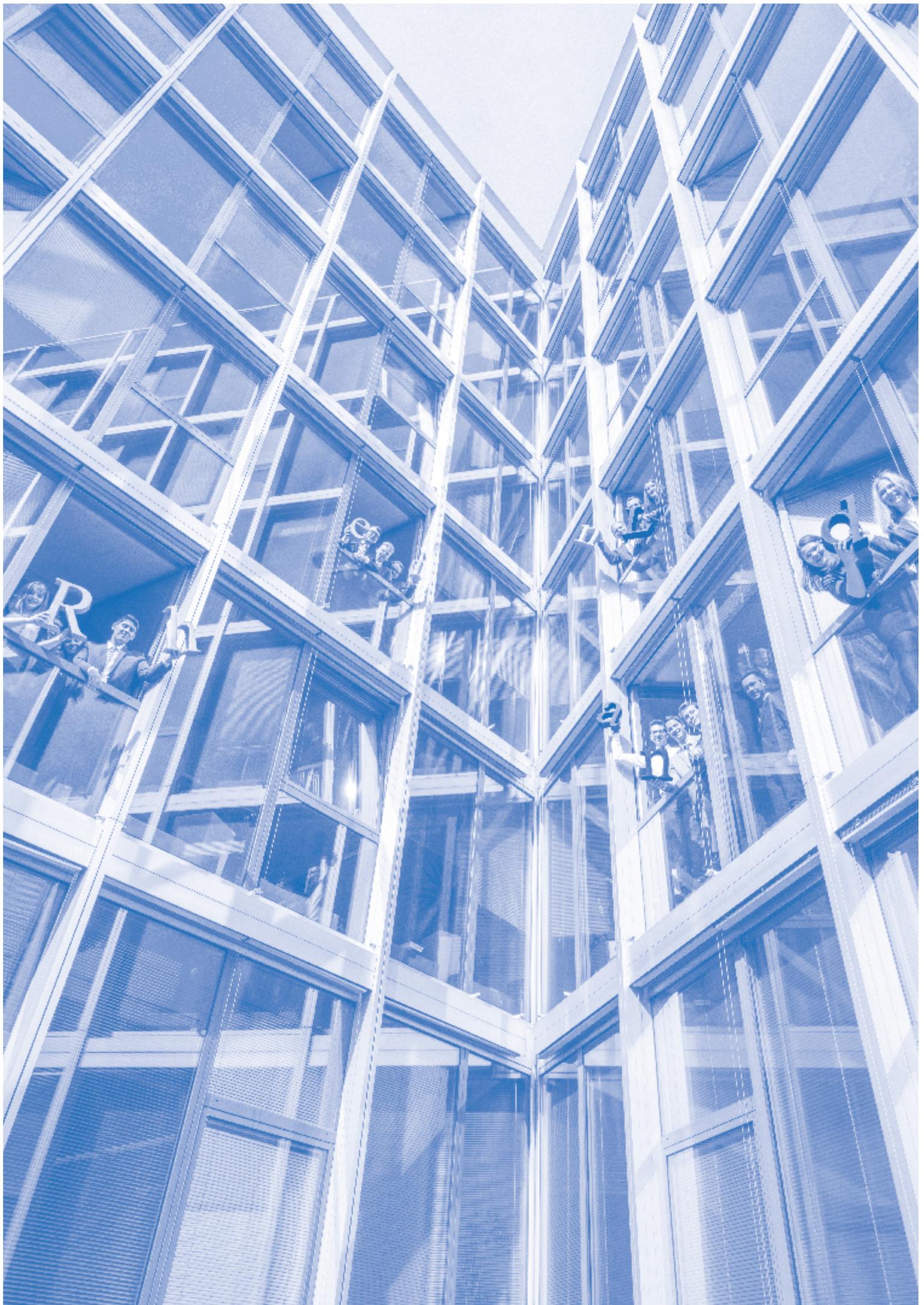


Values we live by

RheinLand Versicherungs AG
Annual Report 2016



RheinLand Versicherungs AG
Annual Report 2016



RheinLand
RESEARCH AND INNOVATION

July 19th 2011

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Minor rounding differences may arise in this report in totals and in calculating percentages.

Supervisory Board

Anton Werhahn
Commercial agent
CEO of Wilh. Werhahn KG
Neuss
Chairperson

Wilhelm Ferdinand Thywissen
Commercial agent
Fully authorised representative of C. Thywissen GmbH,
Neuss
Deputy Chairperson

Dr. rer. pol. h.c. Klaus G. Adam
Auditor
Mainz
(up to 28 November 2016)

Dr. Ludwig Baum
Commercial agent
Managing Director of Portfolio Management
Cornel Werhahn GbR
Munich

Jutta Stöcker
Graduate of Business Administration
Bornheim
(from 29 November 2016)

Andreas Daners
Certified Insurance Agent
Staff Council of RheinLand Versicherungs AG
Jüchen
elected by employees

Jürgen Stark
Business IT Professional
Staff Council of RheinLand Versicherungs AG
Brühl
elected by employees

Executive Board

Christoph Buchbender
Certified Insurance Agent
Neuss

Dr. Lothar Horbach
professional Auditor and Tax Advisor
Cologne

Udo Klanten
Commercial Banking Agent
Commercial Agent
Bonn

Andreas Schwarz
Fully-authorised attorney
Neuss

Supervisory Board Report

In 2016, on the basis of written and verbal reports provided by the Executive Board in seven sessions, the Supervisory Board gained in-depth information on the status and growth of the company, business trends and fundamental questions concerning company policy. In doing so, it conferred with the Executive Board on the strategic orientation of the company and group, the planning of measures for 2016 and 2017, as well as all essential business findings and projects. Transactions requiring approval by law and company statute were discussed at length with the Executive Board.

The sales orientation of the company and the updating of the product range were discussed at length with the Executive Board. The Executive Board has informed the Supervisory Board about the achievement of the objectives for the current financial year and medium-term planning. Moreover, the discussions focused on the capitalisation of the company, securing the risk-bearing capability as well as ensuring sufficient liquidity, measures to reduce costs, the status of the implementation of Solvency II, as well as the rating by ASSEKURATA.

The Supervisory Board has gained an assurance of the application of the existing risk management system and devoted close attention to this management and monitoring system. The Executive Board regularly informed the Supervisory Board both in writing and verbally concerning the risk situation of the RheinLand Versicherungsgruppe. The risk reporting was covered in the Supervisory Board meetings. Furthermore, the audit findings of the internal auditing department were discussed. The Executive Board also provided a report to the Supervisory Board about compliance-related topics and about the compliance organisation and processes. In particular, the Executive Board reported

that the compliance management system of the RheinLand-Gruppe has been subjected to a reserve adequacy test by an external auditor. The auditor confirmed the reserve adequacy on 29 April 2016. The findings were discussed with this audit firm within the scope of a Supervisory Board meeting. In addition, the Supervisory Board was informed once each in meetings by the respective managers responsible for risk management, internal auditing and compliance, and by the responsible actuary.

For the 2017 financial year, as part of a voluntary rotation, a different auditor was selected for RheinLand Versicherungs AG – after the solvency balance sheet, being audited for the first time, was audited and certified by the previous auditor, KPMG, for reasons of continuity. A corresponding tender process was carried out for this purpose. Based on the selection process, the firm PricewaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, Düsseldorf, was appointed.

In individual talks outside the Supervisory Board meetings, the Supervisory Board Chairman discussed questions concerning business policy, strategic objectives, as well as organisation and individual transactions.

The Supervisory Board carried out a self-evaluation of its duties and evaluated its efficiency. The findings were presented in a Supervisory Board meeting. The quantity and quality of materials, the number of meetings, the preparation time, along with the substantive organisation and transparency of the Supervisory Board meetings met the approval Supervisory Board of all members.

The members of the Executive Board are not separately remunerated by our company, as this is provided by our parent company, RheinLand Holding AG.

In accordance with statutory rules, the annual financial statements of 2016 and the Management Report were audited and issued an unqualified auditor's opinion by the appointed statutory auditor KPMG AG, Wirtschaftsprüfungsgesellschaft, Cologne. The statutory auditor was present during the discussion of the annual financial statements and Management Report. He reported on the performance of the audit and was available to provide additional information.

The Supervisory Board examined the annual financial statements and the Management Report. According to the final result of its examination, it has no objections and approves the annual financial statements and Management Report of RheinLand Versicherungs AG for the financial year of 2016. The presented 2016 annual financial statements are thereby approved.

Upon conclusion of the Annual General Meeting on 28 November 2016, Dr. Klaus G. Adam stepped down from the Supervisory Board of his own accord. Dr. Adam had a guiding influence on RheinLand Versicherungsgruppe for many years, also as Chairman of the Supervisory Board. The Supervisory Board thanks Dr. Adam – also on behalf of the Executive Board – for his many years of successful, constructive and unfailingly superb collaboration as a member of the Supervisory Board of RheinLand Versicherungsgruppe.

Upon recommendation of the Supervisory Board, the Extraordinary General Meeting on 28 November, 2016, elected Jutta Stöcker, Bornheim, to the Supervisory Board.

The Supervisory Board thanks the Executive Board and all employees of the RheinLand Versicherungsgruppe for their hard work and dedication in the reporting year.

Neuss, 16 May 2017

The Supervisory Board

Anton Werhahn
Chairperson





Management Report

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Committee management

Responsible Company Management

As a management body, the Executive Board of Rheinland Versicherungs AG manages the company on its own responsibility with the aim of creating sustainable added value. The Executive Board's function is governed by rules of procedure. Decisions are adopted in Executive Board meetings generally taking place once a month.

The Supervisory Board appoints, advises and supervises the Executive Board. Its function is specified in the statutes and in rules of procedure. As a general rule, it convenes in at least two ordinary Supervisory Board meetings each calendar half-year. The Supervisory Board is informed by the Executive Board in an ongoing and timely manner. It decides on matters requiring approval.

Composition of the Executive Board

The Executive Board of Rheinland Versicherungs AG consists of four members. The members of the Executive Board are appointed by the Supervisory Board. In appointing Executive Board members, the Supervisory Board pays close attention to the professional qualification, experience and leadership quality of the candidates.

Composition of the Supervisory Board

The Supervisory Board of Rheinland Versicherungs AG consists of six members, of which four members are elected by the Annual General Meeting (sharehold-

er representatives) and to members from the ranks of employees (employee representatives) according to the rules of the One-Third Participation Act. The term of office for Supervisory Board members is generally five years.

Mutual trust relationship between the Executive Board and Supervisory Board

Also in the year 2016, the working relationship between the Executive Board and the Supervisory Board was characterised by open and trusting communication. In seven sessions, as well as based on written and verbal reports provided by the Executive Board, the Supervisory Board gained in-depth information on the status and growth of the company, business trends and fundamental questions concerning company policy. Furthermore, there was an ongoing constructive exchange of information characterised by openness and objectivity between the Executive Board and the Supervisory Board, and in particular between the Chairman of the Supervisory Board and the Executive Board.

Advancement of women in management positions

Within the Rheinland Versicherungsgruppe, only Rheinland Versicherungs AG is subject to the statutory rules for codetermination companies. The company has implemented the requirements and established target quotas of 7.1 % on the first management echelon and 26.5 % on the second management echelon below the Executive Board.

Economic Report

Business Performance

The German economy continued to grow in 2016 despite world political risks. Above all, domestic demand and the construction boom bolstered the economy which overall, throughout the course of the year, grew by 1.9 %. In particular, consumption – both on the private and government level – proved to have strong impetus. Rising incomes spurred the retail sector, which achieved 2.3 % higher revenues than in the previous year.

The positive trend in the economy also led to increased demand for labor. In the fourth quarter, 43.7 million people were employed, 0.6 % more than the prior year. Inflation recently increased more significantly, the rate in December grew by 1.7 % compared to the previous month. Partly responsible for this was a slight rise in the price of oil in 2016.

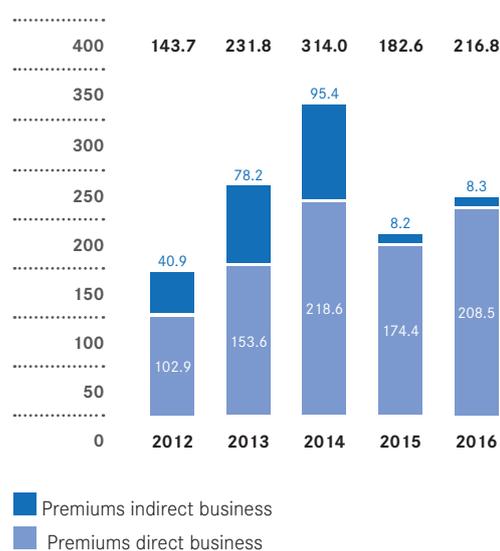
The German insurance sector experienced stable premium revenues of €194.2 billion for 2016, i.e. on a level comparable to the previous year. Whereas life insurers experienced negative growth of 2.2 % in premiums down to €90.7 billion, revenues in property and casualty insurance grew by 2.9 % to €66.3 billion, even stronger than the previous year.

