ANNUAL REPORT
2014

R+V Versicherung AG

Volksbanken Raiffeisenbanken
cooperative financial network

R+V Versicherung AG

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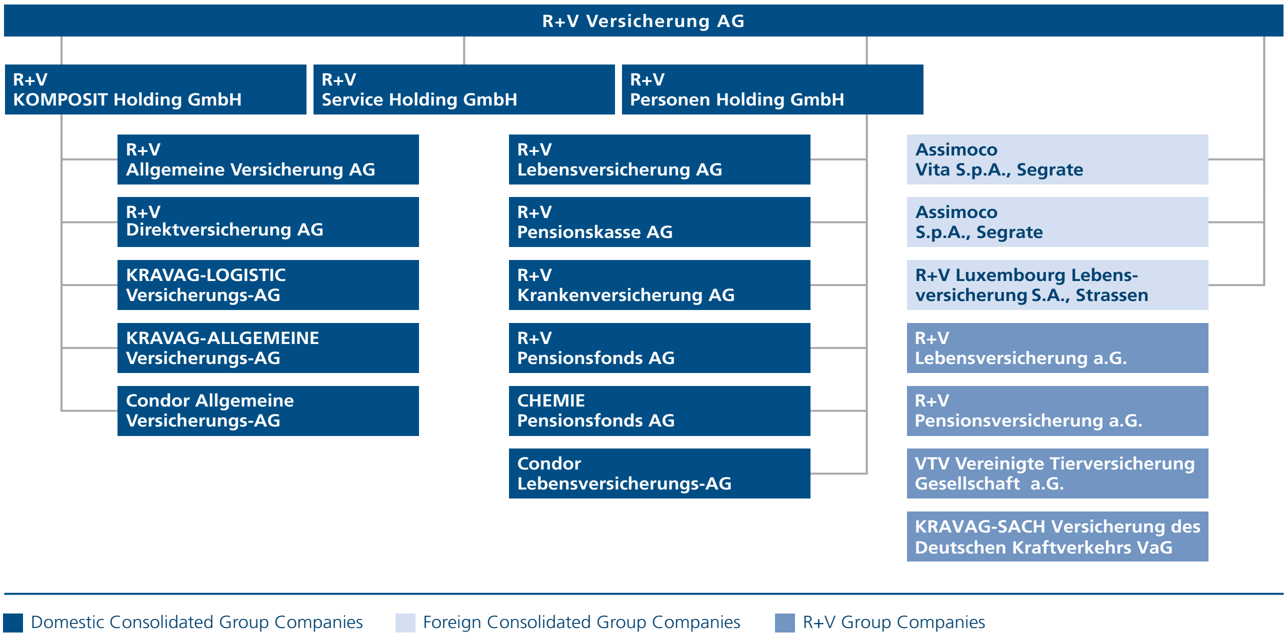
Registered at Wiesbaden Local Court HRB 7934

Annual Report 2014

Submitted for the ordinary Annual General Meeting
on 20 May 2015

R+V Consolidated Group – simplified presentation



FIGURES RELATING TO THE FISCAL YEAR

in EUR million	R+V Versicherung AG	
	2014	**2013**
Gross premiums written	1,746	1,522
Gross expenditure on claims in the fiscal year	1,233	1,240
Current income from capital investments	286	269
Capital investments	5,183	4,649
Number of employees on Dec 31	496	476
Gross premiums written		
Direct Domestic business of the R+V Group (HGB)	12,157	11,314
R+V Group (IFRS)	14,040	12,753
Annual result – R+V Group (IFRS)	553	207
Capital investments – R+V Group (IFRS)	81,207	71,706

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FURTHER INFORMATION

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

Management Report

Business development and economic 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 Consolidated 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. The reinsurance business is primarily conducted from the Head Office in Wiesbaden. The Group's interests in South East Asia are managed by the branch office in Singapore. From the 2015 underwriting year, the Asian business will also be managed by the Wiesbaden office.

Organisational and Legal Structure

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

A profit and loss transfer agreement exists between R+V Versicherung AG and DZ BANK AG for the period from 1 January 2012 to 31 December 2016. A tax sharing agreement has been concluded in relation to the profit transfer agreement, as a result of which the subsidiary company R+V Versicherung AG is subject to a fictional 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 2012 annual general meeting of R+V Versicherung AG determined an authorised capital amount. This authorised the Board of Management, with the agreement of the Supervisory Board, to increase the share capital, as a one-off or several times, in exchange for cash contributions up to EUR 21,298,701.30 corresponding to a total issue amount of approximately EUR 250 million. The authorised capital can be used until 31 May 2017. In the fiscal year, with the agreement of the Supervisory Board, the Board of Management utilised the first tranche of the authorised capital for an increase of capital in exchange for cash contributions with a total issue amount (including premium) of EUR 147,020,832.00. EUR 12,741,818.18 was apportioned for the increase in the share capital, the capital reserves were supplied with EUR 134,279,013.82. The remaining authorised capital ensures that R+V Versicherung AG will be able to continue its sustainable and profitable growth.

The R+V Versicherung AG subsidiaries, R+V KOMPOSIT Holding GmbH and R+V Personen Holding GmbH, bundle the holdings in the subsidiaries in the property and accident insurance and life and health insurance part of the business. Moreover, the service provider subsidiaries are brought together under R+V Service Holding GmbH.

R+V KOMPOSIT Holding GmbH has direct and indirect holdings in the following non-life and accident insurance companies:

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

R+V Personen Holding GmbH holds shares directly and indirectly in the domestic life and health insurance companies as well as pension funds and pension companies of the R+V Consolidated 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 Pensionsfonds AG and R+V Gruppenpensionsfonds AG were merged with retrospective effect from 1 January 2014. R+V Gruppenpensionsfonds AG was renamed R+V Pensionsfonds AG.

Optima Pensionskasse Aktiengesellschaft was also merged with R+V Pensionskasse AG with retrospective effect from 1 January 2014.

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

– R+V Service Center GmbH
– carexpert Kfz-Sachverständigen GmbH
– compertis Beratungsgesellschaft für betriebliches Vorsorgemanagement GmbH
– GWG Gesellschaft für Wohnungs- und Gewerbebau Baden-Württemberg AG
– UMB Unternehmens-Managementberatungs GmbH
– R+V Rechtsschutz-Schadenregulierungs-GmbH
– Sprint Sanierung GmbH
– HumanProtect Consulting GmbH

R+V Versicherung AG has concluded control as well as profit and loss transfer agreements with R+V KOMPOSIT Holding GmbH, R+V Personen 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 Personen Holding GmbH has concluded profit and loss transfer agreements with R+V Lebensversicherungs AG and Condor Lebensversicherungs-Aktiengesellschaft.

R+V Service Holding GmbH has concluded profit and loss transfer agreements with R+V Service Center GmbH and PASCON GmbH.

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

The uniform management of the R+V Group is also reflected in the extensive outsourcing and service agreements concluded between the companies.

R+V Versicherung AG's annual financial statement has been prepared in accordance with the provisions of the German Commercial Code (HGB), in conjunction with the Insurance Accounting Directive (RechVersV). In addition, the company also prepares consolidated financial statements, in accordance with International Financial Reporting Standards (IFRS).

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
– WGZ BANK AG Westdeutsche Genossenschafts-Zentralbank, Düsseldorf
– Bayerische Raiffeisen-Beteiligungs-AG, Beilngries
– Genossenschaftliche Beteiligungsgesellschaft Kurhessen AG, Kassel
– Beteiligungs-AG der bayerischen Volksbanken, Pöcking
– Norddeutsche Genossenschaftliche Beteiligungs-AG, Hanover
– KRAVAG-SACH Versicherung des Deutschen Kraftverkehrs VaG, Hamburg

– R+V Lebensversicherung a.G., Eltville
– 664 Co-operative banks from all regions of Germany
– 7 free-float shares

Relations to affiliated companies

Owing to the profit and loss transfer agreement concluded with DZ BANK AG in the 2012 fiscal year, the obligation to prepare a dependent company report ceases to apply in accordance with §316 of the Aktiengesetz (AktG – German Public Limited Companies Act).

Personnel report

The number of employees in R+V Versicherung AG increased by 20 employees to 496 compared to 476 employees in the previous year. The average time of service for the company was approximately 11 years.

As an attractive employer, R+V consistently pursues a human resources strategy that is aimed primarily at employee commitment and safeguarding lasting skills. In the race for the best talent, the company is strongly committed to training junior staff. Consequently, R+V offers numerous career opportunities in office and sales work for secondary-school graduates, such as dual course degrees:

– Bachelor of Science in Insurance and Finance alongside training as an insurance and financial advisor, with the theoretical part at the Rhein Main Business School, specialising in insurance, and practical application in the R+V office, both in Wiesbaden

– Bachelor of Science in Business Information Systems alongside training as an IT specialist, with the theoretical part at the FH Mainz, specialising in applications development, and practical application in the R+V office in Wiesbaden

– Bachelor of Arts in Insurance and Finance, with the theoretical part at the Baden-Württemberg Co-operative State University, and the practical application in the R+V office, both in Stuttgart

– Bachelor of Arts or Bachelor of Science: Dual study course in business management in banking or estate agent marketing with the theoretical part in Karlsruhe, Mannheim, Berlin or Dresden. The practical training takes place regionally in one of the eight R+V sales departments.

In addition, vocation training is offered, leading to qualification as an insurance and financial advisor in the insurance field, and as an IT specialist in the application development field. The field service trains people in the sales department as insurance and financial advisors in the banking and general agent sales channels. The training model provides access to specialist career paths in sales, as a private customer advisor or real estate advisor. In addition, since August 2013, the Group company UMB Unternehmens-Managementberatungs GmbH has been a training centre for aspiring office-based sales professionals.

The office or field-based trainee programmes are entry level programmes and training programmes for university and college graduates. Each year, approximately 15 to 20 committed young professionals begin an office-based trainee programme in various specialist areas after their studies. In 2014, 18 graduates began the specialist sales programme. In the middle of the trainee programme, trainees are promoted to qualified specialists in the insurance sectors, depending on technical and personality characteristics. Junior staff are specifically and comprehensively prepared to take on a demanding range of tasks through systematic and practice-focussed on-the-job development and accompanying seminars.

Continuing training is very important for R+V. Against the background of increasing and changing requirements, further training measures support the employees to help them overcome the challenges of the working world. This support includes equipping employees with future-proof qualifications, which is indispensable for successful co-operation with clients and partners. In the face of demographic change and the looming skills shortage, R+V secures the long-term loyalty to the company of skilled staff through attractive development prospects. The introduction of a new career model in office work with equal career models for management, project and technical careers provides new career opportunities and more transparency for the employees' professional development.

R+V offers comprehensive training programs with technical and methodological training and a wide range of events. As well as the traditional programmes with group and individual activities, R+V also increasingly provides e-learning and webinars.

The German insurance industry has founded the "good advice" initiative together with its associations to support regular training. R+V joined on 1 January 2014 and has contributed substantially to the development of this industry initiative. The aim of the voluntary initiative of the insurance industry associations is the professionalisation of the insurance broker trade. R+V has already previously been focussed on providing professional and skilful advice to the customer. With "good advice" R+V strives to make the commitment to guaranteeing subject and consulting expertise clear to the consumer.

By joining the initiative, participation is obligatory for R+V's brokers. The initiative includes that brokers regularly attend training and thereby earn so-called training points (WP), for which one WP corresponds to 45 minutes studying time. 200 WP must be collected within five years, so that brokers have to spend roughly 30 hours on further training per year. These can be fulfilled by, for example, attending classes, technical training or self-taught programmes. An overview will make it clear to the broker how many WP he earns from a given desired activity. The individual training activities of the broker will be documented in a multi-firm database of the Gesamtverband der Deutschen Versicherungswirtschaft e.V. (GDV). The brokers have access to their personal training account and can document their training with certificates as evidence for their customers. Therefore R+V ensures a high level of qualification for its insurance brokers which, building on a solid basic education, keeps their subject and consulting expertise at a high standard through regular further training.

In 2014 R+V focussed on a systematic approach to talent management in order to best fill key positions from within the company. In its succession planning, the needs for the first to the third level in management, project and specialist careers were considered. High-potential staff are systematically identified and supported through development programmes and promotion circles specifically in order to qualify them to take on key positions.

R+V continuously invests in management and leadership training. With a comprehensive programme, executives are prepared for new tasks and challenges. The basis of these qualifications lies in the management guidelines and the St. Galler management model. Through these development programmes, R+V was able to establish a uniform concept of management. This is reflected in the results of the employee survey of 2014, in which the leadership theme was once again clearly valued. In 2014 the content of the seminar programme for management and executives was newly designed and tailored for future challenges.

R+V carried out an employee survey in 2014. It concerned a survey which was first carried out in this form in 2009, and was repeated in 2011. In 2014, R+V achieved an exceptionally high response rate of 82% (compared to 76% in 2011 and 73% in 2009), particularly though an increased participation of sales representatives of roughly nine percentage points. This shows a high acceptance of the tool amongst the employees. The Employee-Engagement-Index (MEX) stays at a very high level with 80%. In office work the MEX reached 82%, in sales 77%. 87% of the organisational units show a MEX above the benchmark. The benchmark value lies unchanged from 2011 at 64% and is clearly worse than R+V. R+V stands out even more positively from the rest of the market.

R+V was awarded the "audit berufundfamilie®" (business and family audit) certificate by the Hertie foundation. Through the award in 2012, it was recognised that R+V already offers a broad range of offers to support a balanced work and family life. Moreover, the family-friendly orientation of R+V's HR policy was judged positively. The family-oriented offers naturally include flexible working hours, various part-time work models and extensive special arrangements such as leave days for special family events, parent-child offices, nationwide holiday and emergency childcare facilities and personal advisory services. The objectives agreed as part of the certification are being implemented gradually. Thus R+V has, since 2014, in cooperation with an external provider, offered consulting and mediation services for the care of dependants, as well as with respect to childcare. Alongside the personal advice service, a comprehensive online portal is available with further information, which is a noticeable relief for employees. Since 2014 employees nationwide can take part in care seminars and book childcare for their children in the holidays.

For years, R+V has had a nationally-established network of social workers who act as contacts for local staff. Beyond the care seminars already offered by R+V, the social counselling service additionally started up a care network of affected or interested employees. Thanks to the policies and provisions already implemented and policies planned in future, employees can better harmonise their professional challenges and family responsibilities.

In 2015 R+V will be re-audited by the berufundfamile gGmbH. The berufundfamilie gGmbH was founded in 1998 by the non-profit Hertie foundation in order to bundle together all of the foundation's activities in the subject area. The society qualifies independent auditors who moderate and support the audit process and also decide whether to award the certificate. Recommended by the leading German trade associations, the Confederation of German Employers' Associations, the Federal Association of German Industry, German Industry and Trade Federation, and the German Confederation of Skilled Crafts, the "audit berufundfamilie®" also comes under the auspices of the Federal Family Minister and the Federal Economics Minister.

The company's healthcare management motto for 2014 was "together...". Under this motto, there were varied, targeted and interlinked activities, like nationwide ergonomics consulting for correct seating in cars or the promotion of daily exercise, for example through the "together, steps count", in which 132 teams nationwide took part with a total of 1,351 employees. It was also carried out through a variety of specific measures, from bone density measurement to flu vaccinations and talks on nutrition. Since 2013 R+V has also provided the so-called 'Life-Situation Hotline' for all employees via the Groupcompany, HumanProtect Consulting GmbH. Here, employees who are stressed or overworked, experiencing acute mental health crises or have suffered potentially traumatic events can obtain solution-oriented advice for up to five hours by phone, anonymously and free of charge. All field-based, general agency staff and office-based sales staff can use the online fitness studio Purlife free of charge to look after their health. As well as a variety of videos, the studio offers the opportunity to tune into a course taking place in real time on their private computers. Medics, sports coaches and sports scientists are available for individual questions by email, chat and telephone.

In 2015, R+V will complete the implementation of the career model. For this reason there are three equal development pathways in the company: management, project and technical careers. The three career paths don't merely make the possible development pathways clear to employees, but also enable R+V as an employer to provide targeted support and to recognise promotion needs and potential more precisely. The career model will be supplemented by various elements in the future. Firstly, the professional qualification will be standardised across the company, and more closely aligned to the requirements of the department. On the other hand, the specification of typical career and development paths takes place on the basis of transparency which is created by the career model.

Besides the "audit berufundfamilie®" certificate awarded by the Hertie foundation in 2012, in 2014 R+V received the "Top Employer" quality mark from the international Corporate Research Foundation (CRF) once again, the „Fair Company" mark from karriere.de and, along with the "Volksbank" and "Raiffeisenbank“ banks, was ranked in the 100 Top Employers in the „Schülerbarometer“ school pupil survey by the Trendence Institut. R+V also achieved the required number of positive evaluations by users of Kununu, an online employer evaluation platform, and was thus distinguished as a „Top Company“.

R+V is also a member of the „Erfolgsfaktor Familie“ [Success Factor Family] network of companies. Through membership in the “Bündnis für Familie und Beruf Wiesbaden“ [Wiesbaden Alliance for Family and Career], R+V is committed to, amongst other things, care skills training. R+V also achieved the Excellence Class for the Corporate Health Award 2014 and therefore is among the few nationwide Corporate Health Companies. EuPD Research Sustainable Management draws the conclusion that R+V has established excellent company health management which acts a role model across Germany, that company health management is structurally and strategically integrated into company procedures, and that employees benefit from comprehensive healthcare services so that their efficiency and motivation is sustainably strengthened. EuPD Research Sustainable Management is the leading provider for the analysis, modelling and auditing of sustainable management systems. In December 2014, R+V achieved the HR Excellence Award for its career model in the category of skills and performance management. This was awarded by the Association of German Personnel Managers, in collaboration with the magazine ‘Human Resources Manager’ and the HRM forum, a provider of HR conferences and training.

