ANNUAL REPORT
2018

R+V Versicherung AG

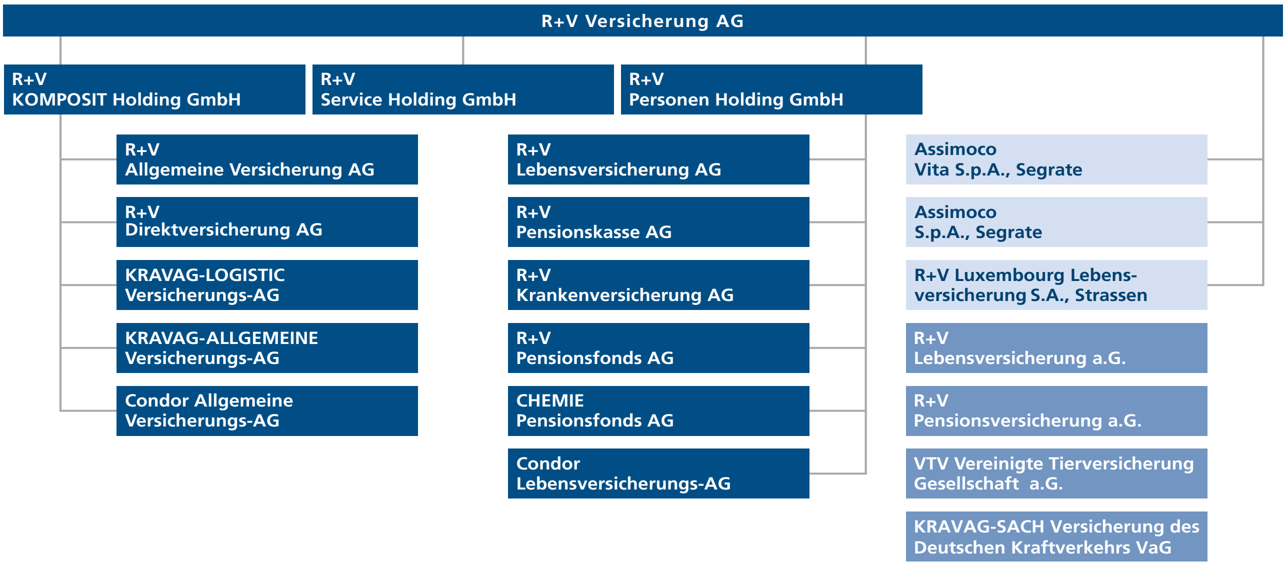
Volksbanken Raiffeisenbanken
cooperative financial network

R+V Versicherung AG

Annual Report 2018

Presented at the annual general meeting
on 22 May 2019

R+V Consolidated Group – simplified presentation



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

FIGURES FOR THE FISCAL YEAR

in EUR million	R+V Versicherung AG 2018	2017
Gross premiums written	2,822	2,564
Gross expenditure on claims for the fiscal year	1,972	2,007
Current income from capital investments	401	364
Capital investments	7,118	6,618
Employees as at 31 December (number)	652	574
Gross premiums written		
Direct domestic insurers in the R+V Group (HGB)	14,049	13,659
R+V Group (IFRS)	16,133	15,338
Annual result - R+V Group (IFRS)	351	543
Capital investments - R+V Group (IFRS)	102,907	98,930

4

MANAGEMENT REPORT

43

ANNUAL FINANCIAL STATEMENTS 2018

75

FURTHER INFORMATION

For reasons of calculation, the rounded figures may be different from the mathematically exact values (monetary units and percentages).

Management Report

Business development and general conditions

Business activities

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

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

Organisational and legal structure

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

A profit transfer agreement has been concluded between R+V Versicherung AG and DZ BANK AG for the period between 1 January 2017 and 31 December 2021. At the annual general meeting of R+V Versicherung AG, which was held on 8 June 2017, a resolution was passed regarding authorised capital enabling the Board of Management to increase the share capital of R+V Versicherung AG, subject to the consent of the Supervisory Board, one or more times against contributions in cash by up to a nominal total amount of EUR 22,945,246.75. This corresponds to a total issue amount of approximately EUR 250 million. The authorised capital can be used until 31 May 2022. This ensures that R+V remains in a position to grow in a sustainable and profitable manner.

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

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

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

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

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

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

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

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

R+V Versicherung AG has concluded control agreements and profit and loss transfer agreements with R+V KOMPOSIT Holding GmbH and R+V Service Holding GmbH.

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

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

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

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

Shareholder structure

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

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

Relations to affiliated companies

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

Association memberships

R+V Versicherung AG is also a member of the following associations/organisations:
- Gesamtverband der Deutschen Versicherungswirtschaft e.V. (GDV, or German Insurance Association), Berlin
- International Cooperative and Mutual Insurance Federation (ICMIF), Bowdon
- International Credit Insurance & Surety Association (ICISA), Amsterdam
- Association of Mutual Insurers and Insurance Cooperatives in Europe (AMICE), Brussels
- Association des Professionnels de la Réassurance en France (APREF), Paris
- Intermediaries & Reinsurance Underwriters Association (IRUA), Throggs Neck
- International Union of Aerospace Insurers (IUAI), London

Corporate Governance

In implementing the "Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst" (Act on Equal Participation of Women and Men in Executive Positions in the Private

PROPORTION OF WOMEN

in %	Defined target by 30 June 2022
Supervisory Board	25.0
Board of Management	12.5
First level of management below the Board of Management	16.6
Second level of management below the Board of Management	15.0

and the Public Sector), the Supervisory Board and Board of Management of R+V Versicherung AG, as the company subject to co-determination requirements, defined the targets specified in the table back in 2017. The deadline for achieving these targets was set for 30 June 2022.

Personnel report

The number of employees in R+V Versicherung AG increased by 78 employees to 652 compared with 574 employees in the previous year. The average time of service for the company was approximately 10 years.

Training and professional development

The continuous further development of its own employees is a key priority for R+V. With its new R+V Academy, established back in 2017, R+V has taken steps to bundle together its training and professional development opportunities. The Academy stands for much more than just a means of conveying knowledge and methods. It symbolises the transition in the world of work at R+V as a place where individuals can pursue their professional development and collaborate with others. By providing space for individuals to collaborate, exchange ideas and learn new things, the Academy opens up a new dimension in terms of inspiration, development and networking.

In light of increasing and changing requirements, qualification enables employees to be given the best possible support and overcome the challenges of an increasingly complex working world. The average number of professional development days per employee in 2018 totalled 4.3 days in administration and 9.2 days in field sales.

The R+V Academy supports employees and executives working in administration and field sales with regards to shaping future topics, from digitalisation and innovation to customer satisfaction – doing so with the use of new learning formats, creative collaboration and networking strategies and digital teaching and learning approaches, such as internet-based training sessions, webinars or virtual classrooms. Around 60 R+V employees work at the Academy based on the R+V Campus in Wiesbaden, a site measuring 600 square metres and offering modern seminar and workshop facilities as well as creative ones and so-called quiet working areas. This also includes decentralised training and professional development events whereby the Academy is able to make an important contribution. Over the past year, the Academy has held more than 2,000 events confirming R+V's commitment to active professional development and the idea of cooperatives. In doing so, many external participants from the entire Rhine Main region were targeted in formats such as the "Friends of Social Business Forum" or the "BarCamp Rhein Main".

In the competition for new talent, R+V relies heavily on training young professionals. This is why the company offers numerous career opportunities for those who have completed secondary school education or hold technical diplomas. These include, for example, cooperative study programmes for the following degrees:

- Bachelor of Science in Insurance and Finance alongside integrated training to be a specialist in insurance and finance (specialising in insurance). The theoretical part will take place at the Wiesbaden Business School of the Rhein-Main University. Practical application will take place at the R+V head office in Wiesbaden.
- Bachelor of Science in Business Informatics alongside integrated training to be an IT specialist (specialising in application development or system integration). The theoretical

part will take place at the Mainz University of Applied Sciences. Practical application will also take place at the head office in Wiesbaden.
- Bachelor of Arts in Business Administration and Insurance. The theoretical part will take place at the Baden-Württemberg Cooperative State University (DHBW) in Stuttgart and the practical application at the R+V Stuttgart branch office.
- Bachelor of Arts (Sales) with theoretical part at the following (Cooperative State) Universities: Berlin School of Economics and Law, Berufsakademie Dresden, Baden-Württemberg Cooperative State University (DHBW), Heidenheim, Karlsruhe and Mannheim sites, and a practical deployment in one of R+V's sales units.
- Bachelor of Arts (Business Administration and Industry Insurance) offered with theoretical part at the Berlin School of Economics and Law. The practical phases are completed in the broker or cooperative group sales channels, as well as in the Corporate Client department at the head office in Wiesbaden.

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

In addition to degree study programmes, R+V also offers vocational training places in administration both at head office as well as in the branch offices to qualify as a specialist in insurance and finance, specialising in insurance. The sales department trains insurance and financial specialists nationwide in the banking and general agent sales channels. The retention rate in administration for trainees in 2018 was 87 % and 90 % for students on cooperative study schemes. 94 % of trainees and students received an offer letter in field sales.

The trainee programmes in administration and field sales offer attractive career opportunities for graduates. In 2018, approximately 14 committed young professionals began an office-based trainee programme in various specialist areas after their studies. The trainees participate in a tailor-made trainee programme with on-the-job, near-the-job and off-the-job components. The focus is on targeted collaborative work on technical topics and in projects as well as work-shadowing at specific interfaces in office and field sales. This means that the trainees immediately become part of a strong network within the company as well as receiving individual support and encouragement. The sales trainee programme, which lasts for a period of two years, helps to prepare participants for the demanding roles in field sales. The trainee programme for specialists currently includes 16 participants, seven of whom were new starters for the programme in 2018.

As an attractive employer, R+V consistently pursues a personnel strategy that is aimed primarily at employee commitment and maintaining skills on an ongoing basis. In doing so, R+V ensures its employees remain loyal to the company in the long term thanks to attractive development prospects and thereby the apparent shortage of skilled labour given the demographic developments is being counteracted. At R+V, employees are deployed, challenged and promoted based on their strengths and potential. Manag-ers and employees agree on targets and individual training measures in annual performance reviews, which are conducted with all employees. R+V offers comprehensive training programs with technical and methodological training as well as a wide range of events. The Group leader qualification is predominantly based on the R+V leadership principles and the St. Galler Management Model. Through the project manager qualification and the mentor programme, R+V also offers qualification programmes in project management and special-ist areas. Systematic development paths with specific development measures are produced for clearly defined target roles.

Cultural change

The competition among established insurers is becoming increasingly intense, new competitors are pushing their way into the market and customer demands are growing. There is also a challenging low-interest environment to deal with. R+V operates within these framework conditions from a position of financial strength and is taking the right steps with its ”Wachstum durch Wandel“ (growth through change) strategic programme to ensure success in the years to come as well. In order to do this, R+V must build on its successful corporate culture and continue to develop it further in a targeted manner. The focus here is on matters such as customer focus, sales development, cultural reinforcement, digitalisation and increased growth, as the increasing demands here have proven to be particularly critical to the success of our company.

Using the strategic targets as the basis, R+V took the decision in 2018 to concentrate on “customer appeal” as the focal point for cultural development measures. At the heart of this programme were three “KulTour” events, which saw approximately 500 participants invited from field sales, the decentralised locations, the R+V Service Center and head office. Employees from all hierarchical levels and numbers of years of service came together, and were made aware of the various issues and inspired to act as promoters within their units on the subject of “customer appeal” following on from the events.

It is also essential for R+V to enable employees and managers to work in an innovative, agile way, to take on challenges positively and to create an experimental atmosphere in which creativity can flourish. Arising from this strategic approach R+V has made use of various new formats for executives and employees to “think differently and try something new”, an initiative which has already recorded more than 3,500 participants since 2016.

– The “Learning Journey” is an inspiration and learning format. Co-working spaces are visited for this purpose, and there are also exchanges with founders, start-ups and innovative and agile companies. The aim is to think outside of the box and question typical ways of doing things, as well as to bring some impetus to everyday tasks at R+V.

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

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

– In formats regarding agile methods, participants are provided with an overview of what it means to work in agile managed projects or to integrate agile methods into everyday duties at work. At the same time, they are also inspired to try out new methods in order to improve effectiveness and efficiency levels. In doing so, employees and executives are given thorough preparation in order to work together in agile projects or contribute within their environment.

– Workshops on “Design Thinking” are also offered, as well as seminars on insurance trends.

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

Talent management/manager development/ career development for women

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

Senior executives are prepared for new tasks and challenges by way of targeted programmes within the framework of management development measures. The basis for the understanding of leadership is formed by the R+V leadership principles and the St. Galler Management Model, which has been supplemented and developed further by way of elements regarding transformational leadership, agility and change management. The aim is to prepare executives for the increasing level of dynamism and uncertainty within the market. To this end, top managers (divisional heads and sales directors) have participated in 2017 and 2018 in a Leadership Excellence Programme involving corresponding follow-up activities within the respective areas of responsibility. This programme was adapted in a target group-specific manner in 2018 for the second and third level of management, and rolled out based on demand.

R+V pursues the general principle of having an even staff structure with a balanced ratio of male and female employees. Supporting women in their career development is therefore a key component of succession planning. R+V is expanding the career opportunities available for female employees subject to the following premises:

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

The measures undertaken focus on three areas of action: Identification and promotion of highly capable employees and improvement in the work/family balance. R+V introduced such support measures and formats such as seminars, workshops, networking events, webinars on career planning and advice and a mentoring programme for highly capable employees. Mentors on the programme pass on knowledge and experience, provide contacts and give an insight into their working day. The mentees receive suggestions and feedback on specific issues, exchange experiences and network among themselves. R+V also hosted a comprehensive networking event this year for all female administration and field sales executives. The event focuses on shared learning, dialogue and networking. It includes successful women managers at R+V giving an insight into their career path and relating key moments and challenges and how they overcame these. In 2018 R+V took part in the “women&work” trade fair held in Frankfurt, which is aimed specifically at women. The event focuses on female students, graduates, experienced professionals, executives as well as labour market re-entrants. In addition, R+V successfully passed the “top4women” online assessment and is therefore allowed to use the corresponding seal. The procedure was used to precisely assess the existing and future measures put in place by R+V to actively promote career opportunities for women.

Integration of work, family and private life

Family-friendly working conditions are an essential requirement to enable a good balance between work and family life. R+V has also long committed itself to a family-friendly personnel policy by signing up to the “Charta der Vielfalt” (Diversity Charter) and the “Erfolgsfaktor Familie” (Success Factor Family) company network. It reinforces this focus on being family-friendly by continuously working together with the “Lokales Bündnis für Familie und Beruf Wiesbaden” (Wiesbaden Local

Alliance for Work and Family). Further evidence of R+V's family-friendly personnel policy is the "audit berufundfamilie" (audit work and family) certificate which R+V was awarded by the charitable Hertie Foundation in 2012, and was re-certified again in 2018.

R+V has a diverse offering in place to help support the balance between work, family and private life. This includes flexible working hours, a variety of part-time working models, home office arrangements, sabbatical leave, lifelong working time accounts, parent-child offices and childcare for holidays and emergencies. R+V also provides courses and networks concerning care as well as a wide range of special arrangements such as vacation days for special family events and challenges. At some locations there is the R+V Kids' Day, which offers employees childcare on public holidays.

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

Corporate health management

As an employee-focused company, the health of its employees is a key concern for R+V. This is because healthy, committed employees are one of the most important conditions for success. It is for this reason that R+V has developed and implemented an entire concept for corporate health management (CHM). Through the individual components of CHM, R+V supports the promotion of health at work and thus contributes to the satisfaction and capability of its employees. R+V considers both the employer and the employee to be responsible for maintaining health. The employer's role in this is to create healthy working conditions such as in relation to leadership behaviour, cooperation, work organisation and workplace design. Employees are helped to take responsibility for maintaining their health, for example, through exercise, a healthy diet, stress management and healthcare.

The CHM measures cover all major fields of modern health management. R+V's integrated CHM concept involves all parties and possibilities relating to the issue of health: social advisory services, the HR department, employee representatives, health care during free time, catering services, the field of occupational safety and occupational medicine, the R+V company health insurance fund and HumanProtect Consulting GmbH, a subsidiary of R+V, which advises and assists the company with improving, maintaining and restoring its employees' mental health.

The existing occupational integration management (OIM) process was fundamentally optimised in 2018. Representatives from field sales and administration worked together as part of a joint project to come up with a uniform and effective process covering the entire company, which was subject to a comprehensive pilot phase in 2018. The material changes here relate to an upstream briefing session and the introduction of two new roles in the OIM process.

A great deal of employees make use of the diverse CHM offering. The health campaigns varying each year are carried out all over Germany. The focus in 2018, among other things, was on the subject of "mindfulness" in order to raise awareness among employees in terms of preventative measures for mental health issues as well. The "Achtsamkeits-Newsletter" (Mindfulness Newsletter) sent every month has been very popular, with more than 6,000 subscribers. It provides information about different focal points surrounding mindfulness, such as meditation, yoga, qi-gong, progressive muscle relaxation and exercises that can be integrated into your everyday duties at work, such as one-minute meditation. R+V provided lectures to employees across all of its sites on the subjects of "Achtsamkeit" (Mindfulness) and "Stark in Zeiten der Veränderung" (Staying strong in times of change).

In addition, employees were able to arrange for a vaccination record check to be carried out by the company doctors prior to travelling on holiday in the summer. This notified them of any necessary vaccinations, or vaccinations that required a booster. Numerous promotions were offered and detailed information was provided in autumn 2018 on how to protect yourself from respiratory infections and flu-related illnesses. In addition to providing the offer of a flu jab, employees were also given a health package containing useful aids for the winter season. Promotions regarding how to prevent colds were also offered at different sites throughout Germany.

