

Future in Motion

RheinLand
VERSICHERUNGS AG

RheinLand Versicherungs AG
Annual Report for the year 2017



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Annual Report for the year 2017

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

Supervisory Board

Anton Werhahn
Commercial agent
Neuss
Chairperson

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

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

Jutta Stöcker
Graduate of Business Administration
Bornheim

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-authorized attorney
Neuss



Supervisory Board Report

In 2017, on the basis of written and verbal reports provided by the Executive Board in six sessions, the Supervisory Board gained in-depth information on the status and growth of the company, business performance 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 2017 and 2018, 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, 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. In addition, the Supervisory Board was informed once each in meetings by the respective managers responsible for risk management, internal auditing and compliance, as well as by the responsible actuary. Moreover, the Supervisory Board was informed by the responsible parties on the topics of data protection and IT security.

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.

For the 2017 fiscal year, a resolution was passed to also change the statutory auditor as part of the statutory rotation duty of Rhion Versicherung AG for RheinLand Versicherungs AG. Based on a subsequent selection process, the firm PricewaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, Düsseldorf, was appointed as auditor.

After a discussion, the Supervisory Board came to the finding that a repeated written self-evaluation is not necessary. The type and scope of the written information are sufficient, and there were and are an opportunity for in-depth preparation and a possibility for Q&A at any time.

The member of the Executive Board, Mr Andreas Schwarz, receives compensation from the company which, based on an agreement existing between the RheinLand Versicherungsgruppe companies, was transferred over partly to Credit Life AG and RheinLand Lebensversicherung AG. All other members of the Executive Board solely receive their compensation directly from RheinLand Holding AG. This compensation, based on the existing cost-sharing agreement, is thus also borne by RheinLand Versicherungs AG.

In accordance with statutory rules, the annual financial statements of 2017 and the Management Report were audited and issued an unqualified auditor's opinion by the appointed statutory auditor PriceWaterhouseCoopers GmbH, Wirtschaftsprüfungsgesellschaft, Düsseldorf. 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 audit, it has no objections and approves the annual financial statements and Management Report of RheinLand Versicherungs AG for the financial year of 2017. The presented 2017 annual financial statements are thereby approved.

RheinLand Versicherungs AG is basically obliged to expand the Management Report to include a non-financial declaration. RheinLand Holding AG prepared a non-financial group report in accordance with its own obligation and included RheinLand Versicherungs AG as a subsidiary in this report. RheinLand Versicherungs AG is thus relieved from the duty of expanding the Management Report to include a non-financial declaration.

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, 14 May 2018

The Supervisory Board

Anton Werhahn
Chairperson

Management Report

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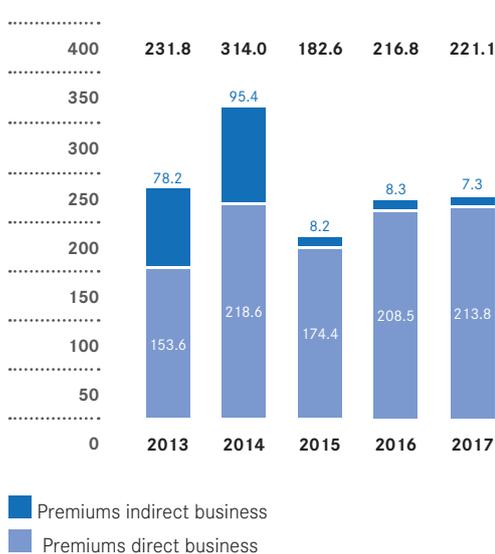
Economic Report

Business Performance

The German insurance industry benefited from an overall buoyant economy in 2017. Premium income increased throughout all categories by 1.7%, reaching €197.7 billion. For property and casualty insurance, industry experienced a premium uptick of 2.9% to €68.2 billion.

In the reporting year, RheinLand Versicherungs AG was able to achieve premium income for the entire insurance business in the amount of €221,099 K (€ 216,754K in the previous year). The direct insurance business experienced an increase to €213,823K (€208,483K in the previous year). The premiums for reinsurance business declined in the reporting year to €7,275K (€8,270 K in previous years).

Development of the posted premiums in mill. €



Composition of the posted premiums

Direct insurance operations
Assumed Reinsurance Business
Gross premium income
Reinsurance business
Net premiums earned

The growth in premiums reflects the positive trend in the field of Bancassurance. In this area, it was possible to further expand existing cooperative relationships through the new introduction of products. At the same time, our field sales staff were able to achieve the good sales results of the previous year and attain the premium income of the previous year.

Despite the increased business volume, the expenditures for insurance claims declined in the fiscal year. The lower number of major insurance claims in the fiscal year also led to higher earnings for the reinsurer. Claims expenditure fell to € 84,021 K in the reporting year (previous year: € 91,583 K). The carried loss ratio after reinsurance dropped to 44.8% in the reporting year (50.1% in the previous year).

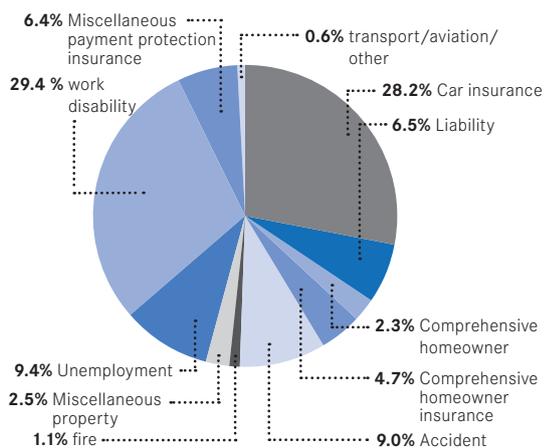
Due to the continuous expansion of our insurance business, costs of insurance operations also rose to € 118,498 K (previous year: € 114,493 K).

The underwriting profit and loss account of direct business showed a loss of €2,392 K (previous year €4,086 K) after reinsurance before an allocation to the equalization provision. By contrast, earnings after reinsurance in assumed reinsurance business improved to € 14,017 K (previous year: € 10,965 K).

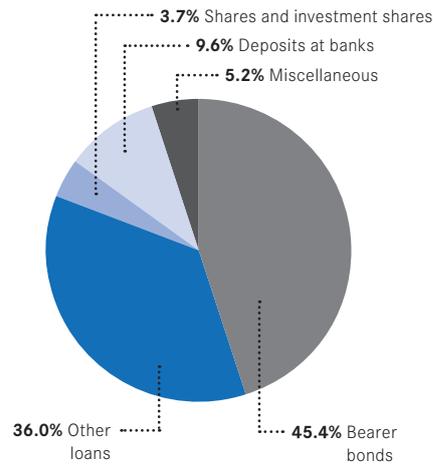
Overall, net technical income of €11,625 K (previous year €15,051 K) was generated for own account before change in the claims equalization provision.

	2017	2016	Change
	Total	Total	in %
Direct insurance operations	213.8	208.5	2.6
Assumed Reinsurance Business	7.3	8.3	-12.0
Gross premium income	221.1	216.8	2.0
Reinsurance business	36.9	30.1	22.4
Net premiums earned	184.2	186.6	-1.3

Shares of the insurance segments on the gross premium income in direct insurance operations on 31 December 2017



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



Investments and Investment earnings

RheinLand Versicherungs AG's investments decreased in the financial year by €14,579 K (4.2%) to a total of €336,165 K (previous year: €350,744 K). At 84.4%, the majority of assets are invested in fixed-interest investments.

Current investment income amounts to €4,867 K (prior year: €9,408 K). The decrease compared to 2016 is mainly due to a profit distribution by Rheinland Groep Nederland B.V. in the previous year in the amount of € 3,250 K. Current investment costs amount to € 548 K (previous year: € 592 K).

The extraordinary investment earnings of RheinLand Versicherungs AG amount to € -2,538 K (previous year: € 336 K). This is influenced by the impairment of an investment in the amount of € 3,219 K, for which a provision was formed in the previous year as a precaution and which was reversed to income in the reporting year. Other earnings increased accordingly in the financial year.

Please refer to the Appendix from page 50 for the development of assets with details on the hidden reserves and burdens.

The total net investment income is €1,781 K (previous year: €9,153 K).

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 0.5% (previous year: 2.5%). The floating net interest of investments of the last three years (arithmetic mean of the net interest) reaches 1.6% (previous year: 2.2%). The average return on new investments for fixed-income securities, registered bonds and notes receivable increased by 0.7% to 0.9%.

Overall Result

Due to the additional expansion of the insurance business, premium income increased in business year. As a result, costs of insurance operations also increased. Due to a favourable loss experience, expenses for insurance claims declined in 2017. The company therefore closed with a technical profit prior to fluctuations. After the addition of an equalisation reserve in the amount of €194 K (previous year €-1,534 K), there was a technical profit of €11,431 K (previous year €16,585 K) for the overall business.

The result of non-technical business in the financial year increased to €2,986 K (previous year €2,659 K). Overall, earnings from ordinary activities amounted to €14,417 K (previous year: €19,244 K).

After tax expenditures in the amount of €1,662 K (previous year €2,186 K), the company transferred earnings in the amount of €12,755 K (previous year €17,058 K) based on a profit and loss transfer agreement concluded with RheinLand Holding AG.

Comments on the individual insurance segments

Direct insurance operations

General accident

	2017	2016
	T€	T€
Gross premiums written	19,249	18,419
Gross costs for insurance claims	8,835	8,189
Gross technical income before change in the claims equalisation provision	1,147	488

The category of accident insurance covers general accident insurance and motor accident insurance. With a premium share of 99.8%, general accident insurance is the dominant individual line of business within the class of insurance. In the business year, premium income rose by 4.5 percent. At the same time, the carried loss ratio increased to 46.1 percent. With slightly declining costs, this once again led to positive underwriting earnings before equalisation provision.

General third-party liability

	2017	2016
	T€	T€
Gross premiums written	13,826	14,060
Gross costs for insurance claims	7,843	5,555
Gross technical income before change in the claims equalisation provision	553	2,593

Premium income declined slightly in the reporting year, falling by 1.7%. The carried loss ratio increased to 57.2 percent in the business year, while costs fell. Overall, an underwriting profit was achieved.

Car insurance

	2017	2016
	T€	T€
Gross premiums written	60,233	63,249
Gross costs for insurance claims	49,599	53,310
Gross technical income before change in the claims equalisation provision	392	-493

Premium income in car insurance fell by 4.8% compared to the previous year. This is mainly due to the fact that the car insurance brokerage business has been included in the accounts of Rhion Versicherung AG since 1 July 2017. As the loss ratio also fell to 82.4

percent and the expense ratio rose slightly to 17.0 percent, the car insurance business closed with a profit.

Premium income in car liability insurance fell year-on-year (-5.7%), as did claims expenditures (-7.5%) and costs (-2.2%). Overall, positive net technical income was achieved prior to equalisation provision.

Declining premium revenues (-3.8%) and lower claims expenditures (-4.1%) in comprehensive insurance were met with slight increases in costs (+0.8%), and the sector finished the year with a net technical loss.

In the financial year, premium revenues declined in the third-party car insurance sector declined by 2.4%. Despite declining claims expenditures (-18.1%) and costs (-4.9%), the sector achieved positive earnings prior to equalisation provision.

Fire

	2017	2016
	T€	T€
Gross premiums written	2,307	2,292
Gross costs for insurance claims	1,709	2,852
Gross technical income before change in the claims equalisation provision	-537	-1,730

The Fire sector comprises the insurance sectors of agriculture fire and Other miscellaneous fire.