Sustainability

R+V’s sustainability policy concentrates on five central aspects: the responsibility for the environment, society, employees and clients, as well as the specific role as an insurer. In 2014, particular emphasis was placed on environmental and climate protection. From the beginning of the year, R+V Regional Offices in Frankfurt, Hannover und Stuttgart, and the Sales Office in Munich have been using climate-friendly green energy. As a result, R+V prevents the emission of approximately 1,400 tonnes of carbon dioxide per year (CO_2). R+V had already converted the central office in Wiesbaden and the local data centre as well as Condor Versicherungen in Hamburg to emissions-free electricity – and prevented nearly 11,000 tonnes of CO_2 per year. Since January 2015 KRAVAG-Versicherungen in Hamburg has also been using green energy.

In Summer 2013 R+V started the conversion to environmentally-friendly paper in its offices. Since then, instead of using approximately 30 million sheets of virgin fibre paper a year, R+V is using environmentally friendly recycled paper – saving about 450 tonnes of wood, nearly five million litres of water and about a million kilowatt hours of energy (electricity and heat). As the next step, R+V similarly plans to convert 140 million pages a year of client letters and contractual terms in the company’s own printing centre to recycled paper. Initial tests have been promising. The client post sent by R+V has been climate-neutral since 2011.

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, amount of waste, hazardous substances and CO_2 emissions. Moreover, this system contains clear environmental guidelines and targets for how the company aims to further improve in matters of environmental protection. Since TÜV Rheinland first certified R+V’s EMS in 2013, the certificate was renewed by an obligatory supervisory audit.

The City of Wiesbaden also confirmed that R+V is an exemplar of environmental commitment. The Hesse state capital rated R+V as an “ÖKOPROFIT-Betrieb“ [ECOPROFIT company] in 2014, as in 2013. This title is given exclusively to those companies that protect the environment to an exceptional degree and whose activities are also economically viable.

The stricter policies for capital investment adopted at the end of 2013 were subsequently implemented in 2014. With these standards, R+V ensured that its portfolio contained no manufacturers of mines or anti-personnel mines, nuclear, biological or chemical weapons as well as ammunition containing uranium. Financial products for agricultural commodities are also excluded. R+V was already consciously committed to not making capital investments, which contradict generally recognised sustainability principles. Furthermore, R+V has for years refrained from investing in manufacturers of cluster ammunition.

A key focus of R+V's social engagement is on traditional projects and associations which particularly realise the co-operative idea of 'Help for Self-Help'. R+V places significant value on long-term partnerships. These include, among others, the Wiesbaden BürgerKolleg [Wiesbaden Citizen's College], which offers free educational and training programmes for voluntary workers, and the Kinder-Unfallhilfe [child accident assistance] initiative. The Kinder-Unfallhilfe initiative, co-founded by KRAVAG, campaigns for increased child safety on the roads. The funding of the Wiesbaden Foundation's Leonardo School Awards, and the support for the 'Franz das Theater' ensemble from Lebenshilfe Wiesbaden, which primarily consists of disabled actors, are further examples of the R+V's varied and long-term commitments.

For the first time, R+V published a comprehensive overview of all its sustainability-related activities in a sustainability report in 2014. The focal points of this report are the responsibility as an investor and as an employer which has numerous measures for environmental and climate protection, as well as for social engagement. Moreover the report contains the sustainability programme which lists all the plans for the coming year. The report complies with the guidelines for sustainability reporting from the Global Reporting Initiative, and therefore satisfies internationally-recognised transparency standards. R+V published the report in a comprehensive, extended version online on www.nachhaltigkeitsbericht.ruv.de, as well as a shorter printed version.

Association memberships

The company is, amongst others, a member of the following associations/organisations:

- Gesamtverband der Deutschen Versicherungswirtschaft e.V. (GDV, or German Insurance Association)
- International Cooperative and Mutual Insurance Federation (ICMIF), Bowdon
- Association of Mutual Insurers and Insurance Cooperatives in Europe (AMICE), Brussels
- Association des Professionnels de la Réassurance en France (APREF), Paris

Important legal and financial influences

Macroeconomic Development in 2014

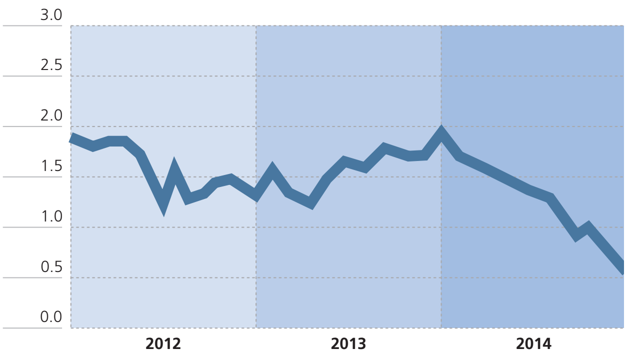
After a good start, the German economy lost some momentum over the course of 2014, in which geopolitical crises played a role alongside the unfavourable developments in the Eurozone. Yet the stable employment market, increasing revenues and the low interest rates remain pillars of the economy. According to the data of the Federal Statistics Office, gross domestic product grew by 1.6%.

In 2014, there were recognisable signs of growth in the Eurozone, and the economic growth in the USA continued. Inflation in the Eurozone steadily decreased, while the US rate of inflation remained stable. The sharply falling oil price at the end of the year exerted an additional downward pressure on inflation. The European Central Bank (ECB) cut the interest rate to virtually zero percent and considered a programme for the mass purchase of government bonds, which was decided upon at the beginning of 2015. However, the US Federal Reserve discussed an increase in the rate of interest and ended the purchase of government bonds. As a result of these contrasting developments the price of the US Dollar increased strongly against the Euro.

By the end of the year, the interest on ten-year German Government bonds had fallen to a historic low of 0.5%. The interest charges (Spreads) for the individual bond classes also fell

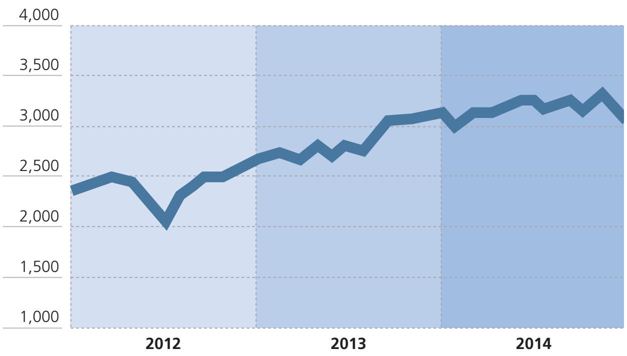
YIELD OF GOVERNMENT BONDS – 10 YEARS RESIDUAL TERM

In percentage



DEVELOPMENT OF SHARE INDEX EURO STOXX 50

Index



in the Eurozone. Equities fluctuated over the course of the year, and by the end of the year were slightly above the previous year's figure. The important Eurozone share index Euro Stoxx 50 (a price index) grew as of 31 December 2014 from 3,109 to 3,146 points, so by roughly 1.2%. The German share index DAX (a performance index) grew by 2.7% to 9,806 points.

Insurance business situation

The premium incomes for the German insurance market have also developed positively in 2014. This is based on the industry trade association GDV's first assessment, as the detailed figures for the fiscal year were not available before the deadline. In 2013 the sector had a total premium volume of EUR 187.3 billion.

Life insurance companies, including pension funds and schemes reached EUR 90.8 billion in premium volume in 2013. As in the previous years, the premium development was very strongly characterised by one-off contributions. In 2014 in the continuing low-interest environment, life insurance was also able to take up the good premium development of the previous years. With the law for the protection of stable and fair services for those with life insurance (Lebensversicherungsreformgesetz – LVRG), the legislature set in motion important changes for the industry in late summer. Thus among other things distribution of valuation reserves from fixed-interest securities was newly regulated, and transparency for customers was further increased with the compulsory disclosure of actual costs. The cut in guaranteed interest rates to 1.25% by the beginning of 2015, which was also formalised in the legislative package, reinforces the risk-bearing capacity.

In private health insurance, business remained subdued because there was no market impulse in 2014 as there was in 2013 with the introduction of 'Pflege-Bahr'. In the previous year, German health insurance companies earned EUR 35.9 billion in premiums; they paid out EUR 24.3 billion.

In indemnity and accident insurance, the positive growth in premiums continued in 2014. In 2013 the premium incomes of liability and accident insurers grew to EUR 60.6 billion, in which motor insurance and private non-life insurance had predominantly contributed to the growth. The sector was spared a spat of large natural disasters in 2014, as there had been in the exceptional year 2013. However, storm Ela alone caused damage amounting to EUR 650 million and was therefore, according to GDV, the second most expensive summer storm of the last 15 years.

Development of the reinsurance markets

The reinsurance sector was able to achieve positive results in 2014. This was particularly due to low exposure to expenditure on claims in the fiscal year. The economic and insured losses fell moderately in the first half of the year. Due to the absence of a severe hurricane in North America in the second half of the year, the claims situation to the end of the year also looks good. In total the claims from natural disasters were lower than the average of the previous ten years and also below the level of the previous year.

In the non-life reinsurance market the determining theme of 2014 was the further-increased capital inflow to the equity market. Due to the resulting overcapacity, the price level in some segments fell and conditions softened. To compensate, many reinsurance companies directed their attention to new segments and sought to expand their business in regions, classes and segments previously unrepresented in their portfolios.

Development of individual countries and regions

After a loss-prone previous year, **Germany** saw just one bigger natural disaster. Cyclone Ela in June caused insured losses of several hundreds of millions of euros. Particularly striking was the claims situation in commercial and industrial fire insurance. Here, the insurance industry registered an increased number of individual claims. In Germany the vehicle and home-owners insurance market continued its recovery effort. Despite a competitive market environment, no extensive rate declines were observed in the reinsurance policies. The insurers continued their long-term business relationship with their reinsurance partners. The short-term use of cheap capacity remains the exception.

For the insurance market in **Austria** it was again a very quiet year for weather-related claims, with only small, locally-confined events. In Carinthia claims were registered due to snow pressure, and in Lower Austria there were claims from storms and flooding. The losses from these events were largely retained business by the direct insurers, so that the reinsurance policies were barely impacted. As a result of the again positive results of the reinsurance policies and the competitive environment, there was a fierce competition.

The **Italian** direct insurance market for non-life classes showed no growth in premiums in 2014. The motor class, in particular, saw a trend towards falling premiums, which among other things is based on the decommissioning of vehicles and the decline in the purchasing of fully comprehensive insurance. The premiums assigned to the reinsurance market similarly fell. Here, it was not only the noticeable drop in prices due to overcapacity, but also the raising of deductibles.

The **French** direct and reinsurance markets were hit by two major natural disasters in 2014. In June cyclone Ela caused considerable damage with gales and hail, which was met by the reinsurance companies in the storm and comprehensive motor classes. In autumn, severe storms in the South of France caused extensive claims for flooding. Moderate premium increases were registered over several classes by the direct insurer. The highest increases fell within 'Multi Risques Habitation' (a combination of home-owners and home contents insurance) sector, which had been hit by natural disasters. On the reinsurance side, rate decreases were seen for well-performing programmes, and an improvement in rates was seen for loss-affected programmes. The predominant theme in the motor class was also the implementation of the new legislative requirement to coverage inflation for annuitised personal injury.

Insurers in **Great Britain** saw an increased frequency of small and average storms and flooding events at the beginning of 2014. However, the losses were mostly retained by companies so that reinsurers were rarely impacted, and a positive outcome can be seen in the property class. In a competitive environment there was a moderate reduction in rates towards the beginning of 2014, which intensified towards the end of the year. In the motor business a clear increase in reinsurance capacity was recorded. The large reinsurers were nevertheless mostly able to hold their market shares. In the field of after-the-event reinsurance there was a comparatively difficult fight for market share, compared to the previous year. The original rates slightly declined in the first half of the year, whereas in the second half of the year an increase was noticeable. A few reinsurers started up in the motor market and thereby increased the capacity available in the market. On the whole the results of the motor class were positive compared to the previous year, due to fewer major losses.

After the economic crisis in **Spain** had peaked, an economic recovery could be seen in 2014. The employment market, however, did not follow these developments to the expected amount. The attrition of the premium volume in the insurance market slowed. Banking and direct sales were particularly successful. Technical classes and surety insurance performed below expectations and were unable to reach their pre-crisis level. Consorcio de Compensación, a government direct insurer for the coverage of risks not covered elsewhere in the insurance market, was a further important stabilising factor in the Spanish insurance market with regard to natural disasters.

In comparison to the previous year, 2014 was a quiet year for the **Israeli** direct and reinsurance market. Increasing pressure on the reinsurance conditions was nevertheless registered by the majority. The contract structure, however, remained stable as far as was possible, after the market participants had increased their deductibles and capacity in the previous year. The newly escalated conflict in Gaza in the summer had no noteworthy effects on the direct and reinsurance market.

The **US** direct and reinsurance market was largely untouched by hurricanes in 2014. However, in the first half of the year severe winter storms on the east coast negatively impacted the outcomes of the companies, as well as a series of tornadoes in Nebraska and neighbouring Mid-West states. The continued increase in deductibles in the original policies of the private non-life insurance businesses was a positive development, since the totals insured had already been increased in the previous years. The competition for market share in the private customer segment and – more pronounced – in the commercial and industrial sector further persisted. The prices in the reinsurance market, in particular in business for the coverage of natural risks, was under considerable pressure.

2012 and 2013 in **South Africa** were characterised by an increased frequency of claims for natural disasters in the hail and storm classes, but the situation normalised in 2014. Compared to the claims of the past years, the reinsurance side was able to achieve moderate price increases. Despite the continuing price competition in South Africa, a noticeable increase in the original rates was recorded in 2014 for non-life business.

In **Japan** the upward economic trend of the previous year was not validated as hoped. In terms of claims, the frequency of claims for large industrial fires returned to its normal level, after an increase had been observed in the previous years. Since there were also no major natural disasters, the overall picture showed a year with low losses. After the direct and reinsurance prices had been significantly increased in 2011 and 2012 in response to the devastating earthquake in March 2011 and the tsunami it caused, prices in 2014 moved further towards the level they had been before the catastrophe.

Compared to other regions, the other **Asian** markets showed solid economic growth. Consequently, Asia also offered clear growth prospects for the direct and reinsurance companies. The price level for the reinsurance market was rather low due to the excess capacity available and the entrance of new market participants. Driven by the demand for conformity with international risk-based regulations for direct and reinsurance companies, some Asian markets saw further regulatory developments in 2014. Thus, China established the new solvency system, the ‘China Risk Oriented Solvency System’, which should come into force in 2016 along with the European Solvency II. In terms of claims, India was mainly affected by natural catastrophes. In September there were floods in the Jammu and Kashmir region, and in October cyclone Hudhud caused particular losses in the Andhra Pradesh region. In July, typhoon Rammasun caused economic losses of thousands of millions in China. Due to the ever lower insurance penetration, the effects of the loss event on reinsurance companies were relatively low.

PREMIUM INCOME BROKEN DOWN INTO THE ESSENTIAL BRANCHES OF INSURANCE

In EUR million	2014 Gross	2013 Gross	Change Gross %	2014 Net	2013 Net	Change Net %
Life	25.8	26.7	-3.1	13.5	13.3	2.2
Accident	56.3	54.1	4.0	56.2	54.1	4.0
Liability	58.1	55.7	4.3	58.1	55.6	4.5
Motor	597.7	481.7	24.1	592.5	477.7	24.0
Fire	443.3	371.4	19.3	434.6	365.1	19.0
Marine & Aviation	97.7	89.1	9.7	97.6	89.0	9.8
Other	467.2	443.0	5.5	452.9	431.1	5.1
Total	**1,746.1**	**1,521.6**	**14.8**	**1,705.6**	**1,485.9**	**14.8**

Performance of individual special segments
Commercial credit and surety reinsurance recorded only limited major losses up to the end of the third quarter. The frequency of claims in this time period was also moderate to low. As in the previous year, there was increased activity for claims in the last quarter, which together with the always-noticeable effects of the crisis in Southern Europe led to a mixed fiscal year. Despite these developments the continued decrease in prices, which has been occurring for two years, is to be recognised, but prices fell more moderately than in previous years.

The worldwide direct and reinsurance markets in **aviation** were particularly hit by three major loss events in 2014: by the still-missing Boeing 777 of Malaysian Airlines flight MH 370, by the shooting down of the MH 17 over Ukraine and by the assault of the so-called Misrata militia on the airport in Tripoli, by which a total of 19 aeroplanes were destroyed. The aerospace sector was maintained by the takeoff cover of a series of successful launches with western rocket technology. In comparison, the Express AM4R und Cygnus Orb-3 satellites were completely destroyed by two takeoffs from launch vehicles of Russian design. The assessment of serial damage for satellite Konstellation 03b, which is already in orbit, brought the market into the red.

Intense competition in the **global facultative property business** also continued in 2014. The cedents also have surplus capacity available. While increased contract capacity led towards a decrease in facultative business ceded, the competition was noticeable not only for prices, but also for the cost-neutral increase of limits and sublimits as well as extensions of cover and reduction of the franchises. In the engineering class, rates were also under pressure. In addition, within the financial crisis the level of investment worldwide clearly decreased and therefore fewer projects were lined up for placement. Changes were observed in the release rates of the cedents, such that the top layer often were no longer purchased, and that previously non-proportional risks were again bought as proportional. Sectoral covers, often for pure coverage of natural risks, were often attempted as a way to minimise reinsurance costs.

Overview of the business development of R+V Versicherung AG

The premium volume of EUR 1,746.1 million was clearly above the already high level of the previous year, with an increase of 14.8%. Adjusted for the foreign currency effect, the premium growth amounted to 11.1% compared with the same period of the previous year. Within premium income, the share of non-proportional reinsurance amounted to to 29.7% (2013: 30.5%).