The subject of movement is also a key priority for R+V's CHM programme. Key aspects are also offered in digital format for this purpose, such as explanatory videos regarding ergonomics at your workstation or in your car, self-management and mindfulness, along with two further presentations: "Achtsamkeit am Arbeitsplatz" (Mindfulness in the workplace) and "Bewegung ist die beste Medizin" (Moving around is the best form of medicine).

In addition to this, the "pur-life" online health portal is also available to all employees free of charge, helping to promote a healthy lifestyle. Alongside a variety of preventative sporting and relaxation courses, it also offers the opportunity to create your own profile with a customised nutrition plan and courses. Doctors, sports instructors and sports scientists respond to individual questions on training, medication and diet by email, chatting and over the telephone. The Wiesbaden and Hamburg sites also feature fitness centres, and there are fitness partnerships in place at the Hanover and Oldenburg sites.

The social advisory services and, thus, the network of social workers established throughout Germany is rated very highly by employees. The social advisory services are the first port of call for various personal and professional problem situations. The social workers individually address the specific situation of the person seeking help and work together with them to find a solution. They help employees to manage a crisis situation themselves. To standardise and expand the quality standards of the social advisory services at all locations, R+V enables voluntary social workers to complete a comprehensive two-year qualification. In the meantime, 37 social workers have completed their professional development in becoming IHK-certified "Betrieblicher Sozialhelfer" (IHK Occupational Social Workers). R+V is one of the first companies in Germany to offer its employees this qualification. The life situation hotline, a special hotline run by the Group company Human-Protect Consulting GmbH, allows employees facing particularly stressful or overwhelming situations and acute mental crises, or having experienced potentially traumatic events, to speak to someone anonymously, and free of charge, in order to obtain advice.

Seal of approval, certificates and memberships

The fact that R+V is an attractive employer that actively supports its employees is confirmed through of numerous certificates, seals and memberships. R+V was again awarded a certificate for its extraordinary commitment to its employees by the Top Employers Institute in 2018 and is thus one of "Germany's Top Employers". R+V has been awarded the "audit berufundfamilie" certificate by the charitable Hertie Foundation for its family-friendly personnel policy, which is continuously expanded. Having acquired the "top4women" signet in 2018, R+V is looking to attract more female professionals and executives –in particular also for sales. The "Fair Company" seal from the web portal karriere.de is awarded to companies which are committed to recognised quality standards and verifiable regulations in practice. The "Trendence Schülerbarometer" (Trendence student barometer) shows that R+V is also one of the top 100 employers for students. R+V has also been awarded the "Top Company" seal by the employer evaluation platform kununu.de and is also a member of the "Erfolgsfaktor Familie" (Success Factor Family) company network, the "Lokales Bündnis für Familie und Beruf Wiesbaden" (Wiesbaden Local Alliance for Work and Family) and the "Charta der Vielfalt" (Diversity Charter).

Sustainability

With regard to the subject of sustainability, R+V has once again achieved numerous milestones in the 2018 fiscal year, and has successfully continued a number of existing initiatives. The most important aspect was undoubtedly the establishment of the R+V STIFTUNG. This recognised charitable foundation is a vehicle used to pool together R+V's social commitment. Approximately EUR 250,000 a year are currently available to the R+V STIFTUNG for good causes. The various projects and initiatives funded include, among others, the "WiesPaten" initiative, which provides special remedial courses to pupils, the "JOBLINGE" initiative, which supports young people in their efforts to launch their careers with the aid of voluntary mentors, and the "BürgerKolleg Wiesbaden" educational establishment, which provides further training for volunteers free of charge.

Top rating for sustainability

Furthermore, R+V and the entire DZ BANK Group continue to act in an exemplary manner in terms of sustainability. This was confirmed by the ratings agency, oekom research, one of the world's leading service providers for sustainability systems, in their most recent study undertaken in 2018. The analysts renewed the group grade "C+" and awarded the sought-after "Prime Status" once again, an award granted to particularly sustainable companies. This widely acclaimed seal confirms R+V's above-average commitment to the areas of environmental and social matters.

Climate strategy adopted

R+V, together with companies belonging to the DZ BANK Group, adopted a joint climate strategy at the start of 2018. All Group companies undertake to support the Federal Government's environmental targets regarding CO2 reduction. The aim is for the CO2 emissions of the DZ BANK Group to be reduced by at least 80 % by 2050, when compared to the base year of 2009. The climate strategy will be reviewed on a regular basis and developed further, where necessary.

New capital investment criterion

R+V has also incorporated a new exclusion criterion for capital investment purposes. In accordance with this criterion, R+V will not invest in companies that generate 30 % or more of their revenue from the mining or processing of coal. To date, R+V had already ruled out investing client deposits in manufacturers of mines or anti-personnel mines, atomic, biological or chemical weapons (ABC weapons), uranium or cluster ammunition, or in financial products for agricultural raw materials. These guidelines apply to all asset classes used by R+V, including stocks, bonds, debentures, loans and property.

Successful TÜV surveillance audit

The foundation of all these measures for environmental and climate protection is the environmental management system (EMS). Here R+V records, among other things, the data for energy and paper consumption, amount of waste, hazardous substances and CO2 emissions. Moreover, the EMS contains clear environmental guidelines and targets for how the company aims to further improve in matters of environmental protection. After TÜV Rheinland had certified R+V's EMS in 2013 and 2016, the TÜV auditors once again scrutinised R+V as part of the mandatory surveillance audit in 2018. This review did not result in any objections being raised.

The city of Wiesbaden also confirmed once again the exemplary ecological commitment shown, honouring R+V as an "ÖKOPROFIT" company for the fifth year in succession. This title is given exclusively to those companies that protect the environment and whose activities are also economically viable.

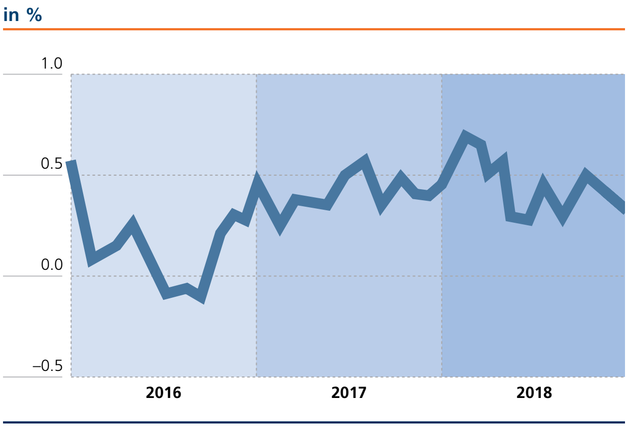
R+V publishes fifth sustainability report

The sustainability report published by R+V provides an overview of all sustainability activities undertaken. R+V published its fifth report in the spring of 2018. As has already been the case in previous years, the report complies with the guidelines for sustainability reporting issued by the Global Reporting Initiative, and therefore satisfies internationally-recognised transparency standards. The approximately one-hundred-page-long report is only available online on the R+V homepage at www.nachhaltigkeitsbericht.ruv.de.

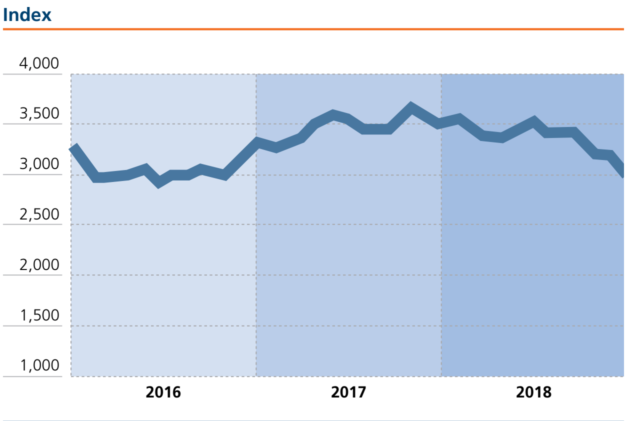
Non-financial reporting in accordance with the CSR Directive Implementation Act

R+V Versicherung AG is included in the non-financial Group declaration issued by DZ BANK AG Deutsche Zentral-Genossen-

YIELD OF GOVERNMENT BONDS – 10 YEARS RESIDUAL TERM



DEVELOPMENT OF SHARE INDEX EURO STOXX 50



schaftsbank, Frankfurt am Main, and is therefore exempt from the requirement to submit a separate non-financial declaration. The non-financial Group declaration is shown in the Annual Report 2018 issued by the DZ BANK Group under the section entitled "Nichtfinanzielle Erklärung" (Non-financial declaration) and is available in German on the following website: www.berichte2018.dzbank.de

Macroeconomic development 2018

The German economy performed well in 2018, albeit in a somewhat reserved manner compared to 2017. According to the initial calculations by the German Federal Statistical Office, gross domestic product in real terms grew by 1.5 %. The construction industry, investments and private consumption were growth drivers here. On the contrary, the contribution from foreign trade fell back and there were negative one-off effects in the automobile industry. Unemployment is at a low level, with inflation rising once again. The economy also performed well in the euro area, with inflation rising too. The USA continued its strong growth with inflation at just above two percent.

Development on the capital markets

The continuing divergence in terms of monetary policy in the USA and the euro area had a huge impact on performance in the capital markets once again in 2018. While the American Federal Reserve (Fed) has marked out a path towards normalisation with four additional base rate increases, the European Central Bank (ECB) has persisted with its zero-rate policy. However it finished its securities purchasing programme at the end of the year.

Continuing political uncertainty also had an impact on the capital markets in question in 2018. The protectionist policy pursued by the USA resulted in a serious trade dispute with China in particular during the course of the year. Europe is worried about the economic impact of the United Kingdom's potential disorderly departure from the EU, as well as the budgetary discipline of the Italian government.

The interest yield on ten-year German government bonds fell to 0.2 % by the end of 2018, and continues to remain at a very low level. The spreads of corporate and bank bonds continued to extend in 2018. The spreads of debentures also increased.

The German DAX stock market index, which takes into account dividend payments alongside market performance (performance index), lost 18.3 % of its value by the end of the year, when compared to the previous year, reaching 10,558 points. The Euro Stoxx 50 (price index), the key stock market index

R+V VERSICHERUNG AG – PREMIUM INCOME BROKEN DOWN INTO THE ESSENTIAL BRANCHES OF INSURANCE

in EUR million	2018 Gross	2017 Gross	Change Gross %	2018 Net	2017 Net	Change Net %
Life	26.2	24.3	8.1	15.2	11.5	31.3
Accident	55.6	56.9	-2.3	55.6	56.9	-2.3
Liability	55.5	63.6	-12.7	55.5	63.6	-12.7
Motor	1,326.1	1,191.4	11.3	1,317.2	1,183.3	11.3
Fire	678.8	619.1	9.6	656.0	604.1	8.6
Marine & Aviation	112.6	94.7	18.9	112.5	94.6	19.0
Other	567.3	513.7	10.4	551.8	499.3	10.5
Total	**2,822.2**	**2,563.8**	**10.1**	**2,763.7**	**2,513.5**	**10.0**

for the euro area, was significantly down by 14.3 % compared to the previous year, reaching 3,001 points by the end of the year.

Situation in the insurance industry

The German insurance industry was yet again able to record an increase in premium revenues in 2018, with a growth rate of 2.1 % to EUR 202.2 billion. The Gesamtverband der Deutschen Versicherungswirtschaft e.V. (GDV, or German Insurance Association) announced at its press conference, held at the end of January 2019, that premium revenues had topped the 200 billion mark for the very first time. The Association also confirmed a strong year for the industry as well, despite the increasingly complex risk environment.

According to the GDV's projection, premium revenues in life insurance grew by 1.4 % to EUR 91.9 billion. New business for regular premiums grew to EUR 5.3 billion, an increase of 1.9 %. New business for single premiums also improved to EUR 27.2 billion, an increase of 3.7 %. According to data provided by the GDV, "Riester" new business also performed well. Towards the end of the year, a strong signal on the market was the fact that many providers – including R+V – declared stable total returns for their life and pension insurance policies for 2019. Yet again, R+V clearly distinguished itself from the projects undertaken by other providers to sell off life insurance portfolios with its clear commitment towards life insurance and a complete portfolio of pension provisions.

Private health insurers were once able to increase their premium revenues, this time by 1.7 % to EUR 39.7 billion. The public discussion surrounding the legitimacy of the procedures in place to adjust premiums accompanied the industry, particularly towards the end of the year, whereas citizen's insurance was by no means a new subject.

Property and accident insurers were once again able to increase their premium revenues to a current figure of EUR 70.6 billion, an increase of 3.3 % according to the GDV's projection. All of the lines of business helped contribute to the positive result, such as non-life insurance with total growth of 4.4 %, or motor insurance with an increase of 3.2 %. There were still no particularly noticeable signs here of a new price war. Digital issues increasingly made a difference with the industry, such as in the form of new insurance offers to help protect against cyber-crime attacks. The companies were able to demonstrate their ability to perform in the numerous instances of storm damage, such as the damage caused by Storm Friederike at the start of the year, with total damages of approximately one billion euros. According to data provided by the GDV, the combined ratio increased to approximately 96 % (2017: 93.2 %).

Development of the reinsurance markets

As a result of the hurricane-related damage in the second half of 2017, reinsurance companies were able to benefit in 2018 from the increase in the price level seen in the affected markets.

R+V VERSICHERUNG AG – REINSURANCE INDICATORS

in EUR million	2018 Total Gross	Thereof Group Gross	Thereof third-party Gross	2017 Total Gross	Thereof Group Gross	Thereof third-party Gross
Premiums written	2,822.2	490.1	2,332.1	2,563.8	487.9	2,075.9
Domestic	682.1	481.2	200.9	683.8	483.3	200.5
Foreign	2,140.1	8.9	2,131.2	1,879.9	4.6	1,875.4
Losses	2,142.6	354.3	1,788.3	1,998.1	342.7	1,655.3
Domestic	492.4	350.3	142.2	466.6	338.2	128.4
Foreign	1,650.2	4.0	1,646.2	1,531.5	4.5	1,527.0
Costs	679.3	99.4	579.9	634.9	104.9	530.1
Domestic	147.9	97.8	50.1	156.2	104.7	51.6
Foreign	531.4	1.6	529.8	478.7	0.2	478.5
Results before equalisation provision	16.3	39.3	-23.1	-113.3	41.2	-154.4
Domestic	47.3	36.2	11.1	55.8	40.1	15.7
Foreign	-31.0	3.2	-34.2	-169.1	1.1	-170.2

Economic and insured losses were lower in the first half of 2018 than the average of the previous ten years and also below the level of the previous year. The most expensive event in the first half of the year was Storm Friederike, which resulted in significant damage in Germany and the Netherlands, but also in France, Belgium and the United Kingdom.

The claims situation in the second half of the year was significantly more strained as a result of the major damage caused by natural disasters. Japan was hit by two typhoons, Jebi and Trami, in September. Hurricane Florence also brought extreme rainfall to the US State of North Carolina in September, causing billions of dollars' worth of damage. Hurricane Michael hit the USA on 10 October, and was the strongest hurricane to hit Florida ever recorded. During the year under review, the USA was also afflicted by a particularly damaging fire season. The negative climax of this season were the wildfires in California fuelled by constant winds, which resulted in at least 85 fatalities and destroyed more than 18,000 buildings.

Taking the whole year into account, the claims burdens arising from insured loss events were higher than they were on average in previous years, albeit lower than the previous year, which was heavily burdened in terms of claims.

Thanks to their ability to accumulate capital and their profound expertise in assessing risks, reinsurance companies remained a key tool valued throughout the world in providing financial compensation for loss events. As usual, they made a sustainable contribution to preserving social prosperity and stabilising economic growth. The rating agencies also gave certification to the sector again in terms of its solid capital basis and predominantly disciplined underwriting methods, as well as its excellent flexibility in dealing with the dynamic environment.

Development of individual countries and regions

At the start of the year, **Germany** faced damage caused by Storm Friederike, which resulted in an insured market loss of approximately EUR 900 million. Further medium-sized and regional storm events occurred over the course of the year. In addition to Storm Burglind in January, Storms Wilma and Yvonne in June as well as Storm Fabienne in September resulted in notable claims costs. The restructuring undertaken in recent years within the motor segment began to stagnate again for the first time. The company continued its efforts to improve results in the comprehensive home-owners insurance segment. The market for fire and industry insurance was particularly striking. Several instances of major damage occurred in addition to a renewed increase in the claims frequency. The restructuring that had been started was overcompensated as a result of this. Initial hardening of the reinsurance market was noticeable as a result of losses occurring globally as well as in Germany. The insurers continued their long-term business relationships with their reinsurance partners.

The long-term weakness in terms of growth continued in **Italy**. Traces of the price war in the motor third party liability insurance segment could be seen in the balance sheets of insurers; increases in the average premium were noticeable here. There were also a number of instances of storm damage during 2018, particularly so at the end of October. However, the figure did not reach the claims costs incurred the previous year.

French direct insurers had to deal with a number of losses owing to drought and floods in 2018, which state reinsurance was also involved in. Generally speaking, there were no major losses from nationwide storms. Towards the end of the year, civil unrest attracting media attention broke out in a number of French cities. Property damage and business interruptions following on from said property damage were insured for the most part.