The premium income in fire insurance remained practically constant. Due to the favourable loss experience, claims expenditures were reduced by around 40% and led to a significant improvement in earnings. The sector closed with a gross underwriting result after a change in the claims equalization provision of €-491 K.

Comprehensive householder

	2017	2016
	T€	T€
Gross premiums written	10,075	9,202
Gross costs for insurance claims	3,513	4,447
Gross technical income before change in the claims equalisation provision	2,368	822

In the financial year, premiums in the comprehensive houseowner insurance sector increased by 9.5 percent. At the same time, expenditures for insurance claims fell by 21.0%, resulting in positive underwriting earnings before equalisation provision.

Comprehensive homeowner

	2017	2016
	T€	T€
Gross premiums written	4,902	4,579
Gross costs for insurance claims	4,899	4,859
Gross technical income before change in the claims equalisation provision	-2,670	-2,961

As in the previous year, 80% of business in the homeowners' comprehensive business was included in co-insurance. Compared to the previous year, premiums written increased (+7.1%). The sector closed with an underwriting loss.

Burglary insurance

	2017	2016
	T€	T€
Gross premiums written	1,397	1,377
Gross costs for insurance claims	1,221	1,053
Gross technical income before change in the claims equalisation provision	-304	-243

In the burglary insurance line, premium income achieved an increase of 1.4 percent in the business year. As expenditures for insurance claims increased by 16.0%, this resulted in a negative net technical income.

Water damage

	2017	2016
	T€	T€
Gross premiums written	1,499	1,414
Gross costs for insurance claims	1,598	1,635
Gross technical income before change in the claims equalisation provision	-602	-779

Despite rising premium income (+6.0%), slightly lower claims expenditures (-2.2%) and operating costs (-11.3%), the allocation to the equalisation reserve again led to negative underwriting earnings.

Glass

	2017	2016
	T€	T€
Gross premiums written	729	749
Gross costs for insurance claims	300	211
Gross technical income before change in the claims equalisation provision	190	240

Despite falling premium income (-2.6%) and rising claims expenditures (+42.1%), an underwriting profit before equalization provision was again achieved.

Windstorm

	2017	2016
	T€	T€
Gross premiums written	1,397	1,716
Gross costs for insurance claims	664	1,218
Gross technical income before change in the claims equalisation provision	334	-176

Declining premium income (-18.6 percent) was offset by a favourable claims experience (-45.5 percent) and declining operating costs (-29.8 percent), so that the line of business closed with an underwriting profit before allocation to the equalization provision.

Transport

	2017	2016
	T€	T€
Gross premiums written	143	134
Gross costs for insurance claims	33	41
Gross technical income before change in the claims equalisation provision	51	31

In the transport line, premiums increased by 6.9% compared to the previous year. Due to a favourable claims experience (-20.8%), the line of business achieved an underwriting profit.

Unemployment

	2017	2016
	T€	T€
Gross premiums written	20,085	20,871
Gross costs for insurance claims	2,079	600
Gross technical income before change in the claims equalisation provision	1,168	4,158

Premium income in unemployment insurance fell year-on-year (-3.7%). At the same time, claims expenditures rose to € 2,079 K (previous year: € 600 K). Overall, positive net technical income could once again be achieved.

Work disability

	2017	2016
	T€	T€
Gross premiums written	62,844	57,457
Gross costs for insurance claims	7,716	4,370
Gross technical income before change in the claims equalisation provision	3,228	4,969

The rising premium income (+9.4%) was offset by higher expenses for insurance claims (+€3,346 K) in disability insurance. As in the previous year, the insurance line closed with an underwriting profit.

Miscellaneous payment protection insurance

	2017	2016
	T€	T€
Gross premiums written	13,744	11,697
Gross costs for insurance claims	5,067	5,344
Gross technical income before change in the claims equalisation provision	1,450	4,746

Other payment protection insurance solutions increased their premium income by € 2,047 K in the business year. As claims experience also developed positively (-5.2%), the underwriting earnings were again positive.

Other and not subdivided Insurance

	2017	2016
	T€	T€
Gross premiums written	1,394	1,267
Gross costs for insurance claims	304	123
Gross technical income before change in the claims equalisation provision	529	562

Premium income from other miscellaneous lines of insurance increased by 10.0 percent compared to the previous year. Although claims expenditures also rose, it was possible to close the year with an underwriting profit.

Assumed Reinsurance Business Insurance business

Other and not subdivided Insurance

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

RheinLand Versicherungs AG is the risk carrier for the composite business underwritten by our full-range organisation. In addition, bancassurance business is allocated to RheinLand Versicherungs AG through that distribution channel.

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 once again boost its sales results with a predominantly constant number of agencies and staffing levels.

The new commission system introduced at the beginning of the year has proved its worth. The aim of the new concept was to create the greatest possible standardisation, to guarantee traceability and to improve the income situation wherever possible. We have achieved this. As a result, we are making an active and sustainable contribution towards the economic stability and profitability of our agencies. In successfully implementing the new compensation rules, we were able to build on a broad basis of trust we have built up in an open exchange with our agencies. In order to further strengthen our sustainable distribution network, it was streamlined to two agency types effective 1 January 2017: Branches and regional offices. This was accompanied by an expansion of competencies, which is proving to be an effective instrument for customer care.

By providing our sales force with attractive products developed by our own company and from strong cooperation partners, we implement targeted sales incentives. Last year, this was combined with the introduction of the new homeowners insurance policy, which is now available in three versions and the "Plus" plan received an excellent rating by independent analysts from the start. In this way, we offer our customers a broad range of services that also takes individual wish-

es into account and optimally absorbs the financial consequences of property damage.

In the area of private and company pension provision, we were able to expand our relationship to an established large specialist provider; this cooperation gives our branches and regional offices access to a sophisticated product portfolio offering many opportunities. Also belonging to the overall favourable framework conditions, we offer our outside sales force is RheinLand Vermittlungs GmbH. Under the RheinLand brand, it has been handling selective third-party products that intermediaries use to round out the company's products. We see this as confirmation that RheinLand Vermittlungs GmbH is opening up playing fields for us that were previously untapped: They enable us to foster all-round customer loyalty to RheinLand, even in special cases.

Sales activities are flanked by a broad-based marketing programme. We are promoting the presence of our agencies in social media and were able to generate new impetus with the relaunch of the RheinLand website towards the end of the financial year. Another particular strength of our outside sales force is that insurance business is pursued there with an individual touch. As a result, we are enhancing our image in comparison with our competitors, especially in today's market.

Thanks to their firm local roots and their strong commitment, many owners of our branches and regional offices have become a brand themselves. That is why we are convinced that our full-range organisation offers attractive development opportunities to people with personality. To solidify this image even more firmly in people's minds, we have designed a career model for our field sales trainees, with which we are countering the trend where too many young people decide not to pursue their sales career any further. The core element involves two development programmes in which initial candidates have been accepted. Development programme I leads to a Business Administrator or bachelor's degree while working at an agency

at the same time. Development programme II sets the framework for completing studies without simultaneous agency work.

Via our Bancassurance distribution channel, using customised hedging solutions, we successfully cooperate with partners from the financial and insurance sector, trade, medium-sized companies and start-ups. In doing so, we provide support with competitive and excellent insurance concepts in the areas of payment protection insurance, insurance for the automotive industry and term life insurance. From product development, through portfolio management, right down to claims settlement, the Bancassurance distribution channel offers insurance solutions from a single source, individually designed and adapted to the respective target groups and sales channels. In this, we rely on innovative products.

Last year, in a highly competitive and saturated market, we were able to further strengthen and expand our business relations with our German partners. For example, we deepened our relationship with a cooperative banking association. It has depended on our expertise for several years now in all aspects of hedging solutions for mortgages; in the future, he will also rely on our expertise in the area of personal loans. Cooperation was also intensified with a financial service provider operating in the environment of a globally successful furniture store: We were able to contribute customer-driven added value to its much-regarded new credit card.

In addition, we have established promising cooperation with one of the leading German building societies. The assertive launch of an Austrian direct bank into the German market, for which a strong insurance partner was sought, also offers us growth prospects. Within the scope of a tender, we were able to clearly distinguish ourselves from various competitors, based on our know-how.

We also garnered a great deal of attention right at the beginning of the year when we received an award for

a new product developed for the Bancassurance distribution channel. We earned the "Golden Bull", one of the most prestigious awards in the financial and insurance industry, for the "pension product of the year": work disability insurance. The focus is on employers who can utilise this insurance as an instrument of employee loyalty, for example, and insure their employees via a group contract. In the event of an employee's work disability, the insurance almost completely closes the income gap between the sickness benefit paid by the statutory health insurance and the previous net income. From a sales perspective, the new insurance offers the opportunity to approach employers of all industries in a targeted manner.

With our sought-after expertise in the field of mortgage financing, we again benefited from the strong momentum of the Dutch real estate market last year. In the product fields of term life insurance and credit life insurance, that is why we were able to expand our business in the Netherlands with great speed, recording double-digit growth rates. Our strong position in the Netherlands was further bolstered by the successful integration of a service provider that has been part of the RheinLand Group for two years. In sales, we also rely on another provider, one of the leading Dutch specialists for the administration and distribution of insurance products.

In Italy, premium growth clearly exceeded our expectations. The favourable impetus our business received last year has confirmed our assessment of the growth potential there. Together with our Italian cooperation partner, we were able to gain additional market share with our hedging concept for the "Cessione del Quinto". With the "Cessione del Quinto" credit model, employees and pensioners are obliged to use a maximum of 1/5 of their monthly income as a loan payment and to assign this fifth directly to the bank. Therefore, the loan is serviced directly by the employer or pension payer. Legislation in Italy requires appropriate protection mechanisms in the event of default risks such as wage interruption or death of the borrower. Our hedg-

ing solutions, adapted to the Italian standard, are now used by numerous financial service providers for this purpose.

We successfully launched the combination of term life insurance and unemployment provision ("Cessione del Quinto dello Stipendio") in the market from mid-2017. This new product launch already has great potential, which we intend to exploit in a targeted manner in the coming years. In order to reflect the ever-increasing importance of our Italian business, the sales office in Milan was converted into an official branch.



Legal framework conditions and Compliance

For the insurance industry, the 2017 financial year saw a number of legislative amendments, major decisions by the German Supreme Court and important announcements by the Federal Financial Supervisory Authority (BaFin). These include

- the final version of the minimum requirements for the business organisation of insurance companies ("MaGo") by the Federal Financial Supervisory Authority (BaFin) of 25 January 2017
- the Act Implementing the Corporate Social Responsibility (CSR) Directive of 10 March 2017
- the expiry of the Insurance Block Exemption Regulation ("BER") on 31 March 2017
- the Act implementing the Fourth Money Laundering Directive of 23 June 2017
- the Data Protection Adaptation and Implementation Act of 30 June 2017
- the Transparency of Remuneration Act of 6 July 2017
- the Act Implementing the IDD Directive of 20 July 2017
- the Act amending Article 203 German Criminal Code (StGB) of 8 November 2017.

All legal amendments, decisions and announcements were reviewed by us in terms of need for action, and necessary adjustments were made.

