

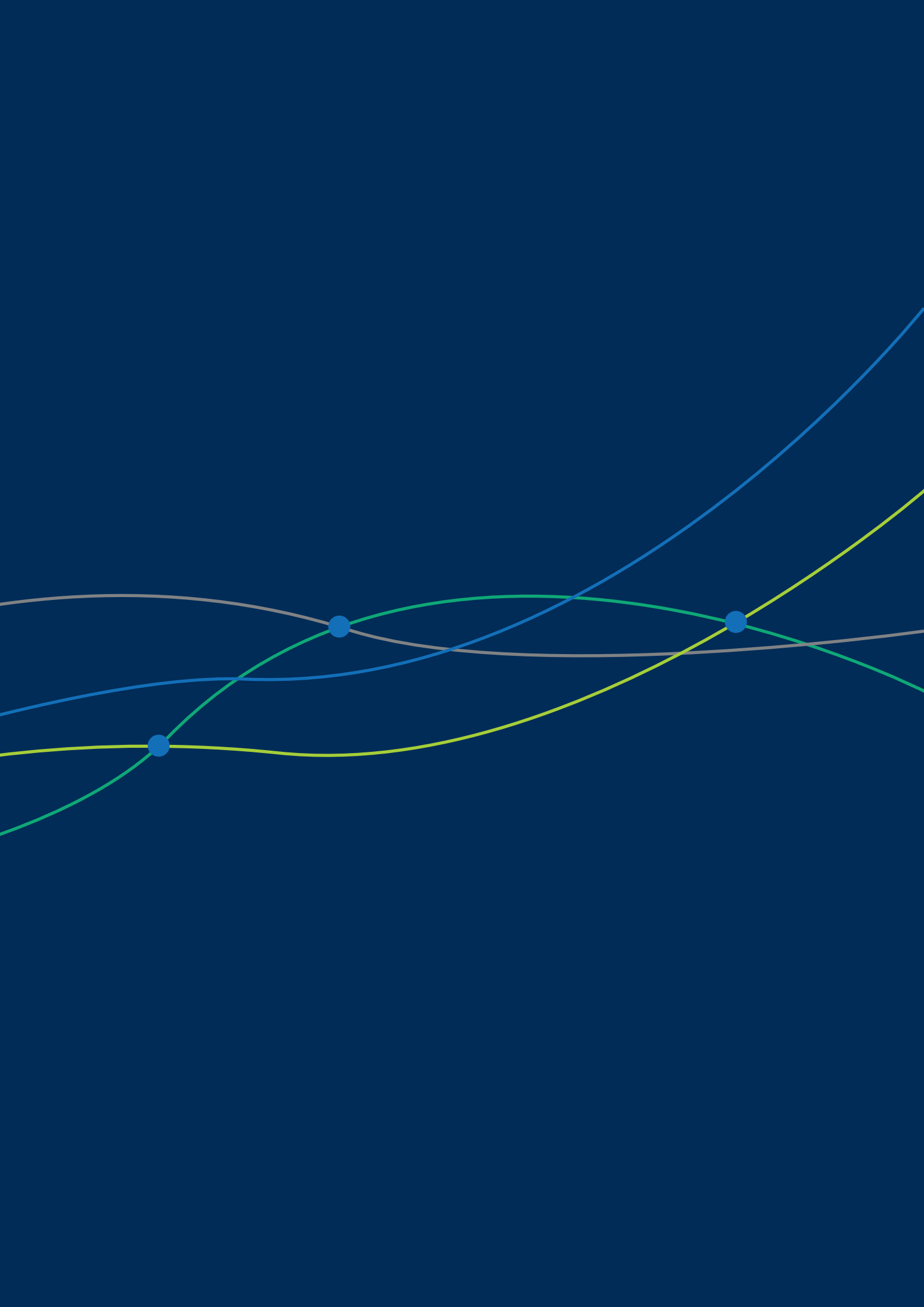
# Connect the Future

RheinLand  
HOLDING AG

Group Annual Report and  
Annual Report for the Year 2018



**Group Annual Report and  
Annual Report for the Year 2018**



# RheinLand – at a glance

<b>RheinLand Group</b>		<b>2018</b>	2017
Gross premium income	in million €	<b>538.9</b>	503.0
Expenses for insurance claims for own account	in million €	<b>195.5</b>	210.9
Consolidated profit for the year	in million €	<b>13.6</b>	13.7
Investments	in million €	<b>1,569.5</b>	1,526.8
Group equity	in million €	<b>197.5</b>	188.9
Staff Number		<b>834</b>	820
Agents in Germany	Number	<b>3,656</b>	3,472

<b>RheinLand Holding AG</b>		<b>2018</b>	2017
Gross income	in million €	<b>23.6</b>	24.8
Profit for the year	in million €	<b>14.8</b>	16.4
Investments	in million €	<b>167.9</b>	162.2
Equity	in million €	<b>161.4</b>	151.6
Subscribed capital	in million €	<b>9.8</b>	9.8
Reserves	in million €	<b>144.1</b>	133.5
Net profit for the year	in million €	<b>7.4</b>	8.2
Dividend	in €	<b>1.30</b>	1.30
per share	in €	<b>1.20</b>	1.00
additional bonus	in €	<b>0.10</b>	0.30

Minor deviations might arise in this report due to rounding of total sums and the calculation of percentage rates.

# Supervisory Board

Anton Werhahn  
commercial agent  
Neuss  
Chairman

Wilhelm Ferdinand Thywissen  
commercial agent  
Managing Director of C. Thywissen VV GbR Neuss  
Neuss  
Deputy Chairman

Dr. Ludwig Baum  
commercial agent  
Managing Director of Effektenverwaltung  
Cornel Werhahn GbR  
Munich

Jutta Stöcker  
certified commercial agent  
former member of the Executive Board of RheinLand Holding AG  
Bornheim

Andreas Daners  
Chairman of the Works Council of RheinLand Versicherungs AG  
Jüchen

Jürgen Stark  
business data processing specialist  
Brühl

# Executive Board

Christoph Buchbender  
insurance manager  
Neuss

Dr. Lothar Horbach  
trained auditor and tax consultant  
Cologne

Udo Klanten  
banker  
certified commercial agent  
Bonn

Andreas Schwarz  
fully qualified lawyer  
Neuss  
(from 01 January 2018)

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“I am highly impressed by  
RheinLand’s readiness  
to innovate and the  
consequence with which it  
implements good ideas!”

