. However, it was certainly the case towards the end of the year that the public debate was shaped by the citizens' insurance, which has been raised again during the course of the difficult negotiations regarding the formation of a government.

PREMIUM INCOME BROKEN DOWN INTO THE ESSENTIAL BRANCHES OF INSURANCE

in EUR million	2017 Gross	2016 Gross	Change Gross %	2017 Net	2016 Net	Change Net %
Life	24.3	25.9	-6.2	11.5	13.1	-11.8
Accident	56.9	61.2	-6.9	56.9	61.2	-6.9
Liability	63.6	63.0	0.9	63.6	63.0	0.9
Motor	1,191.4	879.3	35.5	1,183.3	871.7	35.7
Fire	619.1	583.8	6.0	604.1	576.5	4.8
Marine & Aviation	94.7	103.1	-8.1	94.6	102.9	-8.1
Other	513.7	512.4	0.3	499.3	499.5	0.0
Total	**2,563.8**	**2,228.6**	**15.0**	**2,513.5**	**2,187.9**	**14.9**

With an increase of 2.9 % to EUR 68.2 billion, property and accident insurers also recorded growth in their premium revenues once again. Virtually all of the divisions were able to contribute to this growth, including in particular the largest areas, namely property and motor insurance. Severe weather conditions, such as Storm Herwart and Storm Xavier, caused severe damage in a number of places in Germany. The insurance industry was once again able to demonstrate its ability to perform here.

Development of the reinsurance markets

In addition to unusually high claims burdens arising from natural disasters, other special events also had a significant impact on the development of the reinsurance markets in 2017. The formal process of exiting the European Union (EU) was initiated by the United Kingdom in March. Outstanding questions regarding the future shape of market access and regulations have caused uncertainty throughout the industry and now require clarification. In the same month, the UK's Secretary of State for Justice announced a reduction in the discount rate used to calculate lump sum payments for per-

REINSURANCE INDICATORS

in EUR million	2017 Total Gross	Thereof Group Gross	Thereof third-party Gross	2016 Total Gross	Thereof Group Gross	Thereof third-party Gross
Premiums written	2,563.8	487.9	2,075.9	2,228.6	474.8	1,753.8
Domestic	683.8	483.3	200.5	657.8	463.5	194.3
Foreign	1,879.9	4.6	1,875.4	1,570.8	11.3	1,559.5
Losses	1,998.1	342.7	1,655.3	1,646.1	347.7	1,298.3
Domestic	466.6	338.2	128.4	468.6	342.9	125.7
Foreign	1,531.5	4.5	1,527.0	1,177.5	4.9	1,172.6
Costs	634.9	104.9	530.1	567.5	106.2	461.3
Domestic	156.2	104.7	51.6	153.6	102.0	51.6
Foreign	478.7	0.2	478.5	413.9	4.2	409.7
Results before equalisation provision	–113.3	41.2	–154.4	17.1	18.8	–1.7
Domestic	55.8	40.1	15.7	32.0	17.7	14.3
Foreign	–169.1	1.1	–170.2	–14.9	1.1	–16.0

sonal injuries (Ogden rate) from + 2.5 % to - 0.75 %. For motor insurers and their reinsurers, this resulted in a significant increase in provisions for outstanding claims. The US Federal Reserve raised the base rate several times during the course of this year and, in doing so, eased the pressure on the capital investment results of companies in overseas. The agreement signed in September between the USA and the EU regarding the creation of equal conditions of competition gained broad support. The regulations, which still need to be implemented in European and national law, make provision, among others, for the abolition of the existing collateral provision for US transactions that is compulsory for EU reinsurers. In return, US companies will be exempt from applying the Solvency II provisions in Europe.

Financial and insured losses were lower in the first half of the year than the average of the previous ten years and also below the level of the previous year. Unfortunately, there was a much higher level of costs incurred in the second half of the year. This started with Hurricane Harvey, which brought huge volumes of rainfall and primarily affected the US States of Texas and Louisiana. This was followed in the first half of September by Hurricane Irma, a hurricane of the highest category which caused severe devastation in the Caribbean and in Florida. In the second half of September, Hurricane Maria, another hurricane of the highest category, hit the US overseas territory of Puerto Rico in particular. Overall, these three major events caused insured losses of approximately USD 90 billion. When combined together with other major events, the second half of 2017 was one of the most loss-affected periods of all time.

Notwithstanding any major claims burdens, the majority of reinsurance companies managed to remain adequately capitalised. The commitment to provide coverage to direct insurers was able to be maintained, and the industry continues to see itself as being well capitalised in order to be able to deal with future challenges, such as digitalisation.

Development of individual countries and regions

A number of medium-severe storm events occurred once again in **Germany**. In addition to Storm Egon in January as well as Storm Xavier and Storm Herwart in October, the severe weather event “Paul” also attracted attention in June with heavy rainfall and hail. Thankfully there were no major individual losses, both within the area of natural disasters as well as in the fire and industry area. The German motor and comprehensive home-owners’ insurance market continued its recovery effort. As a result of the major loss events occurring in the second half of the year in the USA and Caribbean, there was also a gradual rise in the rate level in Germany as well. The insurers continued their long-term business relationships with their reinsurance partners.

The economy-related weak growth seen in the **Italian** direct insurance market continued in 2017. The first signs of the price war in the motor segment were apparent in the results of insurance companies, something which consequently led to the stabilising of prices. Bad weather events such as heavy rain, hail and frost had a negative impact on the results in the agricultural classes, and also in the property and motor classes at times. In some of the renewal negotiations, there were significant price increases resulting from the difficult claims situation at both a global as well as a national level.

2017 in **France** began with a number of small to medium-sized storms, the majority of which did not exceed the retention of direct insurers. Generally speaking, there were no major losses from natural events. In the French overseas territories, Hurricane Irma and Hurricane Maria caused significant damage, requiring the considerable involvement of State reinsurance for natural events. The number of car accidents involving personal injury rose slightly compared to the previous year, as did the number of individuals killed in an accident. Alcohol consumption and excessive speed, particularly among younger drivers, remained the most frequent causes of such accidents. In addition to comprehensive subjects such as digitalisation, the insurance industry also had to deal with the 2016 legislation regarding the inclusion of certain types of environmental damage in the “Code Civile”, the French code of civil law, as well as the EU General Data Protection Regulation.

Following the formal initiation of the process for the **United Kingdom’s** departure from the EU, major uncertainty and concerns regarding future business development both within the direct insurance sector as well as the reinsurance sector emerged. Initial migration attempts by companies were observed. Motor insurance was characterised by an amendment to the discount rate used to calculate lump sum payments for personal injuries (Ogden rate). The original rates increased depending on the distribution channel and the original risk. The prices, in particular for non-proportional reinsurance in motor insurance, increased significantly. The first signs of stable to slightly increasing rates were noticeable in the non-life insurance area. This area remained equipped with sufficient capacity.

The positive trend in the **Spanish** insurance market also continued in 2017. Although the economy saw slightly weaker growth compared to the previous year, the unemployment figures did however fall. Spanish insurers benefited from the improved economic development within the country. Following the introduction of the new directive for determining compensation claims for personal injury in road accidents (Baremo) two years ago, motor insurance has continued to post increasing premium income. However there was no increase in major claims burdens. “Consorcio de Compensación”, a government direct insurer responsible for covering risks not covered elsewhere in the insurance market, was an important stabilising factor for the Spanish insurance industry with regard to natural disasters.

The economic areas in **Latin America** are experiencing a phase of weakness that the insurance markets are not immune to either. As a result, nominal premium increases were overcompensated for in places by inflation. Notwithstanding a relatively low insurance market penetration level, Brazil remained by far and away the largest insurance market in the region. In terms of reinsurance, the flotation of the largest reinsurer in Brazil made the headlines. Following a number of natural disasters in 2017, a significant increase in original rates is expected in the Latin American reinsurance market, in particular in the non-life classes.

2017 was positive overall for the **Israeli** insurance market. No exceptionally high losses were recorded in the non-life classes and in engineering. Developments in the motor classes were characterised by the change in the market-wide discount rate brought about by the recommendation of the Winograd Commission in the autumn. So far, these amendments apply to social insurance agencies, with an explanatory decision for the private insurance industry still to be made. However, direct insurers responded by way of premium increases in the original business in order to compensate for any resulting increases in the claims provisions. From a reinsurance perspective, proportional cessions were increased in preparation for the introduction of new solvency regulations. There have recently been an increasing number of acquisition activities observed in the Israeli insurance market.

Together with the large scale fires in California, Hurricanes Harvey, Irma and Maria were the outstanding events of 2017 for the **USA**. These peak losses were accompanied by a well above average number of small to medium-sized instances of catastrophic damage, such as regionally isolated hail and tornado events spread over the entire territory of the USA. During the last quarter of the year, there were also two large scale forest fires in California that caused significant damage. As a result of the claims situation, substantial rate adjustments were able to be observed both in the industrial as well as the private sector.

The **Caribbean** experienced the most severe hurricane season since 2004. Hurricanes Irma and Maria both reached the highest category and caused severe damage in September. Due to the claims burdens involved, a significant increase in original rates is to be expected both in the affected areas as well as in the areas not directly affected by the events. Reinsurance companies in particular expect to see significant increase in rates for non-proportional NatCat cover, meaning therefore that a short repayment period for losses is to be expected.

South Africa's credit rating was downgraded by major rating agencies in the course of the dismissal of several ministers. This led to a fall in the value of the rand against the US dollar and euro. The political and financial situation in South Africa remained tense. Within the South African insurance market, there were two notable storm losses during the course of the year, with prices for natural disaster cover having to be increased significantly. A significant increase in the number of major fire-related losses was also recorded in the corporate segment. Initial positive signs regarding an increase in rates and retention were evident.

The **Japanese** economy experienced strong growth in 2017. Although the Japanese yen lost value against the US dollar, inflation remained at a low level. The re-election of the serving Prime Minister in the latest elections also entailed a continuation of the existing economic policy, i.e. the infrastructural and deregulation programme to combat the long-standing financial crisis (Abenomics). 2017 was also a positive year for the insurance industry. The results of insurance companies were burdened neither by major natural disasters nor by major loss events in industrial insurance. Developments within the motor business were also regarded as positive.

As was the case previously, the direct insurance markets in **other Asian countries** were characterised by above average high levels of growth. The sustained high demand for insurance in the key classes once again resulted in premium growth. The demand for motor insurance increased in particular as a result of the increasing number of automobile sales. The original rates for the non-life classes continued to be subjected to pressure in view of the strongly competitive environment. 2017 was an uneventful year in terms of damage caused by natural disasters. Notable events included the floods in Thailand and Typhoon Damrey in Vietnam. However, the claims burdens for the direct and reinsurance market remained somewhat low as a result of the low insurance density.

Individual segment development

In the global **commercial credit and bonds reinsurance business**, 2017 proved to be similar to the previous year, and the segments were able to achieve predominantly positive results during the course of the fiscal year. Yet again the market had to combat overcapacity, including in particular on the original business side. With an almost similar level of business spending and a strong economic position around the global, the absolute volumes and reinsurance cessions followed the slight upward trend forecast of the previous year. Overall, claims burdens remain within expectation levels. A particularly welcoming development was the noticeable risk-adjusted stabilisation of reinsurance prices, something that is due to continue in 2018.

No major loss events were recorded in the **aviation segment**. However, due to the low premium level, several small to medium-sized losses were sufficient to bring the market to its loss limit. Despite the negative impact on the overall premium volumes, market leaders and, increasingly, follow-up insurers, were rejecting inadequately priced risks in many cases. A slight improvement in prices was eventually able to be observed. In the space sector relating to takeoff cover, the successful series of the European Ariane launcher family continued. However, the planned number of launches was unable to be completed as a result of strikes. Following the damage to Chinasat 9A, there was also a reduction in the number of launches of the Chinese Long March carrier system. Given the fact that the US SpaceX programme was also behind schedule following the damage encountered in 2016, a significantly lower number of launches than planned originally were able to be completed. The anticipated market premium declined significantly as a result.

Up until the catastrophic events in the USA and the Caribbean in the autumn of 2017, the **facultative non-life business** was characterised by competitive pricing pressure in many markets. Only a few markets, including the German market, renewed without major changes. An essential stabilisation of rates and/or increase in rates with regard to disaster-exposed placements was recorded following the catastrophic events.

There has been increased demand for facultative relief following various losses in the food sector. The previous year's trend in the construction sector is continuing; a slight increase in construction activity was observed in certain markets. Rates persistently remained too low in many cases, particularly in the Middle East.

Business performance of R+V Versicherung AG

Business performance overview

During the course of the 2017 fiscal year, R+V Versicherung AG once again recorded a strong business performance. The increase in gross premiums written by 15.0 % to EUR 2,563.8 million significantly exceeded the previous year's performance. With adjustments due to the effects of the foreign exchange rates, growth in premiums amounted to 20.1 %. The percentage of income from premiums arising from non-proportional reinsurance reached 27.1 % (2016: 28.2 %).