One of the defining topics in the **United Kingdom** remains the country's departure from the EU (Brexit). The discount rate used to calculate lump sum payments for personal injuries (Ogden rate) continued to be subject to intensive discussion, particularly for the insurance sector. With the Civil Liability Bill, the legislator submitted a proposal that makes provision for a new arrangement by the end of 2019 at the latest. As expected, there is a probable corridor between 0 % and 1 %, which is therefore significantly above the existing specification of - 0.75 %. The prices that increased significantly in 2017 came under pressure in the non-proportional reinsurance segment, this also occurring as a result of the expected development in the Ogden rate. However, they were also at a higher level than they were prior to the change. New entrants in the non-proportional market accelerated the negative price trend. On the contrary, the proportional reinsurance segment behaved in a comparatively stable manner. The original rates remained at a slightly above average level. With regard to direct insurers and reinsurers, the non-life insurance segment was characterised by fire and subsidence damage. The frequency of fire damage was significantly above the average level in previous years, and subsidence damage, sometimes caused by the dry summer, was at a high level. There was an overall stabilisation of the original rates. Reinsurance agreements remained under pressure in terms of pricing, but there was also a certain stabilisation recorded here as well.

In **Spain**, the weak nature of the coalition government as well as the political instability in Catalonia also provided negative impetus for growth. Although the signs of an economic downturn increased, the economy and the insurance market continued to appear in good shape. The online business remained underdeveloped and was primarily used for the conclusion of motor insurance policies. The directive for determining compensation claims for personal injury in road accidents (Baremo) also had a positive impact on the performance of the motor insurance segment in the third year since its introduction. General stabilising of the price level was observed.

2018 was a so-called bumper election year in **Latin America**. Residents in Columbia, Mexico, Brazil, Paraguay and Venezuela faced a change in government. This particular fact, accompanied by the discovery of a number of corruption cases, entailed a certain stagnation in the region's economic performance. Nominal increases in premiums in the insurance sector were partially overcompensated for by inflation. The natural disasters occurring the previous year did indeed result in increases being made to the original rates of the property insurance segments, although they were below expectations. Brazil remained by far and away the largest insurance market in Latin America.

2018 was a positive year for the **Israeli** insurance market. There were no exceptional risk and event loss occurring in the non-life and engineering insurance segments. The loss frequency fell in accordance with the trend seen in previous years, whereas the severity of accidents increased somewhat. The innovative capacity of the industry was also evident in Israel thanks to the establishment of two digital insurance companies. From a reinsurance perspective, proportional cessions were increased in preparation for the introduction of new solvency rules.

Together with Hurricanes Florence and Michael, the wildfires in California were the most prominent loss events occurring in the **USA** in 2018. The latter caused significant damage, the settlement of which was still ongoing at the end of the year. As was the case the previous year, there was also an above average number of medium-sized and small regional hail and tornado incidents, which were not merely restricted to the American Midwest region during the year under review. As a result of the claims situation, price increases were able to be achieved particularly in the private sector, but also in the commercial sector.

In February 2018, **South African** President Jacob Zuma resigned following pressure from his party, paving the way for Cyril Ramaphosa to take office. A growth package was developed under the new President, which aimed to increase economic growth and improve the framework conditions for foreign investors, as well as reduce the high level of unemployment. As regards the insurance market, the high frequency of losses owing to natural disasters experienced in recent years failed to materialise, which had a positive impact on the company's earnings situation. The price level on the original side improved in parallel.

Natural disasters as well as declining exports had a negative impact on the **Japanese** economy in 2018. Both typhoons, Jebi and Trami, smaller earthquakes and an increase in the frequency of major loss events in the industrial business imposed a burden on the results achieved by Japanese direct insurers and their reinsurers.

In the **other Asian** markets, the positive developments seen in previous years continued on the direct insurance and reinsurance side. Growth did indeed flatten slightly in motor and non-life insurance, although an increased level of growth in marine and third party liability insurance was observed here. South Korea suffered from an extreme heatwave in the summer of 2018. Temperatures in excess of the 40 degree mark were measured for the very first time in the north-east of the country. As a consequence of the high temperatures, millions of animals perished in agricultural holdings, which resulted in an increase in claims costs in the animal insurance segments, although the price level was able to be increased. In the remaining countries located in south-east Asia, above average growth was able to be observed in both direct insurance as well as reinsurance. Margins on the reinsurance side remained under pressure due to the strong competition, although major loss events failed to materialise for the most part, which resulted in a pleasingly low level of claims costs.

Performance of individual special segments

In the global **trade credit and bonds reinsurance business**, the major credit insurers posted good results for their globally exposed portfolio, which resulted in an increase in revenues for reinsurance agreements. From a claims perspective, the first nine months of the year were inconspicuous in terms of frequency, with the exception of several insolvencies in the construction industry and retailers in the United Kingdom. Increased major damage activity was recorded for the fourth quarter in the bonds business. Most global contracts were however able to report better loss ratios than in the previous year. The overcapacities arising in recent years both in the direct insurance as well as in the reinsurance markets stagnated or declined as a result of weaker economic prospects in Europe. The London market saw class-specific reductions in capacities and consolidations, which have not let up in the trade credit and surety business either. Notwithstanding multiple examples of debt-financed investments, the economic situation in the USA remains strong. The claims situation remained promising, particularly in the bonds business. In Latin America, Brazil and Argentina have experienced political and economic setbacks.

In the **aviation segment**, the crash involving a Boeing aircraft was the first accident for two years in the major commercial airline segment that resulted in fatalities. The general civil aviation segment recorded several medium-sized instances of damage arising from accidents involving helicopters, particularly in the USA. During the course of the year, a number of internationally active insurers withdrew from the aviation segment. A significant improvement in prices was noted here, which increased in the final quarter. In the space sector, the production of large-scale geostationary satellites was reduced as a result of changes in market requirements, which resulted in a comparatively low number of launches. At the same time, satellite operators increasingly opted for more reliable rockets for their launches, which generated a lower premium. As a result, there was a noticeable reduction in market premiums. The results were burdened by two instances of satellite damage in the first half of the year, although premiums were still adequate overall.

A heterogeneous picture emerged in the **facultative non-life business**. In certain markets, such as Australia or regions affected by disasters the previous year, there were significant price increases in cases involving exposed operating modes. Even in Germany, restoration attempts were made following damage caused by other individuals. On the contrary, the competitive pressure on the terms and conditions in place in other markets remains without change. This included in particular the Middle East, but also Central and South America. The other markets remained stable for the most part.

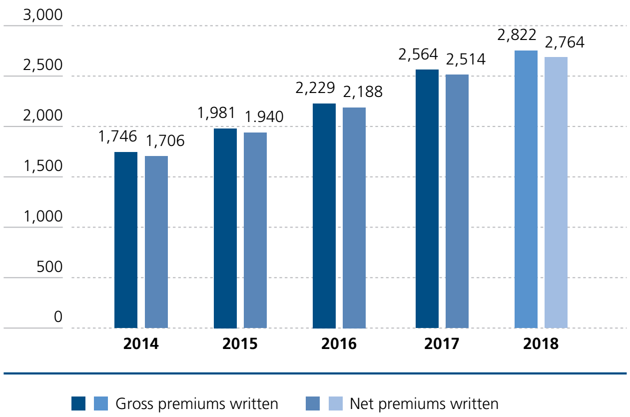
Business performance of R+V Versicherung AG

Business performance overview

With a 10.1 % increase in the gross premiums written to EUR 2,822.2 million (2017: EUR 2,563.8 million), R+V Versicherung AG is able to look back at an excellent performance once again in 2018. With adjustments due to the effects of the foreign exchange rates, growth in premiums amounted to 10.5 %. The percentage of income from premiums arising from non-proportional reinsurance reached 28.3 % (2017: 27.1 %).

PREMIUMS WRITTEN

in EUR million



TOTAL BUSINESS NON-LIFE

in %	2016	2017	2018
Reported gross loss ratio	73.8	79.5	75.5
Gross expenses ratio	25.3	25.1	23.9
Gross combined ratio	99.0	104.6	99.4

There was a slight overall reduction in premiums for the domestic group business. An increase in premiums written in the motor segments was offset by conflicting developments in the liability and accident branches of insurance. Outside group business, the premium volume from domestic cedents increased significantly, particularly in the fire, engineering and storm classes.

At EUR 2,140.1 million, the proportion of foreign business amounted to 75.8 % of the total premiums written (2017: 73.3 %). The increase by EUR 260.2 million primarily resulted from Great Britain, the USA, the Netherlands and China.

The net premiums written followed the growth of the gross premiums written and increased by 10.0 % to EUR 2,763.7 million (2017: EUR 2,513.5 million). At 97.9 %, the retention rate remained at the high level of the previous years.

In the non-life segment the reported gross loss ratio for the group business was 72.5 %, following 70.9 % in the previous year. Having taken retrocession into consideration, there remained a reported gross loss ratio of 76.5 % (2017: 74.4 %).

On 31 December 2018, the gross major loss burden (claims greater than EUR 3.0 million) in external business came to EUR 426.4 million, which corresponds to 15.1 % of the total gross premium. The reported gross loss ratio for the non-life segment for external business improved with a figure of 76.1 % (2017: 81.5 %). The reported net loss ratio was 76.6 % compared to 82.0 % during the previous year.

For the whole non-life segment the reported gross loss ratio came to 75.5 % in the fiscal year (2017: 79.5 %), while the gross combined ratio came to 99.4 % (2017: 104.6 %).

Before the change in equalisation provisions and similar provisions, the technical result for the total business during the fiscal year amounted to EUR - 25.8 million (2017: EUR - 151.1 million). Taking into consideration the EUR 11.0 million contribution to equalisation provisions and similar provisions (2017: EUR 47.1 million), there was an own-account technical result amounting to EUR - 36.8 million (2017: EUR - 198.2 million).

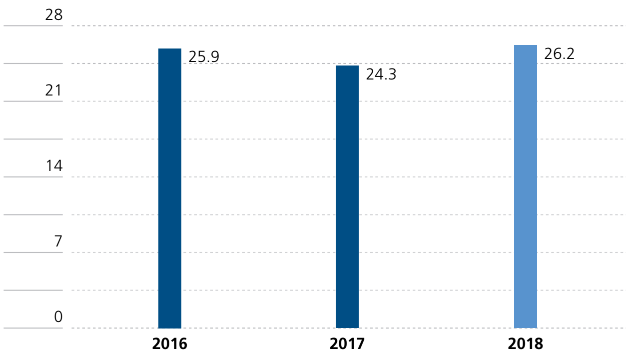
The result from capital investments indirectly affected by the profit and loss transfer agreement with R+V Allgemeine Versicherung AG amounted to EUR 355.4 million (2017: EUR 353.9 million).

After taking into consideration the balances in other income and other expenditure which amount to EUR - 16.5 million (2017: EUR 6.4 million) the fiscal year ended with a result of EUR 300.4 million for the normal business activities (2017: EUR 160.2 million).

Based on the tax allocation agreement with DZ BANK AG, tax expenditure came to EUR 203.8 million (including the tax transfer) (2017: EUR 19.4 million). In the previous year, the transitional provisions regarding the Investment Tax Reform Act, which necessitated the disbursement of income already taxed and retained in previous years in special funds, resulted in significantly reduced tax expenditure. A profit of EUR 96.6 million was transferred on the basis of the profit transfer agreement concluded with DZ BANK AG (2017: EUR 140.8 million).

LIFE INSURANCE – GROSS PREMIUMS

in EUR million



Business developments in the individual classes

Life

Positive gross technical result once again

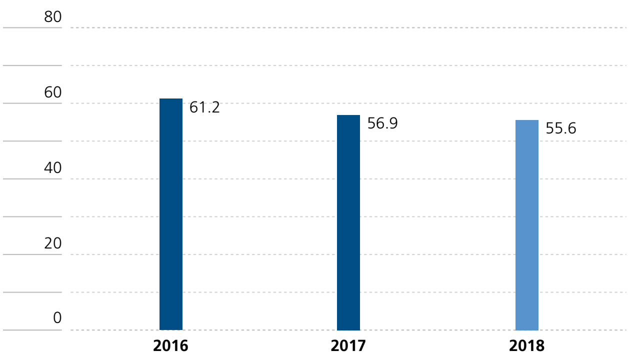
The active underwriting of the life reinsurance business was discontinued in 2004. In 2018, gross premiums written amounting to EUR 26.2 million (2017: EUR 24.3 million) were achieved. The class closed with a gross technical profit of EUR 6.0 million (2017: EUR 8.5 million).

LIFE INSURANCE – PORTFOLIO DEVELOPMENT

in EUR million according to totals insured		2017	2018
Assumed business	Capital	5,484.9	6,878.5
Total insured	Annuity	1,960.7	2,102.7
Business ceded	Capital	614.9	641.3
Total insured	Annuity	1,402.9	1,424.5
Retained business	Capital	4,870.0	6,237.2
Total insured	Annuity	557.7	678.2

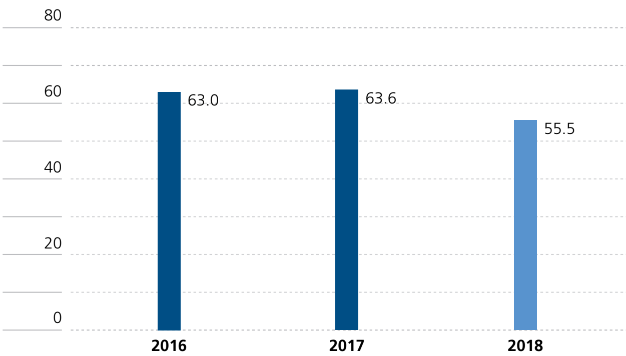
ACCIDENT INSURANCE – GROSS PREMIUMS

iin EUR million



LIABILITY INSURANCE – GROSS PREMIUMS

iin EUR million



ACCIDENT INSURANCE

in %	2016	2017	2018
Reported gross loss ratio	64.1	45.3	63.7
Gross expenses ratio	48.6	49.8	44.8
Gross combined ratio	112.8	95.1	108.4

LIABILITY INSURANCE

in %	2016	2017	2018
Reported gross loss ratio	56.1	65.0	47.9
Gross expenses ratio	38.9	38.5	37.4
Gross combined ratio	95.0	103.5	85.3

Accident

Balanced result for own account

With an unchanged 97.5 % of premiums, general accident insurance continues to be the major individual insurance class within the insurance sector. The insurance sector also includes motor personal accident insurance. The gross premiums written amounted to EUR 55.6 million in the fiscal year (2017: EUR 56.9 million).

The reported gross loss ratio amounted to 63.7 % (2017: 45.3 %). The gross expenditure on insurance operations declined more strongly than the gross premiums written, meaning therefore that the gross expenses ratio was reduced. Before the change in the equalisation provision, the result for the class amounted to EUR - 4.5 million (2017: EUR 2.8 million). Due to the claims experience, EUR 4.7 million was withdrawn from the equalisation provision (2017: EUR 5.5 million contribution). The fiscal year resulted in an almost balanced own-account technical result amounting to EUR 0.2 million (2017: EUR - 2.6 million).

Liability

Technical result for own account

The performance of the liability class is characterised by the changes to the reinsurance structure in the group business during the fiscal year. This one-off effect impacts both on the premium performance as well as on the claims performance.

After reaching a figure of EUR 63.6 million in the previous year, the gross premiums written amounted to EUR 55.5 million in 2018. This declining trend can be attributed to the reduction in the quote share reinsurance in the group business. The gross premiums written increased by 5.1 % in the external business.

On the contrary, the reported gross loss ratio decreased significantly to 47.9 % (2017: 65.0 %). The repayment of several underwriting years in the group business has an impact here. In connection with the slight fall in the gross expenses ratio of 37.4 % (2017: 38.5 %), the gross combined ratio amounted to 85.3 % (2017: 103.5 %).

Before any change in the equalisation provisions and similar provisions, the gross technical result amounted to EUR 8.4 million (2017: EUR - 2.3 million loss). EUR 6.4 million were withdrawn from the equalisation provisions and other provisions (2017: EUR 3.6 million contribution). The class closed with a technical own-account profit of EUR 14.8 million (2017: EUR - 5.9 million loss).

Motor

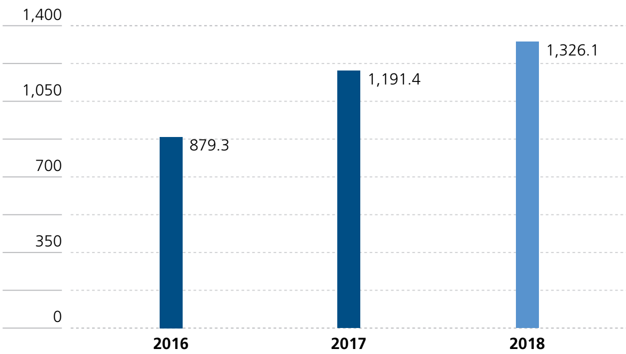
Stable market share yields renewed increase in premiums

The motor insurance is written worldwide. Its proportion of the gross premiums written of 47.0 % again increased from the previous year. Thanks to the strong presence in the competitive motor vehicle reinsurance market, R+V Versicherung AG exhibited an increase in gross premiums written of 11.3 % to EUR 1,326.1 million (2017: EUR 1,191.4 million). 30.2 % of the premium volume in this class originates from R+V companies, which recorded growth of 2.5 % on the domestic market on the basis of a stable market share. In overseas business, premium growth of 16.4 % was achieved, particularly in Great Britain.

The loss expenditures incurred during the fiscal year followed the premium performance and increased in a disproportionately small manner by 1.9 %, resulting therefore in an improvement of the loss ratio for the fiscal year to 75.0 % (2017: 85.0 %). In connection with the improved settlement result for the claims provisions carried over from the previous year, the reported gross loss ratio was 79.5 % (2017: 90.6 %). Increases in claims provisions resulting from the reduction in the discount rate to be applied in the United Kingdom for the judicial determination of one-off payments for insured personal injuries had an impact in the previous year.