Blaudirekt – Lars Drückhammer



# Supervisory Board Report

In nine meetings held in 2018 and based on written and verbal reports of the Executive Board, the Supervisory Board has obtained detailed information about the position and development of the company, the business performance and the fundamental questions regarding business policy. During these meetings it discussed with the Executive Board the strategic orientation of the company, the plans for any action for 2018 and 2019 and all relevant business achievements and projects. Any transactions requiring consent according to the law and the articles of association were discussed, in detail, with the Executive Board.

In-depth discussions were held with the Executive Board about essential strategic projects in its operating subsidiaries, such as the further development of the business model, new sales cooperation and the strategies and concepts of the exclusivity organisation, the brokerage sales and the bank and cooperative sales. The Executive Board informed the Supervisory Board on the achievement of the objectives in the current financial year and provided information on the medium-term plans. The discussions also focussed on: the foundation of RH Digital Company GmbH, the capital resources of the subsidiaries, the safeguarding of the risk bearing capacity and of a sufficient liquidity, the cost cutting measures, regulatory issues and consumer protection as well as on the rating issued by ASSEKURATA.

The Supervisory Board has satisfied itself about the application of the existing risk management system and paid particular attention to this control and monitoring system. The Executive Board regularly informed the Supervisory Board, both in writing and verbally, on the risk situation of the company and of RheinLand Versicherungsgruppe. The risk reporting was dealt with in the Supervisory Board meetings. Furthermore, the findings of the internal audit department were discussed. The Executive Board also provided the Supervisory Board with a report on compliance-relevant topics as well as on the compliance organisation and processes. In addition, the Supervisory Board received direct reports from the func-

tion managers of risk management, internal audit, compliance and the responsible actuary during its meetings. The person responsible for data protection and IT security also informed the Supervisory Board about their topics.

Outside of the Supervisory Board meetings, the chairman of the Supervisory Board also discussed issues regarding the orientation of the business policy, the strategic objectives and organisation as well as individual matters in one-to-one meetings.

A personnel committee is in place to support and assist the Supervisory Board. It prepares relevant topics and submits suggestions for issues to be discussed and resolved upon in the Supervisory Board meetings.

In its meeting held in December, the Supervisory Board once again verified its working methods and the efficiency of its activities. The number and quality of the documents, the number of meetings, the time available for their preparation and the conduct of the meetings as well as the transparency of the Supervisory Board meetings met with the full approval of all members of the Supervisory Board. Advanced trainings for the Supervisory Board were held again in 2018. These focussed on the following topics: reinsurance and actuarial practice at the example of Italy and questions in the field of bank and cooperative sales.

In compliance with the legal provisions, the auditor engaged by the company, PricewaterhouseCoopers GmbH, *Wirtschaftsprüfungsgesellschaft* (Auditing Company), Frankfurt, Düsseldorf branch, examined the Financial Statements and the Management Report for 2018 as well as the Notes, including the Group Management Report of 2018 and awarded the unqualified auditor's certificate. The auditor was present during the consultations concerning the Financial Statements and the Management Report and the Consolidated Financial Statements as well as the Group Management Report. They gave an account of the conduct of the audit and were available for providing additional information.

The Supervisory Board examined the Financial Statements and the Management Report. Following the final result of their examination, the Supervisory Board had no objections and consented to the Financial Statements and the Management Report for the 2018 financial year of RheinLand Holding AG. The 2018 Financial Statements are thus approved. The Supervisory Board agrees with the Executive Board's profit appropriation proposal.

The Consolidated Financial Statements and the Group Management Report for the 2018 financial year were prepared by the Executive Board and the auditor's report has also been examined by the Supervisory Board. In addition, a separate non-financial Group Report has been prepared according to the standards in the CSR Guideline Implementation Act. This statement was also examined by the Supervisory Board according to the statutory provisions. The Supervisory Board approves the Consolidated Financial Statements.

With effect on 1 January 2018, Mr Andreas Schwarz was appointed as member of the Executive Board of RheinLand Holding AG and the Executive Board of Rhion Versicherung AG. Mr Lutz Bittermann was appointed member of the Executive Board of Credit Life AG.

The Supervisory Board expresses its thanks to the Executive Board and all employees of RheinLand Versicherungsgruppe for their dedication and level of commitment in the reporting year.

Neuss, 9 April 2019

Supervisory Board

Anton Werhahn  
Chairman

# RHEINLAND REINVENTS ITSELF

In our opinion, the 2018 financial year was one of the most exciting in RheinLand Versicherungsgruppe's 139 years of history. The projects and measures for a digital development which have been introduced already in January under the heading of "Trip to the Future", carried us through eventful months with intensive work.

Noteworthy in this context are the foundation of our own start-up Digital Company, the re-positioning of rhion.digital in brokerage sales and the completion of the first open space work environment in our headquarters. In October, we started building a triangular pavilion in the patio which will be home to the Future Workshop from summer 2019 and will be open to all RheinLand members as a centre for innovation.

The realisation of these and many more projects enables us to not only keep up with the digital development taking place in society, but to rather proactively shape it. The new agile work methods, the open and communicative design of our workplaces and the new projects arising on a daily basis that need to be dealt with in changing teams strengthen our position as big and attractive employer.

All changes and developments support us in achieving our jointly specified objectives: strengthening of the competitiveness, preservation of our independence, continuation of our sustainable growth trajectory and permanent improvement of the reputation in all people involved with RheinLand.

In this spirit, we will continue our "Trip to the Future" also in 2019 with motivation and determination.

The Executive Board of RheinLand Holding AG

Christoph Buchbender    Dr. Lothar Horbach    Udo Klanten    Andreas Schwarz





# DIGITAL PULSES WITH START-UP SPIRIT

The foundation of the RH Digital Company GmbH in spring 2018 will specifically promote the expansion of our digital activities. This new company – a corporate start-up – focusses exclusively on the development of digital insurance products and business models for RheinLand Group under the brand name of Digital Company. Accordingly, the first and key topic of the Digital Company is the further development our motor vehicle tariff ONdrive through its target group of brokers. The existing tariff should be streamlined and placed on the market exclusively on a digital basis – completely without personal support by brokers and the assistance of specialist departments.

This Digital Company moved to premises outside of the Group's headquarters at the Neuss port which meet the requirements of the work methods of a start-up. Digital Company's methods are oriented toward scrum and design thinking. Colourful post-its and writeable wall areas are a matter of course, since visualisation is an important component of successful project work.

A normal day at Digital Company starts with the "Daily", an open exchange on everything that is currently important or will be on the agenda within short. It soon becomes clear how important this ritual of an open communication is for all persons involved. The general knowledge of what topics the team members are working on is a matter of course for the entire staff of the Digital Company. While everyone has their preferred desk, using sofas or beanbags according to one's personal need is a normal part of the workday as are informal meetings in the big kitchen.