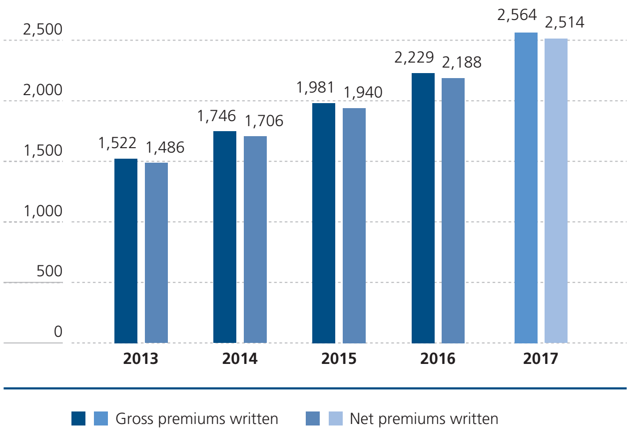
As in previous years, domestic Group business was in turn characterised by an increase in written premiums in the motor divisions of the direct insurance companies. Premium increases were also reported in the storm and comprehensive homeowner's divisions. Outside Group business, the premium volume from domestic cedents increased, particularly in the motor and comprehensive home contents' divisions.

At EUR 1,879.9 million, the proportion of foreign business amounted to 73.3 % of the total premiums written (2016: 70.5 %). The increase by EUR 309.1 million primarily resulted from Great Britain, Israel, South Africa and Italy.

The net premiums written followed the growth of the gross premiums written and increased by 14.9 % to EUR 2,513.5 million (2016: EUR 2,187.9 million). At 98.0 %, the retention rate remained at the high level of the previous years.

PREMIUMS WRITTEN

in EUR million



TOTAL BUSINESS NON-LIFE

in %	2015	2016	2017
Reported gross loss ratio	73.5	73.8	79.5
Gross expenses ratio	24.6	25.3	25.1
Gross combined ratio	98.0	99.0	104.6

In the non-life segment the reported gross loss ratio for the group business was 70.9 %, following 74.7 % in the previous year. Having taken retrocession into consideration, there remained a reported gross loss ratio of 74.4 % (2016: 78.3 %).

On 31 December 2017 the gross major loss burden (claims greater than EUR 3.0 million) in external business came to EUR 429.6 million which corresponds to 16.8 % of the total gross premium. The reported gross loss ratio for the non-life segment for external business was 81.5 % (2016: 73.6 %). The reported net loss ratio was 82.0 % compared to 73.7 % during the previous year.

For the whole non-life segment the reported gross loss ratio came to 79.5 % in the fiscal year (2016: 73.8 %), while the gross combined ratio came to 104.6 % (2016: 99.0 %).

Before the change in equalisation provisions and similar provisions, the technical result for the total business during the fiscal year amounted to EUR - 151.1 million (2016: EUR - 10.5 million). Taking into consideration the EUR 47.1 million contribution to equalisation provisions and similar provisions (2016: EUR 20.4 million), there was an own-account technical result amounting to EUR - 198.2 million (2016: EUR - 30.9 million).

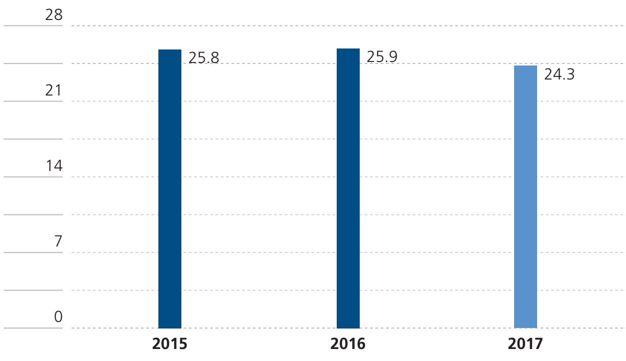
The result from capital investments was directly affected by the profit and loss transfer agreement with R+V Allgemeine Versicherung AG and amounted to EUR 353.9 million (2016: EUR 298.0 million).

After taking into consideration the balances in other income and other expenditure which amount to EUR 6.4 million (2016: EUR - 45.2 million) the fiscal year ended with a result of EUR 160.2 million for the normal business activities (2016: EUR 220.1 million).

Based on the tax allocation agreement with DZ BANK AG, tax expenditure (including the tax transfer) came to EUR 19.4 million (2016: EUR 54.0 million). A profit of EUR 140.8 million was transferred on the basis of the profit transfer agreement concluded with DZ BANK AG (2016: EUR 166.1 million).

LIFE INSURANCE – GROSS PREMIUMS

in EUR million



LIFE INSURANCE - PORTFOLIO DEVELOPMENT

in EUR million according to totals insured		2016	2017
Assumed business	Capital	5,187.3	5,484.9
Total insured	Annuity	1,879.9	1,960.7
Business ceded	Capital	632.2	614.9
Total insured	Annuity	1,351.7	1,402.9
Retained business	Capital	4,555.1	4,870.0
Total insured	Annuity	528.2	557.7

Business developments in the individual classes

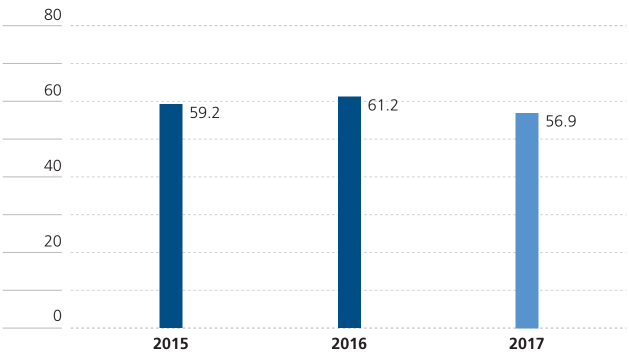
Life

Increase in gross technical result

The active underwriting of the life reinsurance business was discontinued in 2004. In 2017, gross premiums written of EUR 24.3 million (2016: EUR 25.9 million) were achieved. The class closed with a gross technical profit of EUR 8.5 million (2016: EUR 3.2 million).

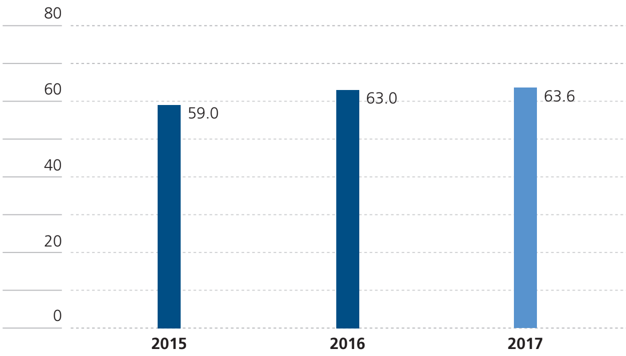
ACCIDENT INSURANCE – GROSS PREMIUMS

in EUR million



LIABILITY INSURANCE – GROSS PREMIUMS

in EUR million



ACCIDENT INSURANCE

in %	2015	2016	2017
Reported gross loss ratio	58.0	64.1	45.3
Gross expenses ratio	49.4	48.6	49.8
Gross combined ratio	107.4	112.8	95.1

LIABILITY INSURANCE

in %	2015	2016	2017
Reported gross loss ratio	68.8	56.1	65.0
Gross expenses ratio	37.6	38.9	38.5
Gross combined ratio	106.4	95.0	103.5

Accident

Positive claims development

The accident insurance branch includes general accident insurance and motor vehicle accident insurance. With an unchanged 98.2 % of premiums, general accident insurance continues to be the major individual insurance class within the insurance segment. The gross premiums written amounted to EUR 56.9 million in the fiscal year (2016: EUR 61.2 million).

The reported gross loss ratio improved to 45.3 % (2016: 64.1 %), which was primarily due to falling loss expenditures incurred during the fiscal year.

Gross expenditure on insurance operations also fell, albeit sub-proportionally to the gross premiums written, meaning therefore that there was a slight increase in the gross expenses ratio. Before the change in the equalisation provision, the result for the class amounted to EUR 2.8 million (2016: EUR - 7.8 million). Due to the favourable claims experience, EUR 5.5 million was withdrawn from the equalisation provision (2016: withdrawal of EUR 6.2 million). The fiscal year resulted in an own-account technical result amounting to EUR - 2.6 million (2016: EUR - 1.6 million).

Liability

Stable contribution level

The gross premiums written rose slightly by 0.9 % to EUR 63.6 million (2016: EUR 63.0 million).

On the contrary, the reported gross loss ratio increased significantly to 65.0 % (2016: 56.1 %). A lower settlement result from the carried-forward provisions in particular formed the basis for this development. In connection with the virtually unchanged gross expenses ratio of 38.5 % (2016: 38.9 %), the gross combined ratio amounted to 103.5 % (2016: 95.0 %).

The gross technical result amounted to EUR - 2.3 million (2016: Profit of EUR 3.0 million). EUR 3.6 million was added to the equalisation provisions and similar provisions (2016: EUR 1.5 million). The class closed with a technical own-account loss of EUR - 5.9 million (2016: Profit of EUR 1.6 million).

Motor

Significant increase once again in gross premiums

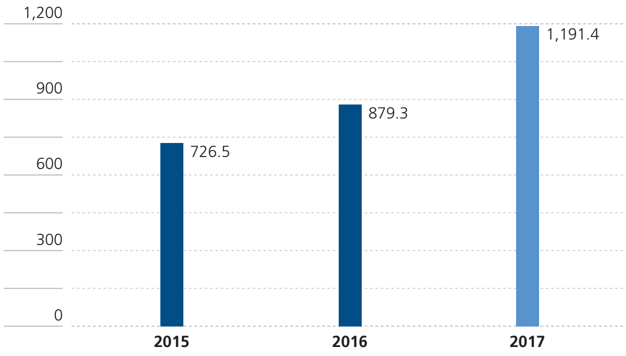
The motor insurance is written worldwide. Its proportion of the gross premiums written of 46.5 % again increased from the previous year. Thanks to the strong presence in the competitive motor vehicle reinsurance market, R+V Versicherung AG again exhibited a significant increase in gross premiums written of 35.5 % to EUR 1,191.4 million (2016: EUR 879.3 million). 32.3 % of the premium volume in this class originates from R+V companies, which have a large market share in Germany, therefore the increase in the domestic market was 6.1 %. In overseas business, a total premium growth of 61.1 % was achieved, particularly in Great Britain, Israel and Italy.

The loss expenditures incurred during the fiscal year followed the premium performance and increased by 33.9 %. This is also indicated in the loss ratio for the fiscal year of 85.0 % (2016: 83.8 %), so that, in conjunction with a decrease in the settlement result for the claims provisions carried over from the previous year, the reported gross loss ratio was 90.6 % (2016: 84.9 %). This was due, among other things, to increases in claims provisions resulting from the reduction in the discount rate to be applied in the United Kingdom for the judicial determination of one-off payments for insured personal injuries.

The expenditure on insurance operations followed the growth in premiums and increased to EUR 216.6 million (2016: EUR 144.4 million). Due to the claims experience, EUR 27.1 million was withdrawn from the equalisation provision (2016: EUR 26.7 million addition), the technical own-account result was EUR - 93.3 million (2016: EUR - 51.0 million).

MOTOR INSURANCE – GROSS PREMIUMS

in EUR million



MOTOR INSURANCE

in %	2015	2016	2017
Reported gross loss ratio	85.7	84.9	90.6
Gross expenses ratio	16.4	16.5	18.7
Gross combined ratio	102.1	101.4	109.4

Fire

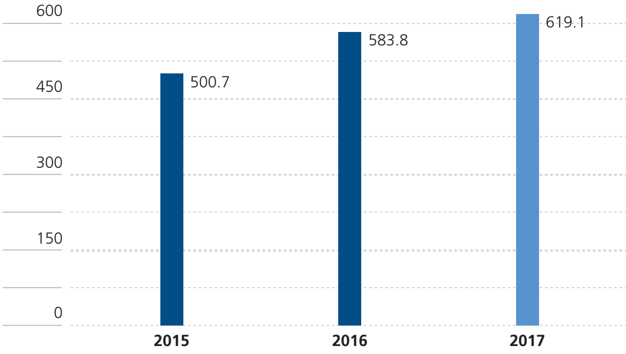
Improved net technical result

Fire insurance continued the positive developments seen in previous years, recording an increase in written premiums to EUR 619.1 million (2016: EUR 583.8 million). The volume of premiums continued to primarily result from cedents external to R+V. EUR 529.7 million, or 85.6 % of gross premiums, in this insurance sector were attributed to overseas business.

The loss expenditures incurred during the fiscal year totalled EUR 445.3 million and were therefore below the level of the previous year (2016: EUR 448.4 million). The claims experi-

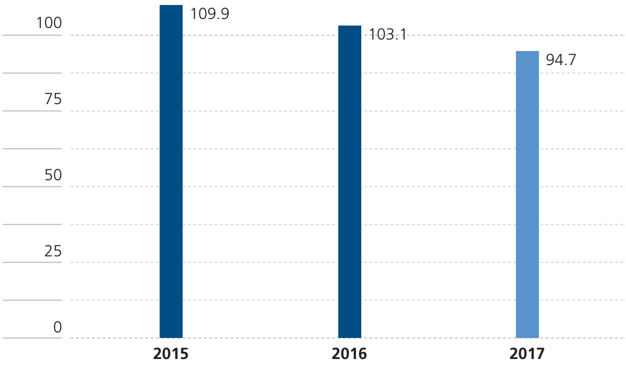
FIRE INSURANCE – GROSS PREMIUMS

in EUR million



MARINE AND AVIATION INSURANCE – GROSS PREMIUMS

in EUR million



FIRE INSURANCE

in %	2015	2016	2017
Reported gross loss ratio	72.1	74.7	61.4
Gross expenses ratio	29.0	31.9	30.6
Gross combined ratio	101.1	106.6	92.0

MARINE AND AVIATION INSURANCE

in %	2015	2016	2017
Reported gross loss ratio	64.6	81.5	77.9
Gross expenses ratio	27.2	30.7	30.6
Gross combined ratio	91.8	112.2	108.6

ence during the course of the fiscal year was in particular characterised by Hurricanes Harvey, Irma and Maria in August and September, which are also partially presented in this insurance sector on the basis of international customs. The forest fires in California in December also had a detrimental impact. In combination with an increased settlement result from the carried-forward provisions, the reported gross loss ratio improved to 61.4 % (2016: 74.7 %) so that, when combined with the operating expenses, the gross combined ratio also improved to 92.0 % (2016: 106.6 %).