In the "MaGo" memorandum, the Federal Financial Supervisory Authority (BaFin) specifies how it interprets the provisions on business organisation in the Insurance Supervision Act (VAG) and in the EU Delegated Regulation on Solvency II. In particular, for the areas of general governance, key functions, risk management system, own funds, internal control system, spin-offs and emergency management, there are now concrete recommendations for practical application. To ensure compliance with the legal requirements, the Executive Board engaged an external auditor to review the business organisation as at 31 December 2017.

The Act Implementing the Corporate Social Responsibility (CSR) Directive of 10 March 2017 aims to strengthen non-financial reporting. The requirements for reporting are to be applied from the 2017 finan-

cial year. RheinLand Holding AG has taken these requirements into account within the scope of its group reporting.

The Insurance Block Exemption Regulation ("Vers GVO") expired on 31 March 2017 and has not been renewed. Under certain conditions, the Insurance Block Exemption Regulation exempted joint surveys, tables and studies (statistical research) and certain types of joint coverage of risks from the antitrust prohibition. These forms of cooperation between insurers are now assessed on the basis of the general rules of antitrust law but are essentially still permissible. The requirements following the elimination of the Insurance Block Exemption Regulation are being implemented by the companies of the RheinLand Insurance Group.

The Money Laundering Act in particular is amended by the Act implementing the Fourth Money Laundering Directive of 23 June 2017. The new law contains significantly more severe restrictions. Particularly relevant for the companies of the RheinLand Insurance Group, for example, is the extension of the scope of application of the law to insurance companies granting loans.

A revision of the Federal Data Protection Act (BDSG) was passed by German Bundestag as part of the Data Protection Adaptation and Implementation Act. This new version of the BDSG will enter into force on 25 May 2018 concurrently with the EU's General Data Protection Regulation (GDPR), replacing the current Federal Data Protection Act. The processes of the RheinLand Insurance Group were adapted accordingly within the scope of a project.

Under the new Transparency of Remuneration Act, employees of the RheinLand Insurance Group are entitled to information on the average monthly gross remuneration of a comparison group. In addition, there is an obligation to report on equality and equal pay for women and men.

This report is attached as an appendix to the Management Report, which is not an integral part of the management report and is therefore not the subject of the year-end statutory audit.

The German Bundestag passed the law to implement the EU Insurance Distribution Directive (IDD). In addition, the EU Commission has adopted additional delegated legislative acts concerning the IDD. The regulations provide for comprehensive changes in insurance distribution law. With the particular exception of the Ban on the Passing on Commissions, which has been in force since 29 July 2017, the regulations came into force on 23 February 2018. However, a supplemental national regulation - the Regulation on Insurance Mediation (VersVermV) must be passed by legislators. RheinLand Insurance Group has implemented the various requirements that have come into force so far within the scope of one project.

As a result of the amendment to Article 203 German Criminal Code (StGB), employees of a life, health or accident insurance company can now, under certain conditions, call in external service providers and make data available to them under simplified conditions, which are made available by the policyholder in connection with the fulfilment of the contract.



Risk report

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, the actual expense for claims and benefits, which deviates from the anticipated expense. It also includes the cost, disaster and accumulation 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 usually brokered by a number of medium-sized cooperation partners to secure mortgage, car or consumer loans in Germany, the Netherlands and Italy.

Mastering the underwriting risk in credit life insurance 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. That is why for this special business, separate calculation bases for disability insurance and unemployment insurance are developed from the technical development of the historical portfolios in conjunction with publicly available statistics from the social insurance carriers.

Profitability levels are analysed at least once a year for each individual cooperation partner by line of insurance, underwriting year and balance sheet year using a standardised underwriting scheme. At the same time, the gross underwriting results of all major cooperation partners are compared several times a year with the corresponding budgeted figures. The results of these analyses are discussed in the management circle responsible for the operative business. This ensures that any unfavourable developments can be quickly detected, and countermeasures can be taken in a timely manner. Fundamental negative developments have not been discovered thus far. The report of the actuarial function to the Executive Board of RheinLand Versicherungs AG reported on the key aspects of this actuarial controlling.

Property and Casualty Insurance

Subject to suitable acceptance guidelines and underwriting competencies, RheinLand Versicherungs AG pursues the expansion of property, liability and accident lines with stable contribution margins in private and commercial business mainly via its own field sales force. Because the business line has regional points of focus, there are concentration risks in the event of natural hazards. These risks particularly affect comprehensive homeowner insurance and the resulting profit volatility. In addition to acceptance and underwriting guidelines, RheinLand Versicherungs AG employs a suitable mix of coinsurance and reinsurance to reduce the possible effects of earnings volatility. Traditional large industry or commercial business with major loss and/or long-term loss potential are not underwritten.

Systematic underwriting controlling has been put in place. In doing so, the gross underwriting result before internal costs is analysed using a standardised method according to distribution channels, lines of business, cooperation partners and customer segments according to underwriting and balance sheet years. The earnings are reported directly to the managers from the Executive Board and from the line/operations and sales department responsible for the relevant business segment. In case of undesirable developments, suitable countermeasures can be promptly developed. In its 2017 reports to the Executive Board of RheinLand Versicherungs AG, the actuarial function also reported on the key analyses and results of underwriting controlling for property/casualty business. In addition, where required, extensive special analyses are performed, taking into account as many aspects as possible, from the competitiveness of products and rates, right down to loss development.

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 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 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.

The investments of RheinLand Versicherungs AG are conservative and geared to the requirements of their obligations. To manage investment risks, the RheinLand Insurance Group continues to be guided by the mix ratios in accordance with Article 3 Investment Ordinance (applying the "amended Investment Ordinance").

A concentration of market risks is excluded. As a rule, all investments attributable to one and the same debtor may not exceed 5% of the protection fund. For special assets or corporate funds, a concentration of investments with one portfolio manager should be prevented if they exceed more than 20% of the protection fund.

Investment risks are monitored by defined risk capital budgets, limits and threshold values.

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	283,630	
of which government bonds	26,378	9.3
Bank exposure	241,387	85.1
Corporate bonds	15,865	5.6
ABS products	0	0.0

With regard to the bonds stated, there are additional safeguards through the following:

Insurance:	in € K	as % of total
Right of lien	114,961	40.5
Deposit protection	104,993	37.0
State guarantee	26,378	9.3
without hedging	37,298	13.2

With regard to the bond portfolio in the bank exposure with a total of € 241,387 K, there are none of the above safeguards for the amount of € 21,433 K (8.9%).

There is no subordinated debt.

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.

Default risk

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

Like investments, the receivables from reinsurers, intermediaries and customers are always subject to default risk. For the provision for loan losses, RheinLand Versicherungs AG performed value adjustments with regard to the receivables portfolio where required. Outstanding receivables with a maturity date of more than 90 days prior existed in the amount of € 644 K on the balance sheet day.

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.

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 compliance and 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. In particular, the cyber risks that are now spreading more and more are being countered with comprehensive data backup concepts, protection programs and external, professional e-mail validation. Cyber insurance has been taken out in the event of a damage event.

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. Compliance risks that may arise in relation to compliance with or implementation of laws, regulations, regulatory requirements or ethical and moral standards, as well as internal rules and regulations, are regulated by a defined process in accordance with the Compliance Management Directive. Fraud risks are subject to special monitoring and reporting.

In general, there is the risk that the court rulings issued in individual cases can also affect the operating units of RheinLand-Gruppe. In order to counter this risk, all pending lawsuits are assessed for general validity, monitored and regularly discussed between the specialist divisions and the legal department. Depending on the classification of the risk, an appropriate provision is formed where necessary.

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. It also includes servicing at all times the obligations arising from the insurance contracts concluded.

Monthly liquidity budgets are drawn up to ensure that payment obligations are met at all times. Due to the short duration (2.7 years) of the bond portfolio and the business model, the monthly average liquidity surplus of RheinLand Versicherungs AG in relation to total investments is approx. 9.5% and the expected liquidity surplus without reinvestment for 2018 is approx. €67,463 K. 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. No reputation risk arose for RheinLand Versicherungs AG in the past financial year.

Summary presentation of the risk position

In 2017, RheinLand Versicherungs AG had sufficient economic and regulatory risk-bearing capability at all times. Overall, there is also currently no development evident that could unexpectedly have an adverse and lasting effect on the asset, financial and profit position of RheinLand Versicherungs AG.

The solvency ratio according to Solvency II, not to be audited by the auditor, is higher as at 31 December 2017 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%. Further details on the solvency of RheinLand Versicherungs AG can be found in the Solvency and Financial Report (SFCR) as at 31 December 2017. Publication on the website by 7 May 2018 is required under regulatory law.

Opportunities Report

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.



Outlook

For the current year, the approximately 450 companies in the insurance industry expect a stable development, as determined by the German Insurance Association (GDV). As in the previous year, premium income is expected to increase by 1.3 percent. However, the year literally got off to a stormy start. Windstorm "Burglind" and hurricane "Friederike" caused damage in the hundreds of millions. In addition, political uncertainties are dampening overly high expectations, and low interest rates continue to occupy insurance companies and their customers.

It is of key importance for us to advise the branches and regional offices for all issues relating to digitalisation and to actively support them in developing new customer groups via Internet-based offers and improving the management of existing customers. The aim is to create intelligent links between "online" and "offline", because evidence shows that a personal contact is still important for the majority of insurance customers. In this context, we want to re-establish our marketing via digital channels to reach people in their respective environments in a much more differentiated way than before and to draw attention to the strengths of the RheinLand as an insurer in all situations of life.

This year, we are providing sales incentives for private customers in the areas of old-age provision and cover for employees. We still see many opportunities to generate business in these segments in particular. In addition, we expect the introduction of the innovative IT protection newsletter "Dr. Cloud" at the turn of the year to stimulate sales.

In terms of staffing, the exclusive agency organisation is currently well positioned. That is why we are sticking to our plan 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. That is why we are very closely following the general trend within the insurance industry, whereby the im-

pression is reinforced that we in particular, with our medium-sized, value-based background, are gaining in attractiveness among experienced insurance experts who want to chart a new course in their professional independence. At the same time, our sales organization is facing a generational change that will present us with the challenge of placing numerous agencies in new hands in the current financial year and in the coming years. Together with the previous owners, we are working in-depth on future-oriented solutions.

In bancassurance, we expect a favourable development for our activities in Germany, the Netherlands and Italy in the current financial year.

The expansion of an Austrian direct bank, which brought us on board as a partner for its launch in the German market, will receive in-depth support from us as a specialist for payment protection insurance. The cooperation that has been ongoing since the beginning of the year offers tremendous potential, as we are also putting forth insurance solutions to match the expansion already planned for the product portfolio. In addition, we continue to work in close consultation with all other, many already longstanding, cooperation partners, to identify new opportunities for us and derive suitable offers as a result. We are also sparing no effort to meaningfully expand the range of companies working with us.

In the Netherlands, we have a solid position as a provider of insurance solutions for mortgage financing. This year we will be able to once again increase the high market penetration associated with this. In order to take advantage of additional sales opportunities, we will meaningfully supplement our product portfolio with a provision product for income protection.

The dynamic development in Italy will continue in the current year. We are now finally leaving the test field and establishing ourselves as a success-oriented sales unit via our branch office in Milan. We now need to strategically expand our infrastructure order to provide even better organizational support for our growth path.

Thus far in the course of the 2018 financial year, our investment portfolios and the income generated from them have developed in line with 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 2017. The investment earnings planned from 2019 onwards will be duly reviewed, taking into account further market developments, and adjusted if necessary.