Unusual professional profiles are also typical for a start-up: Technical Architect, Customer Development Manager, Business Development Manager, Business Intelligence Manager, UX Designer and Fullstack Developer as well Workplace, Community & Feelgood Manager. They are greatly different from the well-known profiles common in the insurance sector and help us to significantly expand the range of professions for job applicants.





RheinLand Group realises its own start-up "in the open countryside" with its Digital Company.

# NEW PULSES FOR THE BROKER BUSINESS WITH RHION.DIGITAL

It takes courage and vision – to rename an established and successfully working brand. The decision to clearly accentuate the digital competency of our broker insurance company Rhion in its future brand name initiated positive vibrations in many fields of RheinLand Group. Cross-departmental teams worked hand in hand, in close cooperation and highly motivated on the realisation – any all of that with a view to an absolutely fixed deadline: the DKM trade fair in Dortmund.

This leading trade fair of the financial and insurance industry marked the official start date of rhion.digital on 24 October 2018. The new brand name replaced the former one of – Rhion Versicherungen. For brokers, rhion.digital is an invitation to jointly embark upon a path to the digital future with a strong partner. A cooperation with rhion.digital is connected with far-reaching support: rhion.digital represents comprehensive services, top products, a personal, highly qualified support on site and competent contacts in back office.

In order to publicly prepare our target group for “what is coming”, the preparations for the launch of rhion.digital were accompanied by the “success accelerator” campaign for which the very likeable Champions League reporter Erik Meijer was engaged as testimonial. In July, 10 hours of film and photos were shot in a movie studio at Niederrhein. In addition, a short descriptive video clip was produced with the Executive Board member Christoph Buchbender; and the motor insurance tariffs of ONdrive and the process excellence of rhion.digital were topics of other films. All movie clips are available on YouTube.





Rhion.digital impressed the broker market at the DKM with a stand in a futuristic design.

# FROM IDEA TO COMPLETION

The construction of the pavilion for the Future Workshop which will be located in the patio of the Group's headquarters at RheinLandplatz, started in October. A transparent space made of glass and a total floor space of 250 square meters is being built at this central location of the house which harmoniously captures the triangular form of the building surrounding it. Its height matches the height of the ground floor and the roof of the pavilion will be fully planted as a reminiscence of the formerly green patio. The access leads from the reception area through a glazed walkway directly to the pavilion, the façades will be made of a mixture of glass and planted areas. A great terrace will be built at the side facing the company restaurant which forms an optical connection between the pavilion and the main building.

The Future Workshop will be open to all RheinLand employees for team work and workshops, and it is the basic station for the methodical and project-related work of the "Innovation and Digitalisation" team. This special construction project is scheduled for completion and commissioning in summer 2019.

And even the main building is still undergoing a future-proofing process: after the reconstruction of two wings on the 1st floor leading to the open space rooms and after feedback has been obtained from the employees working there, the floors 1, 2 and 3 will be reconstructed and equipped completely in an open space style. Objective of the entire activity is to relocate those divisions in which a higher value adding and an accelerated cooperation can be achieved in such an open space work environment.



A new room for the projects of the future workshop is established in the heart of the Group's administration as a triangle in the triangle.





# ROADMAP 2018

The conversion of strategic plans to concrete measures has seldom been better recognisable and noticeable than in the year 2018. A great number of projects, developments, events and happenings are an impressive proof for the fact that the signs are set for the future.



## And the winner is...

At least the production density is worthy of an Oscar: 12 new movie clips have been produced in the period from February to September 2018 for Rheinland Group. They are all testimony of the fast development which started with the "Trip to the Future" in January and has ended, in the meantime, after the market launch of rhion-digital at the end of October.



## Start of the joint "Trip to the Future"

The event location "Gare du Neuss", a former hall for dispatching goods, which can be seen from Rheinland, provided a high-contrast framework for the symbolic start in the year 2018. The Executive Board of the Holding used this futuristic ambient with its white design elements for its traditional new year's reception that is open for all employees; in the presence of the Chairman of the Supervisory Board, Anton Werhahn, it gave a visionary outlook at the development of Rheinland Versicherungsgruppe in the upcoming years.

## FREISPRECHER

### Freethinking wanted

Whosoever wishes to develop in life must be open and curious for new things. That is exactly the aim of FREISPRECHER, a new "After Work Meet-up". It offers all interested parties – regardless of position and name – an informal platform for discussions and presentations on every third Wednesday of the month after the regular working time. One fixed component of this new event format: the presentation of external start-up companies.

### Look across the pond

The Silicon Valley, as embodiment of multi-media technologies, artificial intelligence and start-up spirit, has long been a role model and mastermind for companies and company managers – also for Rheinland Group. Several groups of visitors who consisted of most different persons took an intensive look over the shoulder of start-up companies in the Silicon Valley interested in the insurance sector. The idea was: to make impulses and developments usable for all sales channels and areas in field and in-house service, in a sustainable manner.





## Information in a talk show format

The success of nine months of the year 2018 combined in two hours, a cinema filled to the last seat and a gigantic 16:9 Dolby Surround screen formed the basis for a new event format called "Digital & More". Three entertaining round table discussions with participants from many fields and levels of the company offered a welcomed contrast to the lectures and PowerPoint presentations. That was infotainment from the first to the last minute, in the best sense of the word.

### Future Program – a Programme with Future

An intuitively operated agency portal, cutting edge computer technology, digital products for selling insurances and a more intensive use of social media: these were the major topics of a forward-looking field service meeting in Neuss. RheinLand Versicherungen wish to take the mega-trend of digitalisation as reason for carefully expanding their team of consultants for the benefit of good relations with their customers.

### Higher, faster, further

The Olympic spirit was key: the most important thing is to take part! It is, fortunately, a higher number of participants each year who come together for the sportive competition among colleagues under this motto. About 700 guests, including 400 sportsmen and sportswomen, experienced a sunny and happy sports day with their RheinLand family that was packed with highlights. The participation was refined by the visit of Linda Stahl, javelin thrower and Bronze medallist, as well as by Julius Brink, 2012 Gold medallist in beach volleyball in London.



### Shareholders interested in the development of the company

Place and time remained the same – but the context and contents did not. With their interactive screens, a 3D printer, a LED video screen on stage, more projection screens and an updated presentation template, RheinLand Holding AG prepared its shareholders already in the run-up to the meeting for what they were about to expect after the opening by the Chairman of the Supervisory Board. In addition to the joy about another good result in the 2017 financial year, the about 350 participating shareholders revealed that they were very pleased about the development of the entire Group which is gaining in momentum.