Before the change in the equalisation provision, the class closed with a net profit of EUR 34.2 million (2016: loss of EUR 45.4 million). The equalisation provision was furnished with EUR 107.4 million (2016: EUR 37.8 million). Consequently, there was a technical result of EUR - 73.1 million (2016: EUR - 83.2 million).

Marine and aviation

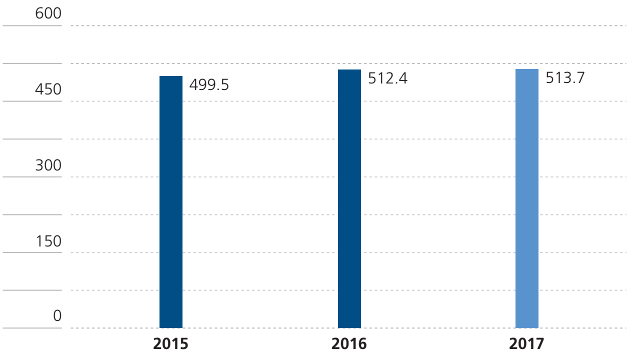
Positive in technical result for own account

There was a decrease in gross premiums written in both marine insurance as well as aviation insurance. The gross premiums written in the marine business amounted to EUR 48.4 million, following a figure of EUR 54.1 million in the previous year. In the aviation class, gross premiums written amounted to EUR 46.3 million (2016: EUR 49.0 million). Overall, there was a reduction in premiums of - 8.1 % to EUR 94.7 million (2016: EUR 103.1 million). The most important markets for premium volumes were still Germany for the marine business and the USA for the aviation business.

The loss expenditures incurred during the fiscal year increased by 11.0 %, performing in the opposite way when compared to premium performance. In combination with an improved set-

OTHER INSURANCE CLASSES – GROSS PREMIUMS

in EUR million



OTHER INSURANCE CLASSES

in %	2015	2016	2017
Reported gross loss ratio	61.7	55.8	81.8
Gross expenses ratio	26.7	27.0	27.6
Gross combined ratio	88.4	82.8	109.4

tlement result from the carried-forward provisions, the reported gross loss ratio decreased to 77.9 % (2016: 81.5 %). EUR 16.5 million was withdrawn from the equalisation provision (2016: EUR 12.6 million). The own-account technical result was EUR 8.3 million (2016: loss of EUR 1.3 million).

Other insurance classes

Hurricanes formative events in the storm class

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 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 were slightly above the previous year's value at EUR 513.7 million (2016: EUR 512.4 million). The dominating classes here were the credit/bonds, storm and engineering classes, with a combined premium share of 84.1 % (2016: 85.7 %). While the credit/bonds insurance and engineering insurance recorded an increase in premiums during the course of the fiscal year, storm insurance recorded a fall in premiums.

The expenditure on claims in the storm insurance developed in a disproportionate manner in particular on the basis of Hurricanes Harvey, Irma and Maria in August and September of the year in question, whereas the credit/bond insurance and engineering insurance recorded falling claims experiences. The reported gross loss ratio for storm insurance showed a significant increase to 118.9 % (2016: 38.9 %). On the contrary, there was also a decrease in the reported gross loss ratio for credit and bonds insurance of 56.9 % (2016: 61.3 %). The reported gross loss ratio for engineering insurance was 81.1 % for the fiscal year (2016: 84.2 %).

Overall, after allowing for the changes due to the equalisation provisions and similar provisions, the other insurance classes showed an overall technical own-account loss of EUR - 36.4 million (2016: profit of EUR 105.3 million).

Summarised appraisal of the business performance

Thanks to the income-oriented and risk-aware underwriting policy that remains in place, R+V Versicherung AG was yet again able to record a significant increase in premium revenues. The reported gross loss ratio was above the figure for the previous year, resulting in particular from the detrimental impact of the hurricanes in the Caribbean and the southern USA as well as the reduction in the discount rate to be applied in the United Kingdom for the judicial determination of one-off payments for insured personal injuries.

The gross expenses ratio was slightly below the previous year's value.

The own-account technical result was significantly below the value for the previous year - characterised by the hurricanes during the course of the fiscal year and the claims experience-related increase in the equalisation provisions and similar provisions.

On the contrary, the non-technical result was above the previous year's value, owing both to an improved capital investment result as well as increased other income.

The remaining profit was transferred to DZ BANK AG on the basis of the concluded profit transfer agreement.

Earnings position

Technical result

The gross technical result amounted to EUR - 113.3 million (2016: gross profit of EUR 17.1 million). Having taken retrocession into consideration, there was a technical net result of EUR - 151.1 million (2016: EUR - 10.5 million). EUR 47.1 million were added to the equalisation provisions and similar provisions (2016: EUR 20.4 million). The own-account technical result was then EUR - 198.2 million (2016: EUR - 30.9 million). This technical loss particularly arises from the motor liability class, with EUR - 94.5 million (2016: EUR - 46.3 million), fire, with EUR - 73.1 million (2016: EUR - 83.2 million) and storm, with EUR - 13.3 million (2016: profit of EUR 133.7 million).

Result from capital investments

R+V Versicherung AG attained ordinary income of EUR 363.7 million from its capital investments. Less ordinary expenses of EUR 17.2 million in consideration of scheduled property depreciation of EUR 0.1 million, there was an ordinary result of EUR 346.5 million (2016: EUR 290.6 million).

Depreciation of EUR 2.5 million was required for R+V Versicherung AG's capital investments. Due to the recovery in value of previous depreciation, a figure of EUR 1.6 million was imputed. Through sales of assets, R+V Versicherung AG achieved capital gains of EUR 2.6 million, minus minor losses. The write-ups and depreciations as well as the capital gains and losses resulted in an extraordinary result of EUR 1.7 million (2016: EUR 1.9 million).

The net result from capital investments from the total of the ordinary and extraordinary results thus amounted to EUR 348.2 million for the 2017 fiscal year compared with EUR 292.5 million in the previous year. The net interest was 5.4 % (2016: 4.9 %).

Other earnings and expenses

During the fiscal year, other earnings came to EUR 73.1 million (2016: EUR 29.0 million). The service and interest incomes were important components. The increase compared to the previous year can be attributed to higher interest income from tax receivables in conjunction with completed company audits as well as higher exchange rate profits on the reporting date.

Other expenses of EUR 66.8 million (2016: EUR 74.2 million) primarily included operating costs, which are contrasted by income from the additional charges to Group affiliates, interest and consultancy fees, exchange rate losses as well as association and membership fees. Higher exchange rate losses on the reporting date were included, among others, in the previous year.

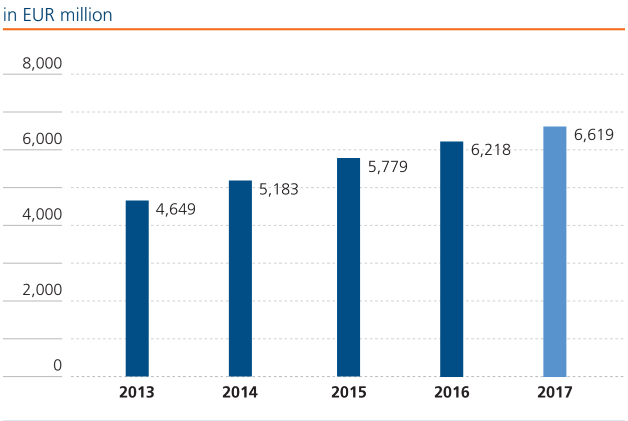
Overall result

The result for the normal business activities was EUR 160.2 million (2016: EUR 220.1 million). In consideration of tax expenditure (including transfers) of EUR 19.4 million in total (2016: EUR 54.0 million), this produced a profit transfer of EUR 140.8 million based on the profit transfer agreement concluded with DZ BANK AG (2016: EUR 166.1 million).

GUARANTEED FUNDS

in EUR (millions)	2017	2016
Share capital	352.2	352.2
Capital reserves	1,632.9	1,632.9
Retained earnings	164.7	164.7
Retained profits	–.–	–.–
Shareholders' equity	**2,149.8**	**2,149.8**
Unearned premium reserves	206.5	172.8
Actuarial reserves	28.8	32.2
Provision for outstanding claims	3,669.4	3,197.6
Provision for premium funds	4.6	4.2
Equalisation provision and similar provisions	863.6	816.5
Other technical provisions	1.0	0.7
Total technical provisions	4,773.8	4,224.0
Guaranteed funds	**6,923.6**	**6,373.8**

DEVELOPMENT OF THE CAPITAL INVESTMENTS*



* without deposit receivables

Financial situation

Capital structure

Subscribed capital remained unchanged at EUR 352.2 million. Capital reserves also remained unchanged and 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.

Guaranteed funds increased by EUR 549.8 million to EUR 6,923.6 million so that at 275.5 %, the ratio of guaranteed funds remains high in spite of the strong growth experienced by R+V Versicherung AG (2016: 291.3 %). The equity capital ratio based on the net premiums posted was 85.5 % (2016: 98.3 %).

Assets situation

Capital investments portfolio

The capital investments of R+V Versicherung AG grew by EUR 401.0 million or by 6.4 % during the 2017 fiscal year. The book value of the capital investments as at 31 December 2017 thus amounted to EUR 6,618.5 million. R+V Versicherung AG mostly invested the funds available for reinvestment in bonds. Diversification was mainly in government bonds, corporate bonds and German covered bonds in this respect. For the interest-bearing securities, care was taken that the issuer had high credit worthiness 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 at market values as at 31 December 2017 amounted to 2.4 % (2016: 2.1 %).

The reserve ratio relating to the total capital investments as at 31 December 2017 was 47.1 % (2016: 50.1 %) and was dominated by shareholding items.

Social, ethical and ecological principles are taken into consideration when making capital investments so that R+V Versicherung AG knowingly and consciously does not make capital investments which are contrary to the generally recognised principles of sustainability. R+V does not invest within this framework in manufacturers of controversial weapons and makes use of the “controversial weapons” list issued by oekom research AG for review purposes. Financial products for agricultural commodities are also excluded from investments.

Technical provisions

The gross technical provisions rose by 12.8 % to EUR 4,811.7 million (2016: EUR 4,264.6 million). After deducting the retrocessionnaires’ shares, net technical provisions were EUR 4,773.8 million (2016: EUR 4,224.0 million). In terms of the own-account premiums written, this was equivalent to a ratio of 189.9 % (2016: 193.1 %).

At 47.9 % (2016: 45.1 %) 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 14.8 % to EUR 3,669.4 million (2016: EUR 3,197.6 million).

The equalisation provisions and other provisions were increased by EUR 47.1 million to EUR 863.6 million.

Opportunities 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 risk bearing capacity, 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.

Risk management encompasses all systematic measures for identifying, evaluating and controlling risks. It also enables risks and other negative developments that could have a significant impact on the assets, the financial situation and profitability to be analysed and countermeasures to be initiated.

A risk management process which has been implemented in all R+V companies defines the rules for identifying, analysing and evaluating, managing and monitoring as well as 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 default 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 opportunities and risk report and measures for containing 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 determined indicators and thresholds. Measures will be 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 committee which takes place four times a year. The central risk reporting system ensures transparency in reporting. Reports must be sent to the Board of Management in the event of significant changes 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 functions 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. This 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 committee, the Board of Management and the Supervisory Board.
The holder of the Risk Management role reports directly to the Board of Management.

The primary role of the compliance officer is to monitor compliance with external requirements. This person also advises the Board of Management with regard to compliance with the laws and administrative regulations applicable to the operation of an insurance company, examines the possible effects of changes in the legal environment for 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, organisationally, is 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, this person coordinates the calculation of technical provisions and ensures that the assumptions, methods and models which the calculation is based on are adequate. This person 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 an 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 auditor is performed by the Group audit department at R+V. This department checks whether the provisions of the risk management system are complied with and how effective they are. The Group audit department is 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 maintaining the high average rating of portfolios, to avoid an 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 and 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 statements are prepared so that it complies 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 crucial accounting-related reporting processes. These processes are documented and risks inherent in the process are derived from this. The assessment of the risks is based on an evaluation grid and set materiality thresholds. The documentation and the risk assessment are reviewed annually to ensure they are 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 risks 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, 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 statements 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, 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 as well as 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 insurance 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, which in turn increases customer satisfaction as well as the satisfaction of both the employees and sales partners.

Once again, the rating agency Standard & Poor’s assessed the financial strength of R+V Versicherung AG as very good during the 2017 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 appropriatly.

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 quantify 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 solvency needs.

The regulatory risk-bearing capacity is 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 %.

The 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.

The R+V Versicherung AG met the statutory minimum solvency requirements of Solvency II in the 2017 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 2018. Due to the continuing tense economic situation on the financial markets, there is considerable uncertainty 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

The 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. There can also be risk caused by unforeseeable changes in the insured risk and the distribution of claims, expected value and distribution, such as though changes to the climatic and geological environmental conditions or perhaps by technical, economic or social changes. 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 is conducted 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 appropriate parameterisation.