Companies in the insurance sector were heavily involved in 2016 with implementation of the Solvency II set of rules, which applies as applied since 1 January 2016. The new, standardised regulatory system for the European insurance industry, among other things, subjects insurers to more comprehensive, thus capacity-binding, reporting requirements, and is intended to pay greater attention to the risk situation of the companies.

In the reporting year, RheinLand Versicherungs AG achieved premium revenues totalling €216,754 K (previous year: €182,617 K). This comprised €208,483 K (previous year €174,405 K) in direct insurance business. In the reporting year, €8,270 K (previous year: €8,212 K) were attributable to reinsurance business.

The reason for the increase is the positive growth of our distribution channels. In the area of Bancassurance, we were able to expand business with existing cooperation partners. In addition, our exclusive agency organisation experienced strong further development. With a professional organisation and entrepreneurial focus, our field sales force was able to boost its sales results with the same number of agencies and staffing levels.

Development of the posted premiums in mill. €



Composition of the posted premiums

	2016	2015	Change
	Total	Total	in %
Direct insurance operations	208.5	174.4	19.5
Assumed Reinsurance Business	8.3	8.2	0.7
Gross premium income	216.8	182.6	18.7
Reinsurance business	30.1	40.7	-25.9
Net premiums earned	186.6	141.9	31.5

Storms with heavy rainfall, hail and floods struck Germany in the early summer of 2016, thus putting a burden on the insurance industry. The regions hit particularly badly included Bavaria and Baden-Württemberg, not to mention the Rhineland and Westphalia. The storms "Elvira" and "Friederike" alone, which among other areas, also hit parts of North Rhine Westphalia, resulted in property insurance claims in the amount of €1 billion as well as roughly €200 million in automotive insurance.

Our company was also affected by these events. The extraordinary storm, hail and force majeure events added €4,772 K of additional claims expenditures for RheinLand Versicherungs AG in the financial year. The expenditures for insurance claims totaled €91,583 K (€91,524 K in the previous year) and thus remained at the previous year's level.

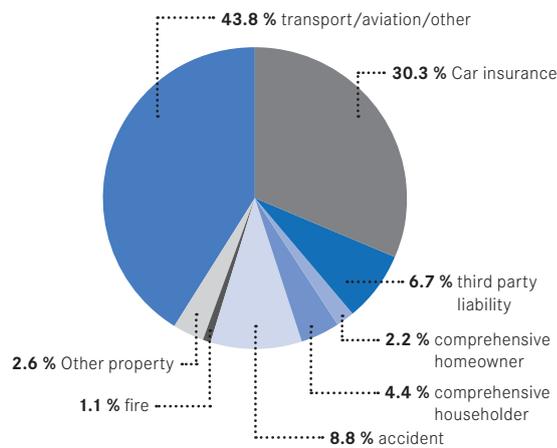
Through increased premiums in the financial year, the carried loss ratio after reinsurance improved to 50.1 % in the reporting year (60.3 % in the previous year).

Due to the additional expansion of the insurance business, the costs of insurance operations in the business year increased €114,493 K (€95,906 K in the previous year).

Net technical income of direct business after a dissolution from the equalisation provision was €5,620 K (€7,206 K in the previous year). The reinsurance business finished at the level of the previous year, achieving a net technical profit in the amount of €10,965 K (previous year: €11,081 K).

In total, the company earned a net technical income prior to change in the equalisation provision of €15,051 K (€18,885 K in the previous year). After a dissolution from the equalisation provision in the amount of €1,534 K (€-598 K in the previous year), net technical income for the overall business reached €16,585 K (€18,287 K in the previous year).

Shares of the insurance segments on the gross premium income in direct insurance operations on 31 December 2016



Financial Markets

The international financial markets had an extremely week start into the year 2016, and up to the end of the year, the growth in most investment classes remained very volatile. Overall, however, the stock market ultimately showed positive growth. The short-term, partly severe exchange losses at the beginning of the year, following the "Brexit" in the United Kingdom and in the immediate aftermath of Donald Trump's election as President of the United States, have each staged a quick recovery. The MSCI World Index increased over the course of the year by 6.8 %. The DAX also experienced growth; it ended the year at a level of 11,481 points, representing a gain of 6.9 %.

One reason for the positive trend on stock markets in Western industrial nations is also the consistent expansionary monetary policy of the central banks, making interest-bearing securities less and less attractive and thus causing investment pressure on the investor side. That is why for investors, it was difficult in the year 2016 to achieve solid positive returns with interest-bearing investments. Moreover, the bond purchasing programme of the European Central Bank is further

contributing to declining yields and leading to a noticeable scarcity in the supply of European bonds.

The real estate market in Germany continues to be robust. Sales grew in the construction sector by 5.5%. While overvalued properties can be observed in certain major cities, overall, it is too early to speak of a real estate bubble.

The high debt levels of many countries remains a risk for further long-term growth of the world economy. China's debt burden, for example, has now reached almost 250% of gross domestic product. The low willingness for reform in certain euro countries such as Italy and France over the past year also did not usher in a trend change amid high worldwide public debt. Thus, the debt problem will probably continue to be an issue for the world economy world economy in years to come.

Investments

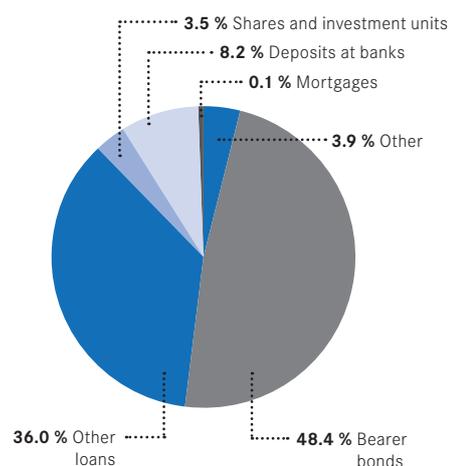
Company investments declined in the financial year by €26,885 K (7.1 %) to a total of €350,744 K (€377,628 K in the previous year). At 87.4 %, the majority of the asset investments is invested in fixed-income investments.

Furthermore, this includes six ABS securities in the direct portfolio with a book value of €1,247 K and a fair value of €1,427 K. The book value of the ABS fund is also the fair value of €10,452 K.

Development of the result

Current income was € 9,408 K (previous year: €7,467 K). Current investment costs were € 592 K (previous year: €541 K). The other net investment income of RheinLand Versicherungs AG was €336 K (previous year: €283 K). The total net investment income is € 9,153 K (previous year: €7,209).

Composition of capital investments as a % of all investments (without deposits receivable)



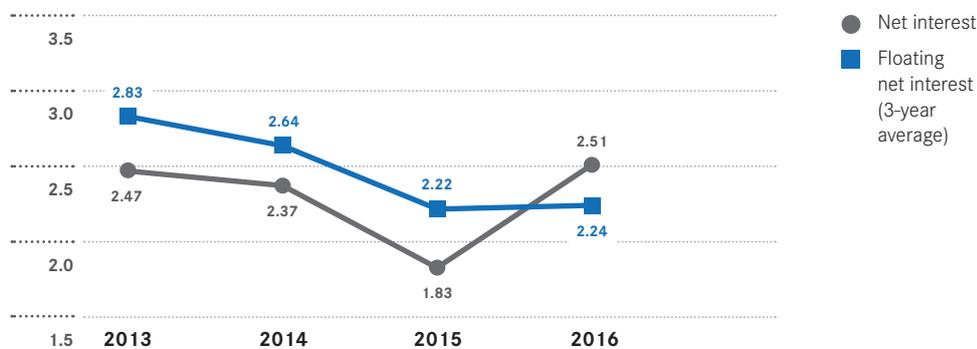
Please refer to the Appendix from page 52 for the development of assets with details on the hidden reserves and burdens.

The result of non-technical business in the financial year amounted to € 2,659 K (previous year: €1,633 K). The reasons for the rise over the previous year are the increased investment revenues as well as the decline in other miscellaneous expenditures compared to the previous year.

Interest

According to the formula recommended by the German Insurance Association, taking into consideration account extraordinary income and expenses, net interest is calculated based on the net investment result in proportion to the average investment portfolio. The resulting interest rate is 2.5 % (previous year: 1.8 %). The floating net interest of investments of the last three years (arithmetic mean of the net interest) reaches 2.2 % (previous year: 2.2 %). The average return on new investments for fixed-income securities, registered bonds and notes receivable declines by 0.3 % from 1.0 % to 0.7 %.

Net interest and floating interest of investments in %



Overall Result

The result from ordinary business operations of Rheinland Versicherungs AG remained at the level of the previous year and in the reporting year reached €19,244 K (previous year: €19,921 K). Based on the profit and loss transfer agreement concluded with Rheinland Holding AG, after tax expenditures in the amount of €2,186 K, the company transferred profits in the amount of €17,058 K to the parent company. After a withdrawal from the capital reserves, the financial year closed with a net profit in the amount of €10,000 K.

We would like to thank the office and field staff as well as the full-time and part-time intermediaries for their commitment and good cooperation.

Remarks on the individual segments

Direct insurance operations

General accident

In the financial year, the company managed to strongly boost premium income. At the same time, there was a rise in claims expenditures, which in total led to a positive net technical income prior to equalisation provision.

In the automobile accident sector, a profit was achieved as in the previous year, despite a drop in premium revenues.

General third party liability

Increased premium income in the financial year was also met by increased expenditures for insurance claims, and the sector finished the year with a positive result.

Car insurance

There was a slight year-on-year decline in premium income in the automotive business. Despite the increase in claims expenditures, the automotive business after equalisation provision once again finished with a profit.

Premium revenues in automotive liability insurance declined year-on-year, whereas the claims expenditures increased in the financial year. Nonetheless, positive net technical income was achieved prior to equalisation provision.

Consistent premium revenues in comprehensive insurance were met with slight increases in claims expenditures, and the sector finished the year with a net technical loss.

In the financial year, premium revenues declined in the vehicle insurance sector. Despite rising claims expenditures, the sector achieved positive earnings prior to equalisation provision.

Fire

In the agricultural fire insurance sector, declining premium revenues were met with considerable drops in expenditures for insurance claims, and the business year finished with a profit.

Steady premium revenues and rising claims expenditures resulted in the 'Miscellaneous Fire' sector's finishing with negative net technical income.

Comprehensive householder

In the financial year, the company was able to boost premiums. At the same time, there was also a rise in expenditures for claims, which in total led to a positive net technical income prior to equalisation provision.

Comprehensive homeowner

We moved 80% of the comprehensive homeowner insurance business into co-insurance. Compared to the previous year, the booked premiums increased, whereas the expenditures for claims declined in the financial year. Nonetheless, the segment closed with a net technical loss.

Burglary insurance

The segment of burglary insurance was able to increase its premium revenues in the financial year. Despite virtually unchanged expenditures for insurance claims, the net technical income was negative.

Water damage

Rising premium revenues, along with increasing expenditures for insurance claims and operating costs, led to negative net technical income after equalisation provision.

Glass

In the financial year, the premiums declined, as did the expenditures for insurance claims. This resulted in a net technical profit prior to equalisation provision.

Windstorm

Increased premium revenues in the financial year were met with severe increases in claims expenditures, and the sector finished the year with a net technical loss.

Transport

Premiums were increased over the previous year in the transport segment. Despite an unfavourable trend of claims, the segment achieved a net technical profit.

Other and not subdivided

insurance products

In the financial year, premium revenues increased. Moreover, expenditures for insurance claims increased, and the sector finished the year with a positive net technical result.

Assumed Reinsurance Business

Insurance business

Other and not subdivided

insurance products

Premiums revenues declined compared to the previous year, as did the expenditures for insurance claims. This resulted in a net technical profit for the financial year.

Development of distribution channels

Our exclusive agency organisation experienced strong development in the past financial year. With a professional organisation and entrepreneurial focus, our field sales force was able to boost its sales results with the same number of agencies and staffing levels.

This service is based on several factors: Being close to customers, knowing their needs, weighing opportunities and running the insurance business with a personal touch, are the signature characteristics of our motivated team in the field sales team now more than ever. Add to this our new lean organisational and administrative structure, which ensures quick and efficient support and handling by our experts and consultants on site. Of decisive significance here is the service unit in company headquarters in Neuss, established two years ago, which functions as a centralised service provider of our agency network. The sales service is the point of contact for all agencies, plays a supporting role for the executive sales staff and forms a link to the corporate sales department.

How useful it is to bundle competencies can also be seen in other areas: With our team of certified commercial specialists, we were able to launch a very targeted effort towards harnessing growth opportunities in the business customer business. As a parallel measure, on the other side of our agencies, our Life Key Account team handled all questions of private provision. Both teams are set up to assist during customer visits, to consult in the preparation of offers and to be of assistance in the analysis of existing insurance policies. In addition, the teams provide assistance towards developing integrated solutions in new and existing business.

The fact that we are providing our field sales force with attractive products is a key to our success. Sales impetus was provided over the past year by the introduction of the premium occupational disability insurance with extra protection, as well as the placement of term

life insurance. Thanks to our new tariffs in household- and private liability insurance, we have also been able to attract major attention. We are particularly pleased that the premium tariffs of both coverage concepts have been given excellent ratings by independent analysts.