### Erik Meijer accelerates the success

Erik Meijer, professional soccer player in the German Bundesliga for many years, who is now known as reporter of many Champions League games, also cut an excellent figure as brand ambassador for the new broker brand rhion.digital. While working at the Rhion trade fair stand during the "DKM" brokerage trade fair, he explained visitors about the parallels that exist between a successful soccer team and an efficient insurance company employing fully digital processes. Erik Meijer scored even more goals with a dynamic rhion.digital movie clip and his quick-witted appearance during an employee event of RheinLand on the subject of "Digital Successes".



# THIS IS HOW WE ARE: LOCALLY ROOTED, LOCALLY ACTIVE, LOCALLY COMMITTED

To accept responsibility in society is a fixed component of our corporate management. The Rhineland is our home and we feel deeply connected with the people who live here. We are, therefore, pleased that so many staff members of RheinLand are committed to this good cause, i.e. they are committed to general well being in their private environment and support local traditions. One great example are Messrs Jürgen Moll and Norbert Pesch.

For 25 years now, Jürgen Moll and Norbert Pesch have been the “successful duo” Moll & Pesch: “Each of such has their strengths that they are able to demonstrate”. This might be the secret why this partnership has been kept intact for so many

years and why Moll & Pesch are working like a brand. With their RheinLand regional management office, Jürgen Moll and Norbert Pesch have been present in a historic gabled house located in the heart of Neuss since 2008. The major part of their customers live in the city. These local roots are also reflected outside of their profession: both are enthusiastically active in the Neuss shooting match event organised for citizens and are, within the regiment, members of the flag procession of St. Hubertus-Schützen-Gesellschaft association. And sports plays an important role as well. Therefore, they support sports promotion through the “Partner für Sport und Bildung” organisation. Last but not least, one of their customers is Linda Stahl, Bronze medallist in London 2012. RheinLand members know this former top athlete as their friendly trainer and motivator during the fitness and family day.







OLYMPIASTÜTZPUNKT  
Rheinland



## SHAKESPEARE FESTIVAL IM GLOBE NEUSS

### Boards that mean the world

The Neuss Shakespeare Festival which is held every summer is a highlight for theatre enthusiasts. A replica of the famous London Globe Theatre is built each year at the Neuss race-course and then used by ensembles from around the world for staging their plays. This renowned festival is an established and valuable cultural asset which we like to promote as "Friends of the Globe".

### We promote traditions in Neuss

The Neuss Bürger-Schützenfest shooting match which attracts more than one million visitors each year, is known far beyond the borders of the city and federal state. About 7,000 active shooters and musicians make for a unique spectacle. Many of our employees and their families are active in one of the shooting corps and are thus actively connected with this celebration. We support them to celebrate in an unstressed and carefree manner. This close connection of RheinLand Versicherungsgruppe with the Neuss Schützenfest has been active for generations.

### Committed to top-class sports in Rhineland

Since 2008, RheinLand Group has been the main sponsor of the Olympic training centre of Rhineland in Cologne. Key duty of this Olympic training centre is to develop, promote and ensure highest sportive achievements of top athletes in the region. Many of them have already taken part in Olympic Games and regularly win competitions on an international and national level. We carry this spirit to our house, since we named meeting rooms after cities in which Olympic Summer Games were hosted and equipped them with impressive photos of major successes. In the context of this partnership which has been in effect for ten years now, we promote the exchange also on a personal level: Athletes who train in this Olympic training centre support us with commitment and enthusiasm in the preparation and performance of our fitness days. That makes our sponsorship perceptible for each person living in Rhineland!

### Promotion of talents in the Rhine district of Neuss

RheinLand has been one of the biggest sports sponsors in the Rhine district of Neuss for very many years. We have been pursuing this commitment in a structured manner since the turn of the century in close cooperation with other actors, to jointly work in a more targeted and sustainable manner. In 2013, RheinLand was one of the initiators of the

non-profit friends' association named "Partner für Sport und Bildung". Thanks to its financial, material and non-material commitment, "Partner für Sport und Bildung" opens up new perspectives for talented young athletes. Many of our employees are closely connected with these associations or athletes due to their own sportive ambitions and personal contacts.

Partner. Sport. Bildung.





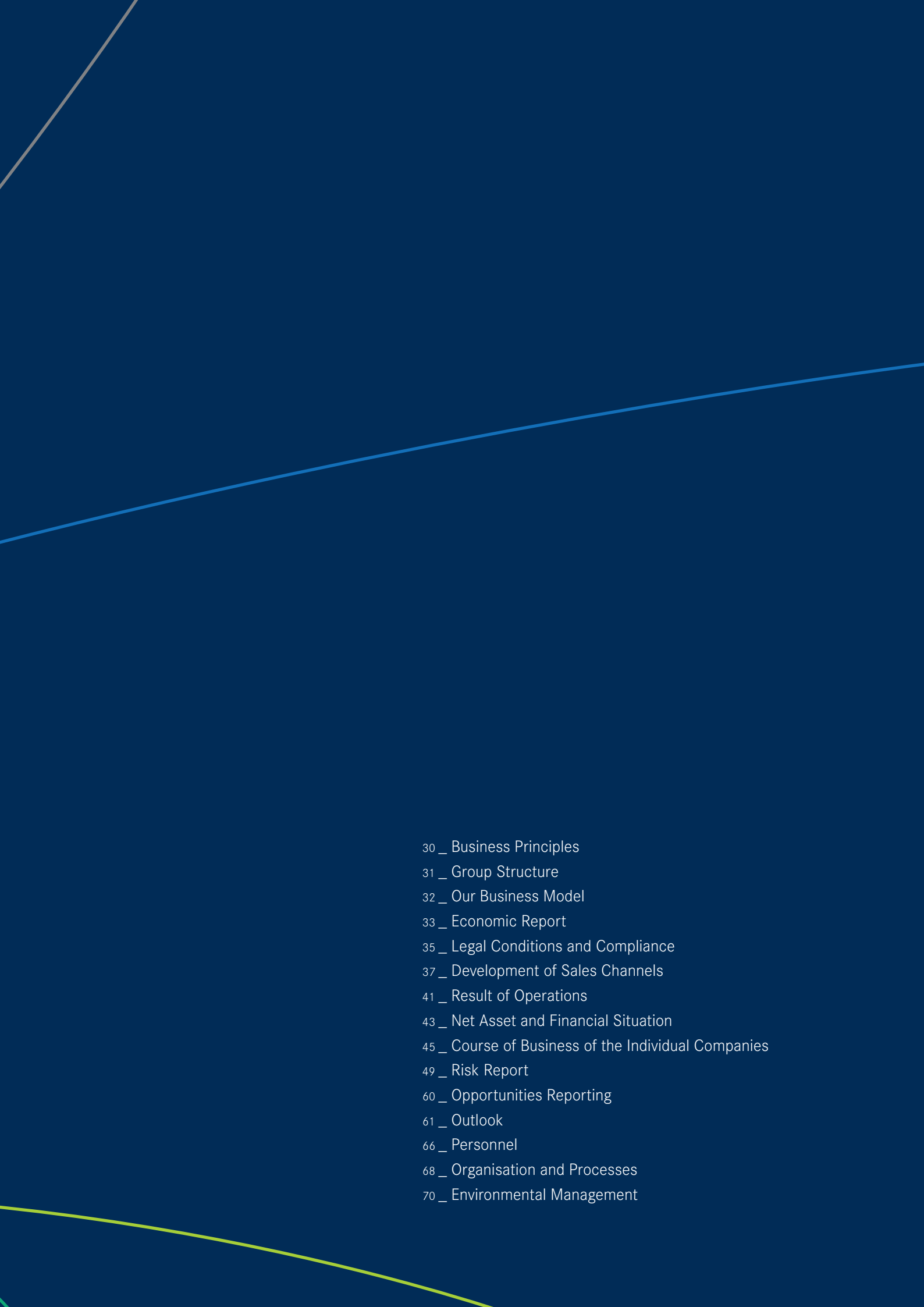
“The flexibility and dynamics  
with which Credit Life creates  
individual insurance solutions,  
convinced us immediately.”