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

R+V confronts the premium and reserve risk by continuously monitoring the economic and political situation and manages risk according to strategic direction, whilst 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 limit 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 are within the approved limits.

Risk mitigation measures include, among other things, the management of retention and retrocession, whilst taking the risk-bearing capacity and the actual retrocession costs into account. In this respect, the minimum requirements in terms of the creditworthiness of the retrocessionaires apply. In order to hedge peak risks for European natural events, R+V concluded a retrocession agreement for the assumed reinsurance business with effect from 1 July 2017.

The claims burden in the assumed reinsurance was above the planned development. The increased loss ratio resulted in the most part from the storm damage caused by Hurricanes Harvey, Irma and Maria, as well as the earthquake in Mexico. The impact of the reduction in the discount rate (Ogden rate) used for personal injuries in motor insurance in the United Kingdom is also taken into account.

The reserve risk relates to the risk that there has been an inadequate assessment of the loss reserves which are indicated for losses which have already occurred. A permanent and timely 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.

R+V is currently reviewing the impact of the United Kingdom's departure from the EU within the framework of a Group-wide working group as well as in consultation with advisers in England. As things currently stand, any potential measures that may be required will not have any impact on the continuation of the assumed reinsurance business in its current form.

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. For credit spread, the interest differential between a risky and a risk-free fixed-income asset is identified. 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.

- The 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. Exchange rate risks arise 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.

- The 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).

- The 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 the R+V Versicherung AG's total risk management. Market risks are limited, among others, to 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 confronts investment risks by maintaining a strict, functional separation of investment, processing and controlling.

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 confronts capital investment risks in principle 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 collateral 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 a structure for duration management which takes liabilities into account 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 external credit risk assessments and in-house expert ratings, 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 create a risk of default. In principle, the capital investments of R+V Versicherung AG indicate a high creditworthiness and a solid collateralisation structure. The public sector and the financial sector, which are the dominant areas, particularly include 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 aspiration 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 cautious investment strategy.

Concentration risks are of minor relevance and at R+V Versicherung AG these 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 worthiness. 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-interest securities, 89.9 % (2016: 89.9 %) have a Standard & Poor’s rating of ‘A’ or above and 71.2 % (2016: 71.8 %) 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 decision-making committees assist in monitoring, analysing and controlling the risks. Adjustments are made to the portfolio as required.

EUR 69.2 million was invested in government bonds in peripheral countries in the euro area as at 31 December 2017 (2016: EUR 70.5 million). The following table shows the allocation of these government bonds according to countries.

MARKET VALUES

in EUR million	2017	2016
Italy	20.7	21.3
Spain	48.5	49.2
Total	**69.2**	**70.5**

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 reduced-risk contracts like reinsurance arrangements, securitisations and derivatives as well as the receivables of intermediaries and all other credit risks, as far as they are not otherwise considered in the risk measurement.

The counterparty default risk considers the ancillary 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 ratings 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 limit the risk of default for settlement receivables from reinsurance business assumed and ceded.

Operational Risks

The term “operational risk” is used to refer to the risk of loss resulting from inadequate or failing internal processes, employees and systems or from 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 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.

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.

In order to ensure its continued operations, R+V has an integrated Business Continuity Management system (BCM) with a central coordination function that also includes emergency and crisis management and is documented in the Business Continuity, Emergency and Crisis Management directive. The Security and BCM Conference, involving representatives from all departments, provides support in specialist subject areas and is used to help network activities within R+V. Reports are also sent to the risk committee regarding significant risk-related findings as well as regarding the various exercises and tests carried out.

The BCM system aims to ensure that the business operations of the companies can be maintained in an emergency or crisis situation. The time-critical business processes along with the required resources are recorded for this purpose, and any necessary documentation, such as business continuity plans, is drawn up and reviewed on a regular basis. In order to manage emergency and crisis situations, there are also separate organisational structures, such as the R+V Crisis Committee and the individual emergency teams within the departments. A continuous improvement process ensures that the integrated BCM system is continuously subject to further development.

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 managers of IT division, 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 the future. There is 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 which 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 programs. 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.

The possibility of the United Kingdom departing the EU in an uncontrolled manner (hard Brexit) and the associated contractual uncertainties in some topics is countered by way of reviewing the various contracts, making contractual amendments and other suitable measures.

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 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 to 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 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 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. 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 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 creation 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 competent 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 2017. 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 sufficient risk-bearing capacity.

The possibility of a new crisis in Europe owing to the strengthening of populist and rather anti-European tendencies is a risk factor for the development of business for R+V Versicherung AG. The associated impact on the capital markets, the real economy and public demand are difficult to assess. In addition, an uncontrolled departure of the United Kingdom from the EU (hard Brexit) would have a dampening effect on economic development and would result in increased legal uncertainty in many cross-border areas of life.

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 expect to see continuing or perhaps even an increase in economic growth in Germany in 2018. In its annual autumn report, the German Council of Economic Experts forecast a 2.2 % increase in the real gross domestic product in Germany, and a 2.1 % increase in the euro area.

Development on the capital markets

The ECB will continue its very expansive monetary policy for the time being. During the second half of 2018, market participants expect to see changes moving towards the start of a withdrawal. The American Fed is continuing its base rate increases and normalisation of the balance sheet. A moderate increase in the interest rate level and equities is expected by the end of 2018.

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 if attractive investments are available. The basis for capital investment activity is a long-term investment strategy, which is orientated towards security, combined with a modern risk management system.

Development on the reinsurance markets

Increases in the volume of reinsurance business worldwide are further expected in the future. In some regions, stricter regulatory capital endowment requirements will lead to increased demand for reinsurance. There will be further demand in emerging classes such as cyber insurance but also in traditional divisions such as agricultural insurance. The increasing awareness of economic damage resulting from natural disasters as well as the growing global population will contribute to lasting high demand for reinsurance.

International reinsurers currently have free access to the local direct insurance markets in many countries. The possibility of national legal systems in future creating stricter conditions under which international reinsurers are permitted to provide reinsurance to national direct insurers cannot be ruled out.

Positive impetus is expected from a newly concluded agreement between the USA and the EU regarding the creation of equal conditions of competition. The regulations, which still need to be implemented in European and national law, make provision, among others, for the abolition of existing provision of collateral for US transactions currently compulsory for EU reinsurers due to regulatory requirements. In return, US companies will be exempt from applying the Solvency II provisions in Europe. In doing so, the question of the provision of collateral shall in future be the sole responsibility of the contracting parties involved.

Following the major loss events in the second half of 2017, an increase in the price level for reinsurance cover is to be expected for 2018. Price increases, which have a positive impact on earnings, have in particular stood out in the negotiations on the main renewal in segments suffering from large losses.

The impact of Brexit for R+V Versicherung AG is currently being analysed; the intention is to continue business in the United Kingdom. An update of the discount rate used to calculate compensation awards for personal injuries (Ogden rate) is expected based on the publications by the British Ministry of Justice.

The “growth through change” strategic programme, which aims to consolidate the strong market position of R+V in the long term, commenced in the 2017 fiscal year. The key points of the strategic programme include the sustainable assurance of profitable growth, the further development of sales channels and the strong R+V culture, as well as the increased focus on customer demands. This future-oriented approach is driven forward by the implementation of a digitalisation strategy that covers a broad spectrum, from offers for customers and distribution partners to the handling of customer requests.

In accordance with this strategy, R+V Versicherung AG also has plans in place for the 2018 fiscal year for the continuation of profitable growth in all markets in which it is operating.

Regional focal points of this include the USA and Asia. 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 and this represents a clear differentiation criterion compared to many competitors. The core processes of underwriting, pricing and loss management will therefore be continuously adjusted in line with market conditions in order to offer customers the excellent level of service they desire.

R+V Versicherung AG expects a premiums increase for 2018. 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.

Thanks

The Board of Management would like to thank and acknowledge all of its employees for their excellent commitment in collaborating towards the further development and structuring of the sustainable R+V of the future, as well as the work they have carried out that has once again contributed to a successful fiscal year.

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 put in us.

Wiesbaden, 2 March 2018

The Board of Management

Appendix to the Management Report

In the fiscal year under review 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 2017

Balance sheet

as at 31 December 2017*

ASSETS

in EUR				2017	2016
A. Intangible assets					
Purchased franchises, industrial and similar rights and assets as well as licences to such rights and values				—.—	5,535.—
B. Capital investments					
I. Land, leasehold rights and buildings including buildings on third-party land			3,459,125.17		3,526,509.17
II. Capital investments in affiliated companies and shareholdings					
1. Shares in affiliated companies		2,499,824,716.99			2,489,212,216.99
2. Loans to affiliated companies		52,113,935.80			98,051,177.97
3. Holdings		985,822.47	2,552,924,475.26		861,102.78
III. Other capital investments					
1. Stocks, shares or shares in investment funds and other variable interest securities		722,557,324.91			595,439,851.24
2. Bearer bonds and other fixed-interest securities		2,298,814,003.67			2,037,918,268.27
3. Other loans					
a) Registered bonds	505,291,869.13				484,124,602.75
b) Bonded debt receivables and loans	236,466,526.45	741,758,395.58			253,860,251.83
4. Deposits at banks		270,917,186.79			231,534,390.13
5. Other capital investments		28,049,413.—	4,062,096,323.95		22,979,039.77
IV. Deposits with ceding reinsurers			265,337,035.18		223,643,029.79
				6,883,816,959.56	**6,441,150,440.69**

* Previous year's figures in brackets for "thereof" information.

in EUR					2017	2016
C. Receivables						
I. Settlement receivables from reinsurance business				275,051,155.07		179,082,021.20
Thereof due to:						
Affiliated companies	€ 7,048,058.98	(€ 3,968,565.31)				
II. Other receivables				312,464,347.42		261,160,200.76
Thereof due to:						
Affiliated companies	€ 244,939,583.57	(€ 208,679,645.47)				
					587,515,502.49	**440,242,221.96**
D. Other assets						
I. Property, plant, equipment and inventories				442,315.48		339,171.61
II. Cash at banks, cheques and cash in hand				153,766,620.81		164,994,555.97
III. Other assets				33,447.32		29,888.47
					154,242,383.61	**165,363,616.05**
E. Accruals						
I. Accrued interest and rents				42,722,621.08		40,002,644.91
II. Other accruals				203,223.13		267,674.23
					42,925,844.21	**40,270,319.14**
Total assets					**7,668,500,689.87**	**7,087,032,132.84**

LIABILITIES

in EUR			2017	2016
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 (2) (5) VAG (Versicherungsaufsichtsgesetz [Insurance Supervision Act]): € – (€ –)				
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	208,078,341.88			174,347,549.58
2. Thereof: less reinsurance amount	1,547,336.98	206,531,004.90		1,573,153.48
II. Actuarial reserves				
1. Gross	53,570,342.23			58,093,322.71
2. Thereof: less reinsurance amount	24,750,661.90	28,819,680.33		25,895,793.57
III. Provision for outstanding claims				
1. Gross	3,680,951,224.38			3,210,718,211.50
2. Thereof: less reinsurance amount	11,594,969.62	3,669,356,254.76		13,078,760.11
IV. Provisions for performance based and non-performance based premium funds				
1. Gross	4,590,117.25			4,245,518.50
2. Thereof: less reinsurance amount	—.—	4,590,117.25		—.—
V. Equalisation provision and similar provisions		863,586,225.—		816,535,408.—
VI. Other technical provisions				
1. Gross	960,800.27			653,717.20
2. Thereof: less reinsurance amount	—.—	960,800.27		—.—
			4,773,844,082.51	**4,224,046,020.33**

in EUR				2017	2016
C. Other provisions					
I. Provisions for pensions and similar obligations			4,822,224.24		1,699,836.73
II. Tax provisions			19,351,428.64		3,814,711.37
III. Other provisions			61,145,369.28		56,783,392.72
				85,319,022.16	**62,297,940.82**
D. Deposit liabilities received from reinsurers				**26,515,483.15**	**27,834,438.19**
E. Other liabilities					
I. Settlement liabilities from reinsurance business			313,637,406.10		277,684,830.18
Thereof due to:					
Affiliated companies	€ 48,470,582.35	(€ 42,462,627.63)			
Associated companies	€ 468,444.07	(€ 1,527,838.97)			
II. Bonds			30,160,900.21		29,504,515.47
III. Other liabilities			289,249,838.69		315,890,430.80
Thereof:					
From taxes	€ 1,072,706.11	(€ 1,025,903.50)			
Social security	€ 37,257.09	(€ 45,577.53)			
due to:					
affiliated companies	€ 279,242,808.21	(€ 308,035,442.72)			
				633,048,145	**623,079,776.45**
Total liabilities				**7,668,500,689.87**	**7,087,032,132.84**