KEY FIGURES FOR REINSURANCE

in EUR million	2014 total Gross	thereof group Gross	thereof third party Gross	2013 total Gross	thereof group Gross	thereof third party Gross
Premium written	1,746.1	421.6	1,324.4	1,521.6	389.6	1,132.0
Domestic	554.9	412.1	142.7	515.3	379.1	136.2
Foreign	1,191.2	9.5	1,181.7	1,006.3	10.5	995.8
Losses	1,304.2	312.2	992.0	1,352.8	509.2	843.5
Domestic	416.5	304.0	112.4	628.9	503.7	125.2
Foreign	887.7	8.2	879.6	723.9	5.5	718.4
Costs	433.2	93.2	340.0	376.8	87.8	289.1
Domestic	129.0	91.1	38.0	122.3	85.5	36.8
Foreign	304.2	2.1	302.1	254.5	2.3	252.2
Results before equalisation provisions	–3.6	16.7	–20.3	-204.1	–203.7	–0.5
Domestic	5.8	16.1	–10.3	–233.7	–207.0	–26.7
Foreign	–9.4	0.6	–10.1	29.6	3.3	26.2

In domestic group business, in particular, the premiums in the motor classes of the direct insurance companies, which increased substantially as in the previous years, had an impact. Moreover, further premium increases were recorded in the comprehensive home-owners, liability, storm and fire classes. Outside group business, the premium volume from domestic cedents increased significantly, particularly in the fire, comprehensive home contents, marine and storm classes.

With a clear increase in premiums by EUR 184.9 million to EUR 1,191.2 million, the share of foreign business was again enlarged and accounted for 68.2% (2013: 66.1%) of the total premiums. Significant premium increases were again achieved in the UK reinsurance market.

Similarly to the gross premiums written, the net premiums written registered an increase of 14.8% to 1,705.6 (2013: EUR 1,485.9 million). At 97.7% the retention rate remained at the high level of the previous years.

After the previous year in which the group business was characterised by significant losses to the R+V direct insurance businesses from natural hazards, the reported gross loss ratio in the non-life segment for the group clearly improved at 74.1% (2013: 134.5%). Having taken retrocession into consideration, a reported gross loss ratio of 78.1% remains (2013: 70.0%).

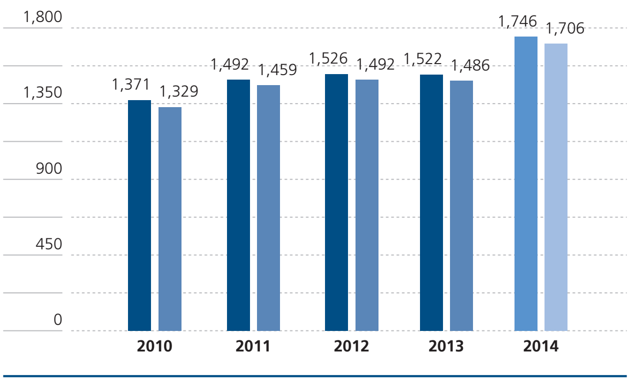
In total the claims burden from major claims (claims bigger than EUR 3.0 million) in external business as of 31 December 2014 came to EUR 134.0 million, which corresponds to 7.7% of the gross premium. The reported gross loss ratio for the non-life segment for external business was 75.6% (2013: 74.5%). As a result, the reported net loss ratio was 75.4%, after 74.0% in the previous year.

For the whole non-life segment, the reported gross loss ratio amounted to 75.2% in the fiscal year (2013: 89.4%). The gross combined ratio subsequently came to 100.3% compared to 114.0% in the previous year.

Before the change in the equalisation provision and similar provisions (hereinafter: equalisation provision and other provisions), the technical result for total business in the fiscal year was EUR - 24.7 million (2013: EUR 31.3 million). After the reinforcement of the equalisation provision and other provi-

PREMIUMS WRITTEN

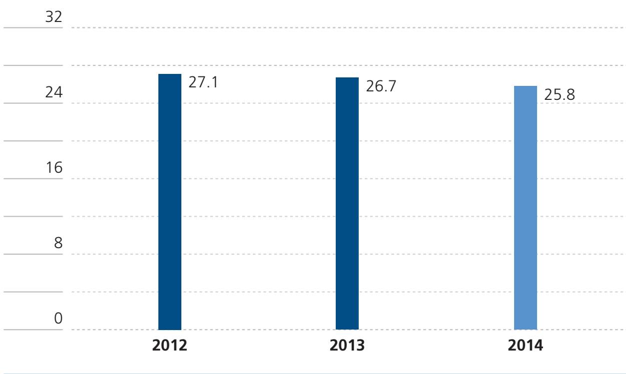
in EUR million



Gross premiums written   Net premiums written

LIFE INSURANCE – GROSS PREMIUMS

in EUR million



TOTAL BUSINESS NON-LIFE

	2012	2013	2014
Reported gross loss ratio	74.1	89.4	75.2
Gross expenses ratio	24.5	24.6	25.0
Gross combined ratio	98.6	114.0	100.3

LIFE INSURANCE – PORTFOLIO DEVELOPMENT

in EUR million according to totals insured		2013	2014
Assumed business	Capital	5,514.9	5,264.9
Total insured	Annuity	1,775.7	1,799.6
Business ceded	Capital	711.0	672.9
Total insured	Annuity	1,310.3	1,309.6
Retained business	Capital	4,803.9	4,592.0
Total insured	Annuity	465.4	490.0

sions with an addition of EUR 104.7 million (2013: EUR 70.8 million) there was an own-account technical result of EUR - 129.4 million (2013: EUR - 39.5 million).

The result from capital investments, which was indirectly marked from the profit and loss transfer agreements with the two large group companies R+V Lebensversicherung AG and R+V Allgemeine Versicherung AG, amounted to EUR 285.3 million in the fiscal year (2013: EUR 258.6 million).

After taking into consideration the balance of the other income and other expenditure of EUR - 1.3 million (2013: EUR - 4.9 million), the fiscal year ended with a result of EUR 151.8 million for the normal business activities (2013: EUR 212.3 million).

The tax expenditure determined (hypothetically) based on the tax allocation contract with DZ BANK AG amounted to EUR 97.5 million. Based on the profit and loss transfer agreements concluded with DZ BANK AG in 2012, the company thus transferred a profit of EUR 54.3 million (2013: EUR 89.1 million).

Business developments in the individual classes

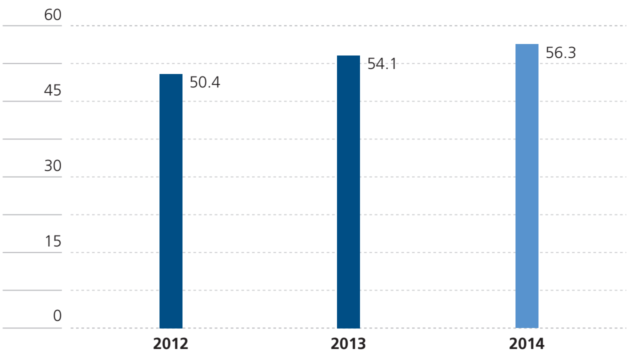
Life

Gross technical profit

The active underwriting of the life reinsurance business was discontinued in 2004. The gross premium income of EUR 25.8 million in 2014 was once again slightly under the level of the previous year. The class closed with a gross technical profit of EUR 6.2 million (2013: EUR 8.6 million).

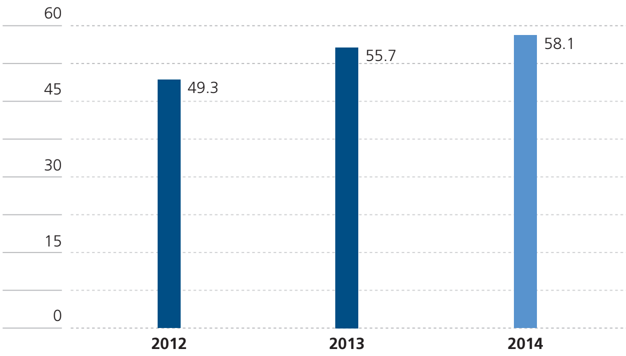
ACCIDENT INSURANCE – GROSS PREMIUMS

in EUR million



LIABILITY INSURANCE – GROSS PREMIUMS

in EUR million



ACCIDENT INSURANCE

	2012	2013	2014
Reported gross loss ratio	47.7	54.8	47.9
Gross expenses ratio	50.9	48.6	49.7
Gross combined ratio	98.6	103.4	97.6

LIABILITY INSURANCE

	2012	2013	2014
Reported gross loss ratio	48.5	81.7	63.2
Gross expenses ratio	36.8	35.1	33.0
Gross combined ratio	85.3	116.8	96.2

Accident

Improved reported gross loss ratio

The accident insurance branch includes general accident insurance and motor accident insurance. General accident insurance is the dominant individual class in the insurance branch with a premium share of 98.7%. Gross premiums written of EUR 56.3 million were overall 4.0% above the value of the previous year (2013: EUR 54.1 million). Compared to the decreasing expenditure on claims in the previous fiscal year, in connection with a clearly increased settlement result of the claims reserve carried forward from the previous year, a gross loss ratio of 47.9% (2013: 54.8%) was reported.

The gross expenditure for the insurance business increased by 6.0%. Before the equalisation provision and other provisions there was a class result of EUR 1.3 million (2013: EUR - 1.8 million). Caused by damage progression, the equalisation provision and other provisions were increased by EUR 1.7 million (2013: Withdrawal of EUR 2.0 million). The fiscal year resulted in a technical result for the own-account of EUR - 0.4 million (2013: EUR 9.0 thousand).

Liability

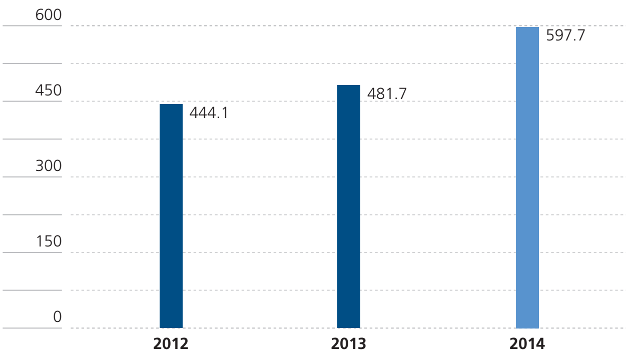
Improved technical result for own account

The gross premiums written in liability insurance amounted to EUR 58.1 million (2013: EUR 55.7 million). This equates to growth of 4.3%.

The increase in expenditure in the fiscal year was compensated for by the settlement results from the provisions carried forward, which improved compared to the previous year, resulting in a reported gross loss ratio of 63.2% (2013: 81.7%). The gross expenses ratio improved to 33.0% (2013: 35.1%), so that the gross combined ratio amounted to 96.2% (2013: 116.8%).

MOTOR INSURANCE – GROSS PREMIUMS

in EUR million



MOTOR INSURANCE

	2012	2013	2014
Reported gross loss ratio	78.4	90.3	85.2
Gross expenses ratio	16.5	16.5	17.0
Gross combined ratio	94.9	106.8	102.3

The classes closed with a gross technical result before equalisation provision and other provisions of EUR 2.1 million (2013: EUR - 9.3 million). After taking into consideration an injection for the equalisation provision and other provisions of EUR 2.5 million (2013: Withdrawal of EUR 6.8 million) the classes show an own-account technical result of EUR - 0.6 million (2013: EUR - 2.4 million).

Motor

Further significant premium growth

Motor insurance is written worldwide, and is among the main classes for R+V Versicherung AG with a 34.2% share of the gross premiums written. Over half (53.5%) of the premium income in this class comes from the direct insurance side of R+V business, which benefits from its strong share of the German market. In 2014 R+V also achieved clear growth totalling 24.1% in the competitive motor reinsurance market, taking it to EUR 597.7 million (2013: EUR 481.7 million). Growth in the domestic market was 7.7%. In foreign business, premium growth of 58.7% was achieved, particularly in Great Britain.

The fiscal year loss ratio improved to 88.2% (2013: 94.5%), after the previous year was particularly characterised by hail and storm events in Germany. In combination with a settlement result from the carried-forward claims reserve, which declined compared to the previous year, the reported gross loss ratio was below the value of the previous year at 85.2% (2013: 90.3%).

Operating expenses increased in connection with the premium growth to EUR 101.7 million (2013: EUR 79.9 million). EUR 38.6 million were added to the equalisation provision and other provisions (2013: EUR 15.1 million), and the technical own-account result was EUR - 39.9 million (2013: EUR - 29.0 million).

Fire

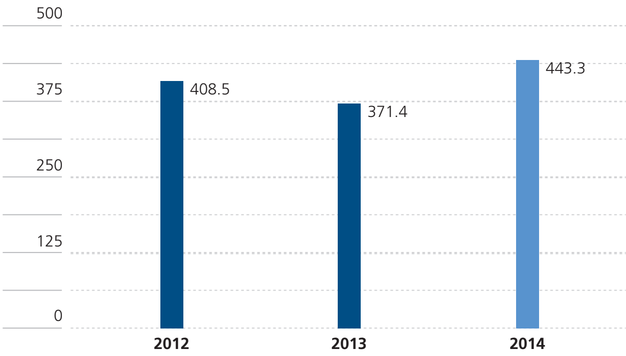
Combined Ratio once again clearly improved

The class recorded premiums written of EUR 443.3 million (2013: EUR 371.4 million). The business in fire insurance came primarily from cedents outside of R+V. EUR 385.8 million were accounted for the foreign market, or 87% of the gross premiums.

The expenditure on claims in the fiscal year decreased by 3.3% compared to the previous year to EUR 297.9 million (2013: EUR 308.0 million). In combination with an improved settlement result from the carried-forward provisions, which declined compared to the previous year, the reported gross loss ratio decreased significantly to 66.5% (2013: 82.7%). Considering the operating expenses, this resulted in a Combined Gross Ratio of 95.9% (2013: 109.5%). In the fiscal year, the class closed with a technical own-account profit of EUR 11.3 million (2013: EUR 13.9 million) before modification of the equalisation provision and other provisions. EUR 71.6 million were

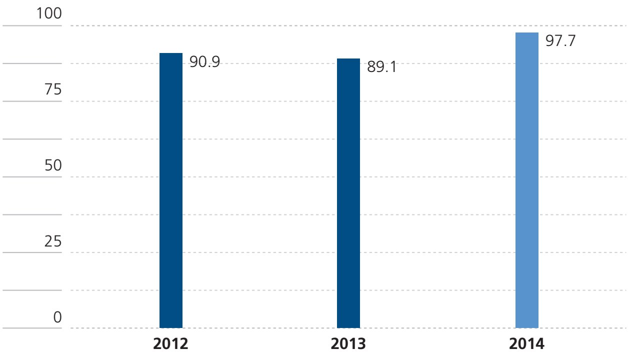
FIRE INSURANCE – GROSS PREMIUMS

in EUR million



MARINE AND AVIATION INSURANCE – GROSS PREMIUMS

in EUR million



FIRE INSURANCE

	2012	2013	2014
Reported gross loss ratio	89.9	82.7	66.5
Gross expenses ratio	25.8	26.9	29.4
Gross combined ratio	115.7	109.5	95.9

MARINE AND AVIATION INSURANCE

	2012	2013	2014
Reported gross loss ratio	58.5	55.3	77.5
Gross expenses ratio	23.1	25.2	26.8
Gross combined ratio	81.6	80.5	104.3

added to the equalisation provision and other provisions (2013: EUR 57.4 million). Consequently there is a technical result of EUR - 60.2 million (2013: EUR - 43.6 million).

Marine and aviation

Premium growth in marine and aviation insurance

The gross premiums written in the marine and aviation business recorded an increase by 9.7% to EUR 97.7 million (2013: EUR 89.1 million). This was caused by premium growth in marine insurance of 15.1% as well as an increase in aviation insurance of 5.0%. The most important markets for premium volume were still Germany for the marine business and the USA for the aviation business.

The reported gross loss ratio was 77.5% (2013: 55.3%). Considering the expenses ratio of 26.8% (2013: 25.2%), the class closed with a technical own-account loss of EUR - 4.4 million (2013: Profit of EUR 17.4 million). EUR 5.9 million were taken from the equalisation provision and other provisions (2013: Addition of EUR 0.1 million). The technical own-account profit was EUR 1.6 million (2013: EUR 17.3 million).

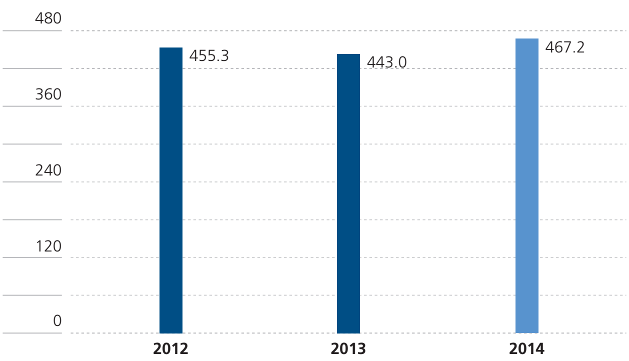
Other insurance classes

Premium growth primarily in storm and hail insurance

The classes health, legal protection, comprehensive home contents and home-owners, other property insurance, other insurance as well as credit and bond insurance are reported under the other insurance classes. The category of other property insurance brings together the classes burglary and theft, engineering, water damage, glass, storm, hail, livestock and nuclear facility insurance. Other insurance includes the classes all-risks and fidelity losses as well as vehicle warranty insurance.

OTHER INSURANCE CLASSES – GROSS PREMIUMS

in EUR million



OTHER INSURANCE CLASSES

	2012	2013	2014
Reported gross loss ratio	64.4	106.2	74.9
Gross expenses ratio	27.3	27.2	26.8
Gross combined ratio	91.7	133.4	101.8

The other insurance classes recorded an increase of 5.5% in gross premiums written to EUR 467.2 million (2013: EUR 443.0 million). Other insurance classes are dominated by the storm, credit and bonds and hail classes, with a combined premium share of 79.2% (2013: 78.7%). Credit and bonds recorded a decline in premiums in the fiscal year, whereas storm and hail showed an increase in premiums.