DEVK Insurances – Hans-Joachim Nagel



# Group Management Report





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# Business Principles

RheinLand Versicherungsgruppe's success is based on convincing products, comprehensive services and clear guidelines determining our actions. A correct conduct characterised by responsibility is a matter of course for us and guides our conduct towards cooperation partners, customers and the public. We know about the excellent importance of reliability and trust, without which no future-proof transaction would be possible in the insurance sector.

Therefore, a good reputation is one of our most important assets. All employees are required to actively contribute to it. Orientation is provided in our code of conduct in which our expectations are specified and defined for the entire group.

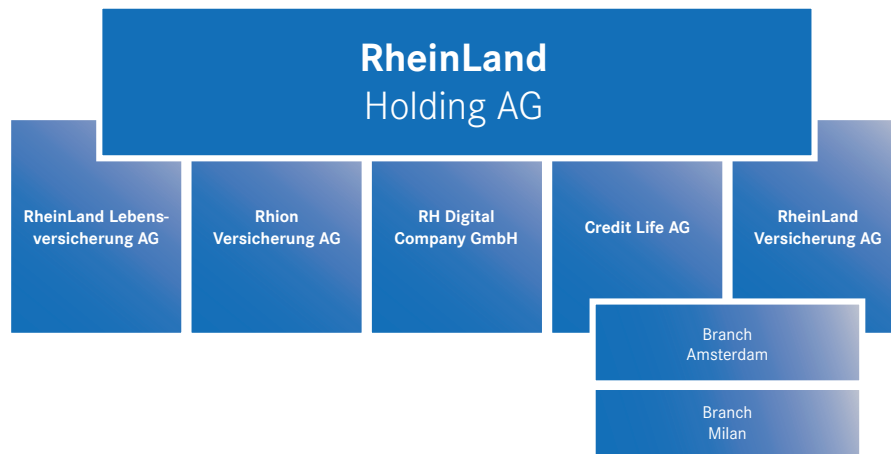
Our value propositions which we have developed jointly with our employees form the basis for the collaboration at the place of work. We strive for a good balance between promoting and requiring, giving and taking to ensure a high degree of satisfaction and motivation during our daily work. Respect, honesty, fidelity and loyalty are binding virtues for us. We are proud of the loyalty of many employees who stay in the company for many years and appreciate their competency and experience. At the same time, we offer young people the option to take part in a training and to start their career in our house.

Our employees come from many nations. They develop a team spirit in our company which is expressed in great operational readiness and fun in the joint success. We promote their individual strengths and abilities and encourage their creativity. By doing so, we uncover their potentials from which we benefit in competition.

Strong team spirit, commitment and performance strength are impossible without physical and mental well-being. Our corporate health management, action days and sports offers make an important contribution to this objective. We back our employees and thus face our social responsibility. We thus support our employees even in difficult situations.

This high identification of our employees with their company is reflected in the noteworthy continuity in our Executive Board, the Supervisory Board and on all leadership levels. Transparent structures, the commitment of owners to the company, the close connection to the location of Neuss and viable business relationships make us a reliable employer. It is our objective to promote the development of RheinLand Versicherungsgruppe on this basis by progress and growth in a forward-looking and sustainable manner.

# Group Structure



## RheinLand Holding AG

RheinLand Holding AG is at the top of the Group, controls all activities and directs the group strategy, but is not an operating company. Four companies active as risk carriers are established under this umbrella of the Holding, which, together with other companies – including RJ Digital Company GmbH – make up RheinLand Versicherungsgruppe. RheinLand Group has a unique profile among German insurance groups: until today, it has been in the majority possession of descendants of those families who founded it 139 years ago. The company has its registered office in Neuss, Germany.

## RheinLand Versicherungs AG RheinLand Lebensversicherung AG

The roots of RheinLand Versicherungs AG date back to its founding year of 1880 when the fire insurance company RheinLand Aktiengesellschaft started operating. RheinLand Versicherungs AG is mainly the risk bearer for the transactions brokered by its corporate field service and through bank and cooperative sales, insofar as such contain composite components. The company has its registered office in Neuss, Germany. Since 2014, RheinLand Versicherungs AG has had a branch in Amsterdam; and it has a branch in Milan since 2017. RheinLand Lebensversicherung AG is mainly the risk-bearing company for the life insurance business brokered through the corporate field service. The company has its registered office in Neuss, Germany.

## Rhion Versicherung AG

Rhion Versicherung AG was founded in 2005 as broker insurer within the RheinLand group of companies. Rhion Versicherung AG acts as risk-carrier for transactions not including life insurances which are arranged through brokers. The company has its registered office in Neuss, Germany.