MOTOR INSURANCE – GROSS PREMIUMS

in EUR million



MOTOR INSURANCE

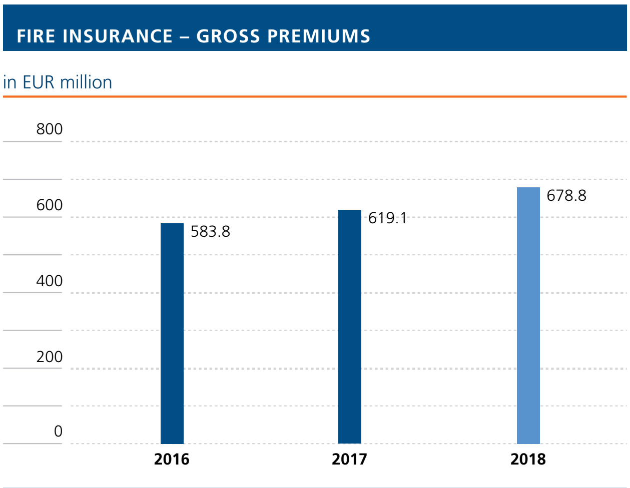
in %	2016	2017	2018
Reported gross loss ratio	84.9	90.6	79.5
Gross expenses ratio	16.5	18.7	17.7
Gross combined ratio	101.4	109.4	97.2

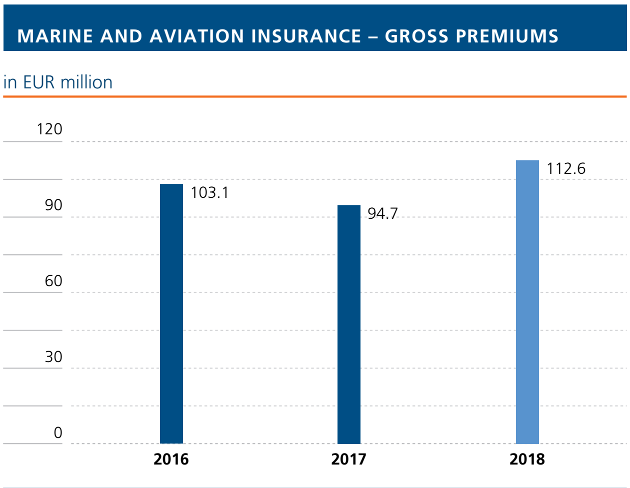
The expenditure on insurance operations followed the growth in premiums and increased by 9.1 % to EUR 236.2 million (2017: EUR 216.6 million). Following a withdrawal from the equalisation provision of EUR 16.3 million (2017: EUR 27.1 million), the technical own-account result was EUR 40.9 million (2017: EUR - 93.3 million loss).

Fire

Further increase in gross premiums written

Fire insurance recorded an increase in the premiums written to EUR 678.8 million (2017: EUR 619.1 million) and therefore continued the positive development seen in previous years. The volume of premiums continued to primarily result from cedents external to R+V. EUR 581.7 million, or 85.7 % of gross premiums, in this insurance sector were attributed to overseas business.





FIRE INSURANCE

in %	2016	2017	2018
Reported gross loss ratio	74.7	61.4	72.9
Gross expenses ratio	31.9	30.6	28.7
Gross combined ratio	106.6	92.0	101.7

MARINE AND AVIATION INSURANCE

in %	2016	2017	2018
Reported gross loss ratio	81.5	77.9	70.2
Gross expenses ratio	30.7	30.6	30.1
Gross combined ratio	112.2	108.6	100.3

The loss expenditures incurred during the fiscal year totalled EUR 459.7 million and were therefore above the level of the previous year (2017: EUR 445.3 million). The claims experience during the course of the fiscal year was in particular characterised by Typhoons Jebi and Trami in August and September, which are also partially depicted in this insurance sector on the basis of international customs, as well as various other instances of major damage. In combination with a decreased settlement result from the carried-forward provisions, the reported gross loss ratio improved to 72.9 % (2017: 61.4 %) so that, when combined with the operating expenses, this resulted in a gross combined ratio of 101.7 % (2017: 92.0 %).

Before the change in the equalisation provision, the class closed with a net loss of EUR - 29.9 million (2017: profit of EUR 34.2 million). The equalisation provision was furnished with EUR 26.6 million (2017: EUR 107.4 million). Consequently, there was a technical result of EUR - 56.5 million (2017: EUR - 73.1 million).

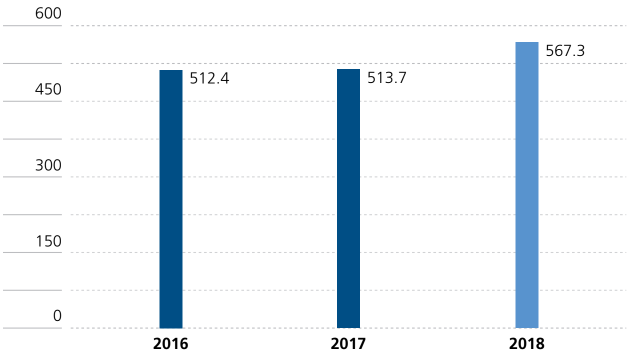
Marine and aviation

Positive technical result in turn for own account

Both marine as well as aviation insurance recorded an increase in gross premiums written. The gross premiums written in the marine business amounted to EUR 50.9 million, compared to EUR 48.4 million the previous year. In the aviation class, gross premiums written amounted to EUR 61.7 million (2017: EUR 46.3 million). Overall, there was an increase in premiums of 18.9 % to EUR 112.6 million (2017: EUR 94.7 million). The most important markets according to premium volumes were Spain and, as was the case in previous years, Germany for the marine business, as well as the USA for the aviation business.

OTHER INSURANCE CLASSES – GROSS PREMIUMS

in EUR million



OTHER INSURANCE CLASSES

in %	2016	2017	2018
Reported gross loss ratio	55.8	81.8	74.3
Gross expenses ratio	27.0	27.6	28.0
Gross combined ratio	82.8	109.4	102.3

The loss expenditures incurred during the fiscal year decreased by - 12.3 %, performing in the opposite way when compared to premium performance. Marine insurance was primarily attributable here, whereas aviation insurance reported an increase compared to the previous year. In connection with the settlement result for the provisions carried over from the previous year, the reported gross loss ratio was 70.2 % (2017: 77.9 %). EUR 2.8 million was withdrawn from the equalisation provision (2017: EUR 16.5 million). The own-account technical result was EUR 2.4 million (2017: EUR 8.3 million).

Other insurance classes

Increase in gross premiums written

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

The other insurance classes recorded a 10.4 % gross premiums written increase to EUR 567.3 million (2017: EUR 513.7 million). The dominating classes here were the credit/bonds, storm and engineering classes, with a combined premium share of 86.6 % (2017: 84.1 %). All three insurance classes recorded an increase in premiums during the fiscal year.

The expenditure on claims in storm insurance, which was heavily burdened by Hurricanes Harvey, Irma and Maria the previous year, declined despite the forest fires in California, while credit and bonds insurance and engineering insurance recorded an increase in expenditure on claims. The reported gross loss ratio for storm insurance amounted to 89.9 %, compared to 118.9 % the previous year. There was also a reported gross loss ratio for credit and bonds insurance of 67.8 % (2017: 56.9 %). The reported gross loss ratio for engineering insurance was 79.0 % for the fiscal year (2017: 81.1 %).

Overall, after allowing for the changes due to the equalisation provisions and similar provisions, the other insurance classes showed an overall technical own-account loss of EUR - 42.0 million (2017: EUR - 36.4 million).

Summarised appraisal of the business performance

Thanks to the income-oriented and risk-aware underwriting policy that remains in place, R+V Versicherung AG was yet again able to record an increase in premium revenues during the 2018 fiscal year. After the previous year had been burdened in particular by the hurricanes in the Caribbean and southern USA, as well as the reduction in the Ogden rate in the United Kingdom, there was nevertheless an improved gross loss ratio in 2018, despite the claims burdens arising from the forest fires in California and the typhoons in Asia.

The gross expenses ratio improved compared to the previous year's value.

The technical own-account result improved compared to the previous year, which was characterised in particular by the hurricane events.

The non-technical result was below the previous year's value.

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

GUARANTEED FUNDS

in EUR millions	2018	2017
Share capital	352.2	352.2
Capital reserves	1,632.9	1,632.9
Retained earnings	164.7	164.7
Net retained profits	–.–	–.–
Shareholders' equity	**2,149.8**	**2,149.8**
Unearned premium reserves	186.2	206.5
Actuarial reserves	27.7	28.8
Provision for outstanding claims	4,096.5	3,669.4
Provision for premium funds	4.4	4.6
Equalisation provision and similar provisions	874.6	863.6
Other technical provisions	0.9	1.0
Total technical provisions	5,190.4	4,773.8
Guarantee funds	**7,340.1**	**6,923.6**

Earnings position

Technical result

The gross technical result amounted to EUR 16.3 million (2017: EUR - 113.3 million gross loss). Having taken retrocession into consideration, there was a technical net result of EUR - 25.8 million (2017: EUR - 151.1 million). EUR 11.0 million were added to the equalisation provisions and similar provisions (2017: EUR 47.1 million). The own-account technical result was then EUR - 36.8 million (2017: - 198.2 million), resulting in particular from the motor classes in the sum of EUR 40.9 million (2017: EUR - 93.3 million), liability in the sum of EUR 14.8 million (2017: EUR - 5.9 million), fire in the sum of EUR 56.5 million (2017: EUR - 73.1 million), credit/bonds in the sum of EUR - 16.3 million (2017: EUR - 9.7 million), storm in the sum of EUR - 14.8 million (2017: EUR - 13.3 million) and engineering in the sum of EUR - 10.3 million (2017: EUR - 1.2 million).

Result from capital investments

R+V Versicherung AG attained ordinary income of EUR 401.4 million from its capital investments. Less ordinary expenses of EUR 15.2 million in consideration of scheduled property depreciation of EUR 0.1 million, there was an ordinary result of EUR 386.2 million (2017: EUR 346.5 million).

Depreciation of EUR 39.2 million was required for R+V Versicherung AG's capital investments. Due to the recovery in value, a figure of EUR 0.3 million was imputed. Through sales of assets, R+V Versicherung AG achieved capital gains of EUR 3.6 million, excluding losses of EUR 1.8 million. The difference in write-ups and write-downs as well as the capital gains and losses resulted in an ordinary result of EUR - 37.2 million (2017: EUR 1.7 million).

The net result from capital investments from the total of the ordinary and extraordinary results thus amounted to EUR 349.0 million for the 2018 fiscal year compared with EUR 348.2 million in the previous year. The net interest was 5.1 % (2017: 5.4 %).

Other earnings and expenses

During the fiscal year, other earnings came to EUR 54.6 million (2017: EUR 73.1 million). The service and interest incomes were important components. The decrease compared to the previous year can in particular be attributed to lower interest income from tax receivables in conjunction with completed company audits as well as lower exchange rate losses on the reporting date.

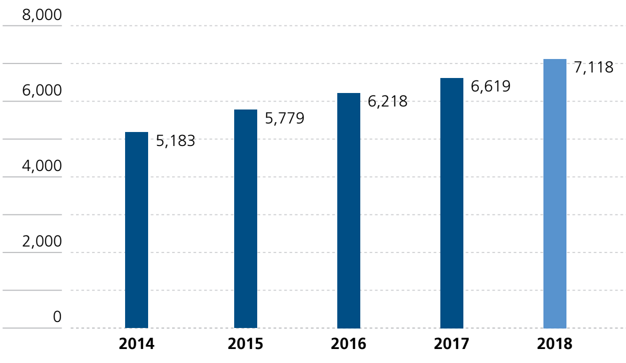
Other expenses of EUR 71.0 million (2017: EUR 66.8 million) primarily included operating costs, which are seen alongside income from the additional charges to Group affiliates, interest and consultancy fees, exchange rate losses as well as association and membership fees.

Overall result

The result from ordinary business activities was EUR 300.4 million (2017: EUR 160.2 million). In consideration of tax expenditure (including transfers) of EUR 203.8 million in total (2017: EUR 19.4 million), this produces a profit transfer of EUR 96.6 million based on the profit and loss transfer agreement concluded with DZ BANK AG (2017: EUR 140.8 million).

DEVELOPMENT OF THE CAPITAL INVESTMENTS*

in EUR million



* without deposit receivables

Financial situation

Capital structure

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

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

Guaranteed funds increased by EUR 416.5 million to EUR 7,340.1 million so that at 265.6 %, the ratio of guaranteed funds remains high in spite of the continued growth experienced by R+V Versicherung AG (2017: 275.5 %). The equity capital ratio based on the net premiums posted was 77.8 % (2017: 85.5 %).

Assets situation

Capital investments portfolio

The capital investments of R+V Versicherung AG grew by EUR 499.4 million or by 7.5 % during the 2018 fiscal year. The book value of the capital investments as at 31 December 2018 thus amounted to EUR 7,117.8 million. R+V Versicherung AG mostly invested the funds available for reinvestment in bonds in the current fiscal year. For the interest-bearing securities, care was taken that the issuer had a good credit standing in order to minimise the risk of default. The company also made investments in the property and infrastructure asset classes. Excluding the shares in affiliated companies and shareholdings, the calculated share ratio for market values as at 31 December 2018 amounted to 2.2 % (2017: 2.4 %).

The reserve ratio relating to the total capital investments as at 31 December 2018 was 50.5 % (2017: 47.1 %) and was dominated by the shareholding items.

Social, ethical and ecological principles are taken into consideration when making capital investments so that R+V Versicherung AG knowingly does not make capital investments which are contrary to the generally recognised principles of sustainability. R+V does not invest within this framework in manufacturers of controversial weapons and makes use of the database compiled by ISS-oekom. No investments are made either in financial products for agricultural raw materials as well as investments in companies that generate 30 % or more of their revenue from the mining or processing and utilisation of coal.

Technical provisions

The gross technical provisions rose by 8.6 % to EUR 5,226.0 million (2017: EUR 4,811.7 million). After deducting the retrocessionnaires' shares, net technical provisions were EUR 5,190.4 million (2017: EUR 4,773.8 million). In terms of the own-account premiums written, this was equivalent to a ratio of 187.8 % (2017: 189.9 %).

At 49.1 % (2017: 47.5 %) of the balance sheet total, the provisions for outstanding insurance claims represent the largest proportion of the net technical provisions. The volume of this item increased by 11.6 % to EUR 4,096.5 million (2017: EUR 3,669.4 million).

The equalisation provisions and other provisions were increased by EUR 11.0 million to EUR 874.6 million (2017: EUR 863.6 million).

Opportunities and risk report

Risk management system

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

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

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

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

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

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

There is a definitive evaluation of the regulatory risk bearing capacity and all significant risks at the risk commission which takes place four times a year. The central risk reporting system ensures transparency in reporting. Reports must be sent to the Board of Management in the event of significant changes to risks. Risk-relevant corporate information is made available to the relevant supervisory committees at regular intervals and ad hoc, as required.

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

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

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

Governance structure

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

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

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

At R+V, risk monitoring duties are performed by the following key functions: risk management function (deemed an independent risk controlling function by the Versicherungsaufsichtsgesetz (VAG [insurance regulation act]), the compliance function and the actuarial function. The above functions remain in close contact with each other to ensure that the risk management system is consistent.

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

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

The actuarial function is primarily entrusted with control duties relating to the proper formation of technical provisions in the solvency overview. Specifically, this function coordinates the calculation of technical provisions and ensures that the assumptions, methods and models which the calculation is based on are adequate. It also evaluates the quality of the data and information technology systems used when calculating the technical provisions. The actuarial function issues a written report to the Board of Management at least once a year. The holder of the actuarial function also gives its opinion on the general underwriting policy and the adequacy of reinsurance agreements. Organisationally, the actuarial function at R+V is found at company level.

The audit function performed by the Group audit department at R+V. This department checks whether the provisions of the risk management system are complied with and how effective they are. The Group audit department is independent and organisationally separate from the operating business divisions. It is subordinate to the management of the company and, organisationally, is assigned directly to the chairman of the R+V Versicherung AG Board of Management. Measures are agreed to address any shortfalls that have been identified and are monitored by the Group audit department.

Risk strategy

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

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

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

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

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

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

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

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

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

Internal control system relating to the accounting process

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

The accounting-related ICS focuses on the key accounting-related audit processes. These processes are documented and risks inherent in the process are derived from this. The assessment of the risks is based on an evaluation grid and set materiality thresholds. Documentation and the risk assessment are reviewed annually to ensure they are up-to-date and adjusted as required.

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

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

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

Opportunity management

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

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

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

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

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

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

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

R+V is digitalising its business processes, making use of technologies from the Advanced Analytics and Artificial Intelligence segments. They help to increase process efficiency and obtain further findings from customer and market data.

Once again, the rating agency Standard & Poor's assessed the financial strength of R+V Versicherung AG as very good during the 2018 fiscal year. The AA rating and a stable outlook were confirmed within the framework of the interactive rating process.

Risk bearing capacity

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

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

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

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

Regulatory risk bearing capacity has been determined using the standard Solvency II formula. The risk capital requirement (SCR: solvency capital requirements) is calculated as Value at Risk with a confidence level of 99.5 %.

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

R+V Versicherung AG met the statutory minimum solvency requirements of Solvency II in the 2018 fiscal year.

The capital market scenarios which are used as part of the internal planning indicate that the regulatory risk bearing capacity of R+V Versicherung AG will exceed the statutory minimum requirements on 31 December 2019. Due to the continuing tense economic situation on the financial markets, there is considerable uncertainty concerning statements about trends in the solvency capital requirements and capital resources and therefore R+V has employed appropriate measures to ensure sufficient risk bearing capacity.