A special campaign on term life insurance, supported by flanking measures, turned out very favourably. In this context, thousands of insurance policies were brought up to date, as especially in personal coverage, it is especially important always to have the latest and best risk protection. In terms of responsibility towards our customers, with the term life insurance campaign, we were once again able to underscore our strength as a prudent insurer, in the business for the long term. During implementation, the sales support function as an interface between inside and field sales force, provided to be extremely effective. This position created two years ago, is based on tried-and-true practical expertise aimed at providing our field sales staff even better instruments for commercial success.

RheinLand Vermittlungs GmbH is part of the improved framework conditions in which the sales department has been able to develop. Since the beginning of 2016, these conditions have been used to wind down the so-called exclusive agency solution. We are sure that the business will improve in quality even more through the collaboration with selected partners. Because RheinLand Vermittlungs GmbH opens up areas that have remained untapped up to now, enabling us to foster all-round customer loyalty to RheinLand even in special cases.

An organisational topic throughout the previous year was the introduction of the new commission system, carried out on 1 January 2017. The conceptual aim was to create standardisation wherever possible and to guarantee better traceability.

Via our distribution channel, Bancassurance, we offer our partners customised insurance solutions from a single source: Individually conceived and adapted to target groups and distribution channels. As a specialist, with our products, we support banks, insurance

companies, agents, manufacturers and commerce in the field of payment protection insurance, term life insurance and policies for automotive with competitive coverage concepts.

In the reporting year, we were able to achieve strong growth, especially in our foreign markets. Both in the Netherlands and in Italy, premium growth clearly exceeded our expectations. We are represented in both countries by subsidiaries: The management of our successful sales activities in the Netherlands is handled from Amsterdam, whereas our business in Italy is spearheaded from Milan.

With our range in the product fields of term life insurance and payment protection insurance, we were able to rapidly expand business in the Netherlands. With our product expertise – in high demand particularly in the field of mortgage financing, we benefited from the continued recovery of the Dutch real estate market. The favourable starting position we already enjoy in the Netherlands was further solidified by last year's acquisition of a large cooperation partner, the Callas Group. This cooperation with one of the leading Dutch specialists for the administration and sales of insurance products existed since 2011 and is now being successfully continued under a new constellation, maintaining the established name and company location.

The favorable impetus our business received last year in Italy has confirmed our assessment of the growth potential in that country. In collaborating with our Italian cooperation partner, we were able to gain market shares with our coverage concepts for the "cessione del quinto". With the "cessione del quinto" loan model, employees and retirees have the option of using 1/5 of their monthly income as a loan payment and having this fifth directly deposited by their employer or pension provider. Nonetheless, the following applies: Without appropriate protection mechanisms, default risks remain in cases of salary interruption or death of the loan recipient. With our coverage solutions, financial service providers, heirs and/or customers are protected from this default risk.

In Germany, business growth has continued throughout the past year within the scope of our expectations. With our most important partners, we are on a growth trajectory, and beyond this, we are vigorously exerting our efforts to broaden our base. We managed to create a successful link in the vibrant world of up-and-coming start-ups. Our new cooperation partner has developed a digital solution for all transactions on all aspects parking in car parks – from searching for a parking space, routing, right down to parking and electronic payment –, which we have enhanced with an insurance product for frequent parkers. Moreover, we have been able to launch cooperation in the digital start-up scene with a new type of shopping platform for car trading: The focus here is on car financing, which we flank with matching coverage modules.

We also see new distribution options in business- and employer-financed pension products. They are in line with the trend, because especially in competition for specialists, companies with these types of services can be more attractive. This demand is the basis of an insurance product that we introduced in the market last year. The corporate work disability insurance was developed by us in a joint project with an external service provider and assists workers in case of work disability. In case of work disability, the work disability insurance covers virtually the entire income gap between the daily sick pay covered by statutory health insurance and the previous net income. This approach is considered unique.

Legal framework conditions

In the financial year 2016, there were numerous important high court decisions and essential legislative amendments for the insurance industry. These include

- German Federal Court of Justice (BGH) ruling of 14 January 2016 concerning claims adjustment on behalf of the insurance brokers of the insurer
- Law for implementation of the directive on alternative dispute resolution of 25 February 2016
- German Federal Court of Justice (BGH) ruling of 27 April 2016 concerning the instruction of pre-contractual duties of disclosure
- Financial market reform legislation of 2 July 2016
- Amendment Section § 309 No. 1 German Civil Code on 1 October 2016

All rulings and legislative amendments were examined by RheinLand Versicherungsgruppe in terms of the need for action, and necessary adjustments were made.

The European Parliament published the Insurance Distribution Directive (IDD) in the Official Gazette of the EU on 22 February 2016. The member states are required to transform the EU directive into national law within a period of 24 months. RheinLand Versicherungsgruppe used the year 2016 to carry out compliance reviews on various topics. In the year 2017, concrete implementation will be initiated within the scope of a project.

The EU General Data Protection Regulation (EU-GDPR) was published on 4 May 2016 in the Official Journal of the European Union and went into effect on 24 May 2016. After a transition period of two years, from 25 May 2018 the new data protection regulations will become directly binding throughout the European Union, superseding national data protection law in many areas. RheinLand Versicherungsgruppe has also initiated

an internal group project to ensure implementation within the deadline.

RheinLand Holding AG fully implemented in the company the requirements applicable from 3 July 2016 based on the Market Abuse Regulation (MAR), which was already mentioned in the annual report of the previous year. The relevant changes pertain to the handling of insider information, so-called directors' dealings of executives and persons close to them, along with ad hoc releases. The necessary internal guidelines for implementation were issued and new processes introduced. The Law and Compliance department informs the Supervisory Board, Executive Board and relevant employees concerning the new regulations.

In the area of compliance, training courses and informational events were staged in 2016 in the course of implementing the Solvency II directive promulgated in the year 2015.

The description of the compliance management system of RheinLand Versicherungsgruppe for adhering to the code of conduct of the German Insurance Association concerning the sale of insurance products was once again audited on the cutoff date of 31 December 2016 and the system was deemed reasonable.

The 2016 corporation law amendment went into effect at the end of 2015. An exception applies only for the newly drafted section 58 (4) Joint Stock Company Act (AktG), in which the maturity of the dividend entitlement is postponed to the third day after the Annual General Meeting. This rule only went into effect on 1 January 2017.

Forecast Report

The new year has started under the ambivalent constellation of robust growth in the domestic economy and international risks. The growth forecast for Germany ranges from 1.0 % to 1.5 %. In 2018, the world economy could grow at 1.6 %. Among the major uncertainty factors on the horizon is economic growth in the United States, which continues to have a global impact.

Britain's Brexit negotiations with the European Union and the development in deeply-indebted countries in southern Europe (Italy, Greece) will also have ramifications on the business climate. The crises in the Middle East and the Ukraine are also considered incalculable with adverse effects. The political uncertainties and the low interest rate environment will continue to have significant impact on the insurance industry in the coming year.

In Germany, however, a large number of indicators are likely to be on the upswing. The unemployment rate, for example, is likely to remain at historic lows and employment will continue to experience robust growth. According to an estimate by the council of economic advisors, one-half million new jobs are anticipated. Observers anticipate that the recent lull in investment and exports will improve somewhat over the course of the year. The rate of inflation could increase slightly: The council of economic advisors anticipates an increase of 2.2 %.

The political uncertainties and the low interest rate environment will continue to have significant impact on the insurance industry in the coming year. It remains to be seen, for example, what effects world events, e.g. Brexit or the US economic policy, will have on the industry.

Our field sales force has begun the year with optimism and full motivation. In this, it has proven to be the right strategy to place special value on the entrepreneurial development of every agency: Our ever more professional and more diversified local representatives offer our customers a full range of service in all insurance-relevant matters.

We have emphasised this entrepreneurial approach by once again making organisational changes in the first few months of the new business year: We have done away with the division into general agencies, branches I and II, as well as regional offices; in the future, RheinLand sales will only consist of branches and regional offices. Associated with this is a significant strengthening and streamlining of so-called agency competencies, e.g. in claims adjusting and in marketing. In this manner, we ensure the attractiveness and competitiveness of our field sales force. This includes adequately remunerating the work performed by our sales people. Our new commission model, to which we changed over at the beginning of the year 2017, was able to go into effect after intensive preparation with unanimous approval by our field sales force. Given a wide array of individual agreements, the object was to redesign system from the ground up. With the required level of sensitivity, we developed a compelling, transparent solution, and we are sure that by doing so, we have created a strong foundation for the future.

In terms of staffing, the exclusive agency organisation is currently well positioned. That is why we seek to stabilise the number of master agents, partners and customer associates at around 300. In doing so, we pay very close attention to who is really a good fit for us, in order to consistently continue along the path of quality-oriented development that our field sales force has successfully embarked upon.

The impetus consistently provided by our distribution channel Bancassurance in Germany, in the Netherlands and in Italy will have a positive impact on business development. We expect moderate growth on a high level in all three markets.

Our cooperation with German financial institutions occurs on a broad base on which we are robustly expanding our business: We have viable connections both in the private and cooperative and public banking sector, which we each serve with perfectly-matched products. An innovation this year will be the introduction of ser-

vice insurance policies in connection with credit cards and accounts.

In the Netherlands, through strategic investments we have succeeded in reinforcing our position as a provider of insurance solutions, particularly in the field of mortgage financing. This will enable to further boost this year what is already a high level of market penetration.

In Italy, we will position ourselves even stronger as a specialist for insurance of the country's typical "cessione del quinto". With this loan model, employees have the option of using 1/5 of their monthly income as a loan payment and having this fifth directly deposited by their employer. In addition, in Italy are planning to enter the business with residual debt insurance. That is why we are very confident to be able to further grow in the Italian market.

The central banks will continue to have a large influence on the further development of the world economy in 2017. In Europe, there are signs that the expansionary monetary policy may continue – despite the increased rates of inflation in most countries of the euro zone at year-end and at the beginning of the new year. One indication that the European Central Bank may continue to pursue an offensive strategy is that its bond purchasing programme is being maintained. Since the beginning of the purchases in March 2015 up to the end of 2016, the ECB took government bonds in the scope of €2 trillion onto its books. The programme is expected to continue at least until the end of March 2017. One effect of these measures is that the bond yields in the euro zone continue to remain low.

The financial market could also become more volatile in the year 2017 under the influence of political events. Milestones were and are the parliamentary election in the Netherlands, the presidential election in France and in September, the federal election in Germany. It still cannot be ruled out that the European Union may come under heavy political pressure due to the election results individual states – which would not be without consequences for the euro and the European economic area.

In the course of the 2017 financial year, our capital investments and the income generated from this have correspondingly reached our expectations. Despite the continuing low interest rate environment, we anticipate from today's perspective that the planned current net investment income result, anticipated to be lower than in 2016, and that the other miscellaneous investment income result will be achieved for 2017. The planned net investment income results from 2018 will be evaluated in due time and adjusted if necessary, taking into account the subsequent market development.

We anticipate a comparably strong result for the 2017 financial year. Our assumption is based on the fact that our distribution channels will continue to develop as favorably as the beginning of the year, major force majeure events will largely not occur and the financial markets will behave stably.

Opportunities Reporting

The business model of RheinLand Versicherungsgruppe is focussed on the three sales channels of own field sales service, broker business and Bancassurance. In the context of its continuous expansion, the Group has a clear and lean structure with a profit-oriented focus. Furthermore, reorganisation measures as well as innovative products ensure that each business segment contributes to the Group's profitability. An increased level of awareness for changes contributes to strengthened creativity, innovation and success.

Our existing business model of RheinLand Versicherungsgruppe, based on three brands and sales forces, has proven itself. We provide our own field sales force, our network of agents and our Bancassurance distribution channel with products and solutions with which we properly position ourselves and reach our target groups. Our conscientious service mind set, our flat decision-making hierarchies and lean organisations afford us many advantages: They foster a partnership in the truest sense of the word, create freedom to manoeuvre, in which we can flexibly respond to changing conditions – working together with customers in cooperation partners.

The consistently close connection of our company to the later generations of the founding families lends us a unique profile and ensures the independence of RheinLand Versicherungsgruppe in a market environment characterised by consolidation processes. From the beginning, our conduct has been guided by ethical business principles. Our company has continued to develop building on this foundation of values, which is as relevant today as ever. We combine the awareness of this tradition with an innovative spirit and courage to embark upon new paths. Our employees are the most vital asset in this: For it is they who robustly shape this continuous process of change.

RheinLand Versicherungs AG sees its strengths in its own field sales force, in particular in property, third party liability and casualty insurance, as well as in Bancassurance in payment protection and purchase price insurance. The stronger focus on profitable business segments and the additional expansion of distribution channels guarantee the continued viability of RheinLand Versicherungs AG in the insurance market.

Risk reporting

Pursuant to section 91 (2) Joint Stock Company Act (AktG), joint stock companies are obliged to report on the risks of future development. In addition, Solvency II prescribes additional statutory requirements for the risk management of insurance companies. The fulfilment of these requirements was implemented uniformly throughout the Group.

The risk management documentation is reviewed on an annual basis and revised where necessary. In particular, this includes the risk strategy derived from the business strategy, the internal risk management guideline, the limit system and the handling and assessment of operational strategic and reputation risks. Furthermore, the internal management and control system in the respective areas is examined at least once a year and updated if required.