## Credit Life AG

Credit Life AG which has been active in its current form since 2013 is the risk carrier mainly for transactions coming in through bank and cooperative sales and by the corporate field service in the field of life insurance. The company has its registered office in Neuss, Germany. Credit Life AG has a branch in Amsterdam since 2014 and a branch in Milan since 2017.

## RH Digital Company GmbH

RH Digital Company GmbH is the corporate start-up of RheinLand Versicherungsgruppe. The company founded in 2018 focusses on the development of digital insurance products and business models for RheinLand Group. The company has its registered office in Neuss, Germany.

# Our Business Model

Our business model is based on three brands and three sales channels. The RheinLand Versicherungen brand represents the corporate field service, rhion.digital represents the brokerage sales and Credit Life the bank and cooperative sales. Our different product portfolios reach our target groups through our sales channels.

## Banks and Cooperative Sales

Our bank and cooperative sales channel which is active on an international level offers individually designed products in the fields of payment protection and term life insurances and insurances for motor vehicles. Sales partners are renowned companies from the financial and insurance sector as well as brokers, manufacturers and the trade. This bank and cooperative sales channel is associated with the brand name of Credit Life.

## Brokerage Sales

The business operating with brokers and free agents focusses on property, liability and casualty insurances for private and commercial customers as well as mo-

tor vehicle insurances for private customers. We co-operate with about 3,200 sales partners in brokerage sales. The recognised high sales competency of the brokers, refined technical solutions and the associated far-reaching relieve of administrative activities and the dynamic courtage model ensure constant growth impulses. In brokerage sales we operate our business under the brand name of rhion.digital which replaced the former brand name – Rhion Versicherungen – in October 2018. The new brand presentation accentuates our technical know-how and provides a signal to jointly embark upon a path to the digital future.

## Corporate Field Service

The heart and nucleus of our company is the professionally established corporate field service which operates through regional offices and agencies in many urban areas under the brand name of Rhein Land Versicherungen. 280 general agents and account managers are the face of our field service in Germany. They specialise in the property and life insurance business. Target group are not only private customers, but also commercial customers up to medium-sized companies.



Bank and cooperative sales



Brokerage sales



Corporate field service



# Economic Report

## Economic Situation

The global economy has grown again in 2018, however not as dynamically as had been forecast at the beginning of the year. The growth rate was 3.7% as in 2017. Europe grew by 1.9%, the USA by 2.9% and China by 6.6%.

In Germany, the growth rate of plus 2.2% achieved in 2017 fell to 1.5%. In its annual forecast made at the beginning of 2018, the federal government had still forecast a growth of 2.3%. The gross domestic product was in the negative in the third quarter and thus for the first time in three years, and was by 0.2% lower than in the second quarter. Market observers name declines in export, a weaker private consumption and problems in the automotive industry as causes for this development. The manufacturers suffered from difficulties in the change-over to the new exhaust testing system WLTP, some of them also from the consequence of the violation of rules in diesel vehicles.

During the second half of the year, different factors of insecurity burdened the sentiment in the economy, which was reflected in falling numbers in the business climate index published by the ifo institution. Entrepreneurs said that they saw risks mainly in the new trade restrictions. The US and China both imposed duties and market entry barriers which impacted other regions of the world due to global interconnections. These insecurities also affected the German exports which lost in dynamics over the course of the year.

But, the labour market continued to develop robustly, despite all insecurities. The number of employed people rose to 44.8 million, while this number still stood at 44.3 million in 2017. Therefore, only an annual average of 2.24 million of people were unemployed in the past year. This number stood at 2.35 million in the year before. The construction industry reported a strong increase in revenue. Germany's purchasing power was up by a nominal value of 2.8 % according to a study by GfK. These factors stabilised Germany's economic situation.

In Europe, uncertainties caused by the developments in Italy and the United Kingdom dampened the sentiment. The new Italian government rejected a limitation of new debts promised by the former government and thus initiated a dispute with the European Union due to the violation of EU budget regulations. Market observers fear an overindebtedness of the country which might trigger a new financial crisis. No deal has been found yet between the European Union and the United Kingdom on the exit of the country from the EU.

Prices rose continuously, albeit moderately. Inflation was up from 1.8% in 2017 to 1.9%. That was due, in particular, to higher prices for energy and food. But, it did not result in a significant increase of the interest rates. The European Central Bank did not deviate from its low-interest-rate policy.

## Financial Markets

After almost ten years of Hausse, volatility of the stock prices rose at the international financial markets and caused partly high losses, mainly in the last quarter of 2018. The MSCI World Index closed the year with a slight minus of 4.11% compared with the beginning of the year. The European stock markets remained far behind in an international comparison. The Euro Stoxx 50 index fell by 14.34%. And the DAX was even down by 18.26%. In comparison: The Dow Jones Industrial Index only lost 5.63 % in total, to the end of the year.

Interest rates developed differently in Europe and the US and the gap between them widened in 2018. The interest rate hikes of the US Federal Reserve (Fed) rose the level of the base rate in the US to a current margin of between 2.25% and 2.50%. The main financing rate in the Euro zone, however, stayed close to zero at the end of 2018. Deposits with the European Central Bank (ECB) even bear negative interest rates. While yields for 10 year US government bonds have been up to about 2.7% in the meantime, 10 year federal bonds yielded only 0.15% p.a. at the end of December. The diverging interest rate trends in the US and the Euro zone also resulted in changes at the

exchange markets. The attractive bond yields in the USA led to a stronger cash flow in the Dollar region. The US Dollar gained 4.6% in the course of the year compared with the Euro and was quoted at 1.1466 USD per Euro at the end of the year.

The real estate market is still strong, mainly in urban centres. The average price for one square meter of residential space was up by up to 5.45% in the seven major German cities of Berlin, Munich, Hamburg, Frankfurt am Main, Cologne, Düsseldorf and Stuttgart.

## Development of the Insurance Market in the year 2018

The still strong economic development had a positive effect on the German insurance economy, also in 2018. Premium income of the entire industry exceeded the threshold of € 200 billion for the first time. They grew by 2.1% to € 202.2 billion above all three divisions. The life insurance division reported an below-average growth. Premium income rose by 1.4% to € 91.9 billion. The number of contracts for corporate old-age provision rose by 0.5% to 15.9 million. New business was strong in Riester pension (German privately funded pensions system) which grew by about 5%. According to estimates made in spring, the cancellation rate is at the very low level of the previous year of 2.6%.

In old-age provision, there was a higher demand for offers with return opportunities and simultaneous risk-hedging. In new business, the share of new products with modified guarantees grew once again. An increase in premiums by 3.3% to € 70.6 billion is expected for 2018 in property and casualty insurance. Premiums grew significantly stronger; they reported a plus of 6.8% to € 53.5 billion.