Underwriting risks

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

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

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

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

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

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

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

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

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

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

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

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

Risk mitigation measures include, among other things, the management of retention and retrocession, whilst taking the risk bearing capacity and the actual retrocession costs into account. In this respect, the minimum requirements in terms of the creditworthiness of the retrocessionaires apply. There is a retrocession agreement in place for the assumed reinsurance business in order to hedge peak risks associated with natural disasters in Europe.

The loss ratio in the assumed reinsurance was a significantly lower value for 2018 than in the previous year. The forest fires in California, Typhoons Jebi and Trami in Japan as well as Hurricane Michael in Florida must all be listed as notable natural disasters.

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

R+V is currently reviewing the impact of the United Kingdom's disorderly departure from the EU (known as a "hard Brexit") within the framework of a Group-wide working group as well as in consultation with advisers in England. R+V will then continue the assumed reinsurance business in its existing form.

Market risk

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

Market risk comprises the following sub-categories:

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

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

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

- The exchange rate risk describes the sensitivity of assets, liabilities and financial instruments with regard to changes in the amount or in the event of exchange rate volatility.

Exchange rate risks arise from fluctuations in the exchange rate either from capital investments held in foreign currencies or if there is a currency imbalance between the technical liabilities and the capital investments.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Property risk is reduced by diversification into different locations and forms of use. This risk is of minor importance for R+V Versicherung AG because of the cautious investment strategy.

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

Particular aspects of the credit portfolio

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

Counterparty risk is also restricted by a system of limits. Of the investments in fixed-income securities, 91.3 % (2017: 89.9 %) have a Standard & Poor's rating of 'A' or above and 72.8 % (2017: 71.2 %) have a rating of 'AA' or above. In the past fiscal year, the capital investments of R+V Versicherung AG have suffered interest losses from securities of EUR 0.1 million. No capital losses from securities were recorded.

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

EUR 53.1 million was invested in government bonds in peripheral countries in the euro area as at 31 December 2018 (2017: EUR 69.2 million). The following table shows the allocation of these government bonds according to countries.

MARKET VALUES

in EUR (millions)	2018	2017
Italy	5.5	20.7
Spain	47.6	48.5
Total	**53.1**	**69.2**

Counterparty default risk

The counterparty default risk takes into account possible losses which are the result of an unexpected default or the deterioration in the creditworthiness of counterparties and debtors of insurance and reinsurance companies during the following twelve months. It covers reduced-risk contracts like reinsurance arrangements, securitisations and derivatives as well as the receivables of intermediaries and all other credit risks, as far as they are not otherwise considered in the risk measurement.

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

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

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

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

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

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

Operational risks

The term “operational risk” is used to refer to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This includes legal risks.

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

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

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

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

To assist with managing operational risks, all R+V business processes are structured in accordance with the provisions of the general guidelines on the powers and responsibilities of employees of R+V companies. For the areas not covered by these guidelines there are additional guidelines, particularly underwriting guidelines. The ICS is a key instrument for limiting operational risks. Regulations and controls in the specialist areas and the monitoring of the application and effectiveness of the ICS by Group audit protect against the risk of mistakes and fraudulent activities.

Payments are automated to a large extent. Authorisations stored within the user profile and authorisation regulations as well as automatic submittals for clearance based on the stored random number generator provide additional security. Manual payments are in principle approved using the principle of double-checking.

In order to mitigate legal risks, the relevant case-law shall be monitored and analysed in order to be able to determine any appropriate need for action in a timely manner and implement said need in specific measures.

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

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

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

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

Cyber risks are continuously identified, assessed, documented and systematically assigned for processing via different IT security management procedures. The processing status and risk treatment are followed up and reported on centrally each month.

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

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

Other significant risks

Liquidity risk

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

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

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

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

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

Risk concentrations

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

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

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

Strategic risk

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

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

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

Reputation risk

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

Reputation risks arise as independent risks (primary reputation risk), or they arise as an indirect or direct consequence of other risk types, such as the operational risk in particular (secondary reputation risk).

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

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

R+V applies risk indicators to manage reputation risks, which enable statements regarding risk development to be made at an early stage and increase the transparency of the exposed risk position. Using qualitative and quantitative threshold values as the basis, risks are signalled using a traffic light system. Risk indicators are checked systematically and on a regular basis.

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 and standards is also regularly reviewed.

Summary of the risk situation

The current analysis of the capacity to bear financial risks shows that the capital resources of R+V Versicherung AG exceed the overall insolvency needs. The regulatory risk bearing capacity of R+V Versicherung AG also exceeds the minimum required solvency ratio as per 31 December 2018. Due to the ongoing tense economic situation on the financial markets, there is considerable uncertainty concerning statements about trends in the solvency capital requirements and capital resources and therefore R+V has employed appropriate measures to ensure sufficient risk bearing capacity.

The possibility of a new crisis in Europe, which could arise due to the high level of indebtedness of individual European states, is a risk factor for the development of business for R+V Versicherung AG. At the same time, the US government's protectionist trade policy entails enhanced risks for the global economy. The impacts associated with these events on capital markets, value added chains, trade flows and the economy are difficult to assess. In addition, the United Kingdom's disorderly departure from the EU would have a dampening effect on economic development and result in increased legal uncertainty in many cross-border areas of life.

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

Forecast

Caveat for statements about the future

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

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

Macroeconomic development

In its annual autumn report, the German Council of Economic Experts forecast growth of 1.5 % in 2019 in the real gross domestic product in Germany, and of 1.7 % in the euro area. The International Monetary Fund and leading economic research institutions forecast economic growth in Germany and in the euro area at this level if inflation is subdued.

Development on the capital markets

The development on the capital markets is likely to be characterised in particular by the continued course pursued by the US trade policy and the reassuring economy.

The capital investment strategy of R+V Versicherung AG ensures that there is a high proportion of fixed-interest and highly creditworthy securities so that the technical liabilities can be met at any time. The continuing high quality of securities, a broad spread and strict risk management are the requirements for making use of the opportunities available on the capital markets. The shareholding commitments should be kept at the present level. Property, infrastructure-related and alternative investments will be expanded further subject to the existence of attractive opportunities. The basis for capital investment activity remains a long-term investment strategy, associated with a modern risk management system.

Development on the reinsurance markets

An increasing in the volume of reinsurance business worldwide is also expected in the future. The increasing awareness of economic damage resulting from natural disasters as well as the growing global population will contribute to lasting high demand for reinsurance.

The market for alternative coverage concepts could also grow further in the coming years. This particular development is primarily dependent on the development of the market interest rate and the willingness of investors to invest in alternative products, even following years with large numbers of claims.

In order to get closer to customers and ensure a sustainable reduction in operating costs, direct insurance and reinsurance companies will continue to further develop their value added chains by way of automation and digitalisation. So-called “Re/Insuretechs” are expected to establish in a sustainable manner in this context.

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

Following on from the major loss events in the previous year, an increasing price level for reinsurance cover is to be expected for 2019. Further price increases are expected in particular in segments with large numbers of claims, which will have a positive impact on earnings.

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

In accordance with this strategy, R+V Versicherung AG also has plans in place for the 2019 fiscal year for the continuation of profitable growth in all markets in which it is operating. There will in principle be a selective use of the available underwriting capacity in segments which show adequate risk margins. R+V Versicherung AG continues to benefit from an excellent AA- rating by Standard and Poor's which represents a clear differentiation criterion compared to many competitors. The core processes of underwriting, pricing and loss management will therefore be continuously adjusted in line with market conditions in order to offer customers the excellent level of service they desire.

R+V Versicherung AG again expects an increase in premiums for 2019. This is expected to be associated with an increase in expenditure for insurance operations. Based on the assumption that no major losses will be incurred in excess of the expected value, the reported gross loss ratio will not exceed the previous fiscal year's levels. A satisfactory result from normal business activities is expected to be achieved overall.

Acknowledgement

The sustained success of R+V can primarily be attributed to the commitment shown by all employees. The Board of Management wishes to give its explicit thanks for this and express its appreciation.

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

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

Wiesbaden, 2 March 2019

The Board of Management

Appendix to the Management Report

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

Life

Health

Accident

Liability

Motor

Aviation

Legal

Fire and allied perils

Burglary and theft

Water damage

Storm

Comprehensive home contents

Comprehensive home-owners

Glass

Hail

Livestock

Engineering

Marine

Credit and bonds

Business interruption

Other

Annual Financial Statements 2018

Balance sheet

as at 31 December 2018*

ASSETS

in EUR				2018	2017
A. Capital investments					
I. Land, land rights and buildings, including buildings on third-party land			3,391,741.17		3,459,125.17
II. Capital investments in affiliated companies and shareholdings					
1. Shares in affiliated companies		2,478,370,987.75			2,499,824,716.99
2. Loans to affiliated companies		24,969,901.41			52,113,935.80
3. Holdings		1,017,559.22	2,504,358,448.38		985,822.47
III. Other capital investments					
1. Stocks, shares or shares in investment funds and other variable interest securities		776,448,269.84			722,557,324.91
2. Bearer bonds and other fixed-interest securities		2,745,677,173.16			2,298,814,003.67
3. Other loans					
a) Registered bonds	538,871,824.75				505,291,869.13
b) Bonded debt receivables and loans	189,358,148.41	728,229,973.16			236,466,526.45
4. Deposits at banks		332,465,585.91			270,917,186.79
5. Other capital investments		27,263,343.28	4,610,084,345.35		28,049,413.—
IV. Deposits with ceding insurers			317,323,843.41		265,337,035.18
				7,435,158,378.31	**6,883,816,959.56**

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

in EUR				2018	2017
B. Receivables					
I. Settlement receivables from reinsurance business			261,483,229.99		275,051,155.07
Thereof due to:					
Affiliated companies	€ 5,266,863.69	(€ 7,048,058.98)			
II. Other receivables			424,473,751.66		312,464,347.42
Thereof due to:					
Affiliated companies	€ 342,987,101.59	(€ 244,939,583.57)			
				685,956,981.65	**587,515,502.49**
C. Other assets					
I. Property, plant, equipment and inventories			740,807.92		442,315.48
II. Cash at banks, cheques and cash on hand			178,486,088.91		153,766,620.81
III. Other assets			58,042.39		33,447.32
				179,284,939.22	**154,242,383.61**
D. Accruals					
I. Accrued interest and rents			45,199,980.05		42,722,621.08
II. Other accruals			281,572.39		203,223.13
				45,481,552.44	**42,925,844.21**
Total assets				**8,345,881,851.62**	**7,668,500,689.87**

LIABILITIES

in EUR			2018	2017
A. Shareholders' equity				
I. Called-up capital				
Subscribed capital	352,220,259.74			352,220,259.74
minus uncalled outstanding investments	—.—	352,220,259.74		—.—
II. Capital reserves		1,632,887,360.26		1,632,887,360.26
Thereof reserves in accordance with Section 9 (2) sentence 5 VAG (Versicherungsaufsichtsgesetz [Insurance Supervision Act]): € – (€ –)				
III. Retained earnings				
Other retained earnings		164,666,337.05		164,666,337.05
			2,149,773,957.05	**2,149,773,957.05**
B. Technical provisions				
I. Unearned premium reserves				
1. Gross	186,468,933.03			208,078,341.88
2. Thereof: less reinsurance amount	250,591.07	186,218,341.96		1,547,336.98
II. Actuarial reserves				
1. Gross	50,122,465.18			53,570,342.23
2. Thereof: less reinsurance amount	22,433,005.21	27,689,459.97		24,750,661.90
III. Provision for outstanding claims				
1. Gross	4,109,481,782.73			3,680,951,224.38
2. Thereof: less reinsurance amount	12,968,379.81	4,096,513,402.92		11,594,969.62
IV. Provisions for performance based and non-performance based premium funds				
1. Gross	4,431,575.60			4,590,117.25
2. Thereof: less reinsurance amount	—.—	4,431,575.60		—.—
V. Equalisation provision and similar provisions		874,568,195.—		863,586,225.—
VI. Other technical provisions				
1. Gross	946,453.69			960,800.27
2. Thereof: less reinsurance amount	—.—	946,453.69		—.—
			5,190,367,429.14	**4,773,844,082.51**

in EUR				2018	2017
C. Other provisions					
I. Provisions for pensions and similar obligations			5,352,112.92		4,822,224.24
II. Tax provisions			19,147,575.15		19,351,428.64
III. Other provisions			63,777,684.82		61,145,369.28
				88,277,372.89	**85,319,022.16**
D. Deposit liabilities received from reinsurers				**23,058,573.45**	**26,515,483.15**
E. Other liabilities					
I. Settlement liabilities from reinsurance business			390,591,624.17		313,637,406.10
Thereof due to:					
Affiliated companies	€ 53,028,741.98	(€ 48,470,582.35)			
Associated companies	€ 186,560.31	(€ 468,444.07)			
II. Bonds			30,504,874.53		30,160,900.21
III. Liabilities due to banks			1,365.70		—.—
IV. Other liabilities			473,306,654.69		289,249,838.69
Thereof:					
From taxes	€ 1,260,961.46	(€ 1,072,706.11)			
Social security	€ 31,407.42 €	(€ 37,257.09)			
due to:					
Affiliated companies	€ 464,599,213.26	(€ 279,242,808.21)			
				894,404,519.09	**633,048,145**
Total liabilities				**8,345,881,851.62**	**7,668,500,689.87**

Income statement

for the period 1 January to 31 December 2018*

INCOME STATEMENT

in EUR			2018	2017
I. Technical account				
1. Premiums earned for own account				
a) Gross premiums written	2,822,228,387.99			2,563,766,484.46
b) Reinsurance premiums ceded	58,478,846.57			50,298,323.11
		2,763,749,541.42		
c) Change in gross unearned premium reserve	16,709,318.74			–42,576,820.65
d) Change in gross unearned premium reserve - reinsurers' share	1,286,839.96			57,691.09
		15,422,478.78		
			2,779,172,020.20	**2,470,833,649.61**
2. Technical interest income for own account			**821,101.44**	**951,940.72**
3. Other technical earnings for own account			**8,403.44**	**—.—**
4. Expenditure for insurance claims for own account				
a) Payments for claims				
aa) Gross	1,708,683,958.41			1,423,852,700.94
bb) Reinsurers' share	12,532,223.67			7,837,975.76
		1,696,151,734.74		
b) Change in provision for outstanding claims				
aa) Gross	433,925,274.33			574,237,337.66
bb) Reinsurers' share	1,304,696.10			–1,264,002.03
		432,620,578.23		
			2,128,772,312.97	**1,991,516,064.87**
5. Change in other technical net provisions				
a) Net actuarial reserves		710,931.90		1,911,307.45
b) Other technical net provisions		31,014.70		–328,656.22
			741,946.60	**1,582,651.23**
6. Expenditure for performance based and non-performance based premium funds for own account			**3,429,571.37**	**3,908,387.48**
7. Expenditure on insurance operations for own account				
a) Gross expenditure on insurance operations		679,257,146.85		634,921,518.51
b) Thereof:				
reinsurance commissions and profit participations received on retrocession		7,147,224.53		8,031,087.73
			672,109,922.32	**626,890,430.78**
8. Other technical expenses for own account			**2,215,104.46**	**2,156,000.93**
9. Subtotal			**–25,783,439.44**	**–151,102,642.50**
10. Change to equalisation provision and similar provisions			**–10,981,970.—**	**–47,050,817.—**
11. Technical result for own account			**–36,765,409.44**	**–198,153,459.50**

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

in EUR				2018	2017
II. Non-technical account					
1. Income on capital investments					
a) Income from holdings		80,830,774.11			849,463.39
Thereof from affiliated companies:					
€ 80,788,494 (€ 803,875.46)					
b) Income from other capital investments					
Thereof from affiliated companies:					
€ 3,033,410.81 (€ 3,645,555.91)					
aa) Land, land rights and buildings, including buildings on third-party land	696,004.59				684,044.67
bb) Income from other capital investments	102,971,663.62				111,095,172.87
		103,667,668.21			
c) Income from write-ups		258,442.95			1,597,969.91
d) Realised gains on capital investments		3,576,393.25			2,579,569.08
e) Income from profit pooling, profit and loss transfer agreements and partial profit and loss transfer agreements		223,304,470.57			256,855,992.71
			411,637,749.09		373,662,212.63
2. Expenditure for capital investments					
a) Expenditure for management of capital investments, interest expenditure and other expenditure on capital investments		15,155,936.15			17,149,192.16
b) Depreciation on capital investments		39,279,731.82			2,566,726.23
c) Realised losses on capital investments		1,821,952.48			984.60
			56,257,620.45		19,716,902.99
			355,380,128.64		353,945,309.64
3. Technical interest income			–1,765,762.98		–1,934,375.91
				353,614,365.66	**352,010,933.73**
4. Other income			54,585,409.48		73,114,648.63
5. Other expenditure			71,036,007.73		66,754,782.05
				–16,450,598.25	**6,359,866.58**
6. Non-technical result				**337,163,767.41**	**358,370,800.31**
7. Result of ordinary business activities				**300,398,357.97**	**160,217,340.81**

in EUR				2018	2017
8. Taxes on income and earnings			203,901,323.35		19,297,174.99
Thereof:					
Allocation within consolidated entity	€ 202,311,808.83	(€ 30,227,864.75)			
9. Other taxes			–55,923.68		137,113.49
				203,845,399.67	**19,434,288.48**
10. Profits transferred from profit pooling, a profit and loss transfer agreement or a partial profit and loss transfer agreement				**–96,552,958.30**	**–140,783,052.33**
11. Annual net income/loss				**—.—**	**—.—**

Notes

Accounting and valuation methods

The 2018 annual financial statements for R+V Versicherung AG have been prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch, HGB), in conjunction with the Insurance Accounting Directive (Verordnung über die Rechnungslegung von Versicherungsunternehmen, RechVersV).

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

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

Securities from bilaterally collateralised OTC derivatives were reported net under the item other capital investments.