On the claims side, the individual insurance classes each recorded an increase in the fiscal year. The reported gross loss ratio in hail insurance increased to 83.9% (2013: 74.4%). The reported gross loss ratio for credit and bonds insurance was 78.8% in the fiscal year (2013: 76.2%). Particularly due to the bad weather events in the summer and autumn of 2014, storm insurance had a reported gross loss ratio of 83.1%, after 82.4% in the previous year.

In total the other insurance classes, after improved settlement results from the provisions carried forward compared to the previous year, showed a technical own-account loss of EUR 33.4 million (2013: Profit of EUR 13.9 million).

Summary appraisal of the business performance

The premium income recorded a significant increase and outperformed the high level of the previous year. After the previous year was characterised by the direct insurer's gross burden of losses from natural disasters, the reported gross loss ratio clearly improved.

The gross expenses ratio was slightly below the previous year's level. The technical own-account result decreased slightly in comparison to the previous year. The equalisation provision fortified as a result of the damage progression in the individual classes.

The capital investment outcome was EUR 285.3 million compared to EUR 258.6 million in the previous year.

In total R+V Versicherung AG achieved an outcome of EUR 151.8 million for ordinary business activities (2013: EUR 212.3 million). Taking into account a (hypothetical) tax expenditure of EUR 97.5 million (2013: EUR 123.1 million) this produces a profit transfer of EUR 54.3 million based on the profit and loss transfer agreement concluded with DZ BANK AG in 2012 (2013: EUR 89.1 million).

Profitability

Technical result

The gross technical result was EUR - 3.6 million (2013: EUR - 204.1 million). After taking the retrocession into consideration the net technical result was EUR - 24.7 million (2013: EUR 31.3 million). EUR 104.7 million were added to the equalisation provision and other provisions (2013: EUR 70.8 million). The own-account technical result was then EUR - 129.4 million (2013: EUR - 39.5 million). This technical loss particularly arises from the fire class, with EUR - 60.2 million (2013: EUR - 43.6 million), motor liability, with EUR - 35.2 million (2013: EUR - 25.5 million) and credit and bonds, with EUR - 24.6 million (2013: EUR - 19.8 million).

Capital investment result

R+V Versicherung AG generated regular income of EUR 280.2 million from its capital investments. After the deduction of ordinary expenditure of EUR 4.3 million, taking into account scheduled real estate depreciations of EUR 0.1 million, this produces an ordinary result of EUR 276.0 million (2013: EUR 259.6 million).

Depreciation of EUR 1.4 million was required for the company's capital investments. Due to the recovery in value of previous depreciation, a figure of EUR 3.7 million was imputed. Through the disposal of financial assets, the company achieved capital gains of EUR 2.1 million, but also incurred losses of EUR 0.5 million. An extraordinary outcome of EUR 3.9 million (2013: EUR - 6.4 million) resulted from appreciation and depreciation as well as from capital gains and losses.

The net result from capital investments from the total of the ordinary and extraordinary results thus amounted to EUR 279.9 million for the 2014 fiscal year compared with EUR 253.2 million in the previous year. The net interest was 5.7% as in the previous year.

Other earnings and expenses

Other earnings in the fiscal year amounted to EUR 52.8 million (2013: EUR 47.9 million). The service and interest incomes were important components. The growth in other earnings is primarily ascribed to gains from foreign currency valuation.

Other expenses of EUR 54.1 million (2013: EUR 52.8 million) primarily included operating costs, which stand against income from the further losses of the Group company, interest and consultancy fees as well as association and membership fees.

The result from currency conversion was EUR 10.4 million (2013: EUR 1.9 million).

Overall result

The result from ordinary business activities was EUR 151.8 million (2013: EUR 212.3 million). Taking into account a (hypothetical) tax expenditure of EUR 97.5 million (2013: EUR 123.1 million), which is mainly the indirect result of tax sharing agreements with the R+V life insurance companies, this results in a profit transfer of EUR 54.3 million (2013: EUR 89.1 million) based on the profit and loss transfer agreement concluded with DZ BANK AG in 2012.

Financial situation

Capital structure

In 2014 the Board of Management, with the agreement of the Supervisory Board, decided to use the authorised capital for an increase in capital of EUR 147.0 million through the issue of new registered individual shares.

Due to the increase in capital undertaken, the subscribed capital rose to EUR 344.0 million (2013: EUR 331.3 million) and the capital reserves to EUR 1,550.0 million (2013: EUR 1,415.7 million).

R+V's shareholders' equity consequently increased, up to the balance sheet date, to EUR 2,058.7 million (2013: EUR 1,911.7 million).

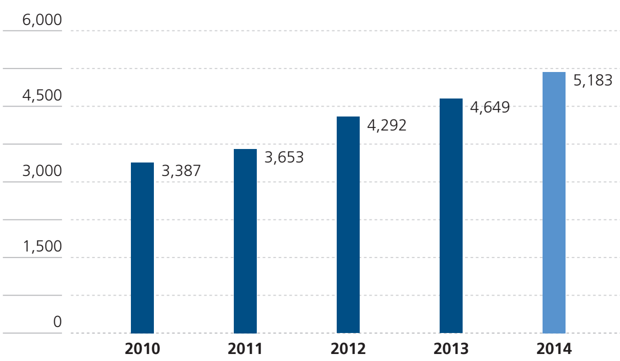
The guaranteed funds rose by EUR 607.8 million to EUR 5,378.2 million compared to the previous year. Despite the strong growth of the company, the guaranteed funds ratio remained at a high level of 315.3% (2013: 321.0%). The equity ratio was 120.7% (2013: 128.7%).

GUARANTEE FUNDS

in EUR million	2014	2013
Share capital	344.0	331.3
Capital reserves	1,550.0	1,415.7
Retained earnings	164.7	164.7
Net retained profits	0.0	0.0
Shareholders' equity	**2,058.7**	**1,911.7**
Unearned premium reserves	161.0	140.5
Actuarial reserves	32.6	34.7
Provision for outstanding claims	2,381.0	2,044.0
Provision for premium funds	3.4	2.9
Equalisation provision and similar provisions	740.7	635.9
Other technical provisions	0.7	0.7
Total technical provisions	3,319.5	2,858.8
Guarantee funds	**5,378.2**	**4,770.4**

DEVELOPMENT OF THE CAPITAL INVESTMENTS*

in EUR million



* without deposit receivables

Asset situation

Capital investments portfolio

The company's capital investments grew in the 2014 fiscal year by EUR 534.0 million, or by 11.5%. So the book value of the capital investments as of 31 December 2014 was EUR 5,183.3 million. The company invested the predominant share of the funds available for new investment in annuities. It was thereby widely diversified through investments in, among other things, government bonds, corporate bonds and mortgage bonds as well as in several regions. To minimise the risk of default, it was ensured that the issuer had a good creditworthiness for the interest-bearing securities. Moreover, preemptions were carried out in order to perpetuate the investment. R+V Versicherung AG also invested indirectly in real estate. The calculated equity quota at market values as of 31 December 2014 was 1.9% compared to 1.8% for the previous year.

The reserve ratio relating to total capital investments was 52.5% as of 31 December 2014 (2013: 50.3%).

Technical provisions

The gross technical provisions increased compared to the previous year by 9.0% to EUR 3,407.2 million (2013: EUR 3,126.8 million). After deduction of the shares applicable to the reinsurers, net technical provisions amounted to EUR 3,319.5 million (2013: EUR 2,858.8 million). With regard to the own account premiums written, this was equivalent to a ratio of 194.6% (2013: 192.4%).

By far the largest share of the net technical provisions was formed by the provisions for outstanding claims. The volume increased by 16.5% to EUR 2,381.0 million (2013: EUR 2,044.0 million). They comprised 38.7% (2013: 38.2%) of the total balance sheet and are covered by the capital investments, deposit and settlement receivables as well as the reinsurers' shares of the technical provisions.

The equalisation provision and other provisions were increased by EUR 104.7 million to EUR 740.7 million.

Supplementary report

There were no further events of particular significance after the fiscal year end that need to be reported.

Chance and risk report

Risk management process

The core of the R+V Versicherung AG business model is the acceptance and management of risks. Accordingly, R+V Versicherung AG's risk management is an integral part of corporate management and is embedded in the corporate strategy.

It encompasses all systematic measures for recognising, evaluating and controlling risks. The main aim of the risk management process is to ensure solidity and security for policy holders and shareholders as well as the continuation of the company in the long term. Furthermore, with the help of the risk management process, risks and other negative developments that could have significant effects on the assets situation, financial situation and profitability are to be recognised at an early stage and counter measures are to be initiated. A risk management process implemented in all R+V companies stipulates the rules for identification, analysis and evaluation, management and monitoring as well as reporting and communication of risk, and for a centralised early warning system. Shareholdings are also included in R+V Versicherung AG's risk management.

The principles of the risk management system are based on the R+V risk strategy that is updated and adopted annually. This is derived from the corporate strategy while taking account of the strategic four-year plan adopted at the spring meeting of the Board of Management. The management of risks is documented in the Group Risk Manual with extensive presentations of methods, processes and responsibilities. A basic principle of the risk organisation and the risk management processes is the separation of risk monitoring and risk responsibility. The functions of the persons responsible for setting up risk positions are separated, in personnel and organisational terms, from the risk management function.

The identified risks are allocated to the following risk categories: technical risk life, technical risk health, technical risk non-life, market risk, counterparty risk, operational risk, liquidity risk, risk concentrations, strategic risk and reputation risk.

The aim of the annual risk inventory is to identify the risks relevant to the R+V Group and assess their materiality. 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. A risk is then regarded as material if it can have an ongoing negative effect on the current or future finances, solvency or profitability of the company. The risk management system further includes a Business Continuity Management System.

A review and assessment of the regulatory risk-bearing capacity takes place at least quarterly, and also includes a qualitative review of the officially determined indicators and thresholds. Measures will be introduced if a defined index value has been exceeded. In addition, a targeted survey of executives and staff guarantees that risks are recognised early.

The regulatory risk-bearing capacity and all important risks are finally evaluated in a quarterly risk conference. The central risk reporting system ensures transparency in reporting. In the event of important changes to risks, there are planned notifications to the board member responsible and the board member responsible for risk management.

Risk-relevant corporate information is made available to the responsible supervisory committee at regular intervals.

Impact on the company risk profile is also already analysed and assessed within the framework of introducing new reinsurance products. Risk factors are also taken into account when planning and carrying out projects. Larger projects and investments are regularly assessed by the investment or product commission, as well as by the finance and reinsurance committee. Special attention is paid here to results and any measures taken, as well as to budget compliance. Any necessary course corrections are initiated immediately.

The R+V compliance management system comprises centralised and decentralised tasks. The Compliance officer bears total responsibility. The Compliance Management System covers the following topics: Cartel offences, insider trading, fraudulent activities and theft, breaches of data protection, money laundering violations and breaches of foreign trade regulations. An internal complaints department exists for all questions associated with the Allgemeines Gleichbehandlungsgesetz (AGG, German General Equal Treatment Act). Further, a lawyer is employed with the function of ensuring trust. Important regulations for correct conduct in business transactions are recorded in the compliance guidelines "principles of conduct in business transactions". At the quarterly compliance conference, those responsible discuss significant incidents within R+V as well as measures initiated. Ad-hoc notifications are planned for particularly serious violations. In addition to reporting to the risk conference, the R+V Compliance Officer also reports directly to the Chair of the Board of Management.

Compliance with the regulations of the risk management system and its effectiveness is examined by the Group Audit department. Measures are agreed to rectify any deficits that are identified and are followed up regularly by the Group Audit department.

Internal control system relating to the accounting process

To ensure proper and timely provision of information for the recipients of the financial statements and management report, an extensive internal control system (ICS), amongst other things, has been established within the R+V Group. As an important component of the company-wide risk management system, the accounting-related ICS pursues the aim of minimising identified risks by implementing controls in relation to the entire accounting and financial reporting process and ensuring the creation of financial statements that comply with the regulations. To ensure continuous development and effectiveness of the ICS, it is regularly reviewed by the Group's internal audit department and the external auditors.

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

The ICS includes organisational security measures that are integrated into both the structural and procedural organisation, such as a basic functional separation or clear allocation of tasks and responsibilities. At important points within the accounting-related business processes, targeted checks are carried out to minimise the probability of errors occurring or identify errors that have already occurred. These are controls that are integrated into procedures, such as the application of the dual control principle or interface controls. The efficacy and effectiveness of the accounting-related ICS is regularly reviewed and recorded.

The process for preparing the financial statements and the management report is the responsibility of R+V employees and follows defined deadlines and schedules. The steps to be performed during the financial reporting process are subject to both system-based and manual controls. 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 breakdowns, interruptions and losses of data. These are countered by, amongst other methods, means of extensive protective mechanisms such as emergency planning, back-up solutions as well as permissions management and technical safeguards against unauthorised access. The IT systems used are also tested for compliance with the generally accepted bookkeeping principles and statutory retention and documentation requirements. The regular examination of accounting processes is both an integral part of internal audits as well as the subject of annual audits by the external auditor.

Opportunity Management

In its reinsurance business, R+V also expects adequate opportunities to record 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, the introduction of Solvency II promoted coverage of reinsurance partners with good ratings as a capital replacement.

In terms of demand for reinsurance, it has become clear that the relationship between the direct and reinsurance companies is undergoing a gradual change. Customers are increasingly focusing on acquiring customised coverage plans with attractive pricing.

The company sees growth opportunities through a stronger opening of global players and US businesses as well as in the Asian market. A differentiated market cultivation is therefore made regarding a balanced and profitable portfolio.

The development from technical generalists to technical specialists with worldwide market access offers further growth impulse and offers large insurance companies an alternative to traditional trade in Europe.

R+V is a stable investor with a long-term orientation. Due to its business model and high risk bearing capacity, R+V can take advantage of opportunities, particularly from investments with a longer time horizon, largely independent 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, considering strategic, tactical and operational allocations, and 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 regulatory requirements.

Through continuous process analysis and consistent implementation of the measures derived hence, R+V will further increase productivity continuously. This reduces complexity and costs, and process times are minimised. This not only increases customer satisfaction, but also the satisfaction of employees and sales partners.

Once more the rating agency Standard & Poor's assessed the financial strength of R+V Versicherung AG as very good in the 2014 fiscal year. Within the framework of the interactive rating process, the assessment was confirmed with AA- and a stable outlook.

Risk-bearing capacity

As part of measuring economic risk-bearing capacity, total solvency needs, as Value at Risk of the changes in economic capital resources, are identified with a confidence level of 99.5% over the course of a year. The quantification takes place in principle according to the risk types of the standard formula from Solvency II. Risk diversification, which constitutes an important aspect of the insurance company's business model, is always taken into consideration as appropriate.

Risk relief, for example through reinsurance, is considered. As part of the analysis of risk-bearing capacity, the total solvency need is compared to the capital resources, in order to identify the adequacy of the economic capital.

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

The current analysis of the economic risk-bearing capacity shows that R+V Versicherung AG's risk cover amount surpasses the required risk capital. Due to the further strained situation in the financial markets, trend statements concerning the development of the risk capital requirement and the risk cover amount are, however, beset by large uncertainty.

The calculation of R+V Versicherung AG's supervisory risk bearing capacity (solvency ratio) takes place considering the current established legislation relevant to the industry, and describes the degree of surplus cover to be covered by available equity funds as required by the regulatory minimum solvency margin.

On 31 December 2014, R+V Versicherung AG's supervisory risk-bearing capacity surpassed the required minimum solvency margin. Capital resources that are subject to approval are not taken into consideration when calculating the solvency ratio.

On the basis of the capital market scenarios applied as part of internal planning it appears that R+V Versicherung AG's solvency ratio will lie above the minimum legislative requirements on 31 December 2015.

Outlook to Solvency II

R+V prepared itself for the future regulatory requirements with internal projects and working groups as well as working in cooperation with GDV and the Federal Financial Supervisory Authority (BaFin) and thus created the foundation for a successful implementation of all of Solvency II's requirements. In this respect, R+V actively takes part in Solvency II impact studies and analyses the results. The guidelines from the preparation phase were therefore analysed and the specific supervisory requirements were implemented.

Technical risks

The technical risk describes the risk of actual expenditure on losses and services differing from expected expenditure due to accident, error or change. For R+V Versicherung AG, there is primarily a technical risk in non-life according to the categorisation of Solvency II.

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

- The premium and reserve risk shows 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 a significant uncertainty with regard to the price setting and the assumptions of the provisions for extreme or extraordinary events.

- The lapse risk describes the risk of 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 from the departure from the expectations of loss as a consequence of the uncertainty resulting from 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 through 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 oriented towards the approach of Solvency II and takes place according to the Value at Risk procedure. When determining Value at Risk, negative scenarios taken from the Solvency II guidelines are considered and are partially supplemented with 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 catastrophes.

R+V counteracts the premium and reserve risk by continuously monitoring the economic and political situation and manages risk according to the strategic direction, considering risk-based pricing. Risk is managed through a clearly structured and profit-orientated underwriting policy. Risks are assumed within binding underwriting guidelines and restrictions 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 and bonds reinsurance classes), the reserve risk and moreover in serious 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 collected and assessed using standard industry software, supplemented by in-house verification. There is continuous monitoring of the portfolio for possible risk concentrations from natural disaster risks.

The essential objective when managing risk is assuring 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 range of modelled exposure moves 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. The risk bearing capacity of reinsurance is ensured with sufficient capital resources and reserves, so that there has been no purchasing of retrocession.

In 2014 the worldwide reinsurance market was not affected by any large loss-causing events. In total, in R+V's reinsurance business the accrued major losses were also at an average level and lay within expectations in 2014.

The reserve risk relates to the risk that the loss reserves, which are disclosed for losses already occurred, are not adequately assessed. 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 though the annual preparation of a reserve report.