Thanks to the steady expansion of our business and the continued positive development of our distribution channels, we anticipate a further increase in premium income in 2018. At the same time, investments are being made in future trends (e.g. digitalisation).

The storm events "Burglind" and especially "Friederike" at the beginning of the new business year also affected RheinLand Versicherungs AG and caused gross claims expenses of some € 1.2 million. We expect earnings for 2018 to be roughly at the previous year's level.



Relationships to affiliated companies

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.

VAn agency agreement effective exists with Credit Life and DEVK Vermittlungs 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, "Verkehrsofopferhilfe e.V." (association for the assistance of traffic accident victims), Hamburg, "Deutsches Büro Grüne Karte e.V." (German Green Card Bureau), Hamburg, "Versicherungsombudsman e.V." (Insurance Ombudsman), Berlin, and "Pensions-Sicherungs-Verein VVaG" (Pension Protection Mutual Organisation), Cologne.



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 has guided our environment-relevant processes since 2007 and assists us in systematically identifying and harnessing potential for improvements.

We established the primary objective of our environmental activities in the year 2007: We intend to ensure the CO₂ neutrality of our business operation for 50 years. In cooperation with the climate association "PRIMAKLIMA-weltweit e.V.", in several tranches, we have commis-

sioned 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 balance, we disclose our consumption and demand for resources once each financial year. By doing so, we prove that we also continue to place great value on responsible use of resources and do not take for granted the great significance that CO₂ neutrality means for our company. We also continue to be transparent and open in the future in providing this documentation.

The significant

The number of employees in the insurance group, including RheinLand Vermittlungs GmbH (6 employees) and Callas Nederland B.V. (33 employees) was 820 in the reporting year, only slightly down on the previous year (827).

The share of female employees in our company increased slightly and amounted to 44% (previous year: 43.0%), while the proportion of men fell accordingly to 56%. The restructuring begun in the 2015 financial year was completed at the end of the 2016 financial year. This is also reflected in the fluctuation rate, which at 4.9% in 2017 was well below the previous year (7.0%).

Company	male	female	Total
RheinLand Versicherungs AG	438	343	781
RheinLand Vermittlungs GmbH	3	3	6
Callas Nederland B.V.	17	16	33
Total RheinLand Group	458	362	820

Trainee Programme

Employees RheinLand Insurance Group 2017

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 great 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 2017, RheinLand Versicherungs AG hired 12 trainees – divided among three trainee professions. Out of the total of 12 trainees, 10 are undergoing training as insurance and financial clerks, and one trainee is completing a programme as a clerk for office management, and one trainee is involved in a programme as a specialist IT clerk for systems integration. Five of the ten insurance and financial clerks are being trained in this year's trainee programme in the sales department at RheinLand Versicherungs AG, in the regional offices and branches.

For many years the training with integrated studies according to the "Cologne Model" has proven itself. This professional training takes place in cooperation with the "Berufsbildungswerk der Versicherungswirtschaft 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.

Since 2016, RheinLand Versicherungs AG has also been offering a trainee programme in connection with a "General Management" course of studies. The course of studies is pursued as a "trainee on the job" and takes place in cooperation with the European University of Applied Sciences Rhein/Erft in Neuss. After six semesters of study and a subsequent bachelor's thesis, the academic degree "Bachelor of Arts" is

achieved. With this course of studies as well, we are enabling a successful future in the insurance industry. At the end of the reporting year (as at 31 December 2017), the company will prepare a total of 49 young people for their future careers. Of the 49 trainees, 20 are employed in 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, seven trainees as commercial agents for insurance and finance will benefit from the versatile trainee programme concept.

To enable our trainees, upon completion of the final examination, a successful launch into their careers, the company offers the trainees of the inside sales department an indefinite position where qualified. 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.

For the first time, RheinLand Versicherungs AG developed a future initiative towards professional development of insurance and finance specialists (after successfully completing their final examination). For this purpose, a further training concept, to follow the trainee programme, was developed and adopted by the overall Executive Board, sales and human resources managers.

The development programme provides for special development of trainees who have distinguished themselves through outstanding completion of their trainee programme at RheinLand. In addition to indefinite employment, the development programme also finances further training to become a Business Administrator and/or Bachelor in the insurance industry. In particular due to excellent business relations with the "Berufsbildungswerk der Versicherungswirtschaft Rheinland" (Rhineland Insurance Industry's Vocational Training Centre) and the Institute of Insurance and Actuarial Science at the Cologne University of Applied Sciences,

the qualification is implemented via these providers of further training.

A similar further training concept is currently being examined and developed for trainees from other training occupations, such as information technology and marketing.

Advancement of women in management positions

In appointing members to the management bodies and executive positions, the Executive Board and Supervisory Board take particular care in promoting diversity and an appropriate share of women. Through the law for equal participation of women and men in leadership positions in the private sector and the public sector, RheinLand Versicherungs AG is required to establish target percentages for the number of women on the Supervisory Board, on the Executive Board and in the next two echelons of management.

Against this background, targets of 0% for the Executive Board and Supervisory Board, 7.1% for the first

management level and 20.4% for the second management level below the Board of Management were set for the 2015 reporting year. The target date was June 30, 2017. On this cut-off date, the target quota for the proportion of women on the Executive Board was met. The target quota for the proportion of women on the Supervisory Board was even exceeded. The target ratio set for the second management echelon below the Executive Board was also exceeded; it was 24.24%. Only the target rate for the proportion of women on the first management echelon below the Executive Board was slightly below target at 6.67%. The number of women at this management level has not decreased. Only the number of male managers has slightly increased due to structural changes at this management echelon.

For the period from July 1, 2017 to June 30, 2022, new targets for the proportion of women in the relevant management bodies have been defined in accordance with legal requirements. The target figures are 16.67% for the Supervisory Board, 0% for the Executive Board, 6.67% for the first management echelon below the Executive Board and 24.24% for the second management echelon below the Executive Board.

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.

Neuss, 19 April 2018

The Executive Board

Christoph Buchbender

Dr. Lothar Horbach

Udo Klanten

Andreas Schwarz

Annual Financial Statements



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Page 42 _ Profit and Loss Account for the
Period from 1 January to 31 December 2017

Balance sheet

as at 31 December 2017

Assets	2017	2017	2017	2017	2016
	€	€	€	€	€
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				7,402,023.92	5,325,634.31
B. Investments					
I. Equity investments in affiliated companies and participating interests					
1. Shares in affiliated companies		6,353,960.72			1,587,309.34
2. Loans to affiliated companies		10,000,000.00			10,000,000.00
3. Participating interests		83,867.20			1,100,859.44
			16,437,827.92		12,688,168.78
II. Other investments					
1. Shares, units or shares in investment funds and other variable yield securities		12,528,989.93			12,101,153.15
2. Bearer bonds and other fixed-interest securities		152,535,797.00			169,921,386.37
3. Mortgages, land charges and annuities receivable		184,065.07			326,139.52
4. Other loans					
a) Registered bonds	15,000,000.00				16,001,524.23
b) Notes receivable and loans	106,093,983.88				110,143,927.96
		121,093,983.88			126,145,452.19
5. Deposits at banks		32,413,903.41			28,627,793.46
6. Other investments		20,920.00			20,920.00
			318,777,659.29		337,142,844.69
III. Deposits retained on assumed reinsurance			949,339.65		912,898.27
				336,164,826.86	350,743,911.74

Assets	2017	2017	2017	2017	2016
	€	€	€	€	€
C. Receivables					
I. Amounts receivable from direct insurance operations to:					
1. Policyholders		1,323,855.53			1,347,900.24
2. Intermediaries		6,606,168.62			7,788,611.27
			7,930,024.15		9,136,511.51
II. Reinsurance receivables			2,215,728.63		1,305,017.43
III. Other receivables			14,713,608.91		14,970,808.71
of which: from affiliated companies					
11,398,644.45 €					(13,457,185.04)
				24,859,361.69	25,412,337.65
D. Other assets					
I. Fixed assets and inventories			5,662,664.65		5,442,316.76
II. Current bank balances, checks and cash balance			10,410,938.19		12,508,712.71
III. Other assets			20,000.00		679,555.95
				16,093,602.84	18,630,585.42
E. Deferred items					
I. Deferred interest and rent			1,715,266.33		2,172,609.19
II. Miscellaneous Deferred items			2,827,696.66		3,552,329.49
				4,542,962.99	5,724,938.68
F. Subordinated liabilities from asset allocation				42,292.92	51,147.44
				389,105,071.22	405,888,555.24

Liabilities

	2017	2017	2017	2016
	€	€	€	€
A. Equity				
I. Subscribed capital		39,304,192.00		39,304,192.00
II. Capital reserves		9,756,701.77		9,756,701.77
III. Retained earnings				
1. Statutory reserve	2,823,717.43			2,823,717.43
2. 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		0.00		10,000,000.00
			58,464,847.72	68,464,847.72
B. Technical provisions				
I. Unearned premiums				
1. Gross	112,510,615.74			115,617,692.83
2. of which: Share of the assumed reinsurance business	22,904,746.30			22,490,268.07
		89,605,869.44		93,127,424.76
II. For life insurance				
1. Gross	15,559,062.62			29,983,731.10
2. of which: Share of the assumed reinsurance business	0.00			0.00
		15,559,062.62		29,983,731.10
III. Provision for outstanding claims:				
1. Gross	160,183,233.47			159,637,363.14
2. of which: Share of the assumed reinsurance business	29,557,806.01			32,774,085.67
		130,625,427.46		126,863,277.47
IV. Equalisation provision and similar provisions		22,696,614.00		22,502,938.00
V. Other technical provisions				
1. Gross	2,052,803.75			2,065,129.93
2. of which: Share of the assumed reinsurance business	135,163.64			250,126.30
		1,917,640.11		1,815,003.63
			260,404,613.63	274,292,374.96
C. Other provisions				
I. Provisions for pensions and similar obligations		210,276.24		225,184.79
II. Tax provisions		1,523,752.00		2,498,924.00
III. Other provisions		12,668,505.15		14,816,716.00
			14,402,533.39	17,540,824.79
D. Deposit account liabilities			18,845,982.50	17,682,213.24

Liabilities	2017	2017	2017	2016
	€	€	€	€
E. Other Liabilities				
I. Liabilities arising out of direct insurance operations from				
1. Policyholders	8,151,403.37			8,617,625.10
2. Intermediaries	2,826,253.45			1,833,500.44
		10,977,656.82		10,451,125.54
II. Reinsurance payables		2,455,757.30		4,134,972.30
III. Other Liabilities		22,013,681.64		11,172,385.88
thereof: towards affiliated companies				
€14,570,294.50				(2,793,693.57)
from taxes				
€2,787,483.38				(2,909,954.20)
			35,447,095.76	25,758,483.72
F. Deferred items			1,539,998.22	2,149,810.81
			389,105,071.22	405,888,555.24