Income Statement

for the period from 1 January to 31 December 2017*

GEWINN- UND VERLUSTRECHNUNG

in EUR			2017	2016
I. Technical account				
1. Premiums earned for own account				
a) Gross premiums written	2,563,766,484.46			2,228,602,236.15
b) Reinsurance premiums ceded	50,298,323.11			40,695,708.96
		2,513,468,161.35		
c) Change in gross unearned premium reserve	-42,576,820.65			8,388,055.17
d) Change in gross unearned premium reserve - reinsurers’ share	57,691.09			158,658.03
		-42,634,511.74		
			2,470,833,649.61	**2,196,135,924.33**
2. Technical interest income for own account			**951,940.72**	**837,617.57**
3. Expenditure for insurance claims for own account				
a) Payments for claims				
aa) Gross	1,423,852,700.94			1,302,092,431.56
bb) Reinsurers’ share	7,837,975.76			13,875,600.89
		1,416,014,725.18		
b) Change in provision for outstanding claims				
aa) Gross	574,237,337.66			343,964,235.35
bb) Reinsurers’ share	-1,264,002.03			-6,467,807.97
		575,501,339.69		
			1,991,516,064.87	**1,638,648,873.99**
4. Change in other technical net provisions				
a) Net actuarial reserves		1,911,307.45		–2,494,832.77
b) Other technical net provisions		–328,656.22		–87,405.90
			1,582,651.23	**–2,582,238.67**
5. Expenditure on performance-based and non-performance based premium funds for own account			**3,908,387.48**	**4,155,940.58**
6. Expenditure on insurance operations for own account				
a) Gross expenditure on insurance operations		634,921,518.51		567,498,159.13
b) Thereof:				
reinsurance commissions and profit participations received		8,031,087.73		8,357,864.54
			626,890,430.78	**559,140,294.59**
7. Other technical expenses for own account			**2,156,000.93**	**2,957,443.32**
8. Subtotal			**–151,102,642.50**	**–10,511,249.25**
9. Change to equalisation provision and similar provisions			**–47,050,817.—**	**–20,355,280.—**
10. Technical result for own account			**–198,153,459.50**	**–30,866,529.25**

* Previous year’s figures in brackets for “thereof” information.

in EUR				2017	2016
II. Non-technical account					
1. Income on capital investments					
a) Income from holdings		849,463.39			51,700.38
Thereof from affiliated companies:					
€ 803,875.46 (€ 7,010.46)					
b) Income from other capital investments					
Thereof from affiliated companies:					
€ 3,645,555.91 (€ 3,943,790.30)					
aa) Income from land, leasehold rights and buildings including buildings third-party land	684,044.67				670,466.37
bb) Income from other capital investments	111,095,172.87				104,695,574.03
		111,779,217.54			
c) Income from write-ups		1,597,969.91			3,557,752.77
d) Realised gains on capital investments		2,579,569.08			428,758.79
e) Income from profit pooling, profit and loss transfer agreements and partial profit and loss transfer		256,855,992.71			205,138,683.61
				373,662,212.63	**314,542,935.95**
2. Expenditure for capital investments					
a) Expenditure for management of capital investments, interest expenditure and other expenditure on capital investments		17,149,192.16			14,354,874.32
b) Depreciation on capital investments		2,566,726.23			2,144,429.71
c) Realised losses on capital investments		984.60			21,727.38
			19,716,902.99		16,521,031.41
			353,945,309.64		298,021,904.54
3. Technical interest income			–1,934,375.91		–1,873,254.69
				352,010,933.73	**296,148,649.85**
4. Other income			73,114,648.63		29,047,821.14
5. Other expenditure			66,754,782.05		74,231,764.74
				6,359,866.58	**-45,183,943.60**
6. Non-technical result				**358,370,800.31**	**250,964,706.25**
7. Result of ordinary business activities				**160,217,340.81**	**220,098,177.—**

in EUR					2017	2016
8. Taxes on income and earnings				19,297,174.99		53,944,127.93
Thereof:						
Allocation within consolidated entity	€ 30,227,864.75	(€ 64,188,826.73)				
9. Other taxes				137,113.49		88,022.01
Thereof:						
Allocation within consolidated entity	€ –	(€ 243,419.66)				
					19,434,288.48	**54,032,149.94**
10. Profits transferred as a result of profit pooling, a profit and loss transfer agreement or a partial profit and loss agreement					**–140,783,052.33**	**–166,066,027.06**
11. Annual net income/loss					**—.—**	**—.—**

Notes

Accounting and valuation methods

The 2017 annual financial statements for R+V Versicherung AG have been prepared in accordance with the provisions of the German Commercial Code (Handelsgestzbuch, HGB), in conjunction with 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 with depreciation of impaired acquisition or construction costs using the lower of cost or market value principle for permanent impairment in value. Scheduled depreciation was carried out on a linear basis. Write-ups were carried out in accordance with Section 253 (5) sentence 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 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 (5) sentence 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 (2) sentence 1 HGB were written down to market value according to the option right pursuant to Section 253 (3) sentence 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 (2) sentence 1 HGB were reported at amortised acquisition value. In the event of permanent impairment in value in accordance with Section 253 (3) sentence 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 (5) sentence 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 (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 and written down using the straight line method over the typical useful life permitted. Additions and disposals during the fiscal year were written down pro rata temporis. Assets, whose acquisition costs were between EUR 250 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 at 31 December 2017 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 at 31 December 2017.

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

The technical provisions (unearned premium reserves, actuarial reserves, provisions for outstanding claims and other technical provisions) were principally accounted in accordance with the cedent's statement.

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 cedent. Accordingly, appropriate provisions were also made for claims burdens expected in the future. In the event of deviating assessments of legal and contractual bases in individual cases, the best possible individual estimate of the reserve is made by means of comprehensive internal processes. 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 were measured according to the projected unit credit method (PUC method) in conjunction with Section 253 (1) HGB based on the mortality tables 2005 G 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 2017 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:	3.67 %

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 (1) HGB.

Other 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 2017.

The provisions for service anniversaries and retirement benefits not related to the pension scheme contained in Other provisions were measured according to the projected unit credit method (PUC method) in conjunction with Section 253 (1) HGB based on the mortality tables 2005 G by Klaus Heubeck. Future developments and trends were taken into account. The discounting was carried out using the average interest rate for the past seven years published by the German Federal Bank for October 2017 with an assumed remaining term of 15 years. The interest rate was projected to the end of the year and totalled 2.80 %.

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

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 31 December 2017. 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 27 December 2017 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

B. II. 1. SHARES IN AFFILIATED COMPANIES

Name of company and registered office	Shares in Capital in %	Currency	Fiscal year	Equity	Result
Insurance companies					
Assimoco S.p.A., Segrate	67.0	EUR	2016	137,212,294	21,432,446
Assimoco Vita S.p.A., Segrate	64.6	EUR	2016	128,230,242	6,604,291
CHEMIE Pensionsfonds AG, Munich	100.0	EUR	2017	24,317,843	2,000,000
Condor Allgemeine Versicherungs-AG, Hamburg	100.0	EUR	2017	41,761,661	[1]
Condor Lebensversicherungs AG, Hamburg	95.0	EUR	2017	48,588,513	[1]
KRAVAG-ALLGEMEINE Versicherungs-AG, Hamburg	76.0	EUR	2017	107,257,942	11,224,149
KRAVAG-LOGISTIC Versicherungs-AG, Hamburg	51.0	EUR	2017	205,388,749	19,468,407
R+V Allgemeine Versicherung AG, Wiesbaden	95.0	EUR	2017	774,176,663	[1]
R+V Direktversicherung AG, Wiesbaden	100.0	EUR	2017	13,320,000	[1]
R+V Krankenversicherung AG, Wiesbaden	100.0	EUR	2017	77,985,231	10,000,000
R+V Lebensversicherung AG, Wiesbaden	100.0	EUR	2017	434,980,723	[1]
R+V Luxembourg Lebensversicherung S.A., Strassen	100.0	EUR	2017	361,452,936	33,947,462
R+V Pensionsfonds AG, Wiesbaden	74.9	EUR	2017	27,453,165	1,450,000
R+V Pensionskasse AG, Wiesbaden	100.0	EUR	2017	106,172,237	400,000
Service, holding and real estate companies					
Aufbau und Handelsgesellschaft mbH, Stuttgart	82.3	EUR	2016	525,138	1)
BWG Baugesellschaft Württembergischer Genossenschaften mbH, Stuttgart	82.2	EUR	2016	9,965,213	1)
carexpert Kfz-Sachverständigen GmbH, Walluf	60.0	EUR	2017	4,157,770	–447,672
CI CONDOR Immobilien GmbH, Hamburg	95.0	EUR	2017	23,863,116	1)
compertis Beratungsgesellschaft für betriebliches Vorsorgemanagement mbH, Wiesbaden	51.0	EUR	2017	4,314,827	560,023
Condor Dienstleistungs-GmbH, Hamburg	95.0	EUR	2017	290,227	52,483
Corpus Sireo Health Care IV SICAV-FIS, Luxembourg	65.3	EUR	2016	215,435	–36,565
Englische Strasse 5 GmbH, Wiesbaden	90.0	EUR	2016	19,587,883	473,399
Finassimoco S.p.A., Segrate	57.0	EUR	2016	101,750,790	720,804

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

B. II. 1. SHARES IN AFFILIATED COMPANIES

Name of company and registered office	Shares in Capital in %	Currency	Fiscal year	Equity	Result
GbR Dortmund, Westenhellweg 39-41, Wiesbaden	94.0	EUR	2016	40,329,974	3,044,787
GTIS Brazil II S-Feeder LP, Edinburgh	97.9	USD	2016	31,995,806	4,284,550
GWG 1. Wohn GmbH & Co. KG, Stuttgart	91.4	EUR	2016	2,000,000	1,021,937
GWG 2. Wohn GmbH & Co. KG, Stuttgart	91.4	EUR	2016	3,000,000	986,932
GWG 3. Wohn GmbH & Co. KG, Stuttgart	91.4	EUR	2016	7,000,000	1,280,522
GWG 4. Wohn GmbH & Co KG, Stuttgart	91.4	EUR	2016	9,000,000	817,786
GWG Beteiligungsgesellschaft mbH, Stuttgart	91.4	EUR	2016	25,535	1,010
GWG Gesellschaft für Wohnungs- und Gewerbebau Baden-Württemberg AG, Stuttgart	91.4	EUR	2016	273,281,645	10,582,353
GWG ImmoInvest GmbH, Stuttgart	86.8	EUR	2016	6,442,743	533,195
GWG Wohnpark Sendling GmbH, Stuttgart	81.5	EUR	2016	3,305,555	523,042
Henderson Global Investors Real Estate (No. 2) L.P., London	73.2	GBP	2016	14,653,906	–1,075,852
HGI Immobilien GmbH & Co. GB I KG, Frankfurt am Main	73.2	EUR	2016	18,129,387	3,048,565
HumanProtect Consulting GmbH, Cologne	100.0	EUR	2016	242,653	100,307
Infrastructure Debt TF2, Luxembourg [2])	98.9				
IZD-Beteiligung S.à.r.l., Senningerberg	96.2	EUR	2016	131,150	20,866,660
KRAVAG Umweltschutz- und Sicherheitstechnik GmbH, Hamburg	51.0	EUR	2017	268,791	29,879
Macquarie Asia Infrastructure Fund EU Feeder L.P., London	98.8	USD	2016	51,342,000	349,000
Medico 12 GmbH & Co. KG, Frankfurt am Main	100.0	EUR	2016	1,947,850	405,499
MSU Management-, Service- und Unternehmensberatung GmbH, Landau	74.0	EUR	2016	780,864	199,727
PASCON GmbH, Wiesbaden	100.0	EUR	2017	30,707	5,707
Pension Consult Beratungsgesellschaft für Altersvorsorge mbH, Wiesbaden	74.9	EUR	2017	1,510,921	107,518
R+V Dienstleistungs-GmbH, Wiesbaden	100.0	EUR	2016	628,395	–1,283
R+V Erste Anlage GmbH, Wiesbaden	95.0	EUR	2017	1,054,783	–9,062
R+V INTERNATIONAL BUSINESS SERVICES Ltd., Dublin [3])	100.0	EUR	2015	1,359,534	–1,458,603
R+V KOMPOSIT Holding GmbH, Wiesbaden	100.0	EUR	2017	1,807,751,575	[1])
R+V Kureck Immobilien GmbH, Wiesbaden	95.0	EUR	2016	37,462	861

[1]) A profit and loss transfer agreement exists.
[2]) Circulation of 1st AIP subfund in 2017, no figures available from the annual financial statements yet.
[3]) Company in liquidation, 2016 annual financial statements not yet available.

B. II. 1. SHARES IN AFFILIATED COMPANIES

Name of company and registered office	Shares in Capital in %	Currency	Fiscal year	Equity	Result
R+V Leben Wohn GmbH & Co. KG, Wiesbaden	100.0	EUR	2017	72,850,240	2,139,831
R+V Mannheim P2 GmbH, Wiesbaden	94.0	EUR	2016	58,994,985	1,607,590
R+V Personen Holding GmbH, Wiesbaden	100.0	EUR	2017	977,490,194	244,901,346
R+V Rechtsschutz-Schadenregulierungs-GmbH, Wiesbaden	100.0	EUR	2017	277,242	129,607
R+V Service Center GmbH, Wiesbaden	100.0	EUR	2017	2,869,375	[1])
R+V Service Holding GmbH, Wiesbaden	100.0	EUR	2017	174,845,250	[1])
R+V Treuhand GmbH, Wiesbaden	100.0	EUR	2017	41,548	1,275
RC II S.a.r.L., Munsbach	90.0	EUR	2016	9,476,700	–20,189
RUV Agenturberatungs GmbH, Wiesbaden	100.0	EUR	2016	405,947	138,254
RV AIP S.à.r.l., Luxembourg [2])	100.0				
RV AIP S.C.S. SICAV-SIF, Luxembourg [2])	99.0				
RV-CVIII Holdings, LLC, Los Angeles	99.0	USD	2016	56,601,497	–1,435,085
Schuster Versicherungsmakler GmbH, Bielefeld	51.0	EUR	2016	515,658	189,716
Schuster Versicherungsservice GmbH, Bielefeld	51.0	EUR	2016	32,043	4,159
SECURON Versicherungsmakler GmbH, Hanover	51.0	EUR	2016	646,650	267,082
Sprint Sanierung GmbH, Cologne	100.0	EUR	2016	32,043,276	432,451
Tishman Speyer Brazil Feeder (SCOTS/D), L.P., Edinburgh	97.5	BRL	2016	88,070,982	–13,539,066
Tishman Speyer European Strategic Office Fund Feeder, L.P., London	97.2	EUR	2016	7,329,437	1,819,456
UMB Unternehmens-Management-beratungs GmbH, Wiesbaden	100.0	EUR	2017	2,901,470	843,584
UMBI GmbH, Wiesbaden	100,0	EUR	2017	100,673	27,085
Unterstützungskasse der Condor Versicherungsgesellschaften GmbH, Hamburg	98.3	EUR	2017	26,076	–
VMB Vorsorgemanagement für Banken GmbH, Overath	100.0	EUR	2016	47,035	–11,035
VR GbR, Frankfurt am Main	41.2	EUR	2016	193,104,947	48,137,322
VR Hausbau AG, Stuttgart	82.0	EUR	2016	2,750,000	[1])
WBS Wohnwirtschaftliche Baubetreuungs- und Servicegesellschaft mbH, Stuttgart	86.8	EUR	2016	16,068,119	2,344,102

[1]) A profit and loss transfer agreement exists.
[2]) Established in 2017, no figures available from the annual financial statements yet.