For RheinLand Versicherungs AG, the underwriting risk is of essential significance. The market and default risk are considerably lower. According to the individual risk categories, the following risk position arises for the:

Underwriting risk

Underwriting risk describes the risk, based on coincidence, error or change in the actual expense for claims and benefits, which deviates from the anticipated expense. It also includes cost and disaster risk.

The product range of RheinLand Versicherungs AG in the direct insurance business, the traditional products of property and casualty insurance and special products of payment protection insurance solutions.

Payment protection insurance

In the payment protection business, the portfolio of RheinLand Versicherungs AG consists of work disability and unemployment insurance policies. These are brokered by a series of medium-sized cooperation partners, generally to secure mortgage, car or consumer loans.

Mastering the technical insurance risk in specialty business is particularly challenging. For example, unlike in the traditional insurance segments in the property and casualty business, there are no statistical fundamentals provided by the German Insurance Association or the German Actuarial Society. From the technical trend of historical portfolios in connection with publicly available statistics of social insurance carriers, own calculation bases were developed for the work disability insurance and the unemployment insurance.

Profitability models are analysed at least once annually for each individual cooperation partner by means of a standardised technical schema according to the underwriting year and balance sheet year. As a flanking measure, the technical gross earnings with the relevant forecast values are compared monthly for all major cooperation partners. The results of these analyses are discussed in the management circle responsible for the operative business. This ensures that any unfavorable developments can be quickly detected, and countermeasures can be taken in a timely manner. Fundamental negative developments have not been discovered thus far.

Property and Casualty Insurance

According to suitable underwriting guidelines and authorities to sign, RheinLand Versicherungs AG pursues the extension of property, third party liability and casualty segments in the private and commercial business with stable contribution margins essentially via its own field sales organisation. Due to the regional focus with

regard to the business segment, there are concentration risks in case of natural disasters. These risks particularly affect comprehensive homeowner insurance and the resulting profit volatility. The objective, through an appropriate mix consisting of co-insurance and re-insurance, to significantly reduce the potential effects. Traditional large-scale industry or commercial business with major loss and/or long-term loss potential are not underwritten. There is consistent monitoring of income regular controlling of the insurance segments, and diligent restructuring, where necessary.

The rating and reservation functions located in different departments. The reservation is in accordance With commercial and actuarial guidelines of the principle of prudence. The reservation for claims related to individual cases follows established internal loss guidelines to ensure appropriate and consistent reservation. The sufficiency of the reserves is regularly reviewed.

Under the premise of a stipulated target rate of return, as well as well as defined target claim ratios, the company engages in contribution margin-oriented multi-year planning. This is flanked by the performance of analyses and controlling of the development of the risks in the insurance portfolio.

Market and Default risk

Market risk refers to the risk resulting directly or indirectly from the sensitivities of assets, liabilities and financial instruments with respect to changes or the volatility of the interest curve or interest rates, share prices, credit spreads (via the risk-free interest curve) as well as the market prices of real estate properties. The market risk includes the exchange rate risk. It also includes concentration risks resulting from lack of diversification in the asset portfolio.

Default risk describes the risk resulting from unexpected default or deterioration of the credit rating counterparties and debtors.

Investments

To control the investment risks, there are already high regulatory requirements that are described and specified as part of the in-house investment guidelines and procedures. In addition, investment risks are monitored and controlled by defined risk capital budgets, limits and threshold values.

There is a traffic light system for the provision for loan losses and control of the portfolios of ABS securities. On the basis of this traffic light system and the existing external ratings, the ABS Fund and the direct portfolio are regularly monitored in terms of potential defaults, and the current status is reported to the Executive Board and the Supervisory Board. ABS securities in the ABS Fund designated red on the traffic light are immediately transferred at fair value to the direct portfolio in order to guarantee the ABS Fund's premium reserve stock eligibility.

The book value of the ABS fund is also the fair value of €10,452 K. Furthermore, this includes six ABS securities in the direct portfolio with a book value of €1,247 K and a fair value of €1,427 K.

Write-downs were not required. At present, there are no repayment defaults with regard to ABS securities. However, it cannot be ruled out that write-downs may occur in the future due to repayment defaults.

In the reporting year, RheinLand Versicherungs AG made reinvestments in the ABS Fund in high-quality short-term asset-backed securities (min. A rating). The company continued to refrain from further new investments in structured products involving credit risks (asset-backed securities, collateralised debt obligations,

collateralised loan obligations) and/or from investments in private equity and credit linked notes.

Its investments are primarily focused on European issuers with a high credit status (average rating of "AA").

The bond portfolio of RheinLand Versicherungs AG is as follows:

Bond portfolio	in € K	as % of total
Total	306,067	
of which government bonds	25,846	8.4
Bank exposure	263,082	86.0
Corporate bonds	15,892	5.2
ABS products	1,247	0.4

With regard to the bonds stated (excluding ABS direct portfolio), there is additional hedging due to:

Insurance:	in € K	as % of total
Right of lien	130,199	42.5
Deposit protection	109,015	35.6
State guarantee	25,846	8.4
without hedging	39,760	13.0

With regard to the bond portfolio in the bank exposure with a total of € 263,082 K, there are none of the above hedging measures for the amount of € 23,868 K (9.1 %).

There is subordination (excluding ABS direct portfolio) in the following amount:

Subordination	in € K	as % of total
Profit-sharing rights	0	0.0
Subordinated loans	1,002	0.3

There is no guarantee risk regarding the investment required to finance the guaranteed minimum interest rate during a sustained low-interest phase.

Fluctuations in the capital market in the future will only result in limited impairment risks due to the high degree of security of the investments for RheinLand Versicherungs AG. Declining prices would primarily lead to hidden burdens being shown due to the buy and hold strategy.

The current developments are analysed continuously. At present, there is no major need for action. The internal stress tests performed over the course of the year did not result in any need for action either.

Reinsurance

RheinLand Versicherungs AG aims for a needs-based inexpensive reinsurance policy in consideration of the aspects of security and continuity. With regard to the selection of individual reinsurance contract partners, against the backdrop of the long-term contractual relationships being sought, as a secondary condition with respect to their credit rating, there is a requirement of a minimum A rating (Standard & Poor's or a similar rating of another rating agency). Market developments and deteriorations of the credit rating are subject to continuous monitoring as part of the limit system. The reinsurance business assumed by external companies has once again gained in importance due to the contractual relationships.

Like investments, the receivables from reinsurers, intermediaries and customers are always subject to credit risk. For the provision for loan losses, RheinLand Versicherungs AG performed value adjustments with regard to the receivables portfolio where required.

Operational risk

Operational risk describes the risk of losses due to unsatisfactory or failed internal processes or employee- or system-related incidents or external incidents as well as legal risks.

The controlling and monitoring of the operational risks is handled by the responsible departments. For operational risks, scenario analyses are performed once a year and risk indicators concerning the monitoring over the course of the year are reviewed. Emergency plans, insurance policies, access controls as well as and authorisation rules result in low probability of occurrence and potential damage.

As part of the risk control of operational risks, a documented Internal Control System (ICS) plays a central role. It ensures the systematic prevention and early detection of process risks. To manage the essential process risks, key controls have been set up.

In general, there is the risk that the court rulings issued in individual cases can also affect the operating units of RheinLand-Gruppe. An appropriate process is in place for early detection of such risks. Where required, the risk is addressed by forming an adequate provision.

Liquidity risk

Liquidity risk describes the risk of losses due to decline of the prices or lack of liquidity of the relevant markets with sale of assets due to short-term liquidity need.

For regular monitoring of liquidity, monthly liquidity plans are created. Owing to the short duration (2.8 years) of the annuity portfolio and the business model, the average monthly liquidity surplus of RheinLand Versicherungs AG is approximately 10.4 %, measured in terms of overall investments and the anticipated liquidity surplus without reinvestment is approx. €71,919 K for 2017. Therefore, from today's perspective, no liquidity risk exists.

Strategic risk

Strategic risk is the risk arising from strategic business decisions. Strategic risk also encompasses the risk arising from the fact that business decisions might not be adapted to a changed economic environment. As a general rule, strategic risk constitutes a risk that arises in connection with other risks. However, it may also manifest itself as an individual risk.

Clearly regulated decision-making processes and close cooperation of all relevant decision-making bodies are the basis for efficient control of strategic risks. Planning and controlling processes guide and monitor the achievement of the strategic objectives. A structured planning process involving all relevant business segments is implemented.

Strategic risks are identified and qualitatively assessed on an annual basis within the scope of an analysis of strengths/weaknesses. The identified material risks are included in the above-mentioned risk categories.

Reputation risk

Reputation risk constitutes the risk of possible damage sustained to the company's reputation as the result of negative public perception of RheinLand Versicherungs AG (e.g. on the part of clients, business partners, shareholders and authorities). Just as with strategic risk, as a general rule, reputation risk constitutes a risk that frequently arises in connection with other risks. However, it may also manifest itself as an individual risk.

Reputation risks are qualitatively evaluated on a regular basis and continuously monitored. In 2016, there was no reputation risk for RheinLand Versicherungs AG.

Summary presentation of the risk position

Overall, there is currently no development evident that could unexpectedly have an adverse and lasting effect on the net assets, financial position and results of operations of RheinLand Versicherungs AG. The solvency ratio according to Solvency II, not to be audited by the auditor, is higher as per December 31, 2016 than the 100 % coverage of the SCR (Solvency Capital Requirement) called for by regulatory authorities and is also above the internally established limit of 120 %.

Relationships to affiliated companies

The share capital of RheinLand Versicherungs AG is owned 100 % by RheinLand Holding AG, Neuss. In the reporting year, RheinLand Versicherungs AG was merged with RheinLand Holding AG, Neuss, and its subsidiaries. With regard to these companies, positions in both the Supervisory Board and the Executive Board are mainly held concurrently. For further information, please refer to our statements among shares in affiliated companies in the notes. The protective clause is invoked according to Section 286 (3) (1) (2) German Commercial Code (HGB).

There is a control and profit transfer agreement with RheinLand Holding AG.

A service contract for the technical and commercial management of the insurance portfolio, asset management and investment, as well as general administration, exists with RheinLand Lebensversicherung AG, Credit Life AG, the Rhion Versicherung AG and RheinLand Holding AG.

In addition, the life insurance field sales organisation provided brokerage service for RheinLand Lebensversicherung AG, which does not have its own sales organisation.

An agency agreement effective exists with Credit Life International Services GmbH for payment protection insurance brokerage.

For the services to affiliated companies, the direct and indirect expenditures incurred were settled.

Relations with affiliated companies

The company is a member of the "German Insurance Association", Berlin, its member industry associations as well as the "Employer's Association of Insurance Companies", Munich.

In addition, there are memberships in the associations, "Verkehrsofferhilfe e.V." (association for the assistance of traffic accident victims), Hamburg, "Deutsches Büro Grüne Karte e.V." (German Green Card Bureau), Hamburg, "Versicherungsombudsmann e.V." (Insurance Ombudsman), Berlin, and "Pensions-Sicherungs-Verein VVaG" (Pension Protection Mutual Organisation), Cologne.

The significant

The staff of the operative RheinLand Versicherungsgruppe is exclusively provided by RheinLand Versicherungs AG. Our number of employees was already reduced to 793 in the reporting year due to restructuring already described in the previous year (previous year: 840). The share of female employees in our company remained virtually unchanged at 43 % (previous year: 44 %). The fluctuation was 7.0 % (previous year: 8.5 %) based on the restructuring initiated in the previous year and continued in the financial year.

Trainee Programme

For several years now, RheinLand Versicherungs AG, one of the largest companies providing training programmes in Neuss, a city along the Rhine River, has had many years of experience and growing success, offering young people a future-driven and quality-oriented professional training. The training success is achieved through the dedication of trainers in inside sales and field sales staff as well as through the use of efficient learning and teaching methods. Practical work methodologies allow great latitude for individual ideas and creativity.

On 1 August 2016, RheinLand Versicherungs AG hired 18 trainees – divided among two trainee professions. Out of the total 18 trainees, 17 undergo training as trainees as commercial agents for insurance and finance, and one trainee a training programme as a commercial agent for marketing communication. The focus of this traineeship this year will once again be field sales force training. A total of 11 young people in sales are being trained in the sales organisation of RheinLand Versicherungs AG, in the regional offices, branches and general agencies.

Beyond the training programme, two trainees are completing integrated university studies according to the "Cologne Model". This professional training takes place in cooperation with the "Berufsbildungswerk der Ver-

sicherungswirtschaft Rheinland" (Rhineland Insurance Industry's Vocational Training Centre) and the Institute of Insurance and Actuarial Science at the Cologne University of Applied Sciences. With the academic degree qualification of Bachelor of Science, it offers the trainees the best possible future opportunities in the insurance industry.

This year, for the first time we are offering a "General Management" course of studies. The studies are carried out as "training on the job", and take place in cooperation with the Rhein/Erft European University of Applied Sciences in Neuss. After studies of 6 semesters and a subsequent bachelor's thesis, the students are awarded the academic degree of "Bachelor of Arts". And here we are enabling a student a successful future in the insurance sector.