Natural disasters which occurred in the past year caused more serious damage than in the year before and thus burdened the insurance economy. Storms, hail and heavy rain resulted in an increase in benefits by 30% to € 6.6 billion in the field of industry/commerce/agriculture.

Homeowners insurance reported an increase in benefits by 20% to € 6.3 billion after a year with one of the most heavy storms of the past two decades. And by far not all losses were insured. 93% of the homeowners have insurances against storm and hail, said the Gesamtverband der deutschen Versicherungswirtschaft (GDV - German Insurance Association). But, only 41% have an all-round protection against other natural disasters such as heavy rain and flood. But, the division was still in the black in view of an insurance profit of € 2.6 billion. The combined ratio should amount to 96% (previous year: 93.2%).

At the end of the year 2018, the German insurance economy had a very strong financial position, according to reports of GDV. The companies were able to further strengthen their hedges against such risks. They thus met the requirements of the supervisory system Solvency II which should contribute to the stability of the European insurance economy. Insurance companies should have sufficient own funds to ensure their solvency, even in extreme scenarios. The rules of the supervisory system define transitional periods which companies used to change their rating systems and to expand their safeguarding systems.

# Legal Conditions and Compliance

Some legal changes occurred in the 2018 financial year for the insurance economy, essential high court decisions were taken and important notifications were issued by the German Federal Financial Supervisory Authority (BaFin) which apply to the insurance sector. This included, in particular:

- two decisions taken by the *BGH* (German Federal Supreme Court) of 21 February 2018 on the limitation of the claim on the grounds of unjust enrichment after an objection pursuant to Sec. 5a of the *VVG a. F.* (German Insurance Contract Act, old version) (Policy Model) or on the claim for restitution after a withdrawal pursuant to Sec. 8 of the *VVG a. F.*;
- the effectiveness of the Act on the Implementation of Directive (EU) 2016/97 on insurance distribution (IDD) with effect from 23 February 2018;
- the *VVG-Informationspflichtenverordnung* (VVG-InfoV - German Regulation on the Duty to Inform under the Insurance Contract Act) of 6 March 2018;
- the effectiveness of the EU General Data Protection Regulation (GDPR) and the new version of the *Bundesdatenschutzgesetz* (BDSG German Federal Data Protection Act) with effect on 25 May 2018;
- the circular 10/2018 of BaFin on requirements under insurance supervisory laws to IT (VAIT) of 2 July 2018;
- the 5th Money Laundering Directive (EU) 2018/843 of 9 July 2018;
- the act on the introduction of a model action for petitions for determination in civil proceedings of 12 July 2018;
- the *Versicherungsvermittlungsverordnung* (VersVermV - German Regulation for Insurance Brokering and Consulting) of 20 December 2018.

All legal changes, decisions and announcements were verified whether they result in any need for action and necessary adaptations have been made.

In two decisions of 21 February 2018, the German Federal Supreme Court issued a statement on the limitation of the claim for unjust enrichment after the objection pursuant to Sec. 5a of the *VVG a.F.* (Policy

model) or the withdrawal pursuant to Sec. 8 of the *VVG a.F.* These decisions are important due to the numerous legal disputes which are connected with the former policy model. The German Federal Supreme Court decided that, if no or incorrect legal information is given under the policy model, the period of limitation starts when the objection or the withdrawal is declared and any claims for restitution will thus become statute barred regularly after three years.

The Directive EU 2016/97 on insurance distribution was implemented in German law with effect on 23 February 2018. This implementation was made, in particular, due to the change of the *Gewerbeordnung* (German Trade Regulation), the Germany Insurance Supervisory Act and the Insurance Contract Act. In the course of the year, regulations took effect which put the Act in more concrete terms (German Regulation on the Duty to Inform under the Insurance Contract Act, German Regulation for Insurance Brokering and Consulting). RheinLand Versicherungsgruppe implemented all new legal requirements arising from the implementation act of the IDD as well as the regulations in due time in the context of a project.

It also implemented in due time, the legal requirements under the General Data Protection Regulation and the Federal Data Protection Act (new) on 25 May 2018. The data protection management system was revised and newly established mainly under consideration of the interests of affected natural persons (customers, interested parties, employees, other third parties).

On 2 July 2018, BaFin published a circular on requirements to IT under insurance supervision, which takes account of the key importance of the use of information technology for insurance companies. Subject matter of the publication are subjects like IT strategy, IT governance, information risk management, information security management, user authorisation management, IT projects, IT operation and outsourcing as well as other services in the field of IT. The more precise interpretation of this publication by the supervisory authority was taken into consideration by different process adaptations.

The 5th Money Laundering Directive took effect on 9 July 2018 and shall be implemented to national law by the member states until 10 January 2020. The directive includes the following changes: tighter conditions for electronic money, easier access to the transparency register, new definition of duties of care regarding business partners having relations to high-risk countries, and more precise definition of offices whose owners are considered politically exposed persons and thus business partners with whom special care is necessary.

The act on the introduction of a model action for petitions for determination in civil proceedings took effect on 1 November 2018. This model action for petitions for determination should enable certain consumer protection associations to clarify conditions justifying a claim in favour of at least 50 consumers by way of an action for determination. The court's decision will then be binding both for the registered consumers and the sued companies.

# Development of Sales Channels

## Banks and cooperative sales

The sales channel of Bancassurance was renamed bank and cooperative sales in the past year. The new name is part of the future-oriented reconstruction and expansion of the business fields. Digital mobility providers, start-ups and payment services became the focus, in addition to partners from the financial and insurance sector. After this re-orientation, the term Bancassurance which had been used for this sales channel had become obsolete. But, it still holds true that we successfully support our partners with competitive concepts in the fields of payment protection insurance, term life insurance and insurances for motor vehicles. Bank and cooperative sales offers insurance solutions and services ranging from product development via stock management to claims management as a one-stop shop, individually adapted to the relevant target groups and sales channels.

Jointly with our German partners, we have been able to reverse the trend of the previous year in a very competitive market and once again experience significant growth impulses in all product lines and in all business fields. Our relation to a banking association organised as a cooperative took a particularly pleasing development; it had been relying on our competency in insurance solutions for construction financing and now intensified the cooperation with us in the field of consumer credits. New impetus also came from a cooperation with banks offering car loans. In addition, we raised the awareness for our offers regarding additional services for credit cards and were thus able to expand this business field.