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, 18 April 2018

The responsible actuary

Lutz Bittermann

Profit and Loss Account

	2017	2017	2017	2016
	€	€	€	€
I. Technical account				
1. Net premiums earned				
a) Gross premiums entered	221,098,532.44			216,753,668.64
b) Reinsured premiums	36,876,218.08			30,123,210.59
		184,222,314.36		186,630,458.05
c) Change in gross unearned premiums	3,107,077.09			9,105,936.29
d) Change in the share of the reinsurers in gross unearned premiums	-414,478.23			13,056,783.48
		3,521,555.32		-3,950,847.19
			187,743,869.68	182,679,610.86
2. Technical interest for own account			186,089.33	170,654.08
3. Other net technical income			74,785.15	62,485.65
4. Net costs of insurance claims				
a) Payments for insurance claims				
aa) Gross amount	98,266,265.40			104,860,955.35
bb) Share of the reinsurers	17,282,208.09			26,764,806.52
		80,984,057.31		78,096,148.83
b) Change in the provision for outstanding insurance claims				
aa) Gross amount	-179,371.44			5,915,250.26
bb) Share of the reinsurers	-3,216,279.66			-7,571,646.22
		3,036,908.22		13,486,896.48
			84,020,965.53	91,583,045.31
5. Change in other miscellaneous technical net provisions				
a) Net provision for future policy benefits		-14,424,668.48		-23,993,656.90
b) Other net technical provisions		102,636.48		720,735.01
			-14,322,032.00	-23,272,921.89
6. Costs of insurance operations for own account				
a) Gross costs of insurance operations		118,498,310.20		114,493,176.57
b) of which: Reinsurance business commissions and profit shares received		12,541,895.29		15,520,233.26
			105,956,414.91	98,972,943.31
7. Other miscellaneous net insurance operations expenditures			724,693.73	578,804.96
8. Sub-total			11,624,701.99	15,050,878.90
9. Change in the equalisation provision and similar provisions			-193,676.00	1,534,149.00
10. Net technical income for own account			11,431,025.99	16,585,027.90

for the period from 1 January to 31 December 2017

	2017	2017	2017	2016
	€	€	€	€
Transfer of net technical income for own account			11,431,025.99	16,585,027.90
II. Non-technical account				
1. Investment income				
a) Income from participating interests	190,000.00			3,370,000.00
thereof: from affiliated companies: 190,000.00 €				(3,250,000.00)
b) Income from other investments	4,676,538.49			6,037,984.12
thereof: from affiliated companies: 50,000.00 €				(23,287.67)
c) Income from write-ups	76,177.91			53,463.09
d) Gains arising from the disposal of investments	622,217.61			289,386.91
		5,564,934.01		9,750,834.12
2. Investment costs				
a) costs for the administration of investments, interest expenses and other expenditures for the administration of investments	547,668.58			591,503.55
b) Depreciation on investments	3,218,678.71			419.86
c) Losses from the disposal of investments	17,856.83			6,348.68
		3,784,204.12		598,272.09
		1,780,729.89		9,152,562.03
3. Technical interest income		-165,489.00		-170,654.08
			1,615,240.89	8,981,907.95
4. Other income		49,265,065.73		44,488,321.82
5. Other expenses		47,894,748.33		50,810,849.46
			1,370,317.40	-6,322,527.64
6. Result from ordinary business operations			14,416,584.28	19,244,408.21
7. Tax on income and profit	1,655,951.80			2,180,008.91
		1,655,951.80		2,180,008.91
8. Miscellaneous Tax		5,549.00		6,310.50
			1,661,500.80	2,186,319.41
9. Profits transferred based on profit pooling, a profit transfer agreement or a partial profit transfer agreement			12,755,083.48	17,058,088.80
10. Withdrawals from the capital reserve			0.00	10,000,000.00
11. Net profit for the year			0.00	10,000,000.00

Notes

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- Page 50 _ Explanatory Notes on Balance Sheet
- Page 58 _ Explanatory Notes on Profit and Loss Account
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- Page 66 _ Supplementary Report

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 and participating interests

Shares in affiliated companies and participating interests are valued at acquisition cost less depreciation pursuant to Section 341b (1) German Commercial Code (HGB) in conjunction with Section 253 (3) (5) German Commercial Code (HGB).

Loans to affiliated companies and participating interests

Loans to affiliated companies and participating interests are valued in accordance with Section 341c German Commercial Code (HGB) at amortised cost in conjunction with Section 253 (3) (5) German Commercial Code (HGB). Where there are differences compared to the repayment amount (premium or discount), the effective interest method is applied for amortisation over the remainder of term.

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

They are generally valued at acquisition cost in accordance with Section 341b (2) German Commercial Code (HGB) in conjunction with Section 253 (1), (3) and (5) German Commercial Code (HGB). An average acquisition value has been formed from different acquisition costs of the same securities.

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

Other assets contained in the fund (e.g. cash in hand) are carried at nominal values. Possible impairments are monitored based on the traffic light system.

Bearer bonds and other fixed-income securities

Bearer bonds and other fixed-interest securities are generally valued at acquisition cost in accordance with Section 341b (2) German Commercial Code (HGB) in conjunction with Section 253 (1), (3) and (5) German Commercial Code (HGB).

Mortgages, land charges and annuities receivable

Mortgages, land charges and annuities receivable are valued at amortised cost in accordance with Section 341c German Commercial Code (HGB).

Other loans

Registered bonds, promissory notes and other loans are valued in accordance with Section 341c German Commercial Code (HGB) at amortised cost in conjunction with Section 253 (3) (5) German Commercial Code (HGB). Where there are differences compared to the repayment amount (premium or discount), the effective interest method is applied for amortisation over the remainder of 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.

Loans and advance payments with regard to insurance certificates are stated at nominal value.

Deposits at banks

Deposits at banks are reported at nominal value.

Other investments

The other investments are valued at acquisition costs.

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.

Current bank balances, checks and cash balance

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

Deferred tax assets

Deferred taxes are calculated for temporary differences between the commercial and tax valuations of assets and liabilities.

In accordance with Section 274 (1) (2) German Commercial Code (HGB), the option was exercised to waive the capitalisation of the surplus of an overall resulting tax relief.

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. In accordance with 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 carried on 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 €183 K. The settlement amount of the offset liabilities is €141 K in accordance with Section 253 (1) 2 German Commercial Code (HGB). This results in a net asset position in the amount of €42 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 2017.

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 assignors 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	3.68 % 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 (2.80 %), is €405 K. The subordinated liability per Section 253 (6) German Commercial Code (HGB) in the amount of €44 K is subject to a dividend pay-out 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 asset items A., B. I. and II. in the 2017 financial year

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	5,326	4,226	9
B. I. Investments in affiliated companies and participating interests			
1. Shares in affiliated companies	1,587	1,380	0
2. Loans to affiliated companies	10,000	0	0
3. Participations	1,101	4,907	0
Total B.I	12,688	6,287	0
II. Other investments			
1. Shares, units or shares in investment funds and other variable yield securities	12,101	536	184
2. Bearer bonds and other fixed-interest securities	169,921	7,993	25,378
3. Mortgages, land charges and annuities receivable	326	0	142
4. Other loans			
a) Registered bonds	16,002	0	1,002
b) Notes receivable and loans	110,144	23,000	27,050
5. Deposits at banks	28,628	3,786	0
6. Other investments	21	0	0
Total B.II	337,143	35,315	53,756
total	355,157	45,827	53,765

Assets

	Re-allocations	Write-ups	Depreciation	Balance-sheet values
	€	€	€	Financial year
				€
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	2,140	7,402
B. I. Investments in affiliated companies and participating interests				
1. Shares in affiliated companies	6,605	0	3,219	6,354
2. Loans to affiliated companies	0	0	0	10,000
3. Participations	-5,924	0	0	84
Total B.I	682	0	3,219	16,438
II. Other investments				
1. Shares, units or shares in investment funds and other variable yield securities	0	76	0	12,529
2. Bearer bonds and other fixed-interest securities	0	0	0	152,536
3. Mortgages, land charges and annuities receivable	0	0	0	184
4. Other loans				
a) Registered bonds	0	0	0	15,000
b) Notes receivable and loans	0	0	0	106,094
5. Deposits at banks	0	0	0	32,414
6. Other investments	0	0	0	21
Total B.II	0	76	0	318,778
total	682	76	5,359	342,618

We have made use of the option under section 341b (2) (1) German Commercial Code (HGB) to allocate investment assets with a carrying amount of €12,529 K, fixed-income securities with a carrying amount of €152,536 K and registered bonds and promissory notes with a carrying amount of €121,094 K to non-current assets. The fair values amount to €12,825 K for investment assets, €156,271 K for fixed-interest securities and €123,888 K for 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:

The book value of the investments on which no write-downs were performed is € 893 K on 31 December 2017, the fair value of which amounts to € 891 K.

Bearer bonds and other fixed-income securities:

The book value of the investments on which no write-downs were performed is € 3,996 K on 31 December 2017, the fair value of which amounts to € 3,976 K.

Other loans:

The book value of the investments on which no write-downs were performed is € 31,000 K on 31 December 2017, the fair value of which amounts to € 30,458 K.

We currently assume that the impairments are only interest-induced and will therefore not be permanent. Accordingly, we have not made any write-downs pursuant to Section 253 (3) (5) German Commercial Code (HGB).

Fair values of asset items B. I. to II. in the 2017 financial year

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 participating interests				
1. Shares in affiliated companies	6,354	0	33,111	39,465
2. Loans to affiliated companies	10,000	330	0	9,670
3. Participating interests	84	0	0	84
Total B.I	16,438	330	33,111	49,218
B. II. Other investments				
1. Shares, units or shares in investment funds and other variable yield securities	12,529	2	297	12,825
2. Bearer bonds and other fixed-interest securities	152,536	20	3,754	156,271
3. Mortgages, land charges and annuities receivable	184	0	6	190
4. Other loans				
a) Registered bonds	15,000	0	833	15,833
b) Notes receivable and loans	106,094	212	2,173	108,056
5. Deposits at banks	32,414	0	0	32,414
6. Other investments	21	0	0	21
Total B.II	318,778	233	7,064	325,609
total	335,214	563	40,175	374,827

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.

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 RheinLand ABS-CLO Fund is determined on an indicative basis 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.

Mortgages, land charges and annuities receivable:

The fair value was determined by means of individual title risk-adjusted-yield curves that were adjusted for 2017 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 2017 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 December 2017	Fair value 31 December 2017	Valuation reserves	Dividend distri- bution 2017
	€	€	€	€
AIF special fund				
Rheinland ABS-CLO Fund	10,750,508.98	10,795,000.94	44,491.96	222,802.08
total	10,750,508.98	10,795,000.94	44,491.96	222,802.08

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.

The valuation reserve of the RheinLand ABS-CLO Fund is the difference between the stated fair value and the market value.

Shares in affiliated companies and participating interests

List of the share property as at 31 December 2017 per Section 285 (11) German Commercial Code (HGB)	Interest in share capital		Earnings of the last business year 31 December 2017	Equity of the respective company 31 December 2017
	%		T€	T€
Domestic				
RheinLand Vermittlungs GmbH, Neuss	100	direct	302.2	500.1
Credit Life & DEVK Vermittlungs GmbH*, Neuss	51	direct	-13.7	27.0
RheinLand Betriebsrestaurant GmbH, Neuss	100	direct	7.7	55.2
Foreign				
Rheinland Groep Nederland B.V., Amsterdam	100	direct	-965.4	6,289.4
Callas Holding N.V., Amstelveen	100	indirect	0.0	45.0
Callas Nederland B.V., Amstelveen	100	indirect	0.0	18.0
Lazur B.V., Amstelveen	100	indirect	0.0	18.0

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

* formerly Credit Life International Services GmbH

Deposits receivable

	2017	2016
to	€	€
non-affiliated companies	949,339.65	912,898.27
total	949,339.65	912,898.27

Other receivables

	2017	2016
	€	€
Receivables from affiliated companies	11,398,644.45	13,457,185.05
other	3,314,964.46	1,513,623.66
total	14,713,608.91	14,970,808.71

Fixed assets and inventories

	2017	2016
	€	€
Operating and business equipment	5,619,149.76	5,406,251.76
Inventories	43,514.89	36,065.00
total	5,662,664.65	5,442,316.76

For insolvency hedging of the semi-retirement obligations, investment funds in the amount of €893 K were assigned to the employees.