As of the end of the reporting year (31 December, 2016 cut-off date), a total of 51 young people, encompassing four training disciplines, are being prepared in the company for their future professional careers. Of the 51 trainees, 25 are assigned to sales.

Under the slogan "Nurturing and Challenging Young Talent", RheinLand Versicherungs AG additionally supports cooperating insurance brokers in the initial training of their trainees. At the end of the reporting year, eight trainees as commercial agents for insurance and finance will benefit from the versatile training concept.

In order to enable our trainees, upon successful completion of the final examination, a successful launch into their careers, the company offers the trainees of the inside sales department, where qualified, an indefinite position, thus phasing out at the end of 2016 the previous policy of one-year limited-term contracts. In doing so, we are setting an example, demonstrating that performance is rewarded, and we want to motivate our young trainees to stay with the company in the medium- and long-term.

Award earned by RheinLand Versicherungsgruppe for "Top Career Opportunities"

With the "Top Career Opportunities" test seal of approval, the "Focus" news magazine recognises employers who support their employees in terms of career development. For the study, more than 2,000 companies in 59 industries based in Germany were examined. 693 companies received recognition – of which 28 were from the category of "Insurance Companies and Health Insurers". Companies were rated in the categories of employer image, leadership culture, advancement opportunities, power of innovation, sustainability and employee loyalty; the analysis of the results was guided by Prof. Dr. Werner Sarges, University of the German Federal Armed Forces in Hamburg. RheinLand Versicherungs AG achieved a strong midfield finish in this category "Insurance Companies and Health Insurance Funds" and was awarded the seal of approval.

For the protection of health, RheinLand Versicherungs AG seeks approaches for optimising the workplace environment and deriving targeted measures for improvement. As an initial fact-finding exercise under the title "Working healthy – assessing work-related stress factors" from 10 – 28 October 2016, a company-wide employee survey was conducted. The questionnaire is based on ergonomic criteria for healthy industrial engineering. 70.3% of the employees were participated. We are proud to note the consistently positive results. Currently, workshops with employees and executives are being conducted in order to improve the workplace environment even more.

Corporate Health Management

RheinLand Versicherungsgruppe stands for a corporate culture that fosters a positive workplace environment. Productivity and performance, as well as health and wellbeing of employees, are likewise significant basic values of the company. In an increasingly challenging working world, the burdens that can lead to (negative) stress are increasing. Work-related stress can have a negative impact on mental and physical health, and thus on performance.

Environmental Management

As an insurance group we are particularly affected by changing environmental and climatic conditions and the associated increase in storm-related damage and the resulting claims burdens. For this reason alone, we engage in active environmental protection internally and externally. At the same time, we seek to save resources, reduce operating costs and, not least, to act as a role model. We are supported in this by an environmental management system that guides our environment-relevant processes and assists us in systematically identifying and harnessing potential for improvements.

As a primary objective of our environmental activities, we intend to ensure CO₂ neutrality of our business operations for a period of 50 years. In cooperation with the climate association "PRIMAKLIMA-weltweit e.V.",

in several tranches, we have commissioned reforestation measures at our location in Neuss, at additional locations in Germany, in Europe and even worldwide. The afforested areas compensate for the sum of all CO₂ emissions of our business operations, so that we were already able to achieve our goal in May 2011. This made us the one of the first insurers in the German market to achieve CO₂ neutrality of its business operations so quickly.

With our environmental report, published periodically, we provide proof each year that we are economical and prudent in our energy consumption and use of resources, and we are justified in bearing the label, "CO₂ Neutrality in our Business Operations". We also continue to be transparent and open in the future in providing this documentation.

Neuss, 20 April 2017

The Executive Board

Christoph Buchbender

Dr. Lothar Horbach

Udo Klanten

Andreas Schwarz





Annual Financial Statements

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Period from 1 January to 31 December 2016

Balance sheet

as at 31 December 2016

Assets	2016	2016	2016	2016	2015
	€	€	€	€	€
A. Intangible assets					
Purchased concessions, industrial and similar rights and assets and licenses in such rights and assets as well as licenses to such rights and assets				5,325,634.31	6,117,836.55
B. Investments					
I. Equity investments in subsidiaries and affiliates					
1. Shares in affiliated companies		1,587,309.34			1,431,061.13
2. Loans to affiliated companies		10,000,000.00			0.00
3. Participating interests		1,100,859.44			1,100,859.44
			12,688,168.78		2,531,920.57
II. Other investments					
1. Shares, units or shares in investment funds and other variable yield securities		12,101,153.15			11,802,309.02
2. Bearer bonds and other fixed-income securities		169,921,386.37			188,493,627.34
3. Mortgages, land charges and annuities receivable		326,139.52			639,256.04
4. Other loans					
a) Registered notes	16,001,524.23				26,503,791.23
b) Notes receivable and loans	110,143,927.96				121,794,001.21
c) Other loans	0.00				500,316.89
		126,145,452.19			148,798,109.33
5. Deposits at banks		28,627,793.46			24,441,543.84
6. Other investments		20,920.00			20,920.00
			337,142,844.69		374,195,765.57
III. Deposits retained on assumed reinsurance					
			912,898.27		900,758.51
thereof: from affiliated companies					(0.00)
€0.00					
				350,743,911.74	377,628,444.65

Assets	2016	2016	2016	2016	2015
	€	€	€	€	€
C. Receivables					
I. Amounts receivable from direct insurance business with:					
1. Policyholders		1,347,900.24			1,444,091.38
2. Insurance intermediaries		7,788,611.27			5,625,946.57
			9,136,511.51		7,070,037.95
II. Reinsurance receivables			1,305,017.43		4,005,708.14
thereof: from affiliated companies					(0.00)
€0.00					
III. Other receivables			14,970,808.71		17,769,504.14
thereof: from affiliated companies					(14,138,370.98)
€13,457,185.04				25,412,337.65	28,845,250.23
D. Other assets					
I. Fixed assets and inventories			5,442,316.76		5,849,109.21
II. Current bank balances, checks and cash balance			12,508,712.71		10,874,470.02
III. Other assets			679,555.95		379,645.94
				18,630,585.42	17,103,225.17
E. Deferred items					
I. Deferred interest and rent			2,172,609.19		2,717,668.18
II. Miscellaneous Deferred items			3,552,329.49		4,527,856.38
				5,724,938.68	7,245,524.56
F. Subordinated liabilities from asset allocation				51,147.44	60,372.66
				405,888,555.24	437,000,653.82

Liabilities

	2016	2016	2016	2015
	€	€	€	€
A. Equity				
I. Subscribed capital		39,304,192.00		39,304,192.00
II. Capital reserves		9,756,701.77		19,756,701.77
III. Retained earnings				
1. Statutory reserve	2,823,717.43			2,823,717.43
2. from other retained earnings	6,580,236.52			6,580,236.52
		9,403,953.95		9,403,953.95
IV. Net profit for the year		10,000,000.00		0.00
			68,464,847.72	68,464,847.72
B. Technical provisions				
I. Unearned premiums				
1. Gross amount	115,617,692.83			124,723,629.12
2. of which: Share of the assumed reinsurance business	22,490,268.07			35,547,051.55
		93,127,424.76		89,176,577.57
II. For life insurance				
1. Gross amount	29,983,731.10			53,977,388.00
2. of which: Share of the assumed reinsurance business	0.00			0.00
		29,983,731.10		53,977,388.00
III. Provision for outstanding claims:				
1. Gross amount	159,637,363.14			153,172,244.36
2. of which: Share of the assumed reinsurance business	32,774,085.67			40,345,731.89
		126,863,277.47		112,826,512.47
IV. Equalisation provision and similar provisions		22,502,938.00		24,037,087.00
V. Other technical provisions				
1. Gross amount	2,065,129.93			1,631,743.81
2. of which: Share of the assumed reinsurance business	250,126.30			537,475.19
		1,815,003.63		1,094,268.62
			274,292,374.96	281,111,833.66
C. Other provisions				
I. Provisions for pensions and similar obligations		225,184.79		0.00
II. Tax provisions		2,498,924.00		1,167,000.00
III. Other provisions		14,816,716.00		11,659,313.62
			17,540,824.79	12,826,313.62
D. Deposit account liabilities			17,682,213.24	36,525,725.21

Liabilities

	2016	2016	2016	2015
	€	€	€	€
E. Other Liabilities				
I. Liabilities arising out of direct insurance operations from:				
1. Policyholders	8,617,625.10			7,219,620.20
2. Insurance intermediaries	1,833,500.44			2,292,030.52
		10,451,125.54		9,511,650.72
II. Reinsurance payables		4,134,972.30		5,665,629.98
thereof: towards affiliated companies €0.00				(0.00)
III. Other Liabilities		11,172,385.88		20,198,006.03
thereof: towards affiliated companies €2,793,693.57				(116,251.56)
from taxes €2,909,954.20				(2,993,824.82)
thereof as part of a pension scheme 0.00 €				(3,541.04)
			25,758,483.72	35,375,286.73
F. Deferred items			2,149,810.81	2,696,646.88
			405,888,555.24	437,000,653.82

It is confirmed that the provision for the actuarial reserve disclosed in the balance sheet under items B.II. and B.III of liabilities, was calculated taking into account Section 341f and 341g German Commercial Code (HGB) as well as the legal regulations adopted based on Section 88 (3) Insurance Supervision Act (VAG).

Neuss, 19 April 2017

The responsible actuary

Lutz Bittermann

Profit and Loss Account

	2016	2016	2016	2015
	€	€	€	€
I. Technical account				
1. Net premiums earned				
a) Gross premiums entered	216,753,668.64			182,617,461.96
b) Reinsured premiums	30,123,210.59			40,677,847.53
		186,630,458.05		141,939,614.43
c) Change in gross unearned premiums	9,105,936.29			24,773,175.68
d) Change in the share of the reinsurers in gross unearned premiums	13,056,783.48			14,899,571.38
		-3,950,847.19		9,873,604.30
			182,679,610.86	151,813,218.73
2. Technical interest for own account			170,654.08	158,731.79
3. Other net technical income			62,485.65	128,738.84
4. Net costs of insurance claims				
a) Payments for insurance claims				
aa) Gross amount	104,860,955.35			137,463,899.50
bb) Share of the reinsurers	26,764,806.52			47,698,064.46
		78,096,148.83		89,765,835.04
b) Change in the provision for outstanding insurance claims				
aa) Gross amount	5,915,250.26			-31,206,267.48
bb) Share of the reinsurers	-7,571,646.22			-32,964,367.28
		13,486,896.48		1,758,099.80
			91,583,045.31	91,523,934.84
5. Change in other miscellaneous technical net provisions				
a) Net provision for future policy benefits		-23,993,656.90		-28,738,096.00
b) Other net technical provisions		720,735.01		463,425.88
			-23,272,921.89	-28,274,670.12
6. Costs of insurance operations for own account				
a) Gross costs of insurance operations		114,493,176.57		95,905,889.91
b) of which: Reinsurance business commissions and profit shares received		15,520,233.26		26,351,700.68
			98,972,943.31	69,554,189.23
7. Other miscellaneous net insurance operations expenditures			578,804.96	412,122.40
8. Sub-total			15,050,878.90	18,885,113.01
9. Change in the equalisation provision and similar provisions			1,534,149.00	-597,934.00
10. Net technical income			16,585,027.90	18,287,179.01

for the Period from 1 January to 31 December 2016

	2016	2016	2016	2015
	€	€	€	€
Transfer of net technical income			16,585,027.90	18,287,179.01
II. Non-technical account				
1. Investment income				
a) Income from participating interests	3,370,000.00			110,000.00
thereof: from affiliated companies: €3,250,000.00				(0.00)
b) Income from other investments	6,037,984.12			7,356,638.85
thereof: from affiliated companies: €23,287.67				(0.00)
c) Income from write-ups	53,463.09			0.00
d) Gains arising from the disposal of investments	289,386.91			290,005.06
		9,750,834.12		7,756,643.91
2. Investment costs				
a) Costs for the administration of investments, interest expenses and other expenditures for the administration of investments	591,503.55			540,796.35
b) Depreciation on investments	419.86			0.00
c) Losses from the disposal of investments	6,348.68			6,932.95
		598,272.09		547,729.30
		9,152,562.03		7,208,914.61
3. Technical interest income		-170,654.08		-158,731.79
			8,981,907.95	7,050,182.82
4. Other income		44,488,321.82		44,465,642.96
5. Other expenses		50,810,849.46		49,882,486.44
			-6,322,527.64	-5,416,843.48
6. Result from ordinary business operations			19,244,408.21	19,920,518.35
7. Tax on income and profit plus legal reserve	2,180,008.91 0.00			3,777,383.25 0.00
		2,180,008.91		3,777,383.25
8. Miscellaneous Tax		6,310.50		7,229.72
			2,186,319.41	3,784,612.97
9. Profits transferred based on profit pooling, a profit transfer agreement or a partial profit transfer agreement			17,058,088.80	16,135,905.38
10. Net income for the year			0.00	0.00
11. Withdrawals from the capital reserve			10,000,000.00	0.00
12. Allocation to revenue reserves				
a) to the statutory reserve			0.00	0.00
13. Net profit for the year			10,000,000.00	0.00





Notes

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Accounting and Valuation Methods

The annual financial statements were prepared according to the regulations set out in the German Commercial Code (HGB) and the Stock Corporation Act (AktG), the Insurance Supervision Act (VAG) and the German Accounting Regulations for Insurance Companies (RechVersV).