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

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

Bearer bonds and other fixed-interest securities were valued at acquisition costs, reduced by depreciation in accordance with the strict lower of cost or market value principle, unless they weren't allocated to assets.

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

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

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

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

Deposit receivables and settlement receivables from the reinsurance business were recognised at the nominal amounts. Doubtful settlement receivables were value adjusted on an individual basis or directly written off.

All other receivables were valued at the nominal value.

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

The valuation of operating and office equipment was carried out at acquisition costs and written down using the straight line method over the typical useful life permitted. Additions and disposals during the fiscal year were written down pro rata temporis. Assets, whose acquisition costs were between EUR 250 and EUR 1,000, were placed in a collective item that is written down over five years - beginning with the year of formation.

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

An integrated intercompany agreement with regard to income tax has existed between R+V Versicherung AG and DZ BANK AG since 2012. As owing to deviating accounting under commercial and taxation law the consequences with regard to income tax arise at the controlling company, the valuation differences between the commercial and tax balance sheet existing at R+V Versicherung AG as at 31 December 2018 were taken into consideration within the formation of the deferred taxes at DZ BANK AG. Therefore, no deferred taxes were disclosed at R+V Versicherung AG as at 31 December 2018.

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 cedents' statement.

If no information was available, the provisions were estimated; the contractual terms and conditions and the previous course of business were decisive in this respect. Appropriate increases were carried out in the case of claims provisions based on typically underestimated values by the cedent.

Accordingly, appropriate provisions were also made for claims burdens expected in the future. In the event of deviating assessments of legal and contractual bases in individual cases, the best possible individual estimate of the reserve is made by means of comprehensive internal processes. The reinsurance shares of the provisions were determined in accordance with contractual agreements.

The equalisation provision and similar provisions (nuclear facilities, pharmaceutical risks) were calculated in accordance with § 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 provisions for pensions and similar obligations were measured according to the projected unit credit method (PUC method) in conjunction with Section 253 (1) HGB based on the mortality tables 2018 G by Klaus Heubeck. This effect, resulting from the initial application of the mortality tables 2018 G, was recognised in profit and loss. Future developments and trends were taken into account. The discounting of provisions for pensions was carried out using the average interest rate for the past ten years published by the German Federal Bank for October 2018 with an assumed remaining term of 15 years. The interest rate was projected to the end of the year.

The following parameters were used:

Increases in salary:	2.50 %
Increase in pensions:	1.75 %
Fluctuation:	0.90 %
Interest rate for pension provisions:	3.20 %

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

Other provisions have been valued at their settlement amount in accordance with Section 253 HGB and discounted if the term of the provision is longer than one year. In each case, the interest rate was projected to the end of the year, based on the average interest rate for the past seven years published by the German Federal Bank for October 2018.

The provisions for service anniversaries and retirement benefits not related to the pension scheme contained in other provisions were measured according to the projected unit credit method (PUC method) in conjunction with Section 253 (1) HGB based on the mortality tables 2018 G by Klaus Heubeck. This effect, resulting from the initial application of the mortality tables 2018 G, was recognised in profit and loss. Future developments and trends were taken into account. The discounting was carried out using the average interest rate for the past seven years published by the German Federal Bank for October 2018 with an assumed remaining term of 15 years. The interest rate was projected to the end of the year and totalled 2.32 %.

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

All items in foreign currencies were converted into euros.

The items posted under Assets, A. Capital investments I. to III. were converted into euros at the average spot rate on 31 December 2018. The average spot exchange rate at the time of the cash flow was used as the basis for converting income and expenditure from capital investments.

All other items on the balance sheet and income statement, in particular technical items, were converted using the average spot exchange rate on 27 December 2018 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

A. II. 1. SHARES IN AFFILIATED COMPANIES

Name of company and registered office	Shares in capital in %	Currency	Fiscal year	Equity	Result
Insurance companies					
Assimoco S.p.A., Segrate	66.9	EUR	2017	162,348,853	27,276,559
Assimoco Vita S.p.A., Segrate	64.5	EUR	2017	140,523,165	12,292,924
CHEMIE Pensionsfonds AG, Munich	100.0	EUR	2018	26,317,843	2,000,000
Condor Allgemeine Versicherungs-AG, Hamburg	100.0	EUR	2018	41,761,661	1)
Condor Lebensversicherungs AG, Hamburg	95.0	EUR	2018	51,742,466	1)
KRAVAG-ALLGEMEINE Versicherungs-AG, Hamburg	76.0	EUR	2018	119,361,002	12,103,060
KRAVAG-LOGISTIC Versicherungs-AG, Hamburg	51.0	EUR	2018	219,105,625	13,716,875
R+V Allgemeine Versicherung AG, Wiesbaden	95.0	EUR	2018	774,176,663	1)
R+V Direktversicherung AG, Wiesbaden	100.0	EUR	2018	13,320,000	1)
R+V Krankenversicherung AG, Wiesbaden	100.0	EUR	2018	89,485,231	12,000,000
R+V Lebensversicherung AG, Wiesbaden	100.0	EUR	2018	634,980,723	1)
R+V Luxembourg Lebensversicherung S.A., Strassen	100.0	EUR	2018	395,263,661	48,560,725
R+V Pensionsfonds AG, Wiesbaden	74.9	EUR	2018	27,253,166	1,900,000
R+V Pensionskasse AG, Wiesbaden	100.0	EUR	2018	103,133,238	–3,039,000
Service, holding and real estate companies					
Aufbau und Handelsgesellschaft mbH, Stuttgart	82.5	EUR	2017	525,138	1)
BWG Baugesellschaft Württembergischer Genossenschaften mbH, Stuttgart	82.4	EUR	2017	9,965,213	1)
carexpert Kfz-Sachverständigen GmbH, Walluf	60.0	EUR	2018	4,471,169	313,399
CI CONDOR Immobilien GmbH, Hamburg	95.0	EUR	2018	20,100,000	1)
compertis Beratungsgesellschaft für betriebliches Vorsorgemanagement mbH, Wiesbaden	51.0	EUR	2018	4,132,428	377,624
Condor Dienstleistungs-GmbH, Hamburg	95.0	EUR	2018	356,128	65,901
Corpus Sireo Health Care IV SICAV-FIS, Luxembourg	65.3	EUR	2017	26,208,925	1,174,492
Englische Strasse 5 GmbH, Wiesbaden	90.0	EUR	2017	17,869,814	609,566
fragWILHELM GmbH 2)	100.0	EUR	2018	184,343	–322,657

1) A profit and loss transfer agreement exists.
2) Company established in 2018.

A. II. 1. SHARES IN AFFILIATED COMPANIES

Name of company and registered office	Shares in capital in %	Currency	Fiscal year	Equity	Result
GTIS Brazil II S-Feeder LP, Edinburgh	97.9	USD	2017	35,803,050	423,901
GWG 1. Wohn GmbH & Co. KG, Stuttgart	91.6	EUR	2017	2,000,000	726,210
GWG 2. Wohn GmbH & Co. KG, Stuttgart	91.6	EUR	2017	3,000,000	875,827
GWG 3. Wohn GmbH & Co. KG, Stuttgart	91.6	EUR	2017	7,000,000	869,087
GWG 4. Wohn GmbH & Co. KG, Stuttgart	91.6	EUR	2017	9,000,000	911,244
GWG Beteiligungsgesellschaft mbH, Stuttgart	91.6	EUR	2017	25,931	395
GWG Gesellschaft für Wohnungs- und Gewerbebau Baden-Württemberg AG, Stuttgart	91.6	EUR	2017	291,020,807	20,589,162
GWG Hausbau GmbH, Stuttgart [2])	82.1	EUR	2017	2,750,000	[1])
GWG ImmoInvest GmbH, Stuttgart	86.9	EUR	2017	8,735,354	2,792,611
GWG Wohnpark Sendling GmbH, Stuttgart	81.7	EUR	2017	3,652,664	347,110
Henderson Global Investors Real Estate (No. 2) L.P., London	73.2	GBP	2017	17,494,942	2,124,020
HumanProtect Consulting GmbH, Cologne	100.0	EUR	2017	216,457	36,066
IZD-Beteiligung S.à.r.l., Senningerberg	96.2	EUR	2017	156,495	475,345
KRAVAG Umweltschutz- und Sicherheits-technik GmbH, Hamburg	51.0	EUR	2018	301,572	32,781
Macquarie Asia Infrastructure Fund EU Feeder L.P., London	98.8	USD	2017	89,678,000	8,792,000
Medico 12 GmbH & Co. KG, Frankfurt am Main	100.0	EUR	2017	1,868,893	301,328
MSU Management-, Service- und Unter-nehmensberatung GmbH, Landau	74.0	EUR	2017	775,391	144,527
Nuveen Immobilien GmbH & Co. GB I KG [3])	73.2	EUR	2017	20,888,137	2,758,750
PASCON GmbH, Wiesbaden	100.0	EUR	2018	32,710	2,003
Pension Consult Beratungsgesellschaft für Altersvorsorge mbH, Wiesbaden	74.9	EUR	2018	1,606,719	95,798
R+V Dienstleistungs-GmbH, Wiesbaden	100.0	EUR	2018	642,542	10,317
R+V Erste Anlage GmbH, Wiesbaden	95.0	EUR	2018	1,045,327	-9,455
R+V INTERNATIONAL BUSINESS SERVICES Ltd., Dublin [4])	100.0	EUR	2016	1,232,148	–127,387
R+V KOMPOSIT Holding GmbH, Wiesbaden	100.0	EUR	2018	1,813,881,575	[1])
R+V Kureck Immobilien GmbH, Wiesbaden	95.0	EUR	2017	41,447	3,985
R+V Leben Wohn GmbH & Co. KG, Wiesbaden	100.0	EUR	2018	67,600,804	2,390,395
R+V Mannheim P2 GmbH, Wiesbaden	94.0	EUR	2017	57,308,707	1,821,31
R+V Personen Holding GmbH, Wiesbaden	100.0	EUR	2018	1,114,822,071	137,331,878

[1]) A profit and loss transfer agreement exists.
[2]) Came into existence through change in legal form of VR Hausbau AG by way of entry into the commercial register dated 10 September 2018.
[3]) Name change by way of entry into the commercial register dated 20 April 2018 (previously HGI Immobilien GmbH & Co. GB I KG).
[4]) Company in liquidation, 2017 annual financial statements not yet available.

A. II. 1. SHARES IN AFFILIATED COMPANIES

Name of company and registered office	Shares in capital in %	Currency	Fiscal year	Equity	Result
R+V Rechtsschutz-Schadenregulierungs-GmbH, Wiesbaden	100.0	EUR	2018	360,499	83,257
R+V Service Center GmbH, Wiesbaden	100.0	EUR	2018	2,869,375	[1])
R+V Service Holding GmbH, Wiesbaden	100.0	EUR	2018	177,780,250	[1])
R+V Treuhand GmbH, Wiesbaden	100.0	EUR	2018	51,555	10,007
RC II S.a.r.L., Munsbach	90.0	EUR	2017	9,054,484	–422,216
RUV Agenturberatungs GmbH, Wiesbaden	100.0	EUR	2018	671,495	255,972
RV AIP S.à.r.l., Luxembourg	100.0	EUR	2017	11,961	–39
RV AIP S.C.S. SICAV-SIF, Luxembourg	99.0	EUR	2018	9,935	–47
RV AIP S.C.S. SICAV-SIF – RV TF 2 Infra Debt, Luxembourg	98.9	EUR	2018	180,060,373	1,736,086
RV-CVIII Holdings, LLC, Los Angeles	99.0	USD	2017	63,696,070	1,517,649
Schuster Versicherungsmakler GmbH, Bielefeld	51.0	EUR	2017	366,944	–148,714
Schuster Versicherungsservice GmbH, Bielefeld	51.0	EUR	2017	36,870	4,827
SECURON Versicherungsmakler GmbH, Hanover	51.0	EUR	2017	707,497	208,854
Sprint Sanierung GmbH, Cologne	100.0	EUR	2017	33,422,546	1,379,270
Tishman Speyer Brazil Feeder (SCOTS/D), L.P., Edinburgh	97.5	BRL	2017	96,470,647	6,525,386
Tishman Speyer Europ. Real Estate Venture VIII Parallel SCSp, Luxembourg [2])	55.9				
Tishman Speyer European Strategic Office Fund Feeder, L.P., London	97.2	EUR	2017	7,469,886	1,168,674
UMB Unternehmens-Management-beratungs GmbH, Wiesbaden	100.0	EUR	2018	3,753,330	851,859
UMBI GmbH, Wiesbaden	100,0	EUR	2018	114,754	14,081
Unterstützungskasse der Condor Versicherungsgesellschaften GmbH, Hamburg	98.3	EUR	2018	26,076	–
VMB Vorsorgemanagement für Banken GmbH, Overath	100.0	EUR	2018	54,797	1,703
VR GbR, Frankfurt am Main	41.2	EUR	2017	221,962,930	76,995,305
WBS Wohnwirtschaftliche Baubetreuungs- und Servicegesellschaft mbH, Stuttgart	86.9	EUR	2017	19,699,447	4,131,327

[1]) A profit and loss transfer agreement exists.
[2]) Company established in 2018, no figures available from the annual financial statements yet.

A. II. 3. SHAREHOLDINGS

Name of company and registered office	Shares in capital in %	Currency	Fiscal year	Equity	Result
ARDIAN Infrastructure Fund V B S.C.S., SICAV-RAIF, Luxembourg [1])	31.2				
ASSICONF S.r.L., Turin	13.4	EUR	2017	85,728	3,336
ASSICRA S.r.L., Pescara	16.7	EUR	2017	450,099	40,739
BAU + HAUS Management GmbH, Wiesbaden	50.0	EUR	2017	10,005,975	846,921
bbv-Service Versicherungsmakler GmbH, Munich	25.2	EUR	2017	2,172,055	614,202
BCC Risparmio Previdenza S.G.R.p.A., Milan	16.1	EUR	2017	43,824,693	18,080,664
Cheyne Real Estate Credit Fund IV – Loans SCS SICAV-SIF, Luxembourg	20.4	GBP	2017	35,715,230	73,453
CMMT Partners, L.P., Los Angeles	46.1	USD	2017	37,792,302	4,847,222
Consorzio Caes Italia S.C.S., Milan	31.3	EUR	2017	190,520	39,021
Corpus Sireo Health Care III SICAV-FIS, Luxembourg	32.7	EUR	2017	54,751,039	3,302,467
Credit Suisse Global Infrastructure SCA SICAR, Luxembourg	29.6	USD	2017	290,425,355	91,134,176
European Property Beteiligungs-GmbH, Frankfurt am Main [3])	38.6	EUR	2017	2,814,704	1,824,744
GbR "Ackermannbogen.de – Wohnen am Olympiapark", Munich	41.1	EUR	2017	17,649	–12,227
Global Infrastructure Partners III-C2, L.P., New York	27.5	USD	2017	128,705,545	4,556,943
Golding Mezzanine SICAV IV Teilfonds 2, Luxembourg	47.5	EUR	2017	6,078,078	488,664
Henderson Global Investors Property (No. 2) Limited, London	50.0	GBP	2017	68,662	12,068
IZD-Holding S.à.r.l., Senningerberg	48.4	EUR	2017	35,615	–264,876
Macquarie Asia Infrastructure Fund 2 SCSp [1])	49.1				
MB Asia Real Estate Feeder (Scot) L.P., Edinburgh	34.1	USD	2017	3,922,882	134,817
Nuveen Immobilien GmbH, Frankfurt am Main [2])	50.0	EUR	2017	131,922	9,596
R+V Kureck Immobilien GmbH Grundstücksverwaltung Braunschweig, Wiesbaden	50.0	EUR	2017	7,565,612	309,556
Schroder Italien Fonds GmbH & Co. KG, Frankfurt am Main	23.1	EUR	2017	–185,988	–26,326
Schroder Italien Fonds Holding GmbH, Frankfurt am Main	23.1	EUR	2017	–28,982,272	–491,554

[1]) Company established in 2018, no figures available from the annual financial statements yet.
[2]) Name change by way of entry into the commercial register dated 05 December 2017 (notified in 2018 / previously HGI Immobilien GmbH).
[3]) Company in liquidation.