Market risk

Market risk describes the risk that arises from fluctuations in the amount or volatility of market prices of assets, liabilities and financial instruments, which influence the value of assets and liabilities in the business. 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 of volatility of credit spread 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 volatility of the market price of shares. Shareholder risk is also mapped within equity risk. Equity risk results 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 volatility of the exchange rate. Exchange rate risks arise from fluctuations in the exchange rate either from capital investments kept in foreign currency, or if there is a currency imbalance between the underwritten 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 volatility of the market price for property. Property risk can result in negative changes in value for directly or indirectly held property. These result from a deterioration of the particular features of the property or general market changes (for example within a housing crisis).

– The concentration risk includes additional risks for an insurance or reinsurance company, which are either ascribed to an insufficiently-diversified asset portfolio or to a high exposure to the risk of default of an individual issuer of securities or a connected group of issuers.

Market risk also includes the predominant share of credit risk, spread risk, according to the demarcation taken from Solvency II. Other parts of credit risk are measured, inter alia, in counterparty risk.

When measuring market risks, negative scenarios were considered. These had been taken from the Solvency II guidelines and partially supplemented by appropriate parameterisation.

The management of market risks is a substantial part of the company's total risk management. Market risks are limited, among others, to the specification of the minimum financial results requirements.

The risks stemming from the capital investment are managed within the operational framework defined by regulations according to the Act on the Supervision of Insurance Undertakings (VAG) and the Investment Regulations, as well as by regulatory circular and internal investment guidelines. The company ensures compliance with the Investment Regulations and further regulatory investment principles and regulations through qualified investment management, suitable internal capital investment guidelines and control procedures, a perspective investment policy and other organisational measures. This includes the management of both economic and financial risks. At an organisational level, the company counteracts investment risks by maintaining a strict functional separation of investment, processing and cost control.

The company has continued to expand and improve the instruments used to evaluate and assess risk for new investments and also the monitoring of investment holdings in order to respond to the changes in the capital market and to identify, limit or avoid risks at an early stage.

The company fundamentally responds to capital investment risks by monitoring the general guidelines for the greatest possible security and profitability whilst securing constant liquidity. The company's investment policy particularly aims to take risk minimisation into account by safeguarding a reasonable combination and control of capital investments.

For all market risks the company tracks their changes by constant measurement and by reporting in the relevant committees. The risks of all sub-categories are quantified within the context of company-specific economic calculations. Stress tests serve as an important instrument for early identification. Limitations are used for the demarcation of risks – alongside the natural diversification of time periods, issuers, countries, counterparties, asset classes and so on.

Regular investigations are carried out within the company for Asset Liability Management. Stress tests and scenario analyses for ongoing assessment are the required means of security for the protection of solvency. In particular the impacts of a long-lasting low-interest rate and volatile capital markets are systematically tested.

The company uses derivative instruments for the management of market risks. It is referred to in the annex to the report.

For the management of interest risks, the company looks for a broad combination and control of capital investments connected with management of the structure of the obligations, considering the duration and balanced risk-taking in the selected asset classes. Additionally, the acquisition of pre-emptions serves the maintenance of the investment and for the management of developments in interest and duration.

For the management of spread risk, the company particularly looks for investments with a very high creditworthiness, whereby the prevailing part of the bond portfolios is invested in the investment-grade range. Furthermore, a significant proportion of the portfolio is additionally collateralised. The use of in-house credit risk assessments, which are to some extent more rigorous than the credit ratings available on the market, further reduces risks.

Should the credit spreads for bonds develop, this leads to a decrease in the market value. Such negative developments in market value can lead to temporary or, for required sales, lasting negative results.

The risk of default exists in a possible deterioration of the economic circumstances from issuers or debtors and the resulting risk of partial or total default on receivables or a decrease in creditworthiness. The company's capital investments fundamentally show a very high creditworthiness and a solid collateralisation structure. In the dominant public and financial sectors, it particularly involved 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, an asymmetric strategy is used, which is based on a rule to reduce or increase equity exposure.

For the company, shares are used as part of a long-term investment strategy to guarantee fulfilment of obligations to insurance policy holders. There is no demand to achieve short-term fluctuations through the realisation of profits. The broad diversification of the capital investment portfolio reduces the risk of having to sell shares at a disadvantageous time.

Exchange rate risks are managed by systematic exchange rate management. The reinsurance holdings are almost all in the same currency.

Property risk is reduced by diversification in different locations and forms. Due to comparatively low property holdings in the whole portfolio and a cautious investing strategy, this is a lower-level risk for the company.

Concentration risk has a secondary relevance and the company diminishes it by preserving a reasonable combination and management of the capital investments. This is particularly seen with the granular position for issuers in the portfolio.

Particular aspects of the credit portfolio

R+V Versicherung AG primarily invests in issuers and borrowers with a good to very good creditworthiness. The classification of the creditworthiness takes place primarily with the assistance of rating agencies and is continuously checked according to internal guidelines.

Counterparty risk is also restricted by a limit system. More than 91% (2013: 87%) of the investments in fixed-interest securities have a Standard & Poor's rating of 'A' or better; more than 73% (2013: 73%) have an 'AA' or better rating. In the past fiscal year, the company's capital investments posted interest losses of EUR 0.2 million. No losses of capital were recorded.

R+V Versicherung AG inspected the portfolio for those banks which did not pass the ECB's bank stress test. The result was that the holdings are of subordinate importance and for a widely predominant part collateralised.

The total of all direct investments at banks made by R+V Versicherung AG amounts to EUR 1,403.0 million as of 31 December 2014 (2013: EUR 1,207.8 million). For 32.3% of these investments there was special cover by collateralisation. 39.5% of these investments were invested in German banks. The remaining 60.5% mostly relate to institutions of the European Economic Area.

Since the outbreak of the financial crisis, R+V Versicherung AG has intensified its supervision of the credit portfolio, whereby commitments in the countries directly affected by the European sovereign debt crisis form the main focus of the supervision. The risks in sub-portfolios are monitored, analysed and controlled with the help of regular reporting and discussion in the operational decision-making committees.

Investment in the government bonds of peripheral European states was EUR 79.6 million as of 31 December 2014 (2013: EUR 61.4 million). The increase resulted from the increased market value and restructuring of government bonds. The following table shows the country allocation of these government bonds.

MARKET VALUES

in EUR million	2014	2013
Italy	23.4	9.1
Ireland	11.5	10.4
Spain	44.7	42.0
Total	**79.6**	**61.4**

R+V Versicherung AG constantly reviews the portfolio for countries with critical developments (for example Russia and Ukraine). These reviews lead to adjustments in the portfolio as required. In 2014 there were no noteworthy risks.

Counterparty default risk

The counterparty default risk takes into account possible losses which are the result of an unexpected cancellation 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 associated risks.

For R+V Versicherung AG there are such risks, particularly for counterparties of derivative financial instruments as well as reinsurance counterparties.

The basis for the determination of the capital requirements for counterparty default risk is the relevant exposure and the expected loss of each counterparty.

Transactions with derivative financial instruments are explicitly regulated in in-house guidelines. This includes the volume and counterparty limits in particular. The different risks are regularly monitored and presented in a transparent manner through an extensive and prompt reporting system. Details of the derivative financial instruments are set out in the Annex.

In order to assess counterparty and issuer risks, the company applies for the assessments of the international rating agencies, which are supplemented by in-house creditworthiness analyses. Compliance with the limits is continuously assessed for substantial counterparties. Utilisation of the limit and compliance with the investment guidelines is regularly monitored.

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

For the counterparty risk there are no particular current existing drivers of risk, since the creditworthiness of the counterparties was reasonably certified by the companies and monitored over time. Furthermore, this risk category is also of secondary important for the company from a material point of view.

Operational risks

Operational risks describe the risk of losses due to insufficient or failed internal processes or by incidents caused by internal processes, employees, systems or external events. Legal risks are included here.

Determination of the risk capital requirement takes place on the basis of a factor approach for volume measures of premiums and provisions as well as for expenses in case of the unit-linked business.

R+V's primary instrument for the restriction of operational risks is the ICS. Regulations and controls in the specialist areas and the monitoring of the application and effectiveness of the internal control systems through group auditing guard against wrong decisions and fraudulent activities. Outgoing payments are supported by machine as far as possible.

Additional security is provided by pre-defined mandates and authorisation rules stored in user profiles, as well as electronic submissions for release generated using a random generator. As a basic principle, manual outgoing payments are approved according to the dual control principle.

As a supplement to the ICS, risk indicators provide early evidence of trends and accumulations in the risk development and allow weaknesses in the business processes to be recognised. Based on the given threshold value, risk situations are signalled by means of a traffic light system. Risk indicators are systematically and regularly raised to the broadest extent.

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

Business continuity management guarantees that R+V Versicherung AG's business operations can be sustained in the event of a crisis. As part of emergency planning, the time-sensitive business processes and the resources necessary for their maintenance are recorded.

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

Comprehensive physical and logical protections ensure the security of data and applications as well as the maintenance 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 based on 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 R+V 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 even after the total loss of all data processing centres in Wiesbaden.

Through sustained development of personnel and the development of talent management, R+V ensures that the 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 a procedure to appraise potential, systematic succession planning and training programs. Employee questionnaires are regularly conducted in the interest of retaining lasting personal commitment.

Other significant risks

Liquidity risk

The liquidity risk describes the risk that a company is not in a position to satisfy its financial obligations when due or can only do so at increased cost due to insufficient fungibility.

The liquidity of R+V companies is centrally controlled. 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. The satisfaction of liquidity requirements under supervisory requirements is continually reviewed for new investments.

The anticipated development of the cash flow at individual company level is presented in detail within the context of an updated monthly liquidity report for the current year. Furthermore, a precise daily cash flow plan is also carried out by 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 company's ability to satisfy its obligations at any time.

The ability to satisfy liabilities to policy holders, at any time, is guaranteed by the forecast liquidity situation and the high fungibility of securities.

Risk concentrations

Risk concentrations in the broader sense are accumulations of individual risks which can be realised together with a considerably higher probability, due to a high degree of dependence or interdependence. The dependencies and the relationship of the interdependence partially manifests itself for the first time in stress situations.

R+V's investment behaviour is oriented towards avoiding risk concentrations in the portfolio. The risks are minimised by broad diversification of investments, in which the quantitative limits defined by investment regulations and other provisions of supervisory law are complied with in accordance with the principle of appropriate combination and diversification. An analysis of the issuer structure of the portfolio did not identify any significant concentration risk.

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.

Changes to the legislative and regulatory frameworks as well as changes in the market and competition are subject to continual observation in order to be able to react to opportunities and risks promptly. R+V analyses and forecasts ongoing national and global circumstances with influence on parameters relevant to business.

The management of strategic risk 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 in the context of the annual strategic planning process, taking into account the risk bearing capacity. R+V counters strategic risk through strategic planning and discussion about success potential in the Board of Management meeting. R+V uses the common instruments for strategic controlling for this. These include both external strategic analyses of the market and competitors and internal analyses of the company such as portfolio or SWOT analyses. The results of the strategic planning processes, in the form of target figures which have been adopted, are put into operation within the context of the operational planning for the coming three years and take account of the risk-bearing capacity. Together with the upper loss limits they are passed by management each autumn. The implementation of decisions made 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 company's risk profile are reflected in the risk strategy.

Strategic risks from an IT perspective exist particularly in carrying out (large) projects to introduce new insurance products or to meet new or changed legislative and regulatory requirements. Wide-reaching platform decisions are also dealt with in the context of strategic risks.

Reputation risk

Reputation risk is the risk of a direct or future loss of business volumes arising from possible damage to the reputation of the company or to the whole sector as a result of a negative public perception (e.g. among 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 R+V's image from happening at all, 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 competence of advice – are taken into account in the context of a continuous improvement process.

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

Summary of the risk situation

The current analysis of the economic risk bearing capacity shows that R+V Versicherung AG's risk cover capital exceeds the necessary risk capital. Due to the situation in the financial markets, statements about trends regarding the development of the risk capital requirements and the risk cover amount are nevertheless uncertain.

R+V Versicherung AG's regulatory risk-bearing capacity exceeded the minimum required solvency margin as per 31 December 2014.

The sovereign debt crisis in the Eurozone is furthermore a risk factor for the company's business development. A renewed worsening of the Eurozone crisis cannot be excluded due to the experience of the past few years of crisis. The associated impacts on the capital markets, the real economy and public demand behaviour are difficult to assess. However, the risk of crisis has recognisably diminished through an economic recovery, fiscal and regulatory measures as well as an active central bank policy.

Furthermore there are no trends recognisable from today's vantage point which could inflict lasting damage on R+V Versicherung AG's assets situation, financial situation and profitability.

Forecast

Caveat for statements about the future

Assessments of upcoming developments at 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 views for which no liability can be assumed.

The assessment and explanation of the expected development, with its major opportunities and risks, are provided to the best of our knowledge and belief on the basis of currently available insights on industry prospects, 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. Overall, the actual performance of R+V may therefore differ significantly overall from the predictions made.

Macroeconomic Development

The German Council of Economic Experts has, in its annual autumn report, forecast real gross domestic product growth of 1.0% in Germany in 2015. Other economists expect a better economic situation due to the oil price that has again fallen since that report, as well as interest and Euro price trends. The insurance industry, particularly the GDV, have not published a forecast for 2015 at the time of printing.

Development on the capital markets

The development of the capital markets in 2015 will be characterised by further economic recovery with the lower rate of inflation, which could even be negative in the Eurozone (deflation). The high government debts have to be further reduced and the central banks will again support this process. Since interest rates were pushed down to virtually zero percent, this will be followed from now on by the ECB making large-scale purchases of bonds. In the USA, on the other hand, the capital market will be influenced by the Federal Reserve's expected interest rate increases.

At the end of 2015 interest rates are expected to be at low levels. Equities will remain volatile, but on the whole moderate increases are expected. R+V Versicherung AG's capital investment strategy ensures a high proportion of fixed-interest and highly creditworthy securities, so that the technical liabilities can be met at any time. The duration should at least be maintained. Provided that the conditions of further high quality of title, broad management, and strong risk controls exist, opportunities in the credit markets will be taken in 2015. Shareholding commitments should be slightly increased depending on R+V Versicherung AG's risk-bearing capacity. The property and infrastructure commitments will be further gradually increased with the presence of attractive investments.

This long-term investment strategy, which is oriented towards security, combined with modern risk management, will also determine the course in 2015.

Continuation of the strategy of success-oriented growth

In the reinsurance sector there will also be strong competition. A good damage progression and high available capacity on the market, among others, also in the form of so-called catastrophe bonds, will depress the price level. The importance of the soft market is, however, assessed differently by classes and regions.

R+V Versicherung AG will continue its strategy of success-oriented growth in the 2015 fiscal year. Through the targeted underwriting of risks in fewer regions and classes affected by the soft market, premium growth and adequate risk margins are also planned for 2015. Here, R+V Versicherung AG benefits from an excellent AA- rating from Standard and Poor's, which opens up further business opportunities in ratings-sensitive markets. The quality standard for underwriting, pricing and claims management will be continuously adjusted to current circumstances. The gross claims expenditure should not exceed the level of the fiscal year. In comparison to the premium growth, a proportional cost increase is planned so that a satisfactory own-account technical result should be achieved. This expectation assumes that there are no major claims events outside of the expected value.

Thank you

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

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 customers for the trust they have placed in us.

Wiesbaden, 5 March 2015

The Board of Management

Appendix to the Management Report

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

Life

Health

Accident

Liability

Motor

Aviation

Legal

Fire and allied perils

Burglary and theft

Water damage

Storm

Comprehensive home contents

Comprehensive home-owners

Glass

Hail

Livestock

Engineering

Marine

Credit and bonds

Business interruption

Other

Annual Financial Statements 2014

Balance sheet

as of 31 December 2014*

ASSETS

in EUR				2014	2013
A. Intangible assets					
Purchased franchises, industrial and similar rights and assets as well as licences to such rights and values				**18,821. —**	**25,464**
B. Capital investments					
I. Land, similar rights and buildings including buildings on third party land			3,661,277.17		3,728,661
II. Capital investments in affiliated companies and holdings					
1. Shares in affiliated companies		2,357,625,780.99			2,187,584,028
2. Loans to affiliated companies		60,432,529.05			112,162,599
3. Holdings		861,102.78			861,103
4. Loans to associated companies		14,651,028.55	2,433,570,441.37		99,462,369
III. Other capital investments					
1. Shares, investment certificates and other variable interest securities		460,346,226.96			410,106,321
2. Bearer bonds and other fixed-interest securities		1,497,265,513.64			1,123,136,837
3. Other loans					
a) Registered bonds	456,700,171.82				368,500,000
b) Bonded debt receivables and loans	230,339,690.32	687,039,862.14			245,986,255
4. Deposits at banks		90,064,675.62			82,312,936
5. Other capital investments		11,368,964.01	2,746,085,242.37		15,508,684
IV. Deposits with ceding reinsurers			208,269,351.15		213,164,673
				5,391,586,312.06	**4,862,514,467**

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

in EUR				2014	2013
C. Receivables					
I. Settlement receivables from reinsurance business			277,333,187.12		142,606,637
Thereof due to:					
Affiliated companies	€6,735,490	(€8,125,877)			
Associated companies	€–	(€1,017,201)			
II. Other receivables			348,951,345.95		254,207,181
Thereof due to:					
Affiliated companies	€287,923,863	(€207,762,870)			
Associated companies	€–	(€75,657)			
				626,284,533.07	**396,813,818**
D. Other assets					
I. Property, plant, equipment and inventories			434,992.99		538,582
II. Cash at banks, cheques and cash in hand			96,918,782.95		65,799,174
III. Other assets			72,007.29		178,795
				97,425,783.23	**66,516,552**
E. Accruals					
I. Accrued interest and rents			36,337,830.36		31,877,466
II. Other accruals			89,329.02		524,303
				36,427,159.38	**32,401,769**
F. Active difference resulting from asset offsetting				**8,646.25**	**–**
				6,151,751,254.99	**5,358,272,070**