B. II. 3. SHAREHOLDINGS

Name of company and registered office	Shares in Capital in %	Currency	Fiscal year	Equity	Result
ASSICONF S.r.L., Turin	11.4	EUR	2016	82,392	2,442
ASSICRA Servizi Assicurativi Banche di Credito Cooperativo Abruzzo e Molise s.r.L., Pescara	14.3	EUR	2016	409,360	33,058
BAU + HAUS Management GmbH, Wiesbaden	50.0	EUR	2016	10,722,684	844,258
bbv-Service Versicherungsmakler GmbH, Munich	25.2	EUR	2016	1,907,853	435,763
BCC Risparmio Previdenza S.G.R.p.A., Milan	16.1	EUR	2016	33,709,480	8,053,856
CMMT Partners, L.P., Los Angeles	46.1	USD	2016	33,892,913	–2,107,087
Consorzio Caes Italia S.C.S., Milan	27.2	EUR	2016	151,997	-3,885
Corpus Sireo Health Care III SICAV-FIS, Luxembourg	32.7	EUR	2016	32,187,194	3,283,299
Credit Suisse Global Infrastructure SCA SICAR, Luxembourg	29.6	USD	2016	211,577,410	66,215,399
European Property Beteiligungs-GmbH, Frankfurt am Main [1])	38.6	EUR	2016	989,960	–37,573
GbR "Ackermannbogen.de – Wohnen am Olympiapark", Munich	41.0	EUR	2016	9,876	8,325
Global Infrastructure Partners III-C2, L.P., New York	27.5	USD	2016	76,575,268	–14,776,721
Golding Mezzanine SICAV IV Teilfonds 2, Luxembourg	47.5	EUR	2016	10,091,645	829,753
Henderson Global Investors Property (No. 2) Limited, London	50.0	GBP	2016	56,594	9,908
HGI Immobilien GmbH, Frankfurt am Main	50.0	EUR	2016	122,326	9,947
IZD-Holding S.à.r.l., Senningerberg	48.4	EUR	2016	1,280,492	43,275,097
MB Asia Real Estate Feeder (Scot) L.P., Edinburgh	34.1	USD	2016	5,157,688	–1,414,669
R+V Kureck Immobilien GmbH Grundstücksverwaltung Braunschweig, Wiesbaden	50.0	EUR	2016	8,042,903	286,847
R.G.A. Agrupación de Interés Ecónomico, Madrid	12.0	EUR	2016	117,197	–
R.G.A. Mediación, Operador de Banca-Seguros Vinculado, S.A., Madrid	28.5	EUR	2016	5,067,729	771,152
Rural Pensiones, S.A. Entidad Gestora de Fondos de Pensiones, Madrid	17.5	EUR	2016	17,150,000	419,000
Rural Vida, S.A. de Seguros y Reaseguros, Madrid	28.5	EUR	2016	144,312,000	16,570,000
Schroder Italien Fonds GmbH & Co. KG, Frankfurt am Main	23.1	EUR	2016	728,278	–135,721
Schroder Italien Fonds Holding GmbH, Frankfurt am Main	23.1	EUR	2016	-28,490,718	–579,052

[1]) Company in liquidation

B. II. 3. SHAREHOLDINGS

Name of company and registered office	Shares in Capital in %	Currency	Fiscal year	Equity	Result
Schroder Property Services B.V. S.à.r.l., Senningerberg	30.0	EUR	2016	168,280	26,813
Seguros Generales Rural, S.A. de Seguros y Reaseguros, Madrid	28.5	EUR	2016	192,562,000	20,091,000
Tintoretto Rome S.r.L., Milan	23.1	EUR	2016	1,459,207	609,763
Versicherungs-Vermittlungsgesellschaft des Sächsischen Landesbauernverbandes mbH, Dresden	50.0	EUR	2016	180,878	13,075
Versicherungs-Vermittlungsgesellschaft mbH des Bauernverbandes Mecklenburg-Vorpommern e.V.(VVB), Neubrandenburg	50.0	EUR	2016	164,194	9,863
Versicherungs-Vermittlungsgesellschaft mbH des Landesbauernverbandes Sachsen-Anhalt e.V.(VVB), Magdeburg	50.0	EUR	2016	57,440	9,462
VVB Versicherungs- und Vermittlungs-gesellschaft mbH des Landesbauern-verbandes Brandenburg, Teltow	50.0	EUR	2016	32,307	2,842
VV Immobilien GmbH & Co. United States KG i.L., Munich	24.7	EUR	2016	10,000	113,640

Notes to the balance sheet – assets

STATEMENT OF CHANGES TO ASSET ITEMS A., B. I. TO III IN FISCAL YEAR 2017[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	6	100.0	–
Total A.	**6**	**100.0**	**–**
B. Capital investments			
B.I. Land, leasehold rights and buildings including buildings on third-party land	3,527	0.1	–
B.II. Capital investments in affiliated companies and shareholdings			
1. Shares in affiliated companies	2,489,212	40.0	10,990
2. Loans to affiliated companies	98,051	1.6	29
3. Shareholdings	861	0.0	–
4. Total B. II.	2,588,124	41.6	11,019
B.III. Other capital investments			
1. Stocks, shares or shares in investment funds and other variable interest securities	595,440	9.6	129,837
2. Bearer bonds and other fixed-interest	2,037,918	32.8	478,255
3. Other loans			
a) Registered bonds	484,125	7.8	54,015
b) Bonded debt receivables and loans	253,860	4.1	72
4. Deposits at banks	231,534	3.7	47,686
5. Other capital investments	22,979	0.4	7,528
6. Total B. III.	3,625,856	58.3	717,393
Total B.	**6,217,507**	**100.0**	**728,412**
Total	**6,217,513**		**728,412**

[1]) Discrepancies in totals are due to rounding
[2]) thereof currency write ups: EUR 1,465 thousand
[3]) thereof currency depreciation: EUR 81,345 thousand

Transfers	Disposals	Write-ups[2])	Depreciation[3])	Values for current fiscal year	
Thou. Euro	Thou. Euro	Thou. Euro	Thou. Euro	Thou. Euro	%
–	–	–	6	–	–
–	**–**	**–**	**6**	**–**	**–**
–	–	–	67	3,459	0.1
–	378	–	–	2,499,825	37.8
–	45,918	61	109	52,114	0.8
–	–	125	–	986	–
–	46,295	185	109	2,552,924	38.6
–	387	614	2,947	722,557	10.9
–	151,509	984	66,834	2,298,814	34.7
–	30,203	–	2,645	505,292	7.6
–	15,737	–	1,728	236,467	3.6
–	–	1,279	9,582	270,917	4.1
–	2,458	–	–	28,049	0.4
–	200,295	2,877	83,735	4,062,096	61.4
–	**246,590**	**3,063**	**83,912**	**6,618,480**	**100.0**
–	**246,590**	**3,063**	**83,918**	**6,618,480**	

B. CAPITAL INVESTMENTS

in thousand EUR			2017
	Book value	**Current value**	**Reserve**
I. Land, land rights and buildings including buildings on third-party land	3,459	9,113	5,654
II. Capital investments in affiliated companies and shareholdings			
1. Shares in affiliated companies	2,499,825	5,444,761	2,944,936
2. Loans to affiliated companies	52,114	54,927	2,813
3. Shareholdings	986	986	–
III. Other capital investments			
1. Stocks, shares or shares in investment funds and other variable interest securities	722,557	765,301	42,744
2. Bearer bonds and other fixed-interest securities	2,298,814	2,433,735	134,921
3. Other loans			
a) Registered bonds	505,292	580,673	75,381
b) Bonded debt receivables and loans	236,467	269,839	33,372
4. Deposits at banks	270,917	270,968	51
5. Other capital investments	28,049	29,278	1,229
IV. Deposits with ceding insurers	265,337	265,337	–
	6,883,817	**10,124,919**	**3,241,102**

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 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 is used to determine the relative fair values for shareholdings.

The land was revalued as at 31 December 2017. The standard ground value 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 (2) HGB, EUR 3,017.1 million of capital investments have been assigned to assets. This includes positive valuation reserves of EUR 184.8 million and negative valuation reserves of EUR 7.2 million based on the rates on 31 December 2017.

The valuation reserves of the total capital investments amount to EUR 3,241.1 million, which corresponds to a reserve ratio of 47.1 %.

B. OTHER CAPITAL INVESTMENTS – INFORMATION ON FINANCIAL INSTRUMENTS WHICH ARE REPORTED AT MORE THAN THEIR FAIR VALUE

in thousand EUR			2017
Type	**Nominal volume**	**Book value**	**Current value**
Bearer bonds and other fixed-interest securities [1]	618,128	622,535	615,355
Registered bonds and other loans [2]	97,685	97,684	93,620
Holdings and other capital investments [3]	–	144,349	144,329

[1]) Due to the given 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 creditworthiness.
[3]) Due to the expected profits of the companies, the impairments are not permanent but dependent on market price changes.

B. CAPITAL INVESTMENTS – INFORMATION ON DERIVATIVE FINANCIAL INSTRUMENTS

in thousand EUR				2017
Type	**Nominal volume**	**Book value**	**Positive fair value**	**Negative fair value**
Interest-related business				
Futures/forward purchases registered certificates [1]	39,500	–	10,461	–
Futures/forward purchases bearer bonds [2]	37,000	–	5,633	–182
Currency-related business				
Forward exchange transactions [3]	359,429	1,172	1,172	–1,172

[1]) The fair values are determined on the basis of the discounted cashflow method: The interest rate curve and the credit spread are the valuation parameters for this purpose.
[2]) The fair values are valued on the basis of the discounted cashflow method: The spot rate and the interest rate curve are the valuation parameters for this purpose.
[3]) Fair values correspond to the discounted "delta" between the agreed forward rate and the forward rate as at the valuation 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 discounted cashflow 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; mostly values were used which could be observed on the market.

B. III. OTHER CAPITAL INVESTMENTS - STOCKS, SHARES OR SHARES IN INVESTMENT FUNDS AND OTHER NON-VARIABLE INTEREST SECURITIES

in thousand EUR				2017
Fund type	Market value	Difference between market value/ carrying amount	Distribution for the fiscal year	Omitted non-scheduled Depreciation
Equity fund	17,662	2,367	253	–
Pension fund	64,489	–	2,338	–
Mixed fund	609,376	29,244	19,110	–
	691,528	**31,611**	**21,701**	**–**

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

The investment principle of Section 215 (1) VAG regarding security is observed at all times.

E. II. OTHER ACCRUALS ITEMS

in EUR	2017
Expenditure relating to subsequent fiscal years	
Status as at 31 December	**203,223**

Notes to the balance sheet – equity and liabilities

A. I. CALLED-UP CAPITAL

in EUR	2017
The subscribed capital is divided into 13,560,480 no-par value shares (registered shares with restricted transferability).	
Status as at 31 December	**352,220,259.74**

The status of the subscribed capital has not changed from that as at 31 December 2016.

In accordance with Section 20 (4) AktG, DZ BANK AG informed that it holds the majority of the shares in R+V Versicherung AG.

A. II. CAPITAL RESERVES

in EUR	2017
Status as at 31 December	**1,632,887,360.26**

The status of the capital reserves has not changed from that as at 31 December 2016.

A. III. RETAINED EARNINGS

in EUR	2017
Other retained earnings	
Status as at 31 December	**164,666,337.05**

The status of the retained earnings has not changed from that as at 31 December 2016.

C. I. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

in EUR	2017
Amount payable	19,510,611.79
Offsettable reinsurance assets (claims from life insurance policies)	14,688,387.55
Status as at 31 December	**4,822,224.24**

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 1,608,759.

C. III. OTHER PROVISIONS

in EUR		2017
Holiday/flexi-time credits		1,628,300.—
Working life		—.—
Provision	3,222,681.35	
Offsettable reinsurance assets (claims from life insurance policies)	3,222,681.35	
Capital investment area		1,772,689.64
Annual financial statements		198,773.—
Storage of business records		548,161.—
Employer's accident liability association		139,000.—
Personnel costs		6,535,710.—
Anniversaries		2,414,243.—
Other provisions		47,908,492.64
Status as at 31 December		**61,145,369.28**

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

E. OTHER LIABILITIES

in EUR	2017
Liabilities with a remaining term of more than five years	
Loans	6,130,000.—
Status as at 31 December	**6,130,000.—**

There were no liabilities secured by liens or similar rights.