Assets

Intangible assets

The valuation of the intangible assets acquired (IT software) was performed at acquisition cost. They were depreciated linearly depreciated on a pro rata basis.

Investments

Shares in affiliated companies

The shares in affiliated companies were valued at acquisition cost or with the lower of cost or market principle according to Section 253 (3) German Commercial Code (HGB).

Participating interests

The investment shares were valued at acquisition cost or with the lower of cost or market principle according to Section 253 (3) 3 German Commercial Code (HGB).

Other shares, units or shares in investment funds

As in the previous year, the company performed the valuation of investment shares according to Section 341b (2) German Commercial Code (HGB) in connection with Section 253 (3) HGB according to the moderate lower of cost or market principle.

The fair value was estimated as the valuation standard for RheinLand-ABS Fund.

The fair value was calculated by means of the so-called nominal value method based on the nominal values for the securities contained in the Fund at maturity, unless credit rating-linked adjustments are to be made. In this context, other assets contained in the fund (e.g. cash/debt management) are taken into account with nominal values. Possible impairments are monitored based on the traffic light system.

Other variable yield securities

The valuation of other variable yield securities was performed pursuant to Section 341b (2) German Commercial Code (HGB) in connection with Section 253 (1) German Commercial Code (HGB) according to the strict lower of cost principle.

The requirement to reverse impairment losses according to Section 253 (5) German Commercial Code (HGB) was fulfilled.

Bearer bonds and other fixed-income securities

As in the previous year, the company performed the valuation of the bearer bonds and other fixed-income securities according to Section 341b (2) German Commercial Code (HGB) in connection with Section 253 (3) HGB according to the moderate lower of cost or market principle.

The requirement to reverse impairment losses according to Section 253 (5) German Commercial Code (HGB) was fulfilled.

Mortgages, land charges and annuities receivable

Mortgages, land charges and annuities receivable are valued pursuant to Section 341c (3) German Commercial Code (HGB) at continued acquisition costs. In doing so, valuation adjustments are made to a reasonable extent.

Other loans

The valuation of registered bonds, notes receivable and other loans in accordance with Section 341c (3) German Commercial Code (HGB) is performed at valued at amortised acquisition costs. Where there were differences compared to the repayment amount (premium or discount) the effective interest method was applied for amortisation over the term.

The company is not making use of the option pursuant to Section 341c (1) German Commercial Code (HGB) to carry registered bonds at their nominal value.

Since we currently assume no default risk, there was no write-down in the financial year.

Deposits at banks

Deposits at banks are reported at nominal value.

Other investments

The other investments are valued at acquisition costs.

Current bank balances, checks and cash balance

Current bank balances, checks and cash balance are carried at nominal values.

Other assets

Receivables from policyholders and intermediaries arising out of direct insurance operations, as well as reinsurance receivables from reinsurance business were carried at their nominal value, minus any valuation adjustments.

Individual write-downs were made in a sufficient amount in case non-recoverability was obvious. The general provision for doubtful debts for the general default risk is based on our experience.

The other receivables were valued at their nominal value.

The fixed assets were capitalised at their acquisition costs and linearly depreciated. Low-value assets with acquisition costs of less than €150 were fully depreciated in the year of acquisition. A compound item was formed for assets between €150 and €1,000 was formed, depreciated as scheduled over five financial years.

Accrued interest and rent were recognised at their nominal values.

The inventories are valued at cost prices including value added tax.

The other assets were valued at acquisition costs minus value adjustments.

The other assets not individually stated were valued at their nominal amounts.

Deferred tax assets

According to Section 274 (1) German Commercial Code (HGB), there is the option to capitalise a relief resulting in total from the determination of the deferred tax assets and liabilities in the balance sheet. RheinLand Versicherungs AG is an income taxable controlled company of RheinLand Holding AG.

Deferred taxes result from different valuations of balance sheet items in the commercial and tax balance sheet. As the income tax consequences result due to different accounting under commercial and tax law by the controlling company, these valuation differences existing between the commercial and tax balance sheet as at 31 December 2016 will be taken into account at RheinLand Holding AG. RheinLand Versicherungs AG did not recognise any deferred taxes as at 31 December 2016.

Subordinated liabilities from asset allocation

In order to hedge the provision for employer-funded pension entitlements, the company has taken out pension plan reinsurance policies for each employee. These insurance policies are pledged to the respective employee, thus other creditors do not have access to them. According to Section 246 (2) German Commercial Code (HGB), the fair value to be applied is offset against the underlying obligations. As the asset value of the pension plan reinsurance exceeds the underlying obligation, it is shown in the balance sheet as subordinated liabilities from asset allocation. The fair value to be applied to the covered funds corresponds to the book value. The acquisition costs according to Section 255 (1) German Commercial Code (HGB) and the fair values to be applied to the offset assets according to Section 255 (4) German Commercial Code (HGB) are a total of €187 K. The settlement amount of the offset liabilities is €136 K in accordance with Section 253 (1) 2 German Commercial Code (HGB). This results in a net asset position in the amount of €51 K.

Liabilities

Technical provisions

The unearned premiums of the direct insurance operations were generally determined according to the 1/360 system from the entered premiums. Shares of the reinsurers were calculated taking into account the corresponding reinsurance agreements in relation of reinsurance premium to gross premium. Flat rates were applied to assumed insurance business based on the average of the previous insurers' assignments, to the extent that the previous insurers' instructions were not available. The determination of the unearned premium amounts was performed according to decree by the Minister of Finance of 30 April 1974. To determine the unearned premiums for guarantee insurance and payment protection insurance, a general cost deduction in the amount of the entire paid commissions was applied, which fully takes into account the commissions accrued at the time of the policy was concluded, using the (no longer applicable) state decree dated 30 April 1974.

The provisions for life insurance in the assumed reinsurance were generally recognised in the balance sheet according to the instructions of the assignors. The premium cover provision for casualty insurance policies was determined according to actuarial principles and the business plan.

The provisions for claims of the direct operations not yet settled were determined according to the individual claims provisions for outstanding claims as at 31 December 2016.

A provision was made for IBNR claims on the balance sheet date. The calculation for each claims year was based on the average claims expenditures and the number of the subsequently notified claims to be expected on the basis of the experience of past years.

The actuarial reserve for annuities was calculated according to the actuarial assumptions in the business plan.

Provisions were made for claims adjustment expenditures according to the coordinated state decree dated 2 February 1973.

The shares of reinsurers were taken into account according to the individual reinsurance contracts. We established the claims provision for reinsurance business according to the available assignments of previous underwriters, whereby estimates were made in cases where no information was available. The reinsurers' shares were determined according to the contractual obligations.

The calculation of the equalisation provision was performed according to Section 29 German Accounting Regulations for Insurance Companies (RechVersV) and the relevant notes.

The provision for unearned premiums from dormant motor insurance policies was determined based on individual contracts. In calculating the provision for contract cancellation, the default rates for the dunning status and outstanding accounts were used as a guide.

The other actuarial provisions correspond to the assignments of our cedents in accordance with the contractual agreements.

To keep currency risks as low as possible, the actuarial obligations in the main currencies were covered with funds denominated in the same currency wherever possible. Amounts in foreign currencies were converted at the mean exchange rate on the balance sheet date.

Other provisions

The calculation of provisions for pensions was made according to the internationally typical Projected Unit Credit Method (PUC method) in connection with Section 253 (1) 2 German Commercial Code on the basis of actuarial tables of Prof. Dr. Klaus Heubeck. In addition to current developments, future developments and trends, along with fluctuation, were taken into account. Discounting was performed at the average interest rate of the past ten years published by the Bundesbank with an assumed remaining term of 15 years according to Section 253 (2) 2 German Commercial Code (HGB).

The following actuarial parameters were used for determining the obligations:

Pension age	average age threshold
Annuity growth	1.75 % p.a.
Interest rate	4.03 % p.a.

The fluctuation to be taken into account corresponds to the generally observable age-related average of the industry, with only minor influence on the settlement amount. The alternative amount, determined with the average interest rate of the past seven years (3.28 %), is €415 K. The subordinated liability per Section 253 (6) German Commercial Code in the amount of €38 K is subject to a dividend payout restriction, taking into account any deferred taxes. However, there are sufficiently high retained earnings in the company.

Other Liabilities

The deposits and reinsurance payables, payables from direct insurance business towards policyholders and insurance intermediaries and other miscellaneous liabilities have been recognised at the settlement amount.

In addition to the current trends, future developments, along with trends and fluctuation in salary growth of 2.0 % p.a. were taken into account in calculating the provision for anniversary bonuses. Discounting was performed at the average interest rate of the past seven years published by the Bundesbank according to the German Regulation on Discounting of Provisions (RückAbzinsVO) in the amount of 3.29 % with an assumed remaining term of 15 years according to Section 253 (2) 2 German Commercial Code (HGB).

All other provisions were valued at their repayment amount at the level of the anticipated requirement. Provisions with a remaining term of more than one year were also discounted at the average market rate of the past seven years according to their remaining maturity.

Explanatory notes on Balance sheet

Assets

Development of the assets A.I., B. I. and II. in the financial year of 2016.

Assets	Balance-sheet values Previous year	Additions	Disposals
	T€	T€	T€
A. Intangible assets			
Purchased concessions, industrial and similar rights and assets and licenses in such rights and assets as well as licenses to such rights and assets	6,118	1,581	200
B. I. Investments in affiliated companies and participations			
1. Shares in affiliated companies	1,431	156	0
2. Loans to affiliated companies	0	10,000	0
3. Participations	1,101	0	0
Total B.I	2,532	10,156	0
II. Other investments			
1. Shares, units or shares in investment funds and other non-fixed income securities	11,802	533	279
2. Bearer bonds and other fixed-interest securities	188,494	9,443	28,015
3. Mortgages, land charges and annuities receivable	639	0	313
4. Other loans			
a) Registered notes	26,504	0	10,502
b) Notes receivable and loans	121,794	6,000	17,650
c) Other loans	500	0	500
5. Deposits at banks	24,442	4,178	0
6. Other investments	21	0	0
Total B.II	374,196	20,154	57,260
total	382,846	31,891	57,460

Assets	Re- allocations	Write-ups	Depreciation	Balance-sheet values Financial year
	T€	T€	T€	T€
A. Intangible assets				
Purchased concessions, industrial and similar rights and assets and licenses in such rights and assets as well as licenses to such rights and assets	0	0	2,173	5,326
B. I. Investments in affiliated companies and participations				
1. Shares in affiliated companies	0	0	0	1,587
2. Loans to affiliated companies	0	0	0	10,000
3. Participations	0	0	0	1,101
Total B.I	0	0	0	12,688
II. Other investments				
1. Shares, units or shares in investment funds and other non-fixed income securities	0	45	0	12,101
2. Bearer bonds and other fixed-interest securities	0	0	0	169,921
3. Mortgages, land charges and annuities receivable	0	0	0	326
4. Other loans				
a) Registered notes	0	0	0	16,002
b) Notes receivable and loans	0	0	0	110,144
c) Other loans	0	0	0	0
5. Deposits at banks	0	8	0	28,628
6. Other investments	0	0	0	21
Total B.II	0	53	0	337,143
total	0	53	2,173	355,158

The company exercised the option of Section 341b (2) 1 German Commercial Code (HGB) to allocate investment assets at the book value of €12,101 K as well as fixed-income securities at the book value of €169,961 K, along with registered bonds and promissory notes at the book value of €126,145 K to its fixed assets. The fair values are €12,365 K for the investment assets, €175,639 K for fixed-income securities, and €130,726 K for the registered bonds and promissory notes.

Information about the investments shown in the balance sheet at acquisition costs with hidden charges

Other shares, units or shares in investment funds and other variable yield securities:

On the balance sheet cut-off date, there were no portfolios with hidden charges.

Bearer bonds and other fixed-income securities:

The book value of the investments on which no write-downs were performed is €3,725 K on 31 December 2016, the fair value of which amounts to €3,692 K.

Other loans:

The book value of the investments on which no write-downs were performed, is €12,000 K on 31 December 2016 (of which €10,000 in affiliated companies), the fair value of which is €11,547 K (of which €9,570 K in affiliated companies).

The company currently does not anticipate any permanent impairment and has not made any respective write-downs pursuant to Section 253 (3) German Commercial Code (HGB).

Fair values of the assets B. I. to II. in the financial year of 2016

Assets	Balance-sheet values Financial year	Hidden burdens	Hidden reserves	Fair values Financial year
	T€	T€	T€	T€
B. I. Investments in affiliated companies and participations				
1. Shares in affiliated companies	1,587	0	0	1,587
2. Loans to affiliated companies	10,000	430	0	9,570
3. Participations	1,101	0	0	1,101
	0			
Total B.I	12,688	430	0	12,258
B. II. Other investments				
1. Shares, units or shares in investment funds and other non-fixed income securities	12,101	0	264	12,365
2. Bearer bonds and other fixed-interest securities	169,921	33	5,750	175,638
3. Mortgages, land charges and annuities receivable	326	0	13	339
4. Other loans				
a) Registered notes	16,002	0	1,159	17,161
b) Notes receivable and loans	110,144	23	3,443	113,564
c) Other loans	0	0	0	0
5. Deposits at banks	28,628	0	0	28,628
6. Other investments	21	0	0	21
Total B.II	337,143	56	10,630	347,717
total	349,831	486	10,630	359,976

Details regarding the fair value determination of all investments

Investments in affiliated companies and participating interests:

For the fair values of the shares in affiliated companies and participating interests, the nominal value of the capital and/or the acquisition costs are taken as a basis.