LIABILITES

in EUR			2014	2013
A. Shareholders' equity				
I. Called capital				
Subscribed capital	344,029,090.91			331,287,273
minus uncalled outstanding investments	—.—	344,029,090.91		
II. Capital reserves		1,550,018,329.09		1,415,739,315
Thereof reserves in accordance with § 5 Section 5 No. 3 VAG: €– (€–)				
III. Retained earnings				
Other retained earnings		164,666,337.05		164,666,337
			2,058,713,757.05	**1,911,692,925**
B. Technical provisions				
I. Unearned premium reserves				
1. Gross	162,677,319.74			142,670,650
2. Thereof: less reinsurance amount	1,631,201.98	161,046,117.76		2,169,386
II. Actuarial reserves				
1. Gross	61,778,332.03			65,105,517
2. Thereof: less reinsurance amount	29,166,310.51	32,612,021.52		30,427,674
III. Provision for outstanding claims				
1. Gross	2,437,896,179.54			2,279,520,227
2. Thereof: less reinsurance amount	56,921,016.36	2,380,975,163.18		235,474,518
IV. Provisions for performance based and non-performance based premium funds				
1. Gross	3,441,997.75			2,902,303
2. Thereof: less reinsurance amount	—.—	3,441,997.75		–
V. Equalisation provision and similar provisions		740,668,460,—		635,948,406
VI. Other technical provisions				
1. Gross	736,354.—			675,222
2. Thereof: less reinsurance amount	—.—	736,354—		–
			3,319,480,114.21	**2,858,750,747**

in EUR				2014	2013
C. Other provisions					
I. Provisions for pensions and similar obligations			969,431.73		81,335
II. Tax provisions			35,644,566.93		43,543,325
III. Other provisions			19,864,189.93		19,308,230
				56,478,188.59	**62,932,891**
D. Deposit liabilities received from reinsurers				**31,158,435.69**	**36,551,819**
E. Other liabilities					
I. Settlement liabilities from reinsurance business			439,896,842.85		248,639,493
Thereof due to:					
Affiliated companies	€177,947,048	(€43,150,319)			
Associated companies	€928,558	(€902,413)			
II. Bonds			27,646,393.02		26,479,673
III. Other liabilities			218,377,523.58		212,789,210
Thereof:					
From taxes	€891,228	(€5,602,634)			
Social security	€55,653	(€63,603)			
Due to:					
Affiliated companies	€211,595,308	(€200,904,220)			
				685,920,759.45	**487,908,376**
F. Deferred income				**—.—**	**435,312**
				6,151,751,254.99	**5,358,272,070**

Income statement

for the period 1 January to 31 December 2014*

INCOME STATEMENT				
in EUR			**2014**	**2013**
I. Technical account				
1. Premiums earned for own account				
a) Gross premiums written	1,746,056,901.23			1,521,600,128
b) Reinsurance premiums ceded	40,467,038.05			35,650,546
		1,705,589,863.18		
c) Change in gross unearned premium reserve	–13,855,984.67			947,912
d) Change in gross unearned premium reserve – reinsurers' share	522,941.61			406,337
		–14,378,926.28		
			1,691,210,936.90	**1,486,491,158**
2. Technical interest income for own account			**1,637,612.11**	**671,938**
3. Other technical earnings for own account			**—.—**	**1,952**
4. Expenditure on claims for own account				
a) Payments for claims				
aa) Gross	1,196,947,484.83			860,256,915
bb) Reinsurers' share	194,684,825.25			53,915,108
		1,002,262,659.58		
b) Change in provision for outstanding claims				
aa) Gross	107,241,178.29			492,501,236
bb) Reinsurers' share	–178,796,212.86			213,706,215
		286,037,391.15		
			1,288,300,050.73	**1,085,136,829**
5. Change in other technical net provisions				
a) Net actuarial reserves		2,853,259.24		2,296,912
b) Other technical net provisions		–47,174.30		–65,107
			2,806,084.94	**2,231,805**
6. Expenditure on performance based and non-performance based premium funds for own account			**3,428,895.88**	**2,629,560**
7. Expenditure on insurance operations for own account				
a) Gross expenditure on insurance operations		433,199,901.39		376,831,474
b) Thereof:				
Reinsurance commissions and profit participations received		6,485,922.53		7,948,117
			426,713,978.86	**368,883,357**
8. Other technical expenses for own account			**1,873,939.61**	**1,436,063**
9. Subtotal			**–24,662,231.13**	**31,311,043**
10. Change to equalisation provision and similar provisions			**–104,720,054. —**	**–70,832,324**
11. Technical result for own account			**–129,382,285.13**	**–39,521,281**

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

in EUR				2014	2013
II. Non-technical account					
1. Investment income					
a) Income from holdings		52,868.76			58,909
Thereof from affiliated companies:					
€7,010 (€7,010)					
b) Income from other capital investments					
Thereof from affiliated companies:					
€4,214,728 (€5,975,799)					
aa) Income from land, similar rights and buildings including buildings on third party land	655,761.45				648,083
bb) Income from other capital investments	94,879,382.68				80,127,681
		95,535,144.13			
c) Income from write ups		3,714,843.12			2,336,538
d) Realised gains on capital investments		2,091,769.80			3,266,001
e) Income from profit pooling, profit and loss transfer agreement and partial profit and loss transfer agreements		190,043,157.65			188,303,890
			291,437,783.46		274,741,103
2. Expenditure for capital investments					
a) Expenditure for management of capital investments, interest expenditure and other expenditure for capital investments		4,219,767.19			4,036,908
b) Depreciation on capital investments		1,448,320.71			11,579,627
c) Realised losses on capital investments		513,258.98			485,190
			6,181,346.88		16,101,726
			285,256,436.58		258,639,378
3. Technical interest income			–2,797,138.82		–1,929,667
				282,459,297.76	**256,709,711**
4. Other income			52,785,285.56		47,915,874
5. Other expenditure			54,080,085.30		52,827,213
				–1,294,799.74	**-4,911,339**
6. Non-technical result				**281,164,498.02**	**251,798,372**
7. Result from normal business activities				**151,782,212.89**	**212,277,090**

in EUR					2014	2013
8. Taxes on income and earnings				97,286,984.11		123,113,957
Thereof:						
Allocation within consolidated entity	€101,216,187	(€105,169,432)				
9. Other taxes				168,145.89		34,400
Thereof:						
Allocation within consolidated entity	€136,202	(€–)				
					97,455,130. —	**123,148,357**
10. Profits transferred as a result of profit pooling, a profit and loss transfer agreement or a partial profit and loss agreement					**–54,327,082.89**	**–89,128,734**
11. Annual net income					**—.—**	**–**

Notes

Accounting and valuation methods

The Financial Statements 2014 of R+V Versicherung AG have been prepared in accordance with the regulations in the German Commercial Code (HGB), in conjunction with the Government Order on External Accounting Requirements of Insurance Enterprises (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 straight line depreciation was used at the rate allowed under taxation law. Write-ups were carried out according to § 253 Section 5 Clause 1 HGB; however 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. If the reasons for past depreciation no longer exist, according to § 253 Section 5 Clause 1 HGB, write-ups were carried out to the fair value, up to a maximum of the acquisition value.

Loans to affiliated companies and to **companies, with which an investment relationship exists**, were valued in line with their affiliation to the positions listed below.

Shares, investment certificates and other variable yield securities as well as **bearer bonds and other fixed-interest securities** were valued at acquisition costs, reduced by depreciation in accordance with the strict lower of cost or market value principle, unless they were allocated to noncurrent assets.

Shares and investment certificates which have been allocated to the noncurrent assets according to § 341 b Section 2 Clause 1 HGB were written down to market value according to the option pursuant to § 253 Section 3 Clause 4 HGB.

Euro-denominated bearer bonds and other fixed interest securities assigned to the noncurrent assets in accordance with § 341 b Section 2 Clause 1 HGB were valued at acquisition costs less past depreciation. Where the acquisition costs are above the permanent value, they were written down to the fair value, but not below the permanent value. If there is a permanent impairment, this is recognised at the fair value.

Securities without a fixed term (perpetuals) that have been assigned to the noncurrent assets in accordance with § 341 b Section 2 Clause 1 HGB were written down to market value according to the option pursuant to § 253 Section 3 Clause 4 HGB. Reversals were undertaken at the fair value up to a maximum of the acquisition value in accordance with § 253 Section 5 Clause 1 HGB.

Foreign currency-denominated bearer bonds and other fixed interest securities assigned to the noncurrent assets in accordance with § 341 b Section 2 Clause 1 HGB were written down to market value according to the option pursuant to § 253 Section 3 Clause 4 HGB.

If the reasons for past depreciation of noncurrent and current assets no longer exist, according to § 253 Section 5 Clause 1 HGB, write-ups were carried out to the fair value, up to a maximum of the acquisition value. In case of fixed-interest securities of the noncurrent assets, write-ups were not carried out beyond the repayment value.

Other loans were recognised at the amortised 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.

Registered bonds and **deposits at banks** were recognised with the repayment amount insofar as no single value adjustments were to be carried out. Premiums and discounts were transferred to the respective inventory items as part of a balance-sheet reclassification with registered bonds. The amortisation of any difference between the acquisition costs and the repayment amount was carried out using the effective interest method.

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 in accordance with § 253 Section 1 HGB at the fair value and offset 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 useful life permitted under taxation law. Additions and disposals during the fiscal year were written down pro rata temporis. Assets, whose acquisition costs were between EUR 150 and EUR 1,000, were placed in a collective item that is written down over five years – beginning with the year of formation.

An integrated intercompany agreement with regard to income tax has existed between R+V Versicherung AG and DZ BANK AG since 2012. As owing to deviating accounting under commercial and taxation law the consequences with regard to income tax arise at the controlling company, the valuation differences between the commercial and tax balance sheet existing at R+V Versicherung AG as of 31 December 2014 are taken into consideration, within the formation of the deferred taxes at DZ BANK AG. Therefore, no deferred taxes are disclosed at R+V Versicherung AG as of 31 December 2014.

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. The reinsurance shares of the provisions were determined in accordance with contractual agreements. In the event of disputed legal and contractual bases in individual cases, the best possible individual estimate of the reserve was made by means of comprehensive internal processes.

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

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

The valuation of **provisions for pensions and similar obligations** (such as provisions for partial retirements and anniversary reserves) was made in accordance with the projected unit credit method (PUC method) in conjunction with § 253 Section 1 HGB on the basis of 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 published by the Bundesbank for the past seven years with an assumed residual term of fifteen years. The interest rate was based on the level in October 2014.

The following parameters were used:

Increases in salary:	2.50 %
Increase in pensions:	1.90 %
Fluctuation:	0.90 %
Interest rate:	4.62 %

The provision for **partial retirement** encompasses both remuneration arrears and the outstanding top-up payments to salaries and to pension provision.

Pension deferred compensation is balanced largely by congruent reinsurance bonded as security. Their value thus corresponds with the current value of the assets in accordance with § 253 Section 1 HGB.

All other **non-technical provisions** were recognised at the repayment amount in accordance with § 253 HGB and discounted with the average interest rate of the past seven years corresponding with the residual term, insofar as the term of the provision is more than one year. The interest rate in October 2014 was drawn on for the valuation as of 31 December 2014.

The **other liabilities** were recognised at the repayment amount.

Currency conversion
All items in foreign currencies were converted into euros.

The items detailed under Assets B. Capital investments I to III as well as the other receivables resulting from these capital investments, other liabilities, deferred income, as well as income and expenditure items were converted using the average spot exchange rate on the reporting date 31 December 2014.

All other items on the balance sheet and income statement, in particular technical items, were converted using the average spot exchange rate on 22 December 2014 in order to speed up the preparation of the annual financial statements.

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

List of shareholdings

SHARES IN AFFILIATED COMPANIES

Name and registered office of company	Share in Capital in %	Currency	Figures for Fiscal year	Shareholders' equity EUR	Result EUR
Insurance companies					
Assimoco S.p.A., Segrate	66.9	EUR	2013	78,075,256	7,057,179
Assimoco Vita S.p.A., Segrate	63.6	EUR	2013	83,180,804	3,697,551
CHEMIE Pensionsfonds AG, Munich	100.0	EUR	2014	18,317,843	2,000,000
Condor Allgemeine Versicherungs-AG, Hamburg	100.0	EUR	2014	41,761,661	1)
Condor Lebensversicherungs AG, Hamburg	95.0	EUR	2014	38,587,741	1)
KRAVAG-ALLGEMEINE Versicherungs-AG, Hamburg	76.0	EUR	2014	76,250,044	6,735,117
KRAVAG-LOGISTIC Versicherungs-AG, Hamburg	51.0	EUR	2014	149,197,017	19,209,615
R+V Allgemeine Versicherung AG, Wiesbaden	95.0	EUR	2014	774,176,663	1)
R+V Direktversicherung AG, Wiesbaden	100.0	EUR	2014	9,500,000	1)
R+V Pensionsfonds AG, Wiesbaden 2)	74.9	EUR	2014	23,673,166	257,000
R+V Krankenversicherung AG, Wiesbaden	100.0	EUR	2014	58,485,231	5,500,000
R+V Lebensversicherung AG, Wiesbaden	100.0	EUR	2014	364,980,723	1)
R+V Luxembourg Lebensversicherung S.A., Strassen	100.0	EUR	2014	304,846,611	38,875,295
R+V Pensionskasse AG, Wiesbaden 3)	100.0	EUR	2014	59,972,238	500,000
Service, Holding and Real estate companies					
Assimocopartner Unipersonale S.r.L., Segrate	57.0	EUR	2013	220,965	–39,463
Aufbau und Handelsgesellschaft mbH, Stuttgart	82.3	EUR	2013	525,138	1)
BWG Baugesellschaft Württembergischer Genossenschaften mbH, Stuttgart	82.2	EUR	2013	9,965,213	1)
carexpert Kfz-Sachverständigen GmbH, Walluf	60.0	EUR	2014	3,071,469	–566,831
CI Assekuradeur GmbH i.L., Hamburg 4)	100.0	EUR	2013	117,797	–322
CI CONDOR Immobilien GmbH, Hamburg	95.0	EUR	2014	25,500,000	1)
compertis Beratungsgesellschaft für betriebliches Vorsorgemanagement mbH, Wiesbaden	51.0	EUR	2014	3,300,787	320,983

1) A profit and loss transfer agreement exists.
2) Merger of R+V Pensionsfonds AG with R+V Gruppenpensionsfonds AG, then change of name from R+V Gruppenpensionsfonds AG to R+V Pensionsfonds AG.
3) Merger of Optima Pensionskasse AG with R+V Pensionskasse AG.
4) Formerly Schuster Assekuradeur GmbH. Company in liquidation since 1 January 2015.

SHARES IN AFFILIATED COMPANIES

Name and registered office of company	Share in Capital in %	Currency	Figures for Fiscal year	Shareholders' equity EUR	Result EUR
Condor Beteiligungsgesellschaft mbH, Hamburg	95.0	EUR	2014	31,311	4,594
Condor Dienstleistungs-GmbH, Hamburg	95.0	EUR	2013	199,671	4,269
Englische Strasse 5 GmbH, Berlin	90.0	EUR	2013	18,030,397	349,975
Finassimoco S.p.A., Segrate	57.0	EUR	2013	94,021,120	265,620
GTIS Brazil II S-Feeder LP, Edinburgh	97.9	USD	2013	11,400,932	–1,821,696
GWG 1. Wohn GmbH & Co. KG, Stuttgart	91.3	EUR	2013	2,000,000	278,953
GWG 2. Wohn GmbH & Co. KG, Stuttgart	91.3	EUR	2013	3,000,000	566,259
GWG 3. Wohn GmbH & Co. KG, Stuttgart	91.3	EUR	2013	7,000,000	1,287,370
GWG 4. Wohn GmbH & Co. KG, Stuttgart	91.3	EUR	2013	8,964,171	–35,414
GWG Beteiligungsgesellschaft mbH, Stuttgart	91.3	EUR	2013	21,915	512
GWG Gesellschaft für Wohnungs- und Gewerbebau Baden-Württemberg AG, Stuttgart	91.3	EUR	2013	203,457,105	20,377,762
GWG ImmoInvest GmbH, Stuttgart	86.7	EUR	2013	5,800,314	667,540
GWG Wohnpark Sendling GmbH, Stuttgart [2])	81.5	EUR	2013	–1,148,619	–226,809
HANSEATICA Sechzehnte Grundbesitz Investitionsgesellschaft mbH & Co. KG, Berlin	95.0	EUR	2013	24,777,744	660,450
Henderson Global Investors Real Estate (No. 2) L.P., London	73.2	GBP	2013	23,650,003	113,441
HGI Immobilien GmbH & Co. GB I KG, Frankfurt am Main	73.2	EUR	2013	23,188,715	–1,311,571
HGI Real Estate L.P., London	73.2	GBP	2012 [3])	646,498	–27,526
HumanProtect Consulting GmbH, Cologne	100.0	EUR	2013	215,429	98,634
Indexfinal Limited, London	73.2	GBP	2013	1,186	0
IZD-Beteiligung S.à.r.l., Luxembourg	96.2	EUR	2013	19,876,683	1,436,237
KRAVAG Umweltschutz- und Sicherheitstechnik GmbH, Hamburg	51.0	EUR	2014	204,220	9,691
Medico 12 GmbH & Co. KG, Frankfurt am Main	100.0	EUR	2013	8,337,370	–926,621
MSU Management-, Service- und Unternehmensberatung GmbH, Kaiserslautern	74.0	EUR	2013	603,096	204,740
NF Nordstrand GmbH & Co. Heidenkampsweg 100 Nord KG, Norderfriedrichskoog	89.3	EUR	2013	–3,920,112	16,241
NF Nordstrand GmbH & Co. Heidenkampsweg 100 Süd KG, Norderfriedrichskoog	47.9	EUR	2013	–2,871,597	–27,142
PASCON GmbH, Wiesbaden	100.0	EUR	2014	25,000	[1])

[1]) A profit and loss transfer agreement exists.
[2]) New shareholding.
[3]) Company in liquidation since mid 2013; figures from the last published annual financial statement, 2012.