Notes to the income statement

I. 1. A) GROSS PREMIUMS WRITTEN

in EUR	2017	2016
Property and casualty, health and accident insurance	2,539,513,585.46	2,202,745,764.24
Life insurance	24,252,899.—	25,856,471.91
Status as at 31 December	**2,563,766,484.46**	**2,228,602,236.15**

I. 2. TECHNICAL INTEREST INCOME FOR OWN ACCOUNT

in EUR	2017	2016
Status as at 31 December	**951,940.72**	**837,617.57**

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	2017	2016
Status as at 31 December	**1,991,516,064.87**	**1,638,648,873.99**

There was a gross profit of EUR 8.7 million from the settlement of the provisions for outstanding claims assumed from the previous fiscal year.

II. 2. DEPRECIATION ON CAPITAL INVESTMENTS

in EUR	2017	2016
b) Depreciation on capital investments		
Scheduled depreciation	67,384.—	67,384.—
Non-scheduled depreciation in accordance with Section 253 (3) sentence 6 HGB	2,499,342.23	1,858,045.71
Non-scheduled depreciation in accordance with Section 253 (4) HGB	—.—	219,000.—
Status as at 31 December	**2,566,726.23**	**2,144,429.71**

II. 4. OTHER INCOME

in EUR	2017	2016
Income on services provided	21,586,579.84	18,487,582.55
Other interest income	12,279,305.66	5,987,272.03
Income from liability insurance	1,467,611.04	1,336,451.56
Other income	37,781,152.09	3,236,515
Status as at 31 December	**73,114,648.63**	**29,047,821.14**

Other income includes reporting date-related exchange rate gains of EUR 37.5 million.

II. 5. OTHER EXPENDITURE

in EUR	2017	2016
Expenditure on services provided	21,251,725.57	18,166,061.55
Expenditure that affects the company as a whole	19,756,140.51	14,160,446.92
Other interest expenditure	9,605,353.15	6,862,774.14
Interest transferred to provisions	949,249.07	866,805.76
Interest to be offset from offsettable assets	–814,637.35	–710,048.14
Expenditure from outsourcing pension provisions	362,609.89	460,991.56
Other expenditure	15,644,341.21	34,424,732.95
Status as of 31 December	**66,754,782.05**	**74,231,764.74**

Other expenditure includes exchange rate losses of EUR 13.4 million as at the reporting date.

Other explanatory notes

SUPERVISORY BOARD

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
General representative of DZ BANK AG
Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main

Ansgar Gerdes
Member of the Works Council, R+V Allgemeine Versicherung AG, VH-Betrieb Hamburg, Hamburg
(as of 1 January 2018)

Engelbert Knöpfle
Head of the Sales Division of R+V Allgemeine Versicherung AG,
South-East sales division, Munich

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

Karl-Heinz Moll
Retired member of the Board of Management of DZ BANK AG
Deutsche Zentral-Genossenschaftsbank, Düsseldorf
(until 8 June 2017)

Dr Cornelius Riese
Member of the Board of Management, DZ BANK AG
Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main
(as of 8 June 2017)

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

Armin Schmidt
Trade Union Secretary Financial Services of
Vereinte Dienstleistungsgewerkschaft ver.di,
Wiesbaden District, Wiesbaden

Sigrid Schneider
Chairman of the Works Council for
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 for the joint operation
R+V Management Company Hamburg/KRAVAG, Asendorf
(until 31 December 2017)

Martina Trümner
Federal Administration legal adviser
Vereinte Dienstleistungsgewerkschaft ver.di, Berlin

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

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

BOARD OF MANAGEMENT

Dr Norbert Rollinger
– Chairman –

Claudia Andersch
(as of 1 November 2017)

Frank-Henning Florian
(until 31 December 2017)

Heinz-Jürgen Kallerhoff

Dr Christoph Lamby

Dr Edgar Martin

Julia Merkel

Marc René Michallet

Peter Weiler

PERSONNEL EXPENDITURE

in EUR	2017	2016
1. Wages and salaries	50,373,411.15	47,886,490.21
2. Social security deductions and expenditure on other benefits	6,418,307.59	5,907,484.67
3. Expenditure on pension provision	8,466,486.31	3,941,925.68
4. Total expenditure	**65,258,205.05**	**57,735,900.56**

Total remuneration of the members of the Board of Management amounted to EUR 8,403,060.– (2016: EUR 8,652,590.–).

EUR 841,230.– was paid to former members of the Board of Management and their dependants (2016: EUR 729,040.–). As part of the outsourcing of pension obligations for members of the Board of Management in 2017, contribution payments of EUR 2,140,141.44 (2016: EUR 2,046,948.70) was paid to Versorgungskasse genossenschaftlich orientierter Unternehmen e.V., and EUR 68,509.92 for former members of the Board of Management and their dependents (2016: EUR 591,670.73) to R+V Pensionsfonds AG and EUR 120,158.97 (2016: EUR 101,818.47) to Versorgungskasse genossenschaftlich orientierter Unternehmen e.V.

For the pensions and pension entitlements of former members of the Board of Management and their dependants, there is a provision in excess of EUR 7,165,733.– (2016: EUR 6,815,579.–). Furthermore, obligations for this group of people of EUR 1,237,363.– (2016: EUR 1,414,129.–) are not shown in the balance sheet due to Article 67 (1) EGHGB (Einführungsgesetz zum Handelsgesetzbuch [Introductory Act to the German Commercial Code]).

EUR 495,375.– was paid out to the Supervisory Board in the fiscal year (2016: EUR 367,970.–). No contributions that require disclosure in accordance with Section 285 No. 9 c HGB were recorded in the fiscal year.

NUMBER OF EMPLOYEES

During the 2017 fiscal year, an average of 558 employees (2016: 522) were employed at R+V Versicherung AG.

INFORMATION ABOUT RELATED PARTIES AND COMPANIES

During the reporting period no transactions as defined by Section 285 No. 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	2017
Audit services	1,005,712.43
Other certification services	14,840.—
Other services	495.—
Total expenditure	**1,021,047.43**

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 No. 3a HGB:

in Euro	Details concerning amount	Thereof due to: affiliated companies	Risks	Benefits
1. Letters of Credit	367,382,090.57	2,590,403.16	If the payment obligations to the cedents are not met, then the guarantees may be utilised.	Bank guarantees were used to provide collateral for technical liabilities so that business can be conducted in foreign markets.
2. Supplementary payment obligations	115,282,486.90	96,469,450.—	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	165,000,000.—	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	181,532,154.02	4,694,929.41	Outflow of liquidity. Opportunity costs are incurred due to the low interest rate.	Investments were blocked in separate deposit accounts in favour of reinsurers.
6. Liabilities from pending transactions	77,500,000.—	39,000,000.—	Opportunity costs due to low interest rate; counterparty risk and issuer risk.	Compensation for liquidity fluctuations during the course of the fiscal year and avoiding 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.
Total	**926,601,731.49**	**182,654,782.57**		

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 annual financial statements in accordance with IFRS. This will be published in the electronic Official Gazette of the Federal Republic of Germany.

The consolidated annual financial statements of R+V Versicherung AG are included in the higher ranking consolidated annual financial statements of DZ BANK AG Deutsche Zentral-Genossenschaftsbank. This will be published in the electronic Official Gazette of the Federal Republic of Germany.

SUPPLEMENTARY REPORT

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

Wiesbaden, 2 March 2018

The Board of Management

Dr Rollinger	Andersch	Kallerhoff	Dr Lamby
Dr Martin	Merkel	Michallet	Weiler

Independent auditor's report

To R+V Versicherung AG

Report on the audit of the annual financial statements and of the management report

Opinions

We have audited the annual financial statements of R+V Versicherung AG, Wiesbaden, which comprise the balance sheet as at 31 December 2017, and the income statement for the fiscal year from 1 January 2017 to 31 December 2017, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of R+V Versicherung AG for the fiscal year from 1 January 2017 to 31 December 2017. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to Sec. 289 et seq. (4) HGB ["Handelsgesetzbuch": German Commercial Code] (disclosures on the quota for women on executive boards) or the report on equality and equal pay pursuant to Sec. 21 et seq. EntgTranspG ["Entgelttransparenzgesetz": German Pay Transparency Act] included in the management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to insurance companies and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2017 and of its financial performance for the fiscal year from 1 January 2017 to 31 December 2017 in compliance with German legally required accounting principles, and

- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of the aforementioned statement on corporate governance (disclosures on the quota for women on executive boards) or the report on equality and equal pay.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis of the opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the annual financial statements and of the management report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the fiscal year from 1 January 2017 to 31 December 2017. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

Valuation of unlisted financial instruments and identification of impairment likely to be permanent for financial instruments valued as fixed assets

Reasons why the matter was determined to be a key audit matter

For the majority of the unlisted financial instruments, in particular bonds and loans as well as structured financial instruments, the fair values were calculated using standard market valuation methods, in particular discounted cash flow methods and the shifted LIBOR market model. Additionally, instrument-specific accepted valuation methods are applied to a lesser extent. The input data used are principally valuation parameters observed on the market as well as occasionally instrument-specific valuation parameters such as maturity-dependent yield curves, risk premiums and volatilities. The calculation of these valuation parameters involves estimates subject to judgment. Furthermore, the management board exercises discretion drawing on predetermined criteria in assessing the existence of any impairment that is likely to be permanent for all financial instruments valued as fixed assets. The judgment exercised in the determination of key valuation criteria as part of the valuation of unlisted financial instruments and in the assessment of the existence of any impairment that is likely to be permanent for all financial instruments valued as fixed assets constitutes a key audit matter. Furthermore, the unlisted financial instruments make up a high percentage of capital investments.

Auditor's response

During our audit, we first tested the internal control system as pertains to the structure and effectiveness of the implemented controls. Our control tests focused on controls designed to ensure the correct calculation of fair value as well as controls in connection with the examination the permanent nature of any impairment.

For unlisted financial instruments, we assessed the valuation methods as to whether they ensure a reliable calculation of fair value when applied properly. Furthermore, we examined the valuation parameters used (in particular maturity-dependent yield curves, risk premiums as well as volatilities and probabilities estimates). In doing so, we examined the judgment-based valuation parameters observed on the market as to whether these fall within the spectrum observed on the market and whether the instrument-specific valuation parameters used are suitable. In this context, we compared the valuation parameters used that are observable on the market with the publicly available valuation parameters on a test basis, assessed instrument-specific valuation parameters with regard to their appropriateness and validated the calculated fair values by having specially trained employees perform their own calculations.

The fair values of unlisted financial instruments calculated by the management board in this way were examined in the course of the audit together with the fair values of listed financial instruments in relation to the permanent nature of any impairment. Our audit also included a review of the criteria used for the purpose of identifying any permanent impairment and its consistent application. We examined in particular whether a documented estimation was made for all relevant financial instruments with regard to existing impairment and whether judgment-based decisions concerning the identification of impairment likely to be permanent were made properly and in accordance with the provisions of the HGB.

Our procedures did not lead to any objections to the valuation of unlisted financial instruments or to the identification of impairment that is likely to be permanent for financial instruments valued as fixed assets.

Reference to related disclosures
The disclosures concerning the valuation of unlisted financial instruments and for the purpose of identifying any impairment likely to be permanent for financial instruments valued as fixed assets are included in the notes to the financial statements in the section entitled "Accounting and valuation methods" and "Notes to the balance sheet – assets".

Valuation of the gross provision for outstanding claims

Reasons why the matter was determined to be a key audit matter
The gross provision for outstanding insurance claims covers the partial provisions for known insurance claims, which are valued in accordance with Sec. 341g HGB.

In the reinsurance business operated by the Company, the gross provision for outstanding insurance claims is generally valued in accordance with the information supplied by the assignor. If this information is not available or is deemed by the Company's management board as insufficient for the recognition of a provision, the gross provision is determined on the basis of actuarial methods. The management board introduced estimation procedures for this purpose. The estimates are largely based on information provided by the pertinent department at the contractual level, the relevant segment settlement patterns stemming from the actuarial damages projection, the respective conditions of the insurance agreement, the prior-year estimates and the actual settlement (misjudgment). We deemed this area to be a key audit matter due to the judgment exercised by the management board in identifying the settlement patterns.

Auditor's response
During our financial statement audit we analyzed the process of claims handling and calculating the gross provision for known insurance claims as well as the procedures, methods and control mechanisms applied.

In doing so, we examined by way of analyzing individual claims whether the process of claims handling and reservation from the claim report to the assignor to the recognition in the annual financial statements was carried out properly. We tested the structure and effectiveness of the controls implemented in this process.

For the purpose of assessing the appropriateness of the valuation, we assessed the plausibility of the actuarial estimation procedures and obtained an understanding of individual claims reserves by performing risk-oriented tests on a sample basis. We also analyzed the misjudgment (difference between the original claims actually received in the following year and the estimates recognized in the prior year).

Additionally, we also carried our own claims projection using a mathematical-statistical procedure in order to assess the valuation of the provision for outstanding claims.

We relied on our own actuaries for our audit.

Our audit procedures did not give rise to any objections to the valuation of the gross provision for outstanding claims.

Reference to related disclosures
The disclosures on the valuation of the gross provision for outstanding claims are included in the section entitled "Accounting and valuation methods" of the notes to the financial statements.