Liabilities

Subscribed capital

The share capital as at 31 December 2017 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:	
	2017	2016	2017	2016
	€	€	€	€
General accident	22,033,205.62	18,451,795.99	19,745,466.17	16,248,976.09
Automobile accident	1,286.35	1,818.20	0.00	0.00
Accident overall	22,034,491.97	18,453,614.19	19,745,466.17	16,248,976.09
Liability	16,011,720.06	13,813,120.73	13,254,985.38	11,159,447.21
Motor vehicle liability	79,850,434.98	81,712,623.18	68,250,053.95	67,865,088.36
Other motor vehicle	11,708,444.49	10,219,503.22	5,056,641.17	4,948,801.41
Total motor vehicle	91,558,879.47	91,932,126.40	73,306,695.12	72,813,889.77
Fire	2,875,054.28	3,693,393.74	2,418,345.06	3,206,397.09
Comprehensive householder	6,339,074.59	6,422,778.57	1,656,831.32	2,143,586.39
Comprehensive homeowner	4,134,140.79	3,139,934.10	2,982,046.43	2,389,264.29
miscellaneous property	6,280,898.59	5,850,589.76	2,076,863.39	2,214,466.05
Fire and property overall	19,629,168.25	19,106,696.17	9,134,086.20	9,953,713.82
Transport / Aviation	58,580.24	53,202.80	27,697.94	31,622.94
Unemployment	24,622,093.94	23,627,743.33	5,578,171.41	5,422,360.82
Work disability	63,451,751.16	56,853,193.82	14,354,953.00	13,027,818.05
miscellaneous payment protection insurance	14,268,755.25	16,650,264.94	4,548,058.99	3,404,566.85
miscellaneous	903,441.55	846,568.85	171,782.10	186,363.00
miscellaneous total	103,246,041.90	97,977,770.94	24,652,965.50	22,041,108.72
Total direct business	252,538,881.89	241,336,531.23	140,121,896.31	132,435,121.55
Assumed reinsurance business	60,463,447.69	88,470,323.77	20,061,337.16	27,388,604.59
total	313,002,329.58	329,806,855.00	160,183,233.47	159,637,363.14

Equalisation provision and similar provisions

	2017	2016
	€	€
Accident	0.00	0.00
Liability	0.00	0.00
Motor vehicle liability	10,132,121.00	12,377,454.00
Other motor vehicle	5,579,172.00	4,211,604.00
Total motor vehicle	15,711,293.00	16,589,058.00
Fire	73,890.00	119,993.00
Comprehensive householder	2,546,201.00	2,423,340.00
Comprehensive homeowner	344,821.00	0.00
miscellaneous property	3,463,987.00	2,873,186.00
Fire and property overall	6,428,899.00	5,416,519.00
Transport / Aviation	7,977.00	0.00
miscellaneous	548,445.00	497,361.00
miscellaneous total	548,445.00	497,361.00
Total direct business	22,696,614.00	22,502,938.00
total	22,696,614.00	22,502,938.00

Other provisions

	2017	2016
	€	€
Human Resources	9,155,343.60	8,925,165.00
Commissions and payments similar to commission	821,624.00	767,211.00
other provisions	2,691,537.55	5,124,340.00
total	12,668,505.15	14,816,716.00

Accounts receivable / payable from reinsurance operations

	Receivables		Liabilities	
	2017	2016	2017	2016
towards	€	€	€	€
non-affiliated companies	2,215,728.63	1,305,017.43	2,455,757.30	4,134,972.30
total	2,215,728.63	1,305,017.43	2,455,757.30	4,134,972.30

Other Liabilities

	2017	2016
	€	€
towards affiliated companies	14,570,294.50	2,793,693.57
non-cashed cheques	829,419.59	984,365.88
Taxes still to be paid	2,787,483.38	2,909,954.20
Trade accounts payable	118,797.55	327,007.99
other	3,707,686.62	4,157,364.24
total	22,013,681.64	11,172,385.88

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

Explanatory notes on Profit and Loss account

Gross premiums written

	2017	2016
	€	€
General accident	19,210,899.70	18,367,342.96
Automobile accident	37,908.77	51,663.10
Accident overall	19,248,808.47	18,419,006.06
Liability	13,825,536.31	14,059,685.97
Motor vehicle liability	33,880,703.14	35,916,300.81
Other motor vehicle	26,352,602.70	27,333,130.37
Total motor vehicle	60,233,305.84	63,249,431.18
Fire	2,306,843.17	2,292,487.09
Comprehensive householder	10,074,808.87	9,201,626.66
Comprehensive homeowner	4,902,171.52	4,578,617.46
miscellaneous property	5,270,684.28	5,462,826.65
Fire and property overall	22,554,507.84	21,535,557.86
Transport / Aviation	142,888.34	133,642.08
Unemployment	20,084,586.92	20,870,572.16
Work disability	62,844,410.17	57,457,446.57
miscellaneous payment protection insurance	13,744,295.44	11,697,328.35
miscellaneous	1,145,052.71	1,060,671.46
miscellaneous total	97,818,345.24	91,086,018.54
Total direct business	213,823,392.04	208,483,341.69
Assumed reinsurance business	7,275,140.40	8,270,326.95
total	221,098,532.44	216,753,668.64

Earned premiums

	Gross		Net	
	2017	2016	2017	2016
	€	€	€	€
General accident	19,126,158.15	17,979,779.36	18,888,314.83	17,751,902.39
Automobile accident	38,328.20	51,829.41	30,569.44	41,310.56
Accident overall	19,164,486.35	18,031,608.77	18,918,884.27	17,793,212.95
Liability	13,722,101.15	13,834,389.79	13,556,112.49	13,666,693.00
Motor vehicle liability	33,892,823.32	35,856,244.81	25,969,808.58	27,477,975.77
Other motor vehicle	26,338,891.69	27,255,155.97	20,651,420.97	21,199,310.32
Total motor vehicle	60,231,715.01	63,111,400.78	46,621,229.55	48,677,286.09
Fire	2,291,037.60	2,283,624.98	1,138,963.51	1,232,816.67
Comprehensive householder	9,795,466.78	9,104,412.74	9,783,670.64	9,096,621.72
Comprehensive homeowner	4,845,811.97	4,428,409.25	3,800,613.19	1,306,320.85
miscellaneous property	5,293,314.79	5,417,695.74	4,463,026.87	4,560,594.08
Fire and property overall	22,225,631.14	21,234,142.71	19,186,274.21	16,196,353.32
Transport / Aviation	141,828.90	132,062.90	141,828.90	132,062.90
Unemployment	19,210,356.09	21,064,711.51	14,561,858.90	14,743,479.15
Work disability	57,852,110.20	52,407,995.56	44,975,030.98	38,663,538.15
miscellaneous payment protection insurance	17,352,129.53	19,989,001.87	15,763,409.09	17,065,324.04
miscellaneous	1,124,559.59	1,035,281.61	838,549.72	724,112.67
miscellaneous total	95,539,155.41	94,496,990.55	76,138,848.69	71,196,454.01
Total direct business	211,024,917.96	210,840,595.50	174,563,178.11	167,662,062.27
Assumed reinsurance business	13,180,691.57	15,019,009.43	13,180,691.57	15,017,548.59
total	224,205,609.53	225,859,604.93	187,743,869.68	182,679,610.86

Technical interest income

Pursuant to Section 38 German Accounting Regulations for Insurance Companies (RechVersV), technical interest income must be reported for the provision for future pension benefits. This amounts to 2.75% of the arithmetic mean of the opening and closing balance of the provision for future pension benefits.

The gross premium cover provision for child accident insurance also bears interest at 2.75% of the total at the beginning and end of the year.

Gross costs

	for insurance claims		for insurance operations	
	2017	2016	2017	2016
	€	€	€	€
General accident	8,835,492.76	8,189,375.51	9,273,746.84	9,423,100.56
Automobile accident	0.00	0.00	10,159.70	14,078.58
Accident overall	8,835,492.76	8,189,375.51	9,283,906.54	9,437,179.14
Liability	7,842,804.60	5,554,529.37	5,329,800.49	5,722,533.78
Motor vehicle liability	27,470,476.54	29,686,212.23	5,334,023.03	5,453,745.12
Other motor vehicle	22,128,052.85	23,623,413.97	4,903,174.66	4,905,893.44
Total motor vehicle	49,598,529.39	53,309,626.20	10,237,197.69	10,359,638.56
Fire	1,709,362.74	2,852,304.36	1,080,060.56	1,119,185.95
Comprehensive householder	3,512,761.20	4,447,161.25	3,635,623.47	3,568,994.62
Comprehensive homeowner	4,899,301.97	4,859,462.52	2,478,095.09	2,400,337.07
miscellaneous property	3,856,130.07	4,143,884.35	1,745,595.14	2,143,880.65
Fire and property overall	13,977,555.98	16,302,812.48	8,939,374.26	9,232,398.29
Transport / Aviation	32,591.93	41,135.05	59,299.74	59,948.07
Unemployment	2,078,544.53	600,163.29	15,999,751.55	16,286,457.99
Work disability	7,716,114.76	4,369,839.01	46,628,729.37	42,776,055.22
miscellaneous payment protection insurance	5,067,381.17	5,343,740.40	10,751,543.82	9,790,220.52
miscellaneous	230,804.20	95,715.50	384,268.77	393,122.64
miscellaneous total	15,092,844.66	10,409,458.20	73,764,293.51	69,245,856.37
Total direct business	95,379,819.32	93,806,936.81	107,613,872.23	104,057,554.21
Assumed reinsurance business	2,707,074.64	16,969,268.80	10,884,437.97	10,435,622.36
total	98,086,893.96	110,776,205.61	118,498,310.20	114,493,176.57

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

	2017	2016
	€	€
Acquisition costs	56,408,013.11	47,605,817.37
Administrative expenses	62,090,297.09	66,887,359.20
total	118,498,310.20	114,493,176.57

Technical account results

	Reinsurance		for own account	
	2017	2016	2017	2016
	€	€	€	€
General accident	53,595.46	234,718.92	1,065,406.01	264,871.79
Automobile accident	4,733.18	5,450.69	23,525.27	32,183.00
Accident overall	58,328.64	240,169.61	1,088,931.28	297,054.79
Liability	166,719.97	186,122.79	385,871.59	2,407,205.74
Motor vehicle liability	1,384,330.74	-533,395.55	1,944,622.64	4,046,962.60
Other motor vehicle	200,839.98	-711,088.26	-2,260,601.82	-2,411,953.58
Total motor vehicle	1,585,170.72	-1,244,483.81	-315,979.18	1,635,009.02
Fire			-1,313,602.92	-516,641.54
Comprehensive householder			2,223,671.19	1,122,540.19
Comprehensive homeowner			-3,255,656.45	-2,342,842.18
miscellaneous property			-1,220,825.56	-1,434,044.69
Fire and property overall	1,499,861.86	-753,472.73	-3,566,413.74	-3,170,988.22
Transport / Aviation	0.00	0.00	42,564.14	31,280.16
Unemployment	1,534,701.11	2,391,688.92	-371,120.75	1,776,236.20
Work disability	3,529,996.40	5,162,998.44	-317,117.04	-136,972.85
miscellaneous payment protection insurance	1,218,429.07	2,157,738.81	231,943.21	2,587,854.53
miscellaneous	234,258.06	293,175.09	235,327.06	193,423.81
miscellaneous total	6,517,384.64	10,005,601.26	-220,967.52	4,420,541.69
Total direct business	9,827,465.83	8,433,937.12	-2,585,993.43	5,620,103.18
Assumed reinsurance business	26,450.30	32,663.39	14,017,019.42	10,964,924.72
total	9,853,916.13	8,466,600.51	11,431,025.99	16,585,027.90