The fair value determination of the loans to affiliated companies is conducted by means of individual title risk-adjusted-yield curves that were adjusted for 2016 according to the spread development.

Other shares, units or shares in investment funds and other variable yield securities:

The fair values are determined by means of the market prices and/or the redemption prices on the balance sheet date.

The fair value of the ABS Fund is determined indicatively by the capital management company.

Bearer bonds and other fixed-income securities:

The fair values of the bearer bonds and other fixed-income securities are determined by means of the exchange rates on the balance sheet date.

The fair values of the ABS securities in the direct portfolio are determined indicatively by the capital management company.

Mortgages, land charges and annuities receivable:

The fair value was determined by means of individual title risk-adjusted-yield curves that were adjusted for 2016 according to the spread development.

Registered bonds, notes receivables and loans:

The fair value was determined by means of individual title risk-adjusted-yield curves that were adjusted for 2016 according to the spread development.

Deposits at banks:

The fair value of deposits at banks is calculated on the basis of the nominal value.

Other investments

The fair values are determined on the basis of the acquisition costs.

The determination of the fair values is based on risk surcharges that are characterised by the current capital market situation.

Information concerning the investment fund assets according to Section 285 (26)

German Commercial Code (HGB)

	Book value 31.12.2016	Fair value 31.12.2016	Valuation reserves	Dividend distri- bution 2016
	€	€	€	€
AIF special fund				
Rheinland ABS Fund	10,451,548.51	10,451,548.51	0.00	257,775.98
total	10,451,548.51	10,451,548.51	0.00	257,775.98

The investment goal is always to generate long-term stable income. The withdrawal of the shares is possible at any time. The capital management companies are obliged to redeem shares at the applicable redemption price for the fund's account.

Shares in affiliated companies

RheinLand Versicherungs AG has a 100 % stake in Rheinland Groep Nederland B.V., Amsterdam. In the financial year, the company acquired 100 % of the shares in Callas Holding N.V., Amstelveen.

List of the share property as at 31 December 2016 per Section 285 (11) German Commercial Code (HGB)	Interest in share capital		Result of the last financial year 31 December 2016	Equity of the respec- tive company 31 December 2016
		%	€	€
Domestic				
RheinLand Vermittlungs GmbH, Neuss	25	direct	72,665.16	-1,298,560.50
Credit Life International Services GmbH, Neuss	100	direct	568.81	40,722.97
RheinLand Betriebsrestaurant GmbH, Neuss	100	direct	15,586.41	47,537.06
Foreign				
Rheinland Groep Nederland B.V., Amsterdam	100	direct	-148,421.44	6,690,870.89
Callas Holding N.V., Amstelveen	100	indirect	7,836,327.36	132,249.88
Callas Nederland B.V., Amstelveen	100	indirect	-817,845.03	-799,845.03
Lazur B.V., Amstelveen	100	indirect	9,294,463.95	1,312,463.95

The protective clause according to Section 286 (3) (1) (2) German Commercial Code (HGB) was invoked.

Deposits receivable

	2016	2015
	€	€
to		
non-affiliated companies	912,898.27	900,758.51

Other receivables

	2016	2015
	€	€
Receivables from affiliated companies	13,457,185.05	14,138,370.98
other	1,513,623.66	3,631,133.16
total	14,970,808.71	17,769,504.14

Fixed assets and inventories

	2016	2015
	€	€
Operating and business equipment	5,406,251.76	5,804,797.00
Inventories	36,065.00	44,312.21
total	5,442,316.76	5,849,109.21

For insolvency hedging of the semi-retirement obligations, investment funds in the amount of €764 K were assigned to the employees.

Liabilities

Subscribed capital

The share capital as at 31 December 2016 amounts to €39,304,192.00 and is divided into 767,660 no-par shares. RheinLand Holding Aktiengesellschaft, Neuss, holds 100 % of our company's share capital.

Technical gross provisions

	total		for outstanding claims:	
	2016	2015	2016	2015
	€	€	€	€
General accident	18,451,795.99	14,442,879.01	16,248,976.09	12,582,754.71
Automobile accident	1,818.20	1,838.06	0.00	0.00
Accident overall	18,453,614.19	14,444,717.07	16,248,976.09	12,582,754.71
Liability	13,813,120.73	13,130,356.97	11,159,447.21	10,700,732.63
Motor vehicle liability	81,712,623.18	84,733,987.94	67,865,088.36	68,169,653.49
Other motor vehicle	10,219,503.22	8,457,357.58	4,948,801.41	5,110,169.24
Total motor vehicle	91,932,126.40	93,191,345.52	72,813,889.77	73,279,822.73
Fire	3,693,393.74	2,256,138.78	3,206,397.09	1,897,820.24
Comprehensive householder	6,422,778.57	6,054,143.88	2,143,586.39	1,567,264.62
Comprehensive homeowner	3,139,934.10	4,123,277.01	2,389,264.29	2,847,029.41
miscellaneous property	5,850,589.76	4,927,382.37	2,214,466.05	1,532,052.57
Fire and property overall	19,106,696.17	17,360,942.04	9,953,713.82	7,844,166.84
Transport / Aviation	53,202.80	33,571.55	31,622.94	13,710.87
miscellaneous	97,977,770.94	102,777,923.12	22,041,108.72	23,921,959.12
Total direct business	241,336,531.23	240,938,856.27	132,248,758.55	128,343,146.90
Assumed reinsurance business	88,470,323.77	116,603,236.02	27,388,604.59	24,829,097.46
total	329,806,855.00	357,542,092.29	159,637,363.14	153,172,244.36

Equalisation provision and similar provisions

	2016	2015
	€	€
Accident	0.00	49,286.00
Liability	0.00	0.00
Motor vehicle liability	12,377,454.00	15,130,849.00
Other motor vehicle	4,211,604.00	2,349,308.00
Total motor vehicle	16,589,058.00	17,480,157.00
Fire	119,993.00	0.00
Comprehensive householder	2,423,340.00	2,727,919.00
Comprehensive homeowner	0.00	676,217.00
miscellaneous property	2,873,186.00	2,675,774.00
Fire and property overall	5,416,519.00	6,079,910.00
Transport / Aviation	0.00	0.00
miscellaneous	497,361.00	427,734.00
Total direct business	22,502,938.00	24,037,087.00
Assumed reinsurance business	0.00	0.00
total	22,502,938.00	24,037,087.00

Other provisions

	2016	2015
	€	€
Human Resources	8,425,165.00	10,041,981.00
Commissions and payments similar to commission	767,211.00	323,150.00
other provisions	5,624,340.00	1,294,182.62
total	14,816,716.00	11,659,313.62

Accounts receivable / payable from reinsurance operations

	Receivables		Liabilities	
	2016	2015	2016	2015
towards	€	€	€	€
affiliated companies	0.00	0.00	0.00	0.00
non-affiliated companies	1,305,017.43	4,005,708.14	4,134,972.30	5,665,629.98
total	1,305,017.43	4,005,708.14	4,134,972.30	5,665,629.98

Other Liabilities

	2016	2015
	€	€
towards affiliated companies	2,793,693.57	10,672,550.83
non-cashed cheques	984,365.88	1,093,409.36
Taxes still to be paid	2,909,954.20	2,721,224.82
Trade accounts payable	327,007.99	179,419.19
other	4,157,364.24	5,531,401.83
total	11,172,385.88	20,198,006.03

Other liabilities completely involve obligations with a remaining maturity of less than one year.

Explanatory notes on Profit and Loss account

Gross premiums written

	2016	2015
	€	€
General accident	18,367,342.96	11,239,321.64
Automobile accident	51,663.10	72,738.27
Accident overall	18,419,006.06	11,312,059.91
Liability	14,059,685.97	12,967,883.44
Motor vehicle liability	35,916,300.81	36,131,829.95
Other motor vehicle	27,333,130.37	27,596,594.99
Total motor vehicle	63,249,431.18	63,728,424.94
Fire	2,292,487.09	2,311,200.79
Comprehensive householder	9,201,626.66	8,823,516.42
Comprehensive homeowner	4,578,617.46	1,373,748.16
miscellaneous property	5,462,826.65	5,189,804.21
Fire and property overall	21,535,557.86	17,698,269.58
Transport / Aviation	133,642.08	121,544.00
miscellaneous	91,086,018.54	68,576,902.29
Total direct business	208,483,341.69	174,405,084.16
Assumed reinsurance business	8,270,326.95	8,212,377.80
total	216,753,668.64	182,617,461.96

Earned premiums

	Gross		Net	
	2016	2015	2016	2015
	€	€	€	€
General accident	17,979,779.36	10,375,469.34	17,751,902.39	10,213,294.15
Automobile accident	51,829.41	72,998.07	41,310.56	58,182.60
Accident overall	18,031,608.77	10,448,467.41	17,793,212.95	10,271,476.75
Liability	13,834,389.79	12,751,475.10	13,666,693.00	12,595,143.01
Motor vehicle liability	35,856,244.81	36,013,791.30	27,477,975.77	27,583,354.20
Other motor vehicle	27,255,155.97	27,449,566.80	21,199,310.32	21,577,410.84
Total motor vehicle	63,111,400.78	63,463,358.10	48,677,286.09	49,160,765.04
Fire	2,283,624.98	2,300,423.25	1,232,816.67	1,044,495.66
Comprehensive householder	9,104,412.74	8,746,457.16	9,096,621.72	8,734,929.87
Comprehensive homeowner	4,428,409.25	4,245,511.56	1,306,320.85	1,737,570.97
miscellaneous property	5,417,695.74	5,116,469.41	4,560,594.08	4,330,366.16
Fire and property overall	21,234,142.71	20,408,861.38	16,196,353.32	15,847,362.66
Transport / Aviation	132,062.90	119,668.32	132,062.90	119,668.32
miscellaneous	94,496,990.55	85,306,970.29	71,196,454.01	48,936,758.98
Total direct business	210,840,595.50	192,498,800.60	167,662,062.27	136,931,174.76
Assumed reinsurance business	15,019,009.43	14,891,837.04	15,017,548.59	14,882,043.97
total	225,859,604.93	207,390,637.64	182,679,610.86	151,813,218.73

Gross costs

	for insurance claims		for insurance operations	
	2016	2015	2016	2015
	€	€	€	€
General accident	8,189,375.51	5,016,395.83	9,423,100.56	5,453,486.59
Automobile accident	0.00	0.00	14,078.58	20,338.44
Accident overall	8,189,375.51	5,016,395.83	9,437,179.14	5,473,825.03
Liability	5,554,529.37	4,458,685.70	5,722,533.78	5,366,313.08
Motor vehicle liability	29,686,212.23	27,093,439.55	5,453,745.12	5,211,832.66
Other motor vehicle	23,623,413.97	22,618,736.05	4,905,893.44	4,806,757.64
Total motor vehicle	53,309,626.20	49,712,175.60	10,359,638.56	10,018,590.30
Fire	2,852,304.36	2,567,404.30	1,119,185.95	1,089,147.56
Comprehensive householder	4,447,161.25	4,160,024.54	3,568,994.62	3,848,206.95
Comprehensive homeowner	4,859,462.52	4,967,360.88	2,400,337.07	1,950,631.87
miscellaneous property	4,143,884.35	3,572,896.35	2,143,880.65	2,023,243.99
Fire and property overall	16,302,812.48	15,267,686.07	9,232,398.29	8,911,230.37
Transport / Aviation	41,135.05	25,274.77	59,948.07	60,883.96
miscellaneous	10,409,458.20	11,662,673.20	69,245,856.37	54,593,373.61
Total direct business	93,806,936.81	86,142,891.17	104,057,554.21	84,424,216.35
Assumed reinsurance business	16,969,268.80	20,114,740.85	10,435,622.36	11,481,673.56
total	110,776,205.61	106,257,632.02	114,493,176.57	95,905,889.91

From the gross costs, the following is attributed to insurance operations

	2016	2015
	€	€
Acquisition costs	47,605,817.37	46,320,230.82
Administrative expenses	66,887,359.20	49,585,659.09
total	114,493,176.57	95,905,889.91

Technical account results

	Net reinsurance		balance	
	2016	2015	2016	2015
	€	€	€	€
General accident	234,718.92	203,720.36	264,871.79	185,076.75
Automobile accident	5,450.69	8,994.74	32,183.00	43,942.71
Accident overall	240,169.61	212,715.10	297,054.79	229,019.46
Liability	186,122.79	290,205.71	2,407,205.74	3,405,307.05
Motor vehicle liability	-533,395.55	2,178,715.42	4,046,962.60	435,121.00
Other motor vehicle	-711,088.26	809,911.59	-2,411,953.58	-2,284,065.87
Total motor vehicle	-1,244,483.81	2,988,627.01	1,635,009.02	-1,848,944.87
Fire			-516,641.54	-785,225.54
Comprehensive householder			1,122,540.19	43,882.84
Comprehensive homeowner			-2,342,842.18	-1,737,954.55
miscellaneous property			-1,434,044.69	-1,316,161.64
Fire and property overall	-753,472.73	410,122.37	-3,170,988.22	-3,795,458.89
Transport / Aviation	0.00	0.00	31,280.16	399,832.87
miscellaneous	10,005,601.26	10,514,117.60	4,420,541.69	8,816,095.42
Total direct business	8,433,937.12	14,415,787.79	5,620,103.18	7,205,851.04
Assumed reinsurance business	32,663.39	76,233.26	10,964,924.72	11,081,327.97
total	8,466,600.51	14,492,021.05	16,585,027.90	18,287,179.01

Commissions and other remunerations of the intermediaries, personnel costs

	2016	2015
	T€	T€
1. Commissions of all kinds for intermediaries within the meaning of Section 92 German Commercial Code (HGB) for direct insurance operations	69,411	50,790
2. Other remuneration for intermediaries within the meaning of Section 92 German Commercial Code (HGB)	3,331	3,550
3. Wages and salaries	48,237	48,526
4. Social contributions and costs for support	7,550	7,809
5. Costs for old-age pension	263	2,347
Total expenditures	128,793	113,022

Information pursuant to Section 277 (5) German Commercial Code (HGB)

The interest costs include costs arising from the addition of accrued interest to the anniversary provision on 31 December 2016 in the amount of €86 K. Foreign exchange earnings in the amount of €31 K were stated under other income. They are offset by exchange rate losses under the other expenditures in the amount of €32 K.