Other information
The supervisory board is responsible for the supervisory board report. In all other respects, the executive directors are responsible for the other information. The other information comprises the statement on corporate governance pursuant to Sec. 289f (4) HGB (disclosures on the quota for women on executive boards) and the report on equality and equal pay ("Entgeltbericht") pursuant to Sec. 21 et seq. EntgTranspG ["Entgelttransparenzgesetz": German Pay Transparency Act].

Our opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the executive directors and the supervisory board for the annual financial statements and the management report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to insurance companies, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that, as a whole, provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's responsibilities for the audit of the annual financial statements and of the management report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Company.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.

- Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Company's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further information pursuant to Art. 10 of the EU Audit Regulation
We were elected as auditor by the supervisory board on 22 March 2017. We have been the auditor of R+V Versicherung AG without interruption since fiscal year 2012.

We declare that the opinions expressed in this auditor’s report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement
The German public auditor responsible for the engagement is Martin Gehringer.

Eschborn/Frankfurt am Main, 5 March 2018

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Gehringer	Kaminski
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Report by the Supervisory Board

The German economy showed a positive trend in 2017. According to the initial calculations by the German Federal Statistical Office, last year's gross domestic product grew by 2.2 % in real terms. Growth has broadened and is based on growing exports, increasing investment and higher consumer consumption within the population. Unemployment fell to its lowest level since the reunification, and the inflation rate increased.

The economy has also performed very positively in the euro area. Nevertheless, the inflation rate is well below the Central Bank target of 2.0 %. The US economy is continuing its growth with inflation recovering as well. The divergent monetary policies have had a major impact on the capital markets in 2017. While the American central bank the Fed has marked out a gradual path towards normalisation with three additional base rate increases in 2017, the European Central Bank has persisted with its zero-rate policy and expansive injection of liquidity into the economy. The political uncertainty at the start of the year has declined somewhat with the election results in the euro area and greater dose of political realism in the USA. Geopolitical tensions have caused risk-averse behaviour on the markets at times.

The German insurance industry grew once again in 2017. As the Gesamtverband der Deutschen Versicherungswirtschaft (GDV, German Insurance Association) announced at its annual press conference, the industry's premium revenues grew by 1.7 % to EUR 197.7 billion. The dominant topics were the new regulatory requirements, the low interest environment and digitalisation and its impact on the insurance industry. A number of insurers, including R+V, have already firmly anchored digitalisation as a key issue for the future in their corporate strategy.

The Supervisory Board took the general economic conditions in 2017 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 subjects of legal issues relating to the Supervisory Board's duties and compliance with Solvency II, accounting of insurance companies, capital investment by insurance companies, risk management and solvency balance sheet matters and actuarial practice under Solvency II were held for the members of the Supervisory Board.

Cooperation with 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 Chairmen of the Board of Management have held regular talks with the Chairmen 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 six meetings during the 2017 fiscal year: on 21 March 2017, 22 March 2017, 8 June 2017, 10 July 2017, 7 September 2017 and 24 November 2017.

In addition, the audit committee held a meeting on 17 March 2017 and the personnel committee held meetings on 15 March 2017, 10 July 2017, 3 September 2017 and 20 November 2017. During the meetings the Supervisory Board and the committees received and discussed verbal and written reports provided by the Board of Management.

The audit committee and Supervisory Board used a written decision procedure in a single urgent case.

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. The Supervisory Board has been intensively involved in this context with the medium-term strategic development through the drafted "growth through change" project. This involved in particular measures to increase customer penetration with the cooperative banks (Volks- und Raiffeisenbanken) and customer satisfaction, improved exploitation of growth potential, an increase in the efficiency of the business model as well as digitalisation. It also involved greater customer orientation by adjusting the organisational structure, digitalisation measures to expand the digital applications and online completion routes, networking of sales channels, product adaptations and digital customer interfaces. The Supervisory Board was also involved in the development of and strategy for capital investments, new product developments for life and non-life insurance and resolution recommendations to the annual general meeting. This involved, among others, the election of members of the Supervisory Board, the approval to conclude a new profit transfer agreement between R+V Versicherung AG and DZ BANK AG Deutsche Zentral-Genossenschaftsbank, the creation of authorised capital alongside the amendment of the Articles of Association, the issue of registered bonds within the framework of employee participation and the remuneration of the Supervisory Board. The Supervisory Board has also been intensively involved in the establishment of a branch office in South Africa as a transaction requiring its approval, the development of active reinsurance, the company's remuneration systems and personnel-related initiatives and measures. The Supervisory Board has also been dealing with the impact of the Investment Tax Reform Act (Investmentsteuerreformgesetz), the EU Insurance Distribution Directive and the CSR Directive Implementation Act. With regard to Board of Management matters, the Supervisory Board has in particular been involved in the remuneration of the Board of Management, a change to Board of Management employment contracts, a change to the rules of procedure for the Board of Management, the definition of a gender quota for the Board of Management by 30 June 2022 and an amendment to the Solvency II Directive for the remuneration of the Board of Management. The Supervisory Board has been intensively involved in the appointment of new members of the Board of Management in conjunction with the taking up of Board of Management mandates to succeed Mr Frank-Henning Florian, departing from the Board of Management with effect from 31 December 2017, as well as the announced departures from the Board of Management of Mr Peter Weiler, with effect from 21 June 2018, and of Mr Heinz-Jürgen Kallerhoff, with effect from 31 December 2018. The Supervisory Board has passed resolutions in this context regarding the appointment of the new member of the Board of Management, Ms Claudia Andersch, to succeed Mr Florian with effect from 1 November 2017, the appointment of Mr Jens Hasselbächer to succeed Mr Kallerhoff with effect from 1 April 2018, and the appointment of Mr Tillmann Lukosch to succeed Mr Weiler with effect from 22 June 2018, along with the respective conclusion of Board of Management employment contracts and pension entitlements, and has approved amendments to the allocation of business of the Board of Management in this context. With regard to Supervisory Board matters, the Supervisory Board has been involved in a self-evaluation required for regulatory purposes

along with the creation of a development plan, the remuneration of the Supervisory Board and the definition of a gender quota for the Supervisory Board by 30 June 2022.

The audit committee has been involved in the preliminary review of the annual financial statements of R+V Versicherung AG and the R+V Group for the 2016 fiscal year, the audit report issued by the auditor, the focal points of the audit, the risk strategy, the regulatory reporting for the key Solvency II Risk-Management, Actuarial, Compliance and Internal Audit roles, the mandating of the auditor with non-audit services and the preparation for the appointment of the auditor for the 2017 fiscal year. In addition, the audit committee also passed a resolution regarding an amendment to the guidelines for approving non-audit services by the auditor.

The personnel committee has been involved in the process for the taking up of Board of Management mandates to succeed Mr Frank-Henning Florian, departing from the Board of Management with effect from 31 December 2017, as well as the announced departures from the Board of Management of Mr Peter Weiler, with effect from 21 June 2018, and of Mr Heinz-Jürgen Kallerhoff, with effect from 31 December 2018. The personnel committee has submitted resolution recommendations in this context regarding the appointment of new members to the Board of Management of the company, as well as their Board of Management employment contracts and pension entitlements. This related to the appointments to the Board of Management of Ms Claudia Andersch with effect from 1 November 2017, Mr Jens Hasselbächer with effect from 1 April 2018 and Mr Tillmann Lukosch with effect from 22 June 2018. The personnel committee also handled resolution recommendations regarding Board of Management employment contracts, the remuneration of the Board of Management, the status of target achievement by members of the Board of Management in 2017 and the agreement of targets for variable remuneration for members of the Board of Management for 2018. In addition, the personnel committee also submitted resolution recommendations for determining the gender quota for the Board of Management by 30 June 2022 and amending the Solvency II Directive for the remuneration of the Board of Management.

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 the auditors remained independent and monitored the quality of their auditing on an ongoing basis.

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 2017 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 statement and the consolidated management report for the 2017 fiscal year.

The representatives of the auditors took part in both the audit committee meeting on 14 March 2018 and the Supervisory Board meeting on 16 March 2018 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 statements, the management report, the consolidated financial statements, the respective auditor’s certificates and the focal points of the audit (particularly the valuation of the fair value of the capital investments, the valuation of the gross provision for outstanding claims, collection of premiums and early risk identification system in accordance with Section 91 (2) AktG (German Companies Act) and the annual report by the Group Auditing 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 2017 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 2017 fiscal year in its meeting on 16 March 2018. 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 Norbert Rollinger, who was appointed by the Supervisory Board in its meeting on 18 March 2016 as the new Chairman of the Board of Management and director general to succeed, with effect from 1 January 2017, Dr Friedrich Caspers, departing from the Board of Management with effect from 31 December 2016, has accepted his mandate.

In addition, Dr Edgar Martin, who was appointed by the Supervisory Board in its meeting on 7 September 2016 as a member of the Board of Management with departmental responsibility for non-life insurance and passive reinsurance, with effect from 1 January 2017, has accepted his mandate.

Mr Frank-Henning Florian departed from the Board of Management with effect from 31 December 2017, and has retired.

Ms Claudia Andersch, who was appointed by the Supervisory Board in its meeting on 10 July 2017 as a member of the Board of Management to succeed Mr Florian, with effect from 1 November 2017, has accepted her mandate. Ms Andersch was appointed until 31 December 2017 in accordance with a resolution passed by the Supervisory Board in its meeting on 7 September 2017, initially without any departmental responsibility. Due to a resolution passed by the Supervisory Board in its meeting on 24 November 2017, departmental responsibility for personal insurance was transferred to Ms Frau Andersch, with effect from 1 January 2018, in succeeding Mr Florian who is departing from the Board of Management.

Changes to the Supervisory Board and the committees

Mr Karl-Heinz Moll has resigned from his post, exercised as a shareholder representative, as a member of the Supervisory Board and member and Chairman of the audit committee due to his retirement, this taking effect at the end of the ordinary annual general meeting on 8 June 2017. The ordinary annual general meeting on 8 June 2017 elected Dr Cornelius Riese as a member of the Supervisory Board to succeed Mr Moll as a shareholder representative, with effect from completion of the meeting. The Supervisory Board, in its meeting of 8 June 2017, elected Mr Riese to succeed Mr Moll as a member of the personnel committee and appointed the former as the Chairman of the audit committee.

Mr Uwe Abel's mandate to be member of the Supervisory Board exercised as shareholder representative ended immediately after the ordinary annual general meeting on 8 June 2017, in accordance with the usual rotation. Mr Abel's mandate as a member of the audit committee ended at the same time. The ordinary annual general meeting re-elected Mr Abel as a member of the Supervisory Board on 8 June 2017, with effect from completion of the meeting. The Supervisory Board re-elected Mr Abel as a member of the audit committee in its meeting on 8 June 2017.

Mr Engelbert Knöpfle, who succeeded Ms Rita Jakli, departing from her mandate as a member of the Supervisory Board as an employee representative with effect from 31 December 2016, and who was promoted as a member of the Supervisory Board as an elected replacement member of staff with effect from 1 January 2017, has accepted his mandate. Mr Knöpfle also accepted his mandate to succeed Ms Jakli as a member of the personnel committee and mediation committee, with effect from 1 January 2017, in which he was appointed to succeed Ms Jakli by the Supervisory Board in its meeting on 25 November 2016.

Ms Ursula-Maria von Tesmar resigned from her role as a member of the Supervisory Board and as a member of the personnel committee, with effect from 31 December 2017. Mr Ansgar Gerdes was promoted to the Supervisory Board as an elected replacement member of staff to succeed Ms von Tesmar as a member, with effect from 1 January 2018. In its written decision procedure on 7 February 2018, the Supervisory Board decided to elect Mr Thomas Bertels to the personnel committee with immediate effect to succeed Ms von Tesmar as a member. Mr Thomas Bertels resigned in this context from his post as a member of the audit committee, with effect from 15 February 2018. In its written decision procedure on 7 February 2018, the Supervisory Board decided to elect Ms Sigrid Schneider to the audit committee, with effect from 16 February 2018, to succeed Mr Bertels as a member.

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 2017.

Wiesbaden, 16 March 2018

The Supervisory Board

Kirsch Chair	Birkenstock Deputy Chair	Abel
Bertels	Fröhlich	Gerdes
Knöpfle	Krömer	Dr Riese
Schiweck	Schmidt	Schneider
Stockhausen	Trümner	Wiederer
Zachmann		

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 which provides the future cover for the policy holder 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
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 mathematical model used to value interest options, which was published by Fischer Black in 1976.

Black-Scholes model
The Black-Scholes model is a 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 expenditure on insurance operations to earned premiums – all net. This is equivalent to the total of the loss ratio 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 a life insurance companies) run several lines of insurance.

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

Cost ratio net
Expenditure on insurance operations in relation to earned premiums – 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 would be 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 or 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 that is ceded to reinsurers. Instead of "net" the description "Own account" is also used.

Guaranteed funds
The total of shareholders' equity, technical provisions and the equalisation provision. This is the maximum amount available 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 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 should ensure 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 at 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 at 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 plus 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
a) All risks assumed in total or in a sub-segment (e.g. insurance class, country); b) Group 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 considered 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 change, 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 refunds
Provision for obligations for premium refunds 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 supervisory regulations or regulations concerning individual contracts.

PUC method
The Projected Unit Credit method is an actuarial valuation procedure for obligations arising from 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 at ➔ current values in relation to the capital investments at book values.

Retention
The part of the assumed risks that the insurer does not cede to reinsurers i.e. shows 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 at 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 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 valuation of assets and liabilities in the commercial and tax balance sheets. By considering deferred taxes, the 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 ➔ current value of a capital investment.

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