SHARES IN AFFILIATED COMPANIES

Name and registered office of company	Share in Capital in %	Currency	Figures for Fiscal year	Shareholders' equity EUR	Result EUR
Paul Ernst Versicherungsvermittlungs-gesellschaft mbH, Hamburg	51.0	EUR	2014	68,265	46,676
Pension Consult Beratungsgesellschaft für Altersvorsorge mbH, Munich	74.9	EUR	2014	1,188,093	84,848
R+V Erste Anlage GmbH, Wiesbaden	95.0	EUR	2014	1,072,177	–3,753
R+V Gruppenpensionsfonds-Service GmbH, Munich	74.9	EUR	2014	71,896	2,541
R+V INTERNATIONAL BUSINESS SERVICES Ltd., Dublin	100.0	EUR	2013	1,538,784	–2,046,486
R+V KOMPOSIT Holding GmbH, Wiesbaden	100.0	EUR	2014	1,801,621,575	[1])
R+V Kureck Immobilien GmbH, Wiesbaden	95.0	EUR	2014	84,926	3,694
R+V Leben Wohn GmbH & Co. KG, Wiesbaden	100.0	EUR	2014	93,056,707	978,127
R+V Mannheim P2 GmbH, Wiesbaden	94.0	EUR	2013	65,593,459	2,166,077
R+V Personen Holding GmbH, Wiesbaden	100.0	EUR	2014	622,088,847	[1])
R+V Real Estate Belgium N.V./S.A., Brussels	100.0	EUR	2013	2,144,617	–492,117
R+V Rechtsschutz-Schadenregulierungs-GmbH, Wiesbaden	100.0	EUR	2014	83,719	30,530
R+V Service Center GmbH, Wiesbaden	100.0	EUR	2014	2,869,375	[1])
R+V Service Holding GmbH, Wiesbaden	100.0	EUR	2014	171,910,250	[1])
R+V Treuhand GmbH, Wiesbaden	100.0	EUR	2014	41,308	3,908
RC II S.a.r.L., Luxemburg	90.0	EUR	2013	9,041,067	72,153
RUV Agenturberatungs GmbH, Wiesbaden	100.0	EUR	2014	405,340	137,647
Schuster Versicherungsmakler GmbH, Bielefeld	51.0	EUR	2013	121,750	32,391
Schuster Versicherungsservice GmbH, Bielefeld [2])	51.0	EUR	2013	25,565	[1])
SECURON Versicherungsmakler GmbH, Munich	51.0	EUR	2013	482,733	185,490
Sprint Sanierung GmbH, Cologne	100.0	EUR	2013	29,768,241	2,516,423
Tishman Speyer Brazil Feeder (SCOTS/D), L.P., Edinburgh	97.5	BRL	2013	29,915,216	5,885,055
Tishman Speyer European Strategic Office Fund Feeder, L.P., New York	97.2	EUR	2013	15,210,320	362,975
UMB Unternehmens-Management-beratungs GmbH, Wiesbaden	100.0	EUR	2014	923,922	336,229
Unterstützungskasse der Condor Versiche-rungsgesellschaften GmbH, Hamburg	98.3	EUR	2014	26,076	0
VMB Vorsorgemanagement für Banken GmbH, Overath	90.0	EUR	2014	115,743	226
VR BKE Beratungsgesellschaft für Klima und Energie mbH, Wiesbaden	66.7	EUR	2013	216,405	–383,595

[1]) A profit and loss transfer agreement exists.
[2]) Formerly Schuster Finanzdienstleistungs-GmbH. The profit and loss transfer agreement was terminated on 30 September 2014.

SHARES IN AFFILIATED COMPANIES

Name and registered office of company	Share in Capital in %	Currency	Figures for Fiscal year	Shareholders' equity EUR	Result EUR
VR GbR, Frankfurt am Main	41.2	EUR	2013	194,403,843	49,436,218
VR Hausbau AG, Stuttgart	81.9	EUR	2013	2,750,000	[1]
Waldhof Verwaltungsgesellschaft mbH i.L., Hamburg [2]	100.0	EUR	2014	28,506	–82
WBS Wohnwirtschaftliche Baubetreuungs- und Servicegesellschaft mbH, Stuttgart	86.7	EUR	2013	13,278,964	1,421,049

[1] A profit and loss transfer agreement exists.
[2] Company in liquidation since 1 January 2014.

ASSOCIATES

Name and registered office of company	Share in Capital in %	Currency	Figures for Fiscal year	Shareholders' equity EUR	Result EUR
ASSICAL S.r.L., Rende	17.1	EUR	2013	159,928	2,685
ASSICONF S.r.L., Turin	11.4	EUR	2013	65,483	11,992
ASSICRA Servizi Assicurativi Banche di Credito Cooperativo Abruzzo e Molise s.r.L., Pescara	14.2	EUR	2013	326,911	17,730
ATRION Immobilien GmbH & Co. KG, Munich	31.6	EUR	2013	40,240,577	9,013,247
BAU + HAUS Management GmbH, Karlsruhe	50.0	EUR	2013	11,757,381	998,327
bbv-Service Versicherungsmakler GmbH, Munich	25.2	EUR	2013	1,408,794	227,329
BCC Risparmio Previdenza S.G.R.p.A., Milan [1]	15.9	EUR	2013	30,959,477	5,406,249
Centro Commerciale Trieste Srl., Triest	23.1	EUR	2013	-4,804,258	-2,716,726
Credit Suisse Global Infrastructure SCA SICAR, Luxembourg	29.6	USD	2013	217,511,673	48,727,669
European Property Beteiligungs-GmbH, Wiesbaden	38.6	EUR	2013	1,074,933	-27,722
GbR „Ackermannbogen.de – Wohnen am Olympiapark“, Munich	40.9	EUR	2013	45,135	-17,038
Golding Mezzanine SICAV IV Teilfonds 2, Muns	47.5	EUR	2013	12,872,347	1,206,364
HEIMAG Besitzgesellschaft mbH, Munich	27.4	EUR	2013	25,906	-65
HEIMAG München GmbH, Munich	27.4	EUR	2013	222,438,179	-3,503,481
Henderson Global Investors Property (No. 2) Limited, London	50.0	GBP	2013	47,151	14,000
HGI Immobilien GmbH, Frankfurt am Main	50.0	EUR	2013	121,412	67,533
HGI Property Limited, London	50.0	GBP	2012 [2]	9,367	-4,798
IZD-Holding S.à.r.l., Luxembourg	48.4	EUR	2013	39,338,945	2,911,533
Mietmanagement HEIMAG GmbH & Co. KG, Munich	27.4	EUR	2013	406,573,189	10,614,530
MB Asia Real Estate Feeder (Scot) L.P., New York	34.1	USD	2013	43,899,645	-3,685,745
Office Tower IZD GmbH, Vienna	48.5	EUR	2013	38,018,210	3,331,280
Property Finance France S.A., Luxembourg	18.2	EUR	2012 [3]	89,918	-58,502
PWR Holding GmbH, Munich	33.3	EUR	2012 [3]	1,871,526	-26,075
R+V Kureck Immobilien GmbH Grundstücksverwaltung Braunschweig, Wiesbaden	50.0	EUR	2013	8,549,845	543,789
R.G.A. Agrupación de Interés Ecónomico, Madrid	12.0	EUR	2013	117,197	0

[1]) Formally AUREO GESTIONI S.G.R.p.A. (Name change in 2013).
[2]) Company has gone into liquidation as of mid 2013, figures from last available annual financial statement in 2012.
[3]) Figures for 2013 not available at time of preparation.

ASSOCIATES

Name and registered office of company	Share in Capital in %	Currency	Figures for Fiscal year	Shareholders' equity EUR	Result EUR
R.G.A. Mediación, Operador de Banca-Bâloise España S.A., Madrid	28.5	EUR	2013	4,994,961	1,468,607
Rural Pensiones, S.A. Entidad Gestora de Fondos de Pensiones, Madrid	17.5	EUR	2013	15,988,000	722,000
Rural Vida, S.A. de Seguros y Reaseguros, Madrid	28.5	EUR	2013	144,187,000	6,142,000
Schroder European Property Investments No 1 S.A., Senningerberg	44.3	EUR	2013	1,856,494	543,406
Schroder Italien Fonds GmbH & Co. KG, Wiesbaden	23.1	EUR	2013	3,112,171	-9,141,855
Schroder Italien Fonds Holding GmbH, Frankfurt am Main	23.1	EUR	2013	3,017,822	-9,039,390
Schroder Property Services B.V., Amsterdam	30.0	EUR	2013	251,860	200,631
SECURON Hanse Versicherungsmakler GmbH, Hamburg	26.0	EUR	2013	30,450	-2,698
Seguros Generales Rural, S.A. de Seguros y Reaseguros, Madrid	28.5	EUR	2013	171,505,000	12,461,000
TERTIANUM – Besitzgesellschaft Berlin Passauer Straße 5-7 mbH, Munich [1])	25.0	EUR	2013	19,069,784	4,233,592
TERTIANUM – Besitzgesellschaft Konstanz Marktstätte 2-6 und Sigismundstraße 5-9 mbH, Munich [1])	25.0	EUR	2013	30,333,017	911,424
TERTIANUM Seniorenresidenzen Betriebsgesellschaft Berlin GmbH, Berlin [1])	25.0	EUR	2013	50,000	0
TERTIANUM Seniorenresidenzen Betriebsgesellschaft mbH, Konstanz [1])	25.0	EUR	2013	119,291	142,717
Tintoretto Rome S.r.L., Milan	23.1	EUR	2013	28,653,646	-6,928,271
Versicherungs-Vermittlungsgesellschaft des Sächsischen Landesbauernverbandes mbH, Dresden	50.0	EUR	2013	160,626	18,046
Versicherungs-Vermittlungsgesellschaft mbH des Bauernverbandes Mecklenburg-Vorpommern e.V.(VVB), Neubrandenburg	50.0	EUR	2013	142,577	10,567
Versicherungs-Vermittlungsgesellschaft mbH des Landesbauernverbandes Sachsen-Anhalt e.V.(VVB), Magdeburg	50.0	EUR	2013	45,697	2,195
VVB Versicherungs-Vermittlungsgesellschaft mbH des Landesbauernverbandes Brandenburg, Teltow	50.0	EUR	2013	32,846	2,970
VV Immobilien GmbH & Co. United States KG, Munich	24.7	EUR	2013	19,621,829	3,781,556

[1]) Sale of company per 29 September 2014.

Notes to the balance sheet – assets

STATEMENT OF CHANGES TO ASSET ITEMS A., B. I. TO III IN FISCAL YEAR 2014[1])

	Values for previous year		Additions
	Thou. EUR	%	Thou. EUR
A. Intangible assets			
Concessions acquired for consideration, commercial copyrights and similar rights and values and licences to such rights and values	25	100.0	–
Total A	**25**	**100.0**	**–**
B. Capital investments			
I. Land, similar rights and buildings including buildings on third party land	3,729	0.1	–
II. Capital investments in affiliated companies and holdings			
1. Shares in affiliated companies	2,187,584	47.1	170,042
2. Loans to affiliated companies	112,163	2.4	166,400
3. Holdings	861	0.0	–
4. Loans to associated companies	99,462	2.1	–
Total B. II.	2,400,070	51.6	336,442
III. Other capital investments			
1. Shares, investment certificates and other variable interest securities	410,106	8.8	49,421
2. Bearer bonds and other fixed-interest securities	1,123,137	24.2	996,348
3. Other loans			
a) Registered bonds	368,500	7.9	99,553
b) Bonded debt receivables and loans	245,986	5.3	27
4. Deposits at banks	82,313	1.8	1,273
5. Other capital investments	15,509	0.3	2,389
Total B. III.	2,245,551	48.3	1,149,011
Total B	**4,649,350**	**100.0**	**1,485,453**
Conversion according to § 341 HGB			
Accrual items	374		–
Deferrals	–435		–
Total	**4,649,314**		**1,485,453**

[1]) Discrepancies in totals are due to rounding
[2]) thereof currency write-ups: 55,340,000 EUR

Transfers Thou. EUR	Disposals Thou. EUR	Write-ups²) Thou. EUR	Write-downs Thou. EUR	Values for current fiscal year Thou. EUR	%
–	–	–	7	19	100.0
–	**–**	**–**	**7**	**19**	**100.0**
–	–	–	67	3,661	0.1
–	–	0	–	2,357,626	45.5
–	220,570	2,440	–	60,433	1.2
–	–	–	–	861	0.0
–	85,512	701	–	14,651	0.3
–	306,082	3,141	–	2,433,570	47.0
–	803	1,744	123	460,346	8.9
–	668,653	47,692	1,258	1,497,266	28.9
–62	11,291	–	–	456,700	8.8
–	15,674	–	–	230,340	4.4
–	–	6,478	–	90,065	1.7
–	6,528	–	–	11,369	0.2
-62	702,949	55,915	1,381	2,746,085	53.0
-62	**1,009,031**	**59,055**	**1,448**	**5,183,317**	**100.0**
–374	–	–	–	–	
435	–	–	–	–	
–	**1,009,031**	**59,055**	**1,455**	**5,183,336**	

B. CAPITAL INVESTMENTS

in EUR million			2014
Balance sheet items	**Book value**	**Current value**	**Reserve**
I. Land, land rights and buildings, including buildings on third party land	**3.7**	**8.7**	**5.0**
II. Capital investments in affiliated companies and holdings			
1. Shares in affiliated companies	2,357.6	4,843.1	2,485.5
2. Loans to affiliated companies	60.4	65.2	4.7
3. Holdings	0.9	0.7	–0.2
4. Loans to associated companies	14.7	14.7	0.0
III. Other capital investments			
1. Shares, investment certificates and other variable interest securities	460.3	503.0	42.6
2. Bearer bonds and other fixed interest securities	1,497.3	1,639.8	142.5
3. Other loans			
a) Registered bonds	456.7	556.3	99.6
b) Bonded debt receivables and loans	230.3	279.0	48.7
4. Deposits at banks	90.1	90.2	0.1
5. Other capital investments	11.4	11.0	–0.4
IV. Deposits with ceding undertakings	**208.3**	**208.3**	**0.0**
Total capital investments	**5,391.6**	**8,219.7**	**2,828.1**

The calculation of current values was based on stock exchange prices, redemption prices and market prices respectively for registered bonds and bonded debt in accordance with the discounted cash flow method or the net capitalised earning method in accordance with IDW S1 in connection with IDW RS HFA 10 or the net asset value.

The land was revalued as of 31 December 2014. The land reference value used for the valuation is updated every five years; most recently in 2014.

If any other valuation methods have been used, these comply with the provisions of § 56 RechVersV.

In accordance with § 341 b Section 2 HGB, EUR 1,784.0 million in capital investments were allocated to fixed assets. This includes positive valuation reserves of EUR 185.6 million and negative valuation reserves of EUR 0.5 million as of 31 December 2014.

The valuation reserves of the total capital investments amount to EUR 2,828.1 million, which corresponds to a reserve ratio of 52.5%.

B. III. OTHER CAPITAL INVESTMENTS – EQUITY, SHARES OR EQUITY IN INVESTMENT ASSETS

in EUR

Type of fund	Market value	Difference Market value/ Book value	Distribution for the Fiscal year	Omitted extraordinary Write-downs
Pension funds	41,494,550	–	1,897,222	–
Mixed funds	425,100,161	37,889,930	14,906,234	–
	466,594,710	**37,889,930**	**16,803,455**	**–**

The annuity and mixed funds are predominantly focussed on Europe or internationally and their main focal point is investment in securities.

There is compliance at all times with the investment principle of § 54 Section 1 VAG regarding security.

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

in EUR

Type	Nominal volumes	Book value	Current value
Bearer bonds and other fixed-interest securities [1]	4,000,000	3,963,080	3,487,750
Holdings and other capital investments [2]	–	87,379,537	86,818,204

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

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

in EUR

Type	Nominal volumes	Book value	Current value
Interest-related business			
Futures / registered certificates forward purchases [1]	80,500,000	–	17,119,969
Futures / bearer bonds forward purchases [2]	102,150,000	–	17,328,845
Currency-related business			
Forward exchange transactions [3]	126,595,782	178,200	3,578,604

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

The financial derivatives and structured products were broken down into their individual components. The derivative components were valued using recognised financial mathematical methods on the basis of the Black 76 model, Hull-White single factor and Hull-White two factor models. The market values of the ABS products were determined according to the Discounted Cash Flow method; values were used which could be observed on the market.

E. II. OTHER ACCRUALS AND DEFERRALS

in EUR	2014
Expenditure relating to subsequent fiscal years	
Status as of 31 December	**89,329**

F. ACTIVE DIFFERENCE ARISING FROM ASSET OFFSETTING

in EUR	2014
Active difference arising from asset offsetting	
Status as of 31 December	**8,646**

The asset-side difference according to § 246 Section 2 Clause 3 HGB is a result of the offsetting of provisions for the partial retirement scheme.

Notes to the balance sheet – equity and liabilities

A. I. CALLED CAPITAL	
in EUR	**2014**
Subscribed capital divided into 13,245,120 individual shares	
As of January 1	331,287,273
Increase in capital in accordance with the Board of Management's decision to make use of the authorised capital	12,741,818
Status as of 31 December	**344,029,091**

According to § 20 Section 4 AktG, DZ BANK AG informed that it holds the majority of the shares in R+V Versicherung AG.

II. CAPITAL RESERVES	
in EUR	**2014**
As of January 1	1,415,739,315
Premium from the capital increase	134,279,014
Status as of 31 December	**1,550,018,329**

A. III. RETAINED EARNINGS	
in EUR	**2014**
Other retained earnings	
Status as of 31 December	**164,666,337**

The retained earnings are unchanged on the status on 31 December 2013.

C. I. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

in EUR	2014
Amount payable	17,141,865
Offsettable reinsurance assets	16,172,433
Status as of 31 December	**969,432**

The offsettable reinsurance assets concern claims from life insurance policies. They were set at the tax assets value.

Because this corresponds to the extrapolated acquisition cost, no distribution block has to be taken into account.