A. II. 3. SHAREHOLDINGS

Name of company and registered office	Shares in capital in %	Currency	Fiscal year	Equity	Result
Schroder Property Services B.V. S.à.r.l., Senningerberg	30.0	EUR	2017	255,053	86,773
Tintoretto Rome S.r.L., Milan	23.1	EUR	2017	1,395,704	–63,503
Versicherungs-Vermittlungsgesellschaft des Sächsischen Landesbauernverbandes mbH, Dresden	50.0	EUR	2017	202,738	23,776
Versicherungs-Vermittlungsgesellschaft mbH des Bauernverbandes Mecklenburg-Vorpommern e.V.(VVB), Neubrandenburg	50.0	EUR	2017	182,361	20,084
VVB Versicherungs- und Vermittlungs-gesellschaft mbH des Landesbauern-verbandes Brandenburg, Teltow	50.0	EUR	2017	33,049	3,560
Versicherungs-Vermittlungsgesellschaft mbH des Landesbauernverbandes Sachsen-Anhalt e.V.(VVB), Magdeburg	50.0	EUR	2017	60,291	4,768

Notes to the balance sheet – assets

STATEMENT OF CHANGES TO ASSET ITEMS A., I. TO III IN FISCAL YEAR 2018[1])

	Values for previous year		Additions
	Thou. Euro	%	Thou. Euro
A. Capital investments			
A. I. Land, leasehold rights and buildings including buildings on third-party land	3,459	0.1	–
A. II. Capital investments in affiliated companies and shareholdings			
1. Shares in affiliated companies	2,499,825	37.8	12,083
2. Loans to affiliated companies	52,114	0.8	23
3. Shareholdings	986	–	–
4. Total A. II.	2,552,924	38.6	12,105
A. III. Other capital investments			
1. Stocks, shares or shares in investment funds and other variable interest securities	722,557	10.9	61,767
2. Bearer bonds and other fixed-interest securities	2,298,814	34.7	632,669
3. Other loans			
a) Registered bonds	505,292	7.6	50,425
b) Bonded debt receivables and loans	236,467	3.6	67
4. Deposits at banks	270,917	4.1	61,570
5. Other capital investments	28,049	0.4	8,336
6. Total A. III.	4,062,096	61.4	814,833
Total A.	**6,618,480**	**100.0**	**826,938**
Total	**6,618,480**		**826,938**

[1]) Discrepancies in totals are due to rounding
[2]) thereof currency write-ups: 23,680 thousand EUR
[3]) thereof currency depreciation: 16,603 thousand EUR

Transfers	Disposals	Write-ups²)	Depreciation³)	Values for current fiscal year	
Thou. Euro	Thou. Euro	Thou. Euro	Thou. Euro	Thou. Euro	%
–	–	–	67	3,392	–
–	–	–	33,536	2,478,371	34.8
	27,167	–	–	24,970	0.4
–	–	56	24	1,018	–
–	27,167	56	33,560	2,504,358	35.2
–	3,508	371	4,738	776,448	10.9
2,000	191,591	16,715	12,930	2,745,677	38.6
–2,000	16,201	1,356	–	538,872	7.6
–	47,950	775	–	189,358	2.7
–		4,530	4,551	332,466	4.7
–	9,221	135	36	27,263	0.4
–	268,472	23,882	22,255	4,610,084	64.8
–	**295,639**	**23,938**	**55,883**	**7,117,835**	**100.0**
–	**295,639**	**23,938**	**55,883**	**7,117,835**	

A. CAPITAL INVESTMENTS

in thousand EUR			2018
	Book value	Current value	Reserve
I. Land, land rights and buildings, including buildings on third-party land	3,392	9,439	6,047
II. Capital investments in affiliated companies and shareholdings			
1. Shares in affiliated companies	2,478,371	6,034,691	3,556,320
2. Loans to affiliated companies	24,970	26,354	1,384
3. Shareholdings	1,018	1,018	–
III. Other capital investments			
1. Stocks, shares or shares in investment funds and other variable interest securities	776,448	787,073	10,624
2. Bearer bonds and other fixed-interest securities	2,745,677	2,839,611	93,933
3. Other loans			
a) Registered bonds	538,872	605,136	66,264
b) Bonded debt receivables and loans	189,358	215,064	25,705
4. Deposits at banks	332,466	332,519	53
5. Other capital investments	27,263	23,736	-3,527
IV. Deposits with ceding insurers	317,324	317,324	–
	7,435,158	**11,191,964**	**3,756,806**

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

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

The relative fair value for shares in affiliated companies, shareholdings and other capital investments were determined using the formula to determine the net earnings value according to IDW S1 in conjunction with IDW RS HFA 10, or the net asset value was used as the basis.

The land was revalued as at 31 December 2018. The valuation bases on the standard ground value, which is updated every five years, this occurring most recently in 2018. If any other valuation methods have been used, these comply with the provisions of Section 56 RechVersV.

In accordance with Section 341 b (2) HGB, EUR 3,518.8 million of capital investments have been assigned to assets. This includes positive valuation reserves of EUR 122.6 million and negative valuation reserves of EUR 18.0 million based on the rates on 31 December 2018.

The valuation reserves of the total capital investments amount to EUR 3,756.8 million, which corresponds to a reserve ratio of 50.5 %.

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

in thousand EUR — 2018

Type	Nominal volume	Book value	Current value
Bearer bonds and other fixed-interest securities [1]	1,079,652	1,092,684	1,074,659
Registered bonds and other loans [2]	99,554	99,554	94,364
Bonded debt receivables and loans [3]	22,460	22,459	21,935
Other capital investments [4]	–	24,584	20,992

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

A. CAPITAL INVESTMENTS – INFORMATION ON DERIVATIVE FINANCIAL INSTRUMENTS

in thousand EUR — 2018

Type	Nominal volume	Book value	Positive fair value	Negative fair value
Interest-related business				
Futures/forward purchases registered certificates [1]	25,000	–	6,088	–95
Futures/forward purchases bearer bonds [2]	34,800	–	1,910	–1,003
Currency-related business				
Forward exchange transactions [3]	406,664	1,046	1,478	–1,046

[1]) The fair values are determined on the basis of the discounted cashflow (DCF) method: The interest rate curve and the credit spread are the valuation parameters for this purpose.
[2]) The fair values are valued on the basis of the discounted cashflow (DCF) method: The spot rate and the interest rate curve are the valuation parameters for this purpose.
[3]) Fair values correspond to the discounted "delta" between the agreed forward rate and the forward rate as at the valuation date. The forward exchange rate is measured on a mark-to-market basis. The disclosure for the liabilities is carried out under item C.III. Other provisions.

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

The market values of the ABS products were determined according to the Discounted Cash Flow method; mostly values were used which could be observed on the market.

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

in thousand EUR				2018
Fund type	**Market value**	**Difference between market value/ carrying amount**	**Distribution for the fiscal year**	**Omitted non-scheduled Depreciation**
Equity fund	22,956	395	361	–
Pension fund	58,480	–	513	–
Mixed fund	594,969	184	191	–
	676,405	**580**	**1,066**	**–**

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

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

D. II. OTHER ACCRUALS

in EUR	2018
Expenditure relating to subsequent fiscal years	
Status as at 31 December	**281,572**

Notes to the balance sheet – equity and liabilities

A. I. CALLED-UP CAPITAL

in EUR	2018
The subscribed capital is divided into 13,560,480 no-par value shares (registered shares with restricted transferability).	
Status as at 31 December	**352,220,259.74**

The status of the subscribed capital has not changed from that as at 31 December 2017. DZ BANK AG has declared that it holds the majority of the shares in R+V Versicherung AG in accordance with Section 20 (4) AktG (German Stock Corporation Act).

A. II. CAPITAL RESERVES

in EUR	2018
Status as at 31 December	**1,632,887,360.26**

The status of the capital reserves has not changed from that as at 31 December 2017.

A. III. RETAINED EARNINGS

in EUR	2018
Other retained earnings	
Status as at 31 December	**164,666,337.05**

The status of the retained earnings as not changed from that as at 31 December 2017.

C. I. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

in EUR	2018
Amount payable	19,570,528.58
Offsettable reinsurance assets (claims from life insurance policies)	14,218,415.66
Status as at 31 December	**5,352,112.92**

The difference between discounting the provisions for pensions with the average market interest of the last ten years and discounting with an average market interest rate from the last seven years is EUR 1,701,457.

C. III. OTHER PROVISIONS

in EUR		2018
Holiday/flexi-time credits		1,944,900.—
Working life		—
Provision	3,726,074.69	
Offsettable reinsurance assets (claims from life insurance policies)	3,726,074.69	
Capital investment area		1,696,181.60
Annual financial statements		151,413.—
Storage of business records		628,619.—
Employer's accident liability association		162,000.—
Personnel costs		8,008,919.—
Anniversaries		3,037,383.—
Other provisions		48,148,269.22
Status as at 31 December		**63,777,684.82**

Other provisions relate primarily to risk items in connection with the change in the valuation of fixed-income securities from previous years.

E. OTHER LIABILITIES

in EUR	2018
Liabilities with a remaining term of more than five years	
loans	6,226,800.—
Status as at 31 December	**6,226,800.—**

There were no liabilities secured by liens or similar rights.

Notes to the income statement

I. 1. A) GROSS PREMIUMS WRITTEN

in EUR	2018	2017
Property and casualty, health and accident insurance	2,795,999,725.27	2,539,513,585.46
Life insurance	26,228,662.72	24,252,899.—
Status as at 31 December	**2,822,228,387.99**	**2,563,766,484.46**

I. 2. TECHNICAL INTEREST INCOME FOR OWN ACCOUNT

in EUR	2018	2017
Status as at 31 December	**821,101.44**	**951,940.72**

This concerns deposit interest from securities held by the previous insurers at the level of the actuarial reserves and the annuity actuarial reserves.

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

I. 4. EXPENDITURE ON CLAIMS FOR OWN ACCOUNT

in EUR	2018	2017
Status as at 31 December	**2,128,772,312.97**	**1,991,516,064.87**

There was a gross loss of EUR 171.1 million from the settlement of the provisions for outstanding claims assumed from the previous fiscal year.

II. 2. DEPRECIATION ON CAPITAL INVESTMENTS

in EUR	2018	2017
b) Depreciation on capital investments		
Scheduled depreciation	67,384.—	67,384.—
Non-scheduled depreciation in accordance with Section 253 (3) sentence 5 HGB	33,536,229.24	—.—
Non-scheduled depreciation in accordance with Section 253 (3) sentence 6 HGB	4,771,318.58	2,499,342.23
Non-scheduled depreciation in accordance with Section 253 (4) HGB	904,800.—	—.—
Status as at 31 December	**39,279,731.82**	**2,566,726.23**

II. 4. OTHER INCOME

in EUR	2018	2017
Income on services provided	24,621,110.72	21,586,579.84
Other interest income	4,422,922.76	12,279,305.66
Income from liability insurance	1,261,065.51	1,467,611.04
Other income	24,280,310.49	37,781,152.09
Status as at 31 December	**54,585,409.48**	**73,114,648.63**

Other income includes reporting date-related exchange rate gains of EUR 24.0 million.

II. 5. OTHER EXPENDITURE

in EUR	2018	2017
Expenditure on services provided	23,108,496.49	21,251,725.57
Expenditure that affects the company as a whole	26,814,689.53	19,756,140.51
Interest transferred to provisions	861,299.33	949,249.07
Interest to be offset from offsettable assets	–671,727.85	–814,637.35
Other interest expenditure	2,891,530.56	9,605,353.15
Expenditure from outsourcing pension provisions	2,372,857.25	362,609.89
Other expenditure	15,658,862.42	15,644,341.21
Status as at 31 December	**71,036,007.73**	**66,754,782.05**

Other expenditure includes exchange rate losses in the amount of EUR 5.0 million as at the reporting date.

Other explanatory notes

SUPERVISORY BOARD

Wolfgang Kirsch
– Chairman –
Chairman of the Board of Management of DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main
(until 31 December 2018)

Dr Cornelius Riese
– Chairman –
Chairman of the Board of Management of DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main
(as of 1 January 2019)

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

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

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

Henning Deneke-Jöhrens
Chairman of the Board of Management of Volksbank eG, Hildesheim
(as of 7 June 2018)

Uwe Fröhlich
General representative of DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main
(until 7 June 2018)

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

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

Marija Kolak
President of the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken e.V. (National Association of German Cooperative Banks), Berlin
(as of 7 June 2018)

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

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

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

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

Michael Speth
Member of the Board of Management of DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main
(as of 3 January 2019)

Ingo Stockhausen
Chairman of the Board of Management of Volksbank Oberberg eG, Wiehl
(until 7 June 2018)

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

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

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

BOARD OF MANAGEMENT

Dr Norbert Rollinger
– Chairman –

Claudia Andersch

Jens Hasselbächer
(as of 1 April 2018)

Heinz-Jürgen Kallerhoff
(until 31 December 2018)

Dr Christoph Lamby

Tillmann Lukosch
(as of 22 June 2018)

Dr Edgar Martin

Julia Merkel

Marc René Michallet

Peter Weiler
(until 21 June 2018)

PERSONNEL EXPENDITURE

in EUR	2018	2017
1. Wages and salaries	57,748,615.74	50,373,411.15
2. Social security deductions and expenditure on other benefits	7,190,719.14	6,418,307.59
3. Expenditure on pension provision	7,119,185.—	8,466,486.31
Total expenditure	**72,058,519.88**	**65,258,205.05**

Total remuneration of the members of the Board of Management amounted to EUR 9,927,481 (2017: EUR 8,403,060).

EUR 1,064,204 was paid to former members of the Board of Management and their dependants (2017: EUR 841,230). As part of the outsourcing of pension obligations for members of the Board of Management in 2018, contribution payments of EUR 3,962,011.34 (2017: EUR 2,140,141.44) were paid to Versorgungskasse genossenschaftlich orientierter Unternehmen e.V., and EUR –.– for former members of the Board of Management and their dependents (2017: EUR 68,509.92) to R+V Pensionsfonds AG and EUR 2,358,752.16 (2017: EUR 120,158.97) to Versorgungskasse genossenschaftlich orientierter Unternehmen e.V.

There is a provision for ongoing pensions and entitlements to pensions for former members of the Board of Management and their dependents amounting to EUR 8,665,887 (2017: EUR 7,165,733). Furthermore, obligations for this group of people of EUR 1,060,597 (2017: EUR 1,237,363) are not shown in the balance sheet due to Article 67 (1) EGHGB (Einführungsgesetz zum Handelsgesetzbuch [Introductory Act to the German Commercial Code]).

EUR 374,461.31 was paid out to the Supervisory Board in the fiscal year (2017: EUR 495,375). Contributions that must be reported in accordance with § 285 No. 9 c HGB were not recorded in the fiscal year.

NUMBER OF EMPLOYEES

During the 2018 fiscal year, an average of 620 employees (2017: 558) were employed at R+V Versicherung AG.

INFORMATION ABOUT RELATED PARTIES AND COMPANIES

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

AUDITOR'S FEES AND SERVICES

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

in EUR	2018
Audit services	888,500.—
Other certification services	5,000.—
Other services	381,760.70
Total expenditure	**1,275,260.70**

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

INFORMATION ON CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

On the reporting date the following contingent liabilities arose from contracts concluded and memberships in accordance with Section 251 HGB and other financial obligations in accordance with Section 285 No. 3a HGB:

in EUR	Details concerning amount	thereof due to affiliated companies	Risks	Benefits
1. Letters of Credit	445,650,104.44	2,989,134.53	The guarantees can be used if payment obligations to cedents are not met.	Bank guarantees were used to provide collateral for technical liabilities so that business can be conducted in foreign markets.
2. Supplementary payment obligations	143,722,733.28	97,451,950.—	There is an obligation to pay. No influence on the time of the claim is possible. There is a risk that the holding will fall in value in the meantime.	No increase in reported capital investments as long as this is not paid out. Liquidity benefits arise from non-payment that can be used for a capital investment with better interest yield, if applicable.
3. Letters of comfort	19,900,000.—	19,900,000.—	Liability for granting loans.	Better credit procurement possibilities for a borrowing company within the R+V Group.
4. Put options from multi-tranches Remaining term > 1 year	162,000,000.—	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	247,810,909.14	7,734,477.91	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	59,800,000.—	34,800,000.—	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. Amounts of liability	5,000.—	—.—	No increase in balance sheet capital investments on recourse. There is no reported current value for the liability total.	Increase in liable shareholders' equity at cooperative companies, low probability of occurrence through deposit guarantee funds.
Total	**1,078,888,746.86**	**182,875,562.44**		

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

There are no other financial liabilities towards associated companies.

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

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

R+V Versicherung AG prepares consolidated annual financial statements in accordance with IFRS. It will be published in the electronic Official Gazette of the Federal Republic of Germany.

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

SUPPLEMENTARY REPORT

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

Wiesbaden, 2 March 2019

The Board of Management

Dr Rollinger	Andersch	Hasselbächer	Dr Lamby
Lukosch	Dr Martin	Merkel	Michallet

Independent auditor's report

To R+V Versicherung AG

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

Opinions

We have audited the annual financial statements of R+V Versicherung AG, Wiesbaden, which comprise the balance sheet as at 31 December 2018, and the income statement for the fiscal year from 1 January 2018 to 31 December 2018, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of R+V Versicherung AG for the fiscal year from 1 January 2018 to 31 December 2018. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to Sec. 289 f (4) HGB ["Handelsgesetzbuch": German Commercial Code] (disclosures on the quota for women on executive boards).

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

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to insurance companies and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2018 and of its financial performance for the fiscal year from 1 January 2018 to 31 December 2018 in compliance with German legally required accounting principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of the statement on corporate governance referred to above (disclosures on the quota for women on executive boards).

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

Basis for the opinions

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

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the fiscal year from 1 January 2018 to 31 December 2018. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

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

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

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

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

The judgment exercised in the determination of key valuation criteria as part of the valuation of unlisted investments and in the assessment of the existence of any impairment that is likely to be permanent for all investments valued as fixed assets constitutes a key audit matter. Furthermore, the unlisted investments make up a high percentage of the Company's investments.

Auditor's response

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

For unlisted investments, we assessed the valuation methods as to whether they ensure a reliable calculation of fair value when applied properly in accordance with Sec. 255 (4) HGB. Furthermore, we examined the valuation parameters used (in particular maturity-dependent yield curves, risk premiums as well as volatilities and probabilities estimates). In doing so, we examined the judgment-based valuation parameters observed on the market as to whether these fall within the spectrum observed on the market and whether the instrument-specific valuation parameters used are suitable for the calculation of fair value. In this context, we compared the valuation parameters used that are observable on the market with the publicly available valuation parameters on a test basis, assessed instrument-specific valuation parameters with regard to their appropriateness for the calculation of fair value and validated the calculated fair values by having specially trained employees perform their own calculations.

The fair values of unlisted investments calculated by the management board in this way were examined in the course of the audit together with the fair values of listed investments in relation to the permanent nature of any impairment. Our audit also included a review of the criteria used for the purpose of identifying any permanent impairment and its consistent application. We examined in particular whether a documented estimation was made for all relevant investments with regard to existing impairment and whether judgment-based decisions concerning the identification of impairment likely to be permanent were made properly and in accordance with the provisions of Sec. 341b (1) Sentence 2 in conjunction with Sec. 253 (1) Sentence 1 HGB.