We started several pilot projects to further strengthen our digital know-how in bank and cooperative sales. It is our objective to optimise our processes by continuously expanding our technical knowledge and to gain an advantage at the point of sales. Our innovation “moBiVERS” – an App – for which we applied a patent, offers car dealerships the opportunity to also serve the big target group of customers who pay cash and re-

ceive their financing from external sources; these customer can now be offered insurance products which increase the dealership’s profitability. We also focus on platforms for private construction financing whose business models match our profile.

The digital development in bank and cooperative sales is also spurred on by new worlds of working: flexible methods, team work and the associated networking across departments play an ever increasing role. Against this backdrop, a noteworthy number of workplaces in our unit has been redesigned in close cooperation with the Works Council and the employees, to an open office landscape (Open Space) whose positive effect on the work flows has already been noticeable shortly after its introduction.

The subject of regulations was a challenge during the past year. We take the responsibility that comes with it toward our partners and customers very seriously. In the same prudent manner, we dealt with several legal innovations and initiatives on consumer protection and analysed, in detail, their potential consequences for our business. We endeavour to proactively prepare solutions on the basis of which we will be able to continue our growth trajectory.

The dynamics we found in our home market was matched in bank and cooperative sales on an international level. Although the growth on the Dutch and Italian market were slightly more restrained than in the years before, we realised significant revenue growth again in both markets.

In cooperation with our sales and handling specialists based in Italy, we were able to successfully place with more partners our concept for hedging the credit model for civil servants and other employees called “Cessione del Quinto dello Stipendio” which is typical in the country, and the “Cessione del Quinto della Pensione” model for pensioners. The business managed by our branch in Milan thus met our expectations. In the Netherlands, we were able to well assert our strong position in the product fields of term life insurance and payment protection insurance. The team in

our Amsterdam branch was expanded to introduce a new underwriting model in cooperation with a big re-insurance company. This model will lead to significant savings and will simultaneously increase the efficiency within short.

## Brokerage sales

We know very well what opportunities and benefits will arise for insurance brokers from digitalisation. Therefore, we started pushing the expansion of digital processes in a targeted manner in brokerage sales from an early time. The things that have been characterising us for a long time – technology competency and a high degree of automation – brought about concrete considerations in the first quarter of the past financial year to position brokerage sale under a new brand name clearly expressing this know-how in the future. Against this backdrop, our brokerage brand Rhion Versicherungen was renamed to rhion.digital after a positive vote in the Supervisory Board.

The official presentation of the new brand name was scheduled for the most important trade fair of the insurance sector, the DKM which was held in October in Dortmund, Germany, and always attracts high attention in the sector. Teams across departments and divisions worked highly motivated, hand in hand and in close cooperation between marketing and brokerage sales on the realisation of a completely new corporate identity for our brokerage brand. The subjects ranged from technical tools and products, via brochures and printed output to the communication strategy and a concept for the fair stand. We pulled out all the stops for the planned presentation. These preparations for introducing rhion.digital were accompanied by an online campaign for which Erik Meijer, the former professional German soccer player, was engaged as testimonial who is known as analyst of Champions League games with Sky.

Green light was given for rhion.digital in a noticeable dynamic environment. And we observed that the DKM was undergoing some changes as well: new mar-

ket participants appear and gave their own impetus in addition to the established players. The many theme parks – inter alia for innovations and FinTechs / InsurTechs – reflected the optimism which many actors in the industry associate with digitalisation. This is also where we see our strategy confirmed to sharpen the profile of our brokerage brand. Our most important objective now is to become, thanks to our competency, the key company for the highest possible number of brokers. We focus on sales partners who already rely on far-reaching digitalised processes in their business or wish to take this development in the foreseeable future. Therefore, we included more digitalisation experts in our team who pursue these topics with great commitment.

In addition to the technical component, the personal communication with our sales partners remains a decisive criterion for us to differentiate ourselves from our competitors. Brokers working with us are therefore teamed up with excellently qualified managers having in-depth technical knowledge who are equipped with far-reaching competencies. The study “AssCompact AWARD Gewerbliches Schaden-/Unfallgeschäft 2018” on commercial property/casualty business in 2018 showed that this was the right approach. The question was how satisfied independent brokers were with the product and sales quality of insurance companies. It included aspects such as tariff policy, price/performance ratio, best personal and central support in sales, loss management, claims management and handling. We were awarded the 1 prize in these performance criteria.

In the past financial year, we received several awards for our product quality in commercial insurance from industry observers. One example is our successful ranking in a brokerage study performed by the “pro-contra” magazine: as a result, we were awarded the first and second place with our business contents insurance and business liability insurance. Our product portfolio in the private customers segment was expanded by “ONdrive” a motor vehicle insurance. It is the expansive further development of our motor vehicle insurance segment which had formerly been operated cautiously through brokers. Therefore, a user-friendly handling was given priority in the design of the product. “ONdrive’s” online tariff calculator has a convincing optical design and its contents focusses on the essential parts only. It only requests the entry of really essential information. And it comes with an innovative approach making use of the pool of information belonging to the vehicle identification number (FIN) to simplify the generation of offers. “ONdrive” offers the tariff versions Standard, Plus and Premium and thus many options to customise the insurance to the individual needs.

In order to make sales control and the support of the sales partners even more efficient, we implemented a Customer Relationship Management System last year. It enables us to analyse information and sales data in a transparent manner so that we gain an all-round view. That allows us to make very targeted approaches and to give new impetus in sales.

## Exclusivity

The solid development of our exclusive sales organisation continued in the past financial year. Our field services was able to keep their sales results stable thanks to a mainly constant number of agencies and staff numbers.

We focussed more than ever on digital topics in order to create the best preconditions for making our offices and regional management offices future-proof. This was accompanied by an even more strict process to

adapt the thinking and acting patterns in our field service to the modern requirements. The readiness to take the next steps is high, in order to benefit from the new options in consulting and sales.

For our digitalisation in sales, we obtained concrete suggestions last year, directly from the high-tech location Silicon Valley and evaluated several new developments for their feasibility in the practice. One fixed contact was the innovation platform Plug and Play with which we concluded a cooperation agreement. We considered it important to involve owners of agencies in these trips to enable them to convince themselves on site of the potential that might be of use in distribution. Whosoever experienced the positive dynamics of the digital scene, will change their view and become more open for what is reality today or will become reality in the medium term.

We are, however, still convinced that the special strength of our field service will remain their ability to operate the insurance business with an individual style. This is where we gain in profile in comparison with our competitors, especially in today’s times. Thanks to their firm regional roots and their untiring commitment, many owners of our offices and regional management offices have become their own brand. Therefore, the