Commissions and other remunerations of the intermediaries, personnel costs

	2017	2016
	€	€
1. Commissions of all kinds for intermediaries within the meaning of Section 92 German Commercial Code (HGB) for direct insurance operations	70,671,984.24	69,411,262.91
2. Other remuneration for intermediaries within the meaning of Section 92 German Commercial Code (HGB)	3,164,206.82	3,331,132.33
3. Wages and salaries	49,612,763.14	48,236,911.59
4. Social contributions and costs for support	7,661,573.75	7,550,123.96
5. Costs for old-age pension	1,075,308.99	263,390.29
Total expenditures	132,185,836.94	128,792,821.08

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

The interest expenses include costs arising from the addition of accrued interest to the anniversary provision on 31 December 2017 in the amount of €77 K. Exchange rate gains in the amount of €87 K were reported under other income. They are offset by exchange rate losses under other expenditures in the amount of €8 K.

Investment income

	2017	2016
	€	€
Participating interests	190,000.00	3,370,000.00
thereof: from affiliated companies: 190,000.00 €		(3,250,000.00)
Shares, units or shares in investment funds and other variable yield securities	222,802.08	257,775.98
Bearer bonds and other fixed-income securities	1,904,248.74	2,624,163.47
Mortgages, land charges and annuities receivable	9,659.83	13,371.74
Registered notes	305,387.04	528,040.82
Notes receivable	2,067,635.56	2,353,737.02
thereof: from affiliated companies: 50,000.00 €		(23,287.67)
other loans	0.00	10,810.16
Deposits at banks	166,027.64	215,766.10
other investments	777.60	777.60
Earnings from deposits receivable	0.00	33,541.23
total	4,866,538.49	9,407,984.12

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

	2017	2016
	Unit	Unit
General accident	101,302	103,783
Automobile accident	828	1,181
Accident overall	102,130	104,964
Liability	119,039	114,289
Motor vehicle liability	129,508	136,071
Other motor vehicle	113,159	117,501
Total motor vehicle	242,667	253,572
Fire	3,916	4,065
Comprehensive householder	76,883	71,719
Comprehensive homeowner	41,568	40,872
miscellaneous property	10,577	11,048
Fire and property overall	132,944	127,704
Transport / Aviation	245	248
miscellaneous	6,048	5,091
total	603,073	605,868

Miscellaneous

Staff

Over the course of the financial year, RheinLand Versicherungs AG employed 725 persons in inside staff and 56 employees in its field sales force (total: 781 employees; 793 in the previous year). The number of trainees included in that number is 37 persons (previous year: 45 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 62.

The Executive Board and Supervisory Board members are listed by name on pages 6 and 7. No further compensation was paid for duties at affiliated companies. €383 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 €4.6 million for current pensions and pension entitlements that are included in the balance sheet of RheinLand Holding AG.

Financial Obligations

Due to our membership in Verkehrsofopferhilfe 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.

The company is liable for the fulfilment of the purchase price obligations of Rheinland Groep B.V. based on an acquisition of a stake in 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 €21.3 million remained on the balance sheet date. For insolvency hedging of the semi-retirement obligations, investment funds in the amount of €0.9 million were assigned to the employees.

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 30.

Details of shareholders

The investment management company Cornel Werhahn GbR, Neuss, has merely informed us as a precaution in the event that should it assume company status as defined by property Section 20 Joint Stock Company Act (AktG), 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. In addition to the fee for the audit of the financial statements, payments were made to PricewaterhouseCoopers GmbH for fiduciary services in the reporting year.

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.

Neuss, 19 April 2018

The Executive Board

Christoph Buchbender

Dr. Lothar Horbach

Udo Klanten

Andreas Schwarz



Audit Report

of the independent auditor

To RheinLand Insurance AG, Neuss

Report on the audit of the annual financial statements and the Management Report

Audit opinions

We have audited the annual financial statements of RheinLand Versicherungs AG, Neuss, – comprising the balance sheet as at 31 December 2017 and the profit and loss account for the financial year from 1 January 2017 to 31 December 2017 and the notes, including the presentation of the accounting and valuation methods. In addition, we have audited the Management Report of RheinLand Versicherungs AG for the financial year from 1 January 2017 to 31 December 2017. We have not examined the content of the corporate governance declaration pursuant to Section 289f German Commercial Code (HGB) in accordance with German statutory provisions.

In our opinion, based on the findings of our audit,

- the attached annual financial statements comply in all material respects with German commercial law and give a true and fair view of the net assets and financial position of the company as at 31 December 2017 and its profit position for the business year from 1 January 2017 to 31 December 2017 in accordance with German generally accepted accounting principles; and
- the attached Management Report as a whole provides a suitable view of company's position. In all material respects, this Management Report is consistent with the annual financial statements, complies with German legal requirements and accurately presents the opportunities and risks of future development. Our audit opinion on the Management Report does not extend to the content of the above declaration on corporate governance.

In accordance with section 322 (3) (1) German Commercial Code (HGB), we declare that our audit has not led to any objections to the correctness of the annual financial statements and the Management Report.

Basis for the audit opinions

We conducted our audit of the annual financial statements and Management Report in accordance with Section 317 German Commercial Code (HGB) and the EU Statutory Auditing Regulation (No. 537/2014; referred to below as "EU-APrVO"), 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). Our responsibility in accordance with these regulations and principles is further described in the section "Responsibility of the auditor to audit the annual financial statements and the Management Report" of our audit opinion. We are independent of the company in accordance with European and German commercial and professional regulations and have fulfilled our other German professional duties in accordance with these requirements. In addition, we declare in accordance with Article 10 (2) letter f) EU-APrVO that we have not provided any prohibited non-audit services pursuant to Ar-

article 5 (1) EU-APrVO. We are of the opinion that the audit evidence we have obtained is sufficient and suitable to provide a basis for our auditor's opinion on the annual financial statements and the Management Report.

Particularly important audit issues in the audit of the annual financial statements

Particularly important audit issues are those which, according to our best judgement, were most significant in our audit of the annual financial statements for the business year from 1 January 2017 to 31 December 2017. These matters have been considered in connection with our audit of the financial statements as a whole and in forming our opinion thereon; we are not issuing a separate opinion on these matters.

In our opinion, the following facts were most significant in our audit:

- 1. Valuation of Investments**
- 2. Valuation of claims provisions**

We have structured our presentation of this particularly important audit issue as follows:

1. Facts and problems
2. Audit approach and findings
3. Reference to further information

The most important audit issues are described below:

1. Valuation of Investments

1. In the annual financial statements of the company, investments amounting to € 336.2 million (86.4% of the balance sheet total) are reported on the balance sheet. In the case of investments where valuation is not based on stock exchange prices or other market prices (e.g. unlisted investments and other structured bonds, registered bonds and promissory notes), there is an increased inherent risk due to the necessity of using model calculations. In this context, the legal representatives have to make discretionary decisions, estimates and assumptions. Minor changes in these assumptions and the methods used may have a material effect on the valuation of the investments. Due to the quantitatively material importance of the investments for the net asset and profit position of the company, and the considerable discretionary scope of the legal representatives and the associated estimation uncertainties, the valuation of investments within the scope of our audit was of particular importance.

2. Within the scope of our audit, in view of the importance of investments to the overall business of the company, working together with our internal in-house investment specialists for investments, we assessed the models used by the company and the assumptions made by the legal representatives. In doing so, among other things, we applied our industry knowledge and experience and took recognised market practices into account. In addition, we acknowledged the structure and effectiveness of the company's established controls for assessing investments and recording the investment earnings. On this basis, we performed further analytical audit procedures and individual audit procedures in terms of the valuation of the investments. Among other things, we also reviewed the underlying valuation methods and their validity based on the documents provided and have reviewed the consistent application of the valuation methods and period definition. In addition, we took into account the valuation reports prepared or obtained by the company (including the valuation parameters applied and assumptions made) for the company's major investments.

On the basis of our audit procedures, we were able to ascertain that the estimates and assumptions made by the legal representatives regarding the valuation of investments are well-founded and adequately documented.

3. The company's information on the valuation of investments is contained in the sections "Accounting and valuation methods" and "Explanatory notes on Balance sheet" in the company notes.

2. Valuation of claims provisions

1. In the company's annual financial statements, technical provisions (so-called "claim provisions") in the amount of € 130.6 million (33.6 % of the balance sheet total) are reported on the balance sheet under "Provisions for outstanding claims". The methods and calculation parameters used to determine the amount of the claim provisions are based on discretionary decisions and assumptions made by the legal representatives. Minor changes in these assumptions and the methods used can have a material impact on the valuation of claim provisions. Due to the quantitatively material importance of these provisions for the net asset and profit position of the company, and the considerable discretionary scope of the legal representatives and the associated estimation uncertainties, the valuation of claim provisions within the scope of our audit was of particular importance.
2. Within the scope of our audit, in view of the importance of claim provisions to the overall business of the company, working together with our internal in-house actuarial specialists, we assessed the models used by the company and the assumptions made by the legal representatives. In doing so, among other things, we applied our industry knowledge and experience and took recognised actuarial practices into account. In addition, we have taken into account the structure and effectiveness of the company's established controls for determining and recording claim provisions. On this basis, we have performed further analytical audit procedures and individual audit procedures with respect to the valuation of claim provisions. Among other things, we have also reconciled the data on which the calculation of the settlement value is based with the basic documents. As a result, we have reconstructed the calculated results of the company for the amount of the provisions on the basis of the applicable statutory provisions and have reviewed the consistent application of the valuation methods and the period accruals.

On the basis of our audit procedures, we were able to ascertain that the estimates and assumptions made by the legal representatives regarding the valuation of claim provisions are well-founded and adequately documented.

3. The company's disclosures on the valuation of claim provisions are contained in the sections "Accounting and valuation methods" and "Explanatory notes on Balance sheet" in the notes of the company.

Other information

The legal representatives are responsible for the other information. Other information includes the corporate governance declaration in accordance with Section 289f German Commercial Code (HGB).

The other information also includes the other parts of the annual report - without further cross-references to external information - with the exception of the audited annual financial statements, the audited Management Report and our audit opinion.

Our audit opinions on the annual financial statements and Management Report do not extend to other information, and accordingly we do not express an audit opinion or any other form of audit conclusion.

In connection with our audit, we have the responsibility to read the other miscellaneous information and, in doing so, to assess whether the other information

- contains material discrepancies compared to the annual financial statements, the Management Report or our knowledge gained during the audit, or
- otherwise appears to contain material misstatements.