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

Reference to related disclosures

The disclosures concerning the valuation of unlisted investments and for the purpose of identifying any impairment likely to be permanent for investments valued as fixed assets are included in the notes to the financial statements in the sections entitled “Accounting and valuation methods“ and ”Notes to the balance sheet – assets A. Capital investments“.

Valuation of the gross provision for outstanding claims

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

The gross provision for outstanding insurance claims covers the partial provisions for known and belated claims, which are valued in accordance with Sec. 341g HGB.

In the reinsurance business operated by the Company, the gross provision for outstanding insurance claims is generally valued in accordance with the information supplied by the assignor. If this information is not available or is deemed by the Company's management board as insufficient for the recognition of a provision, the gross provision is determined on the basis of actuarial methods. The management board introduced estimation procedures for this purpose. The estimates are largely based on information provided by the pertinent department at the contractual level, the relevant segment settlement patterns stemming from the actuarial damages projection, the respective conditions of the insurance agreement, the prior-year estimates and the actual settlement (misjudgment). We deemed this area to be a key audit matter due to the estimation uncertainties and the judgment exercised by the management board. Uncertainties arise in particular in the assessment of damage occurrence and extent with regard to major claims and in individual cases when the interpretation of legal and contractual bases differs. As a result, allocations to provisions for outstanding insurance claims may not be adequate.

Auditor's response

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

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

For the purpose of assessing the appropriateness of the valuation, we assessed the plausibility of the actuarial estimation procedures used and examined the appropriateness of assumptions and judgments made in connection with individual claims reserves by performing risk-oriented tests on a sample basis. We also analyzed the misjudgment (difference between the original claims actually received in the following year and the estimates recognized in the prior year) with the objective of validating the quality of the estimation procedures.

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

We relied on our own actuaries for our audit.

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

Reference to related disclosures

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

Other information

The supervisory board is responsible for the supervisory board report. In all other respects, the executive directors are responsible for the other information. The other information comprises the statement on corporate governance pursuant to Sec. 289f (4) HGB (disclosures on the quota for women on executive boards).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other legal and regulatory requirements

Further information pursuant to Art. 10 of the EU Audit Regulation
We were elected as auditor by the supervisory board on 16 March 2018. We have been the auditor of R+V Versicherung AG without interruption since fiscal year 2012.

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

In addition to the financial statement audit, we have provided to the Company or entities controlled by it the following services that are not disclosed in the annual financial statements or in the management report:

– Strategic advisory services.

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

Eschborn/Frankfurt am Main, 4 March 2019

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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

Report by the Supervisory Board

The German economy performed well in 2018, albeit in a somewhat reserved manner compared to 2017. According to the initial calculations by the German Federal Statistical Office, gross domestic product in real terms grew by 1.5 %. The construction industry, investments and private consumption were growth drivers here. The contribution from foreign trade fell back however and there were negative one-off effects in the automotive industry. Unemployment is at a low level, with inflation rising once again. The economy also performed well in the euro area, with inflation rising too. The USA continued its strong growth with inflation at just above two percent.

The continuing divergence in terms of monetary policy in the USA and the euro area had a huge impact on performance in the capital markets once again in 2018. While the American Fed has marked out a path towards normalisation with four additional base rate increases, the European Central Bank has persisted with its zero-rate policy. However it finished its securities purchasing programme at the end of the year.

Continuing great political uncertainty also had an impact on the capital markets in question in 2018. The protectionist policy pursued by the USA resulted in a serious trade dispute with China in particular during the course of the year. Europe is worried about the economic impact of the United Kingdom's potential disorderly departure from the EU, as well as the budgetary discipline of the Italian government.

The German insurance industry was yet again able to record an increase in premium revenues in 2018, with a growth rate of 2.1 % to EUR 202.2 billion. The Gesamtverband der Deutschen Versicherungswirtschaft e.V. (GDV, German Insurance Association) announced at its press conference, held at the end of January 2019, that premium revenues had topped the 200 billion mark for the very first time. The association also confirmed a strong year for the industry as well, despite the increasingly complex risk environment.

The Supervisory Board took the general economic conditions in 2018 into consideration in its work.

Supervisory Board and committees

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

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

If required internal information events are held for members of the Supervisory Board on the subjects of accounting and capital investments in insurance companies, risk management and preparation of a solvency balance sheet under the terms of Solvency II, as well as actuarial practice.

Cooperation with the Board of Management

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

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

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

Meetings held by the Supervisory Board and its committees

The Supervisory Board held four meetings during the 2018 fiscal year: on 16 March 2018, 7 June 2018, 5 September 2018 and 19 November 2018.

In addition, the audit committee held a meeting on 14 March 2018 and the personnel committee held meetings on 9 March 2018 as well as 19 November 2018. During the meetings, the Supervisory Board and the committees received and discussed verbal and written reports provided by the Board of Management.

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

Deliberations by the Supervisory Board and the committees

The Supervisory Board has dealt with the economic situation for R+V Versicherung AG and the R+V Group, corporate planning and perspectives as well as key financial indicators in detail as part of its work. The Supervisory Board discussed in particular the business development of the following three sectors: life and health insurance, property and accident insurance, and active reinsurance.

The Supervisory Board has been intensively involved in this context with the status of the “growth through change” strategic programme. This related in particular to measures in conjunction with the digital transformation undertaken in the activity areas of omni-channel bank assurance, digital applications and online contract conclusion, as well as digital direct sales. It also related to other measures intended to increase customer focus and customer satisfaction, the development of the pilot field set up together with the newly established digital broker, fragWILHEM GmbH, as well as the communications campaign. In implementing the “growth through change” strategy, the Supervisory Board addressed the overseas business with regard to the business segment of the Assimoco Group in Italy and the disposal of the stake in Seguros RGA in Spain. In addition, the Supervisory Board has also been involved in the development of capital investments, the sales strategy and changes to the sales structure and remuneration, and the “Lebensversicherung 2022” (Life Insurance 2022) project. The Supervisory Board also addressed developments of case-law regarding the independence of custodians in health insurance, the company’s remuneration systems as well as human resources initiatives and measures. Furthermore, the Supervisory Board has been involved in the section of the Solvency II Directive suitability and reliability relating to the Board of Management and the Supervisory Board. The Supervisory Board also discussed the most important audit facts coordinated together with the auditor and addressed the selection procedure in place for the intended replacement of the current auditor with effect from the 2021 fiscal year onwards. In addition, the Supervisory Board presented all of the necessary resolution recommendations at the annual general meeting.

With regard to matters at the Board of Management level, the Supervisory Board has been involved in the definition of the variable Board of Management remuneration for the 2017 fiscal year, the amendment to the Solvency II Directive in terms of the Board of Management remuneration, the company car policy for the Board of Management and an agreement regarding the processing of Board of Management data in conjunction with GDPR requirements. The Supervisory Board also addressed the re-election of a member of the Board of Management as well as the conclusion of agreements with members of the Board of Management. The Supervisory Board also approved changes to the business distribution plan for the Board of Management in conjunction with the entry and departure of members of the Board of Management.

With regard to matters at the Supervisory Board level, the Supervisory Board presented resolution recommendations regarding the co-opting and re-election of members of the Supervisory Board at the annual general meeting and held elections for members of the personnel committee, mediation committee and audit committee. The Supervisory Board also elected a new Chairman of the Supervisory Board as well as a new Chairman of the personnel committee and the mediation committee. Finally, the Supervisory Board attended to the required self-evaluation and preparation of a development plan.

The audit committee has been involved in the preliminary review of the annual financial statements of R+V Versicherung AG and the R+V Group for the 2017 fiscal year, the audit report issued by the auditor, the focal points of the audit, the risk strategy, the regulatory reporting for the key Solvency II Risk-Management, Actuarial, Compliance and internal Audit function, the mandating of the auditor with non-audit services and the preparation for the appointment of the auditor for the 2018 fiscal year. The audit committee has also been involved in active reinsurance, the appropriation to the additional interest reserves by the R+V Group life insurance companies and the selection procedure in place for the intended replacement of the current auditor with effect from the 2021 fiscal year onwards. In addition, the audit committee also passed a resolution regarding an amendment to the guidelines for approving non-audit services by the auditor.

With regard to matters at the Board of Management level, the personnel committee has been involved in resolution recommendations regarding the definition of the variable remuneration for members of the Board of Management for the 2017 fiscal year in accordance with the achievement of targets and the status of the achievement of targets by members of the Board of Management in the 2018 fiscal year. The personnel committee also attended to the agreement of targets for the variable remuneration for members of the Board of Management for the 2019 fiscal year, as well as the definition of targets for a newly appointed member of the Board of Management for the 2018 fiscal year. The personnel committee also presented resolution recommendations to the Supervisory Board regarding the re-election of a member of the Board of Management as well as the conclusion of agreements with members of the Board of Management. The Supervisory Board has also been involved in the section of the Solvency II Directive suitability and reliability relating to the Board of Management and the Supervisory Board, as well as the Solvency II Directive regarding the remuneration of the Board of Management.

The mediation committee did not have to take action in accordance with provisions concerning co-determination.

Working with the auditor

The Supervisory Board and audit committee chose and appointed the auditors Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft in accordance with legal requirements. They checked that the auditors remained independent and monitored the quality of their auditing on an ongoing basis.

The auditors found the annual financial statements for R+V Versicherung AG, which were presented by the Board of Management, as well as the accounting methods and the management report for R+V Versicherung AG, the consolidated financial statements and the group management report for the 2018 fiscal year to be in line with statutory requirements. The auditors gave an unqualified audit report in each case.

The auditor's certificates were sent to the members of the Supervisory Board and were deliberated and discussed in detail. The Supervisory Board agrees with the results of the audit as presented by the auditors.

Confirmation of the Annual Financial Statements

The audit committee and the Supervisory Board have examined in detail the annual financial statements and the management report as well as the consolidated financial statement and the consolidated management report for the 2018 fiscal year.

The representatives of the auditors took part in both the audit committee meeting on 18 March 2019 and the Supervisory Board meeting on 26 March 2019 in order to report on the key findings of the audit. The auditor's certificate issued by the auditors, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, who gave the unqualified audit report, was also presented. The annual financial statements, the management report, the consolidated financial statements, the respective auditor's certificates and the focal points of the audit (particularly the valuation of the fair value of the capital investments, the valuation of the gross provision for outstanding claims, collection of premiums and early risk identification system in accordance with Section 91 (2) AktG (Aktiengesetz [German Stock Corporation Act]) and the annual report by the Group audit department were all discussed. Representatives of the auditor were available to the members of the committee and the Supervisory Board for additional clarification. The Chairman of the audit committee meeting gave the Supervisory Board a comprehensive account of the committee's deliberations.

The Supervisory Board did not raise any objections to the annual financial statements, the management report, the consolidated financial statements or the consolidated management report prepared by the Board of Management for the 2018 fiscal year and it has endorsed the auditor's report.

Following the recommendation of the audit committee, the Supervisory Board endorsed the annual financial statements presented by the Board of Management for the 2018 fiscal year in its meeting on 26 March 2019. The annual financial statements have thus been adopted in accordance with Section 172 AktG. At the same meeting, the consolidated financial statements presented by the Board of Management were endorsed by the Supervisory Board.

Changes to the Board of Management

Mr Jens Hasselbächer, who was appointed by the Supervisory Board in its meeting on 7 September 2017 as a member of the Board of Management with responsibility for the sales division as the successor to Mr Kallerhoff, with effect from 1 April 2018, has accepted his mandate. Mr Hasselbächer initially does not personally have any departmental management responsibility. Thanks to a corresponding amendment to the business distribution plan for the Board of Management, as of 1 October 2018 Mr Hasselbächer assumed responsibility for the sales division from Mr Kallerhoff, who departed from the Board of Management due to his retirement, with effect from the end of 31 December 2018.

Mr Tillmann Lukosch, who was appointed by the Supervisory Board in its meeting on 24 September 2017 as a member of the Board of Management, with effect from the end of 22 June 2018, with responsibility for the central information systems/digital transformation/overall risk management division as the successor to Peter Weiler, who departed from the Board of Management due to his retirement, with effect from 21 June 2018, has accepted his mandate.

The mandate assumed by Dr Christoph Lamby duly expired, with effect from 31 December 2018. In its meeting on 16 March 2018, the Supervisory Board re-elected Dr Lamby as a member of the Board of Management, with effect from 1 January 2019.

Changes to the Supervisory Board and the committees
Ms Ursula-Maria von Tesmar resigned from her post, which she exercised as an employee representative, as a member of the Supervisory Board and as a member of the personnel committee, with effect from 31 December 2017. Mr Ansgar Gerdes was promoted to the Supervisory Board as an elected replacement member of staff to succeed Ms von Tesmar as a member, with effect from 1 January 2018. The mandate assumed by Ms von Tesmar as a member of the personnel committee also expired at the same time as her departure. In its written decision procedure on 7 February 2018, the Supervisory Board decided to elect Mr Thomas Bertels to the personnel committee with immediate effect to succeed Ms von Tesmar as a member. Mr Bertels resigned in this context from his post as a member of the audit committee, with effect from the end of 15 February 2018. In its written decision procedure on 7 February 2018, the Supervisory Board decided to elect Ms Sigrid Schneider to the audit committee to succeed Mr Bertels as a member, with effect from 16 February 2018.

Mr Uwe Fröhlich resigned from his post, which he exercised as a shareholder representative, as a member of the Supervisory Board, with effect from the end of the annual general meeting on 7 June 2018. Mr Fröhlich's mandate to be a member of the personnel committee and the mediation committee ended at the same time. The annual general meeting co-opted Ms Marija Kolak as a member of the Supervisory Board, with effect from the end of the annual general meeting. In its meeting held on 7 June 2018, the Supervisory Board co-opted Ms Kolak as a member of the personnel committee and the mediation committee.

Mr Ingo Stockhausen resigned from his post, which he exercised as a shareholder representative, as a member of the Supervisory Board, with effect from the end of the annual general meeting on 7 June 2018. The annual general meeting co-opted Mr Henning Deneke-Jöhrens as a member of the Supervisory Board, with effect from the end of the annual general meeting.

Mr Klaus Krömer's mandate, exercised as a shareholder representative, as a member of the Supervisory Board, ended regularly with effect from the end of the annual general meeting on 7 June 2018. The annual general meeting re-elected Mr Krömer as a member of the Supervisory Board.

Mr Wolfgang Kirschl has resigned from his post, exercised as a shareholder representative, as a member and Chairman of the Supervisory Board and member and Chairman of the personnel committee and the mediation committee due to his retirement, with effect from the end of 31 December 2018. In its meeting on 19 November 2018, the Supervisory Board elected Dr Cornelius Riese as chairman of the Supervisory Board as the successor to Mr Kirsch, wifh effect from 1 January 2019. With effect from 1 January 2019, this therefore resulted in Dr Riese becoming a member of the mediation committee according to Section 27 (3) MitbestG (Mitbestimmungsgesetz [Codetermination Act]), and a member of the personnel committee in accordance with Section 9 (2) sentence 3 of the rules of procedure for the Supervisory Board. The Supervisory Board elected Dr Riese as Chairman of the personnel committee and the mediation committee, with effect from 1 January 2019, in its meeting on 19 November 2018. As a shareholder representative, Mr Michael Speth was appointed as a member of the Supervisory Board judicially, with effect from 3 January 2019. He assumed the mandate vacated by Mr Kirsch as a member of the Supervisory Board, with effect from 31 December 2018.

Dr Riese resigned from his post as a member and Chairman of the audit committee, with effect from 31 December 2018. During the meeting held by the Supervisory Board on 19 November 2018, Mr Speth was elected as a member and Chairman of the audit committee as the successor to Dr Riese, with effect from the date of the judicial appointment on 3 January 2019.

Thanks to the Board of Management and employees
The Supervisory Board thanks the Board of Management and all the employees of the R + V Group for their work in 2018.

Wiesbaden, 26 March 2019

The Supervisory Board

Dr Riese Chairman	Birkenstock Deputy Chairman	Abel
Bertels	Deneke-Jöhrens	Gerdes
Knöpfle	Kolak	Krömer
Schiweck	Schmidt	Schneider
Speth	Trümner	Wiederer
Zachmann		

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Equity ratio
Equity ratio in relation to net premium.

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

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

Expenditure on insurance operations
Commission as well as personnel and operating expenditure for the conclusion and the ongoing administration of insurance policies, net of commission and profit shares, repaid by reinsurers.

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

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

Gross/Net
In gross or net accounts the technical items are shown before or after deduction of the proportion that is ceded to reinsurers. Instead of “net” the description “Own account” is also used.

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

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

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

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

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

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

net
➔ Gross/Net

Net return on capital investments
Total earnings less total expenditure 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 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, calculated over a period of three years.

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

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

Own account
The respective technical items or the ratio after deduction of the business ceded to reinsurers ➔ Gross/Net.

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

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

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

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

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

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

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

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

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

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

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

Retention
The part of the assumed risks that the insurer does not cede to reinsurers i.e. shows net. (Retention rate: percentage of the retention of the gross premiums written).

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

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

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

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

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

Solvency
Capital resources of an insurance company.

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

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

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

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

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

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

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

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

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

Addresses

Registered office and mail address
R+V Versicherung AG
Raiffeisenplatz 1
65189 Wiesbaden
GERMANY
Tel. +49 611 533-0
Fax +49 611 533-4500
www.ruv.de
E-Mail: ruv@ruv.de

Other location
R+V Versicherung AG
Rückversicherung • Reinsurance
Abraham-Lincoln-Park 1
65189 Wiesbaden
GERMANY
Tel. +49 611 533-0
Fax +49 611 533-4500
www.rv-re.com
E-Mail: reinsurance@ruv.de

www.ruv.de