Investment income

	2016	2015
	€	€
Participating interests	3,370,000	110,000
thereof: from affiliated companies: €3,250,000.00		(0.00)
Shares, units or shares in investment funds and other variable yield securities	257,776	243,524
Bearer bonds and other fixed-income securities	2,624,163	3,199,188
Mortgages, land charges and annuities receivable	13,372	29,537
Registered notes	528,041	861,717
Notes receivable	2,353,737	2,717,568
thereof: from affiliated companies: €23,287.67		(0.00)
other loans	10,810	21,862
Deposits at banks	215,766	250,848
other investments	778	778
Earnings from deposits receivable	33,541	31,618
total	9,407,984	7,466,639

The earnings of participating interests include a profit transfer of Rheinland Groep Nederland B.V. in the amount of €3,250 K.

Number of the at least one-year insurance contracts of the direct insurance business

	2016	2015
	Unit	Unit
General accident	103,783	75,949
Automobile accident	1,181	2,446
Accident overall	104,964	78,395
Liability	114,289	102,838
Motor vehicle liability	136,071	138,617
Other motor vehicle	117,501	105,130
Total motor vehicle	253,572	243,747
Fire	4,065	4,176
Comprehensive householder	71,719	67,282
Comprehensive homeowner	40,872	40,860
miscellaneous property	11,048	11,459
Fire and property overall	127,704	123,777
Transport / Aviation	248	244
miscellaneous	5,091	4,032
total	605,868	553,033

Miscellaneous

Staff

Over the course of the financial year, RheinLand Versicherungs AG employed 737 persons in inside staff and 56 employees in its field sales force (total: 793 employees; 855 in the previous year). The number of trainees included in that number is 45 persons (previous year: 48 persons).

With respect to personnel costs for the financial year, please refer to the details on commissions and other remuneration of the insurance intermediaries and personnel expenditures on page 64.

The Supervisory Board and Executive Board members are listed by name on pages 8 and 9. No further compensation was paid for duties at affiliated companies. €395 K have been paid out to former members of the Executive Board or their surviving dependents. The remuneration for the Supervisory Board was paid by RheinLand Holding AG.

There are provisions in the amount of €5.3 million for current pensions and pension entitlements that are included in the balance sheet of RheinLand Holding AG.

Financial Obligations

The following declaration is issued in accordance with existing regulations:

"The company neither owns own shares nor has it purchased such shares. Warranty agreements: Due to our membership in Verkehrsofferhilfe e.V. (an association for the assistance of traffic accident victims), we are obliged to provide this association with the funds necessary to the pursue of its objectives at a level commensurate with our share in the premium revenue that member companies have achieved from direct motor third-party liability insurance in the calendar year before last. The annual funding is limited to 0.5 % of premium income.

A letter of subordination was issued to a subsidiary for current and future receivables; furthermore, the company agreed to cover any potential losses.

Based on an acquisition of a stake in Rheinland Groep B.V., the company is liable for the fulfilment of the purchase price obligations of Rheinland Groep B.V.

The pension and early retirement commitments were transferred in 1993, the partial retirement obligations in 1997, to RheinLand Holding AG. RheinLand Versicherungs AG remains liable in joint cooperation with RheinLand Holding AG for the fulfilment of pension obligations. A financial obligation in the amount of €20.9 million remained on the balance sheet date. For insolvency hedging of the semi-retirement obligations, investment funds in the amount of €0.8 million were assigned to the employees.

On the balance sheet date, there is an obligation to acquire an investment in the amount of some €5 mill.

Further Information

RheinLand Versicherungs AG, registered in Neuss, is entered in the Commercial Register at the Local Court of Neuss (HRB 1477).

The details on the group companies and on the outsourced functions and joint facilities are presented in the management report under the item Relationships to Affiliated Companies on page 31.

Details of shareholders

The investment Management Company Cornel Werhahn GbR, Neuss, has us merely informed us as a precaution in the event that it should assume company status as defined by property Section 20 Joint Stock Company Act (AktG), it announced that it indirectly holds a majority stake in the company. Furthermore, Verena Countess Huyn, Neuss, Dr. Ludwig Baum, Munich, and Heinrich Straaten, Königswinter, merely as a precaution in case they assume company status as defined in Section 20 Joint Stock Company Act and the participating interests they hold should qualify as dependent companies according to the principles of multiple parents, informed us that they indirectly own a majority stake in the company.

Pursuant to Section 285 No. 17 German Commercial Code (HGB), information about the total auditor's fee is provided with exempting effect in the consolidated financial statements of RheinLand Holding AG, Neuss.

RheinLand Versicherungs AG is included in the consolidated financial statements of RheinLand Holding AG, Neuss, which is published in the electronic Federal Gazette.

Supplementary Report

There have not been any events of particular importance after the conclusion of the financial year.

Recommended Profit Appropriation

The Executive Board and Supervisory Board suggest that the appropriation of the net earnings of RheinLand Versicherungs AG for the financial year be appropriated as follows:

The net earnings in the amount of €10,000 K shall be distributed to the sole parent company, RheinLand Holding AG, Neuss.

Neuss, 20 April 2017

The Executive Board

Christoph Buchbender

Dr. Lothar Horbach

Udo Klanten

Andreas Schwarz

Audit Report of the Statutory Auditor

We have audited the annual financial statements – comprising the balance sheet, the profit and loss account and the notes to the financial statements – taking into consideration the bookkeeping system and the management report of RheinLand Versicherungs Aktiengesellschaft, Neuss, for the financial year from 1 January to 31 December 2016. The accounting and the preparation of the annual financial statements and management report in accordance with German commercial regulations and supplementary provisions of the company statutes are the responsibility of the company's Executive Board. Our responsibility is to issue an opinion on the annual financial statements, together with the bookkeeping system and the management report, based on the audit we have conducted.

We conducted our statutory audit of annual financial statements in accordance with Section 317 German Commercial Code (HGB), in compliance with generally accepted principles in Germany concerning proper statutory auditing of annual financial statements, as specified by the Institute of Public Auditors (IDW). Accordingly, the audit is to be planned and conducted such that misstatements and violations materially affecting the presentation of the view of the asset, financial and profit position of the company as portrayed by the annual financial statements, in adherence with principles of orderly bookkeeping and through the management report, can be detected with sufficient certainty. In determining the audit procedures, knowledge of the business activities and the economic and legal environment of the company and expectations as to possible misstatements are taken into account. The accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Executive Board, as well as an evaluation of the overall presentation of the annual financial statements and the management report. We are convinced that our audit provides a reasonable basis for our evaluation.

My audit has led to no objections.

It is our belief that due to the findings of the audit, the annual financial statements conform with the legal requirements and the supplementary provisions of the corporate agreement, and provide – under observation of the principles of proper accounting – a representation of the capital, financial and profit situation of the company that is consistent with the actual situation. The management report is consistent with the annual financial statements, complies with statutory rules, and as a whole provides a suitable view of the company's position and suitably presents the opportunities and risks of future development.

Cologne, 15 May, 2017

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr. Dahl
German Public Accountant

Theißen
German Public Accountant

Further Details on the Management Report

List of Types of Insurance Managed

Management Report

List of Types of Insurances Managed

- General accident insurance
- Individual full coverage accident insurance
- Individual partial coverage accident insurance
- Group accident insurance
- other and not subdivided accident insurance

General third party liability insurance

- Private third party liability insurance
- Company and professional liability insurance
- Environmental liability insurance
- other and not subdivided general third-party liability insurance

Motor insurance

- Insurance against civil liability in respect of the use of motor vehicles
- Comprehensive insurance
- Partially comprehensive insurance
- Motor accident insurance

Aviation insurance

- Aviation comprehensive insurance
- Spacecraft comprehensive insurance

Fire insurance

- Fire industry insurance
- Agricultural fire insurance
- Other fire insurances

Burglary insurance and theft insurance

Water damage insurance

Glass insurance

Windstorm insurance

Comprehensive householder insurance

Comprehensive homeowner insurance

Technical insurances

Omnium insurance

- Clothing protection omnium insurance
- other and not subdivided standardised insurance

Transport insurance

- Comprehensive insurance
- Cargo insurance
- Specie insurance (commercial)

Payment protection insurance

Insurance of additional hazards regarding the fire and/or fire and business interruption insurance extended coverage (EC) insurance

Business interruption insurance

- Fire and business interruption insurance

Travel assistance insurance

- Roadside recovery insurance

Aviation and space liability insurance

- Aviation liability insurance

Other non-life insurance

- Exhibition insurance
- Cloakroom insurance
- Hunting and sporting weapon insurance
- Musical instrument insurance
- Camera insurance
- Chilled cargo insurance
- Insurance of merchandise in deep-freezing systems
- Vending machine insurance
- Luggage insurance
- Specie insurance
- Travel cancellation expenses insurance
- Eyeglass insurance
- Rent insurance
- Tank and barrel leakage insurance
- Film theatre omnium insurance
- Unemployment additional insurance
- Guarantee insurance of motor vehicles

* only assumed reinsurance insurance

List of companies

RheinLand Versicherungs AG

Headquarters
RheinLandplatz
41460 Neuss
Phone +49 (0)2131 290-0
Fax +49 (0)2131 290-13300

RheinLand Lebensversicherungs AG

Headquarters
RheinLandplatz
41460 Neuss
Phone +49 (0)2131 290-0
Fax +49 (0)2131 290-13300

Credit Life AG

Headquarters
RheinLandplatz
41460 Neuss
Phone +49 (0)2131 125-300
Fax +49 (0)2131 125-333

Rhion Versicherungs AG

Headquarters
RheinLandplatz
41460 Neuss
Phone +49 (0)2131 6099-0
Fax +49 (0)2131 6099-300

RheinLand Versicherungs AG

Supervisory Board

Anton Werhahn
Commercial agent
CEO of Wilh. Werhahn KG
Neuss
Chairperson

Wilhelm Ferdinand Thywissen
Commercial agent
Fully authorised representative of C. Thywissen
GmbH,
Neuss
Deputy Chairperson

Dr. rer. pol. h.c. Klaus G. Adam
Auditor
Mainz
(up to 28 November 2016)

Dr. Ludwig Baum
Commercial agent
Managing Director of Portfolio Management
Cornel Werhahn GbR
Munich

Jutta Stöcker
Graduate of Business Administration
Bornheim
(from 29 November 2016)

Andreas Daners
Certified Insurance Agent
Staff Council of RheinLand Versicherungs AG
Jüchen
elected by employees

Jürgen Stark
Business IT Professional
Staff Council of RheinLand Versicherungs AG
Brühl
elected by employees

Executive Board

Christoph Buchbender
Certified Insurance Agent
Neuss

Dr. Lothar Horbach
professional Auditor and Tax Advisor
Cologne

Udo Klanten
Commercial Banking Agent
Commercial Agent
Bonn

Andreas Schwarz
Fully-authorised attorney
Neuss

ClimatePartner^o
klimaneutral

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Legal Notice

Publisher

RheinLand Versicherungs AG
RheinLandplatz
41460 Neuss
Phone +49 (0)2131 290-0
www.rheinland-versicherungen.de

Conception and realisation

h1 communication gmbh & co. kg
Agentur für Konzeption und Markenführung
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41460 Neuss
www.h1.com.de

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www.das-druckhaus.de

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Jochen Rolfes: Title, 3
Daniel Ziegert: 6, 12, 36, 44

For the sake of readability, male and female designations are not used simultaneously. References to persons shall be understood to refer to either gender.