Responsibility of the legal representatives and the Supervisory Board for the Annual financial statements and Management Report

The legal representatives are responsible for the preparation of the annual financial statements in accordance with German commercial law in all material respects, and for ensuring that the annual financial statements provide a true and fair view of the asset, financial and profit position of the company in adherence with German principles of proper accounting. In addition, the legal representatives are responsible for the internal controls they have determined necessary in accordance with German generally accepted accounting principles to enable the preparation of annual financial statements that are free from material misstatements - whether intentional or not.

In preparing the annual financial statements, the legal representatives are responsible for assessing the company's ability to continue as a going concern. Moreover, they are responsible for disclosing any facts related to the going concern assumption, to the extent they are relevant. In addition, they are responsible for drawing up a balance sheet based on the going concern accounting principle, unless there are actual or legal circumstances to the contrary.

In addition, the legal representatives are responsible for the preparation of the Management Report, which as a whole provides a suitable view of the Company's position, is consistent in all material respects with the annual financial statements, complies with German legal requirements and suitably presents the opportunities and risks

of future development. Furthermore, the legal representatives are responsible for the precautions and measures (systems) which they have deemed necessary to enable the preparation of a Management Report in accordance with the applicable German legal provisions and to provide sufficient suitable evidence for the statements in the management report.

Auditor's responsibility for the audit of the annual financial statements and the Management Report

Our aim is to obtain reasonable assurance as to whether the annual financial statements as a whole are free from material misstatements – whether intentional or unintentional – and whether the Management Report as a whole provides a suitable view of the company's position and, in all material respects, is consistent with the annual financial statements and the findings of our audit, complies with German law and suitably presents the opportunities and risks of future development, and to issue an opinion on the annual financial statements and management report.

Sufficient certainty means a high degree of certainty but is no guarantee that an audit conducted in accordance with Section 317 German Commercial Code (HGB) and the EU-APrVO in accordance with the generally accepted standards for the audit of financial statements issued by the Institute of Public Auditors (IDW) will always reveal a material misstatement. Misstatements may result from violations or inaccuracies and are considered material if they could reasonably be expected to influence the economic decisions of users, individually or collectively, based on these financial statements and Management Report.

During the examination we exercise due discretion and maintain professional scepticism. In addition,

- we identify and assess the risks of material misstatements – whether intentional or unintentional – in the financial statements and Management Report, plan and perform audit procedures in response to these risks and obtain audit evidence sufficient and appropriate to serve as a basis for our audit opinion. The risk that material misstatements are not detected is higher in the case of violations than in the case of inaccuracies, since violations may involve fraudulent collusion, falsifications, intentional incompleteness, misleading representations or the suspension of internal controls.
- we gain an understanding of the internal control system relevant to the audit of the annual financial statements and the precautions and measures relevant to the audit of the Management Report that are appropriate in the circumstances, but not for the purpose of issuing an opinion on the effectiveness of these company systems.
- we assess the appropriateness of the accounting methods used by the legal representatives and the reasonableness of the estimated values and related disclosures presented by the legal representatives.
- we draw conclusions about the appropriateness of the going concern principle applied by the legal representatives and, based on the audit evidence obtained, whether there is a material uncertainty in connection with events or circumstances that could raise significant doubts as to the company's ability to continue as a going concern. If we reach the conclusion that there is material uncertainty, we are obliged to draw attention to the relevant information in the annual financial statements and Management Report in our audit report or, if this information is inappropriate, to modify our respective audit opinion. We draw our conclusions based on audit evidence obtained by the date of our audit opinion. However, future events or circumstances may prevent the company from continuing its business activities.

- we express an opinion on the overall presentation, structure and content of the annual financial statements, including the information, and whether the annual financial statements present the underlying business transactions and events such that the annual financial statements provide a true and fair view of the asset, financial and profit position of the company in accordance with German generally accepted principles of accounting.
- we assess the consistency of the Management Report with the annual financial statements, its compliance with the law and the view it conveys of the company's situation.
- we perform audit procedures concerning the forward-looking statements made by the legal representatives in the Management Report. On the basis of sufficient suitable audit evidence, we follow in particular the significant assumptions underlying the forward-looking statements made by the legal representatives and assess the appropriate derivation of the forward-looking statements from these assumptions. We do not express an independent opinion on these forward-looking statements or on the underlying assumptions. There is a significant unavoidable risk that future events could materially deviate from the forward-looking statements.

Among other topics, we discuss with those responsible for monitoring the planned scope and timing of the audit and significant audit findings, including any deficiencies in the internal control system that we have identified during our audit.

We issue a statement to those responsible for supervision that we have complied with the relevant independence requirements and discuss with them all relationships and other facts that can reasonably be expected to affect our independence and the precautions taken for that purpose.

Among the facts we have discussed with those responsible for supervision, we determine the facts that were most significant in the audit of the annual financial statements for the current reporting period and are therefore particularly important audit-related facts. We describe these facts the auditor's report, unless laws or other legal provisions exclude public disclosure of the facts.

Other legal and other statutory requirements

Other information referred to in Article 10 EU Statutory Auditing Regulation (EU-APrVO)

We were appointed and elected as auditors by the Supervisory Board on 10 March 2017. We have been the auditors of RheinLand Versicherungs AG, Neuss, uninterrupted since the 2017 financial year.

We declare that the audit opinions contained in this audit report are consistent with the additional report to the Audit Committee under Article 11 EU-APrO (Audit Report).

Responsible auditor

The auditor responsible for the audit is Michael Peters.

Düsseldorf, 30 April 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Michael Peters
German Public Accountant

p.p. Sven Capousek
German Public Accountant

Appendix to the Management Report

RheinLand Versicherungs AG Report on Equality and Equal Remuneration according to Section 21 Transparency of Remuneration Act (EntgTranspG)

1. Statistical data

Number of	employees
average total number female employees	342
average total number male employees	449
average total number female part-time employees	126
average total number female full-time employees	216
average total number male part-time employees	12
average total number male full-time employees	437

2. Measures to promote equality and its effects

RheinLand Versicherungs AG is very committed to both genders participating in professional life.

The focus is on the compatibility of family and career, health management and personnel development. In order to achieve equality between women and men, we have created models to make working hours more flexible, to make work organisation more flexible and to facilitate re-entry into the work force during and after parental leave.

We support employees who have become parents to take parental leave in order to achieve a strong work-life balance.

In 2016, a total of 35 mothers (three in management positions) and nine fathers (three in management positions) took parental leave. Mothers used this leave for 28.8 months on average (female managers 32 months), fathers for 5.6 months (male managers 2 months). With regard to fathers, it can be said that they are making greater use of the opportunity of parental leave.

The human resources department informs future parents and their managers on all aspects of parental leave. For this purpose, there is an employee in the Personnel department who is specifically dedicated to this topic and is available to parents and managers as a point of contact at all times before, during and after the maternity protection period and parental leave.

Prenatal counselling and also the subsequent care of mothers and fathers associated with it are very well received. The counselling rate for expectant mothers in particular is 100%. The positive feedback demonstrates that RheinLand Versicherungs AG has thus developed an effective instrument for responding appropriately to the need for information.

More and more mothers are opting for a quick return to the workplace at RheinLand Versicherungs AG. In 2016, approximately 90% of women on parental leave returned to work with their first child after roughly one year of parental leave. An important aspect in this context is certainly the fact that we are very accommodating towards parents in the organisation of part-time work. We endeavour to respond to the individual wishes of mothers and fathers as much as possible. This applies not only to the phase of parental leave, but also to the period after the end of parental leave. Managers ensure this through forward-looking personnel planning and early discussions with parents on parental leave.

Thanks to our experience, there are now various part-time work models at RheinLand Versicherungs AG, which are basically open to all employees.

Another opportunity to support women in particular after returning from parental leave is the possibility of working in a home or mobile office. In cooperation with the parents, we seek practicable solutions in accordance with the operational concerns. Conceivable models are permanent home or mobile office, as well as dividing up time between the home or mobile office and work in the company or the option for individual working days in the home office in urgent cases where needed, e.g. when a child becomes ill. In order to proactively accommodate personal bottlenecks, parents may also bring their child to work in emergency situations.

The flexitime agreement in place at RheinLand Versicherungs AG also offers all employees the opportunity to work flexibly. The option of utilising flexitime days, where there are appropriate time credits, without limitation provides many parents in particular the opportunity to bring their private and professional interests into balance.

In addition to developing measures with a view towards flexible working hours and working arrangements, the RheinLand Insurance Group supports both women and men in their professional development and careers as well as in harnessing their individual strengths. Regular employee development meetings (MEG), a general open seminar catalogue, measures for executive development, potential and development interviews, individually tailored qualification plans and coaching serve this purpose.

The coaching sessions are arranged individually and ad hoc as needed. New executives receive an individual development plan based on a development interview conducted with Personnel Development, which includes integral elements such as milestone discussions with Personnel Development, along with individual coaching. The coaches are also free to address gender-specific issues. Personnel Development has a team of coaches with appropriate expertise.

Already in the past, with in the scope of personnel development, there has been a focus on the promotion of women in order to enable women to take on management positions in the same manner as men. Given this background, we are able to note for the 2016 reporting period that 15 team leader positions and 13 department manager positions were filled by female employees.

In addition to the above statements, it should be emphasised that we are continuously developing further measures towards gender equality. Specifically, the Personnel department is currently developing a concept in coordination with the works council to make the workplace and working environment even more flexible, which will enable us to accommodate the wishes of our employees.

3. Measures for compliance and promotion of equal remuneration

The commitment to the currently valid collective bargaining agreement for the private insurance industry and the associated practice of collective bargaining grouping, i.e. the classification of our employees into salary groups according to clearly defined fields of activity, forms the basis for a fair, gender-neutral and transparent remuneration structure. According to the law text, this type of remuneration is generally deemed appropriate.

The framework for a fair remuneration structure is provided by the gender-neutral remuneration policy spelled out in writing in our remuneration guideline and drawn up according to the provisions of Solvency II.

The promotion of equal remuneration for women and men is also achieved through regular exchange between the employer and the works council, which also has a statutory mandate to enforce equality between women and men. In accordance with the provisions of the Works Constitution Act, the works council is not only involved within the framework of individual per-

sonnel measures. The company wage structure in general and the numerous associated elements relating to remuneration are negotiated in cooperation with the works council.

Our job descriptions represent a gender-neutral, written description of a position prior to employment, in particular with respect to work objectives, tasks, necessary employee skill sets and links to other positions. A job description thus serves as orientation for the assessment of the requisite training and knowledge of the employee and therefore also provides a basis for determining fair, gender-neutral remuneration.

In order to ensure sufficient transparency within the company, we have given our managers the opportunity to regularly view a detailed salary trend of all their employees.

Every manager thus has both a quick and up-to-date overview and a direct comparison of the salary structure of employees, so that any structurally unequal treatment within the salary system can be identified and remedied. In this context, the payroll system is also used to provide the Executive Board and managers with rankings concerning the level of annual remuneration. Employees covered by collective agreements receive the gender-neutral wage increases stipulated in the collective agreement. In alignment with this, employees not covered by collective bargaining agreements and those above the collective bargaining agreement and whose remuneration is below a specified threshold automatically receive an increase in their remuneration in line with the collective bargaining pay increase, so that gender-neutral remuneration is also ensured in this respect.



Further Details on the Management Report

List of Lines and 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 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
- Warranty insurance for motor vehicles

Payment protection insurance

* only in assumed reinsurance segments

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