C. III. OTHER PROVISIONS

in EUR		2014
Holiday / flexi-time credits		884,000
Partial retirement		–
Provision	57,028	
Offsettable reinsurance assets	57,028	
Working life		–
Provision	849,263	
Offsettable reinsurance assets	849,263	
Capital investment area		588,200
Annual financial statements		928,620
Employers' Accident Liability Association		132,000
Personnel costs		5,499,385
Anniversaries		1,638,298
Other provisions		10,193,687
Status as of 31 December		**19,864,190**

The offsettable reinsurance assets concern claims from life insurance policies.

The current value of offsettable reinsurance assets for partial retirement exceeds the provision value, resulting in distribution blocked sums in the amount of EUR 8,000 in accordance with § 268 Section 8 Clause 3 HGB.

The current value of offsettable reinsurance assets for working life corresponds to the extrapolated acquisition cost, so no distribution block has to be taken into account.

E. OTHER LIABILITIES

in EUR	2014
Liabilities with a remaining term of more than five years	
Loans	5,763,600
Other liabilities	15,901
Status as of 31 December	**5,779,501**

There are no liabilities secured by liens or similar rights.

Notes to the income statement

I. 1.A.) GROSS PREMIUMS WRITTEN

in EUR	2014	2013
Property and casualty, health and accident insurance	1,720,227,542	1,494,931,409
Life insurance	25,829,359	26,668,719
Status as of 31 December	**1,746,056,901**	**1,521,600,128**

I. 2. TECHNICAL INTEREST INCOME FOR OWN ACCOUNT

in EUR	2014	2013
Status as of 31 December	**1,637,612**	**671,938**

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. 4. EXPENDITURE ON CLAIMS FOR OWN ACCOUNT

in EUR	2014	2013
Status as of 31 December	**1,288,300,051**	**1,085,136,829**

There was a gross loss of EUR 71.2 million from the settlement of the provisions for outstanding claims assumed from the previous fiscal year. This settlement was contrasted with supplementary credit premiums of EUR 206.6 million.

These resulted from reinsurance policies whose term does not correspond to a calendar year or which were concluded on an underwriting year basis.

II. 2.B.) WRITE-DOWNS OF CAPITAL INVESTMENTS

in EUR	2014	2013
Scheduled depreciation	67,384	67,384
Non-scheduled depreciation in accordance with § 253 Section 4 HGB	–	967,056
Non-scheduled depreciation in accordance with § 253 Section 3 Clause 3 HGB	133,547	726,902
Non-scheduled depreciation in accordance with § 253 Section 3 Clause 4 HGB	1,247,389	9,818,285
Status as of 31 December	**1,448,321**	**11,579,627**

II. 4. OTHER INCOME

in EUR	2014	2013
Income on services provided	25,290,996	24,927,808
Other interest income	1,606,154	9,965,270
Income from liability insurances	1,744,694	655,138
Other income	24,143,442	12,367,657
Status as of 31 December	**52,785,286**	**47,915,874**

Other income includes exchange rate gains of EUR 23.6 million.

II. 5. OTHER EXPENDITURE

in EUR	2014	2013
Expenditure on services provided	25,182,309	24,840,177
Expenditure that affects the company as a whole	9,865,920	9,055,115
Interest transfer to provisions	986,135	932,678
Interest to be offset from offsettable assets	–626,710	–699,188
Other interest expenditure	2,351,198	6,057,409
Expenditure from outsourcing pension obligations	130,163	502,208
Other expenditure	16,191,069	12,138,814
Status as of 31 December	**54,080,085**	**52,827,213**

Other income includes exchange rate losses of EUR 13.3 million.

Other information

Supervisory Board of R+V Versicherung AG

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

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

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

Sibel Araboglu-Brüchert
Trade Union Secretary for Financial Services of Vereinte Dienstleistungsgewerkschaft ver.di, Frankfurt am Main and Region District, Frankfurt am Main
(until 27 October 2014)

Dr. Peter Aubin
Spokesman of the Board of Management,
Volksbank Göppingen eG i. R.,Göppingen
(until 5 June 2014)

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

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

Carsten Graaf
Chairman of the Board of Management,
Volksbank Meerbusch eG,Meerbusch

Rita Jakli
Director of R+V Versicherung AG, Wiesbaden Office, Wiesbaden

Gabriele Kaupp-Stöckl
Member of the Works Council,
R+V Allgemeine Versicherung AG, Wiesbaden

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

Dietmar Küsters
Chairman of the Board of Management,
Volksbank Straubing eG i. R., Straubing
(until 5 June 2014)

Karl-Heinz Moll
Member of the Board of Management, WGZ BANK AG
Westdeutsche Genossenschafts-Zentralbank, Düsseldorf

Hermann Rohrmeier
Chairman of the Works Council,
R+V Allgemeine Versicherung AG, VD Süd-Ost, Marzling
(until 31 May 2014)

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

Sigrid Schneider
Chairwoman of the Works Council, R+V Allgemeine Versicherung AG, Dresden Branch Office, Dresden
(starting 1 June 2014)

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

Rainer Wiederer
Spokesman of the Board of Management,
Volksbank Raiffeisenbank Würzburg eG, Würzburg
(starting 5 June 2014)

Jürgen Zachmann
Chairman of the Board of Management,
Volksbank Pforzheim eG, Pforzheim
(starting 5 June 2014)

Board of Management of R+V Versicherung AG

Dr. Friedrich Caspers
– Chairman –

Frank-Henning Florian

Heinz-Jürgen Kallerhoff

Dr. Christoph Lamby

Hans-Christian Marschler

Marc René Michallet
(starting 1 January 2015)

Rainer Neumann
(until 31 December 2014)

Dr. Norbert Rollinger

Peter Weiler

PERSONNEL EXPENDITURE		
in EUR	2014	2013
1. Wages and salaries	43,980,397	41,097,067
2. Social security deductions and expenditure on other benefits	5,264,832	4,886,902
3. Expenditure on pension provision	4,278,188	3,653,756
Total expenditure	**53,523,417**	**49,637,724**

Total remuneration of the members of the Board of Management amounted to EUR 8,100,960 (2013: EUR 8,212,576).

Remuneration to members of the Board of Management is paid in full by the contractually authorised company, R+V Versicherung AG. If group management functions are remunerated herewith, a management expenses allocation is charged in the context of service offsetting. The corresponding expenditure and income are shown under other income results.

EUR 392,171 was paid to former members of the Board of Management and their dependants (2013: EUR 381,606). As part of the outsourcing of pension obligations for members of the Board of Management, contribution payments of 1,790,998 EUR (2013: 1,798,640 EUR) were made to Versorgungskasse genossenschaftlich orientierter Unternehmen e.V. in 2014. For former members of the Board of Management and their dependants, EUR 77,680 (2013: EUR 172,293) were paid 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 5,072,115 (2013: EUR 4,804,186). Furthermore, obligations for this group of people of EUR 1,224,003 (2013: EUR 1,346,403) are not shown in the balance sheet due to Article 67 Section 1 EGHGB.

In the fiscal year, expenditure of EUR 366,064 (2013: EUR 366,823) was made on the Supervisory Board. Contributions that require disclosure in accordance with § 285 No. 9c HGB are not shown in the fiscal year.

Number of employees
During the 2014 fiscal year, an average of 486 employees (2013: 470) were employed at R+V Versicherung AG, of whom 478 were employed in administration at Head Office and 8 at the Singapore branch office.

Information about related parties and companies
During the reporting period no transactions were carried out with related parties or companies in connection with § 285 Clause 1 No. 21 HGB.

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 § 251 HGB and other financial obligations in accordance with § 285 Clause 1 No. 3a HGB:

in EUR	Details concerning amount	Thereof due to affiliated companies	Risks	Benefits
1. Letters of Credit	255,480,724	–	If payment obligations to cedents are not met, securities from the blocked deposit can be drawn on.	Collateralisation of technical liabilities through bank guarantees in order to be able to conduct business on the US market.
2. Supplementary payment obligations	95,850,986	92,471,530	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 balance sheet capital investments if 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	27,400,000	27,400,000	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	93,000,000	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	133,748,041	–	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	182,650,000	100,500,000	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 balance sheet current value for the liability total.	Increase in liable shareholders' equity at cooperative companies, low probability of occurrence through deposit guarantee funds.
8. Service agreements	96,463	–	Price change risk.	Attainment of economically viable rebates and safeguarding reliable estate management.
Total	**788,231,214**	**240,371,530**		

Claims from contingent liabilities in accordance with § 251 HGB are unlikely.

AUDITOR'S FEES AND SERVICES

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

in EUR	2014
Audit services	413,000
Other certification services	305,000
Total expenditure	**718,000**

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

Consolidated financial statements

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

The group 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 as sub-group with discharging effect. This is filed in the German Federal Electronic Gazette (Bundesanzeiger).

Wiesbaden, 5 March 2015

The Board of Management

Dr. Caspers	Florian	Kallerhoff	Dr. Lamby
Marschler	Michallet	Dr. Rollinger	Weiler

Auditor's report

We have audited the annual financial statements – consisting of the balance sheet, income statement and notes – including the bookkeeping and the management report of R+V Versicherung AG, Wiesbaden for the fiscal year from 1 January to 31 December 2014. The bookkeeping and the preparation of the annual financial statements and the management report in accordance with the provisions of the HGB (Handelsgesetzbuch – German Commercial Code) are the responsibility of the Board of Management of the Company. Our responsibility is to make an assessment of the annual financial statements, including the bookkeeping and the management report, based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB and the generally accepted standards for the audit of the financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) [Institute of Auditors]. Those standards require that we plan and perform the audit in such a manner that any inaccuracies that materially affect the presentation of the assets situation, financial situation and profitability in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance.

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

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

Our audit did not give rise to any objections.

In our opinion and based on the findings made during the audit, the annual financial statements comply with statutory regulations and give a true and fair view of the assets situation, financial situation and profitability of the Company in accordance with German principles of proper accounting. The management report corresponds with the annual financial statements and overall conveys an appropriate presentation of the Company's position and suitably presents the risks and opportunities of future development.

Eschborn/Frankfurt am Main, 6 March 2015

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Gehringer	Kaminski
Auditor	Auditor

Report of the Supervisory Board

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 monitored and supported the management of the Board of Management in an advisory capacity in accordance with statutory regulations and the articles of association.

Mr Uwe Fröhlich's mandate to be member of the Supervisory Board ended immediately after the ordinary annual general meeting on 5 June 2014, in accordance with the usual rotation. Mr Fröhlich's mandate to be a member of the personnel committee and the mediation committee ended at the same time. The ordinary annual general meeting re-elected Mr Fröhlich as shareholder representative on the Supervisory Board with effect from the end of his initial term. Dr. Peter Aubin und Mr Dietmar Küsters have resigned from their positions as members of the Supervisory Board, effective immediately after the annual general meeting, having reached the statutory retirement age according to articles of association. Dr. Aubin's mandate as a member of the personnel committee ended at the same time. The ordinary annual general meeting elected Mr Jürgen Zachmann and Mr Rainer Wiederer to succeed Dr. Aubin and Mr Küsters respectively as shareholder representatives on the Supervisory Board, with immediate effect. The Supervisory Board, in its meeting of 5 June 2014, elected Mr Zachmann to succeed Dr. Aubin as a member of the personnel committee, and re-elected Mr Fröhlich as a member of the personnel committee and the mediation committee.

With effect from the end of 31 May 2014, Mr Hermann Rohrmeier's membership of the Supervisory Board as an employee representative came to an end as a result of his starting the passive phase of his partial retirement. His mandate for membership of the personnel and audit committees ended at the same time. As elected employee representative Ms Sigrid Schneider was elected to succeed him as member of the Supervisory Board with effect from 1 June 2014. The Supervisory Board, in its meeting on 26 March 2014, elected Ms Ursula-Maria von Tesmar to succeed Mr Rohrmeier on the personnel committee, as well as for Mr Thomas Bertels to succeed him as a member of the audit committee. Frau Sibel Araboglu-Brüchert, who was an employee representative on the Supervisory Board from 3 July 2013, passed away on 27 October 2014.

Cooperation with Board of Management
The Board of Management has regularly and comprehensively informed the Supervisory Board about the situation and development of the company. In the 2014 fiscal year this took place in four meetings attended by the Supervisory Board on 26 March 2014, 5 June 2014, 11 September 2014, and 11 December 2014. Additionally, meetings of the Supervisory Board's audit committee took place 21 March 2014 and the personnel committee 13 March 2014 and 11 December 2014. In the meetings the Supervisory Board received and discussed oral and written reports from the Board of Management. The Supervisory Board further received quarterly written reports from the Board of Management. Additionally, the Chairman of the Supervisory Board were regularly informed of important developments and decisions outside of these meetings.

The main focus of this reporting was on the financial situation of the company, corporate planning and outlook, and important financial indicators. The Supervisory Board particularly discussed the business development of the following individual areas; life, health, property and casualty accident insurance, as well as active reinsurance. The Supervisory Board discussions also focussed on earnings performance, the Board of Management's capital investment policy in the continuing low-interest environment, medium-term planning and general regulatory conditions, particularly under Solvency II. The Supervisory Board also dealt with the main points arising from the general conditions of life insurance, the increasing expenses for the Zinszusatzreserve (an additional provision to the premium reserve introduced in response to the lower interest rate environment) and increased interest for the risk management of current contracts, and the implications of the Life Insurance Reform Law. In addition the Supervisory Board approved the use of a first tranche of the authorised capital for a cash capital increase for R+V Versicherung AG as well as capital issues for R+V Allgemeine Versicherung AG and the Assimoco-Group. The Supervisory Board also dealt with tax issues and Board of Management matters. Furthermore, the risk strategy and the risk management system were also reported on.

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 2014 fiscal year. For this purpose, the audit report of the auditor, the Ernst & Young GmbH auditing company, was also available. The auditor issued an unqualified audit certificate.

The representatives of the auditor took part in the meeting of the audit committee on 19 March 2015 in order to report on the essential findings of the audit. In this meeting, under the chairmanship of the chairmen of the audit committee, the annual financial statement, the management report, the consolidated financial statement and the consolidated management report, as well as the respective auditor's reports, were discussed. The focal points of the audit were important balance sheet indicators, provisions, the early risk detection system from § 91 section 2 AktG (the German Companies' Act) and internal audit reports of the previous year.

The auditors also attended the meeting on 23 March 2015 for the confirmation of the annual financial statements. They reported on the results of the audit to the Supervisory Board and were available to give additional explanations and comments.

The submitted annual financial statement, management report, consolidated financial report and consolidated management report for the 2014 fiscal year were examined by the Supervisory Board. The Supervisory Board did not raise any objections to the annual financial statement, management report, consolidated financial statement or the consolidated management report prepared by the Board of Management for the 2014 fiscal year, and endorsed the auditors' report.

The annual financial statement prepared by the Board of Management for the 2014 fiscal year was endorsed by the Supervisory Board at its meeting on 23 March 2015. Thus the Annual Financial Statement is confirmed in accordance with § 172 AktG. At the same meeting, the consolidated financial statement submitted to the Board of Management was endorsed by the Supervisory Board.

Wiesbaden, 23 March 2015

The Supervisory Board

Kirsch
Chairman

Glossary

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

Actuarial reserves
Technical provision calculated according to actuarial methods which provides the future policy holder with total cover 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 future premiums.

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

Additional interest reserves
Additional interest reserves summarise the increase in actuarial reserves due to the interest rate environment. In the new portfolio this is calculated according to Section 5 of the actuarial reserve ordinance (DeckRV) and in the old portfolio according to one of the business plans approved by the Federal Financial Supervisory Authority (BaFin).

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

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

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

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

Cancellation rate
The cancellation rate is the volume-weighted proportion of cancelled contracts against recently closed 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 and cost ratio (➔ loss-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.

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

Cost ratio gross
Percentage ratio of operating expenses to 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 was traded between knowledgeable, willing and independent parties.

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

Derivative financial instrument
Financial instrument whose value rises or falls if a basic variable (a certain interest rate, security price, exchange rate 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.

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

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.

Expenditure on insurance operations (net)
Commissions and personal and operating expenditure for acquisition and the ongoing administration of insurance policies reduced to commissions and profit shares repaid by reinsurers.

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

Fiscal year loss ratio net
Loss expenditure in the fiscal year in relation to 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, WGZ BANK AG, Bausparkasse Schwäbisch Hall, Union Investment, VR Leasing.

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

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

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

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

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

Loss ratio
Percentage relationship of loss expenditure to earned premiums.

Net
➔ Gross/Net

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

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

New portfolio
Since the deregulation of the insurance industry in 1994, all insurance contracts within an insurance company have been organised into old and new portfolios. The new portfolio comprises contracts concluded prior to deregulation.

Old portfolio
Since the deregulation of the insurance industry in 1994, all insurance contracts within an insurance company have been organised into old and new portfolios. The old portfolio comprises the contracts closed prior to deregulation.

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

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

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

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

Provision
Insurance company payments to agents, brokers or other intermediaries to cover the costs associated with the conclusion and administration of insurance contracts.

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

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

PUC method
The Projected Unit Credit method is an actuarial valuation procedure for obligations arising from company pension provision.

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

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

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

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

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

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

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

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

Security assets
The portion of an insurance company's shares 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 reserves for loss have changed over the course of time through payments made and by reassessment of the expected final loss on the respective reporting date.

Shareholders' equity ratio
Shareholders' equity in relation to net premium written.

Solvency
Capital resources of an insurance company. In order to ensure that policies can be fulfilled permanently, insurance companies are obliged to form capital resources of at least one solvency margin. The amount of this margin is measured either in accordance with the annual premiums (premium index) or the average expenditure on claims in the last three fiscal years (claim index). The respectively higher index is authoritative.

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

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

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

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

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

Underwriting capacity
Determining factors in underwriting capacity are on the one hand volume and structural features (insurance lines, private, small or industrial business) of the insurance portfolio, and, on the other, furnishing with 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 ➔ current value of a capital investment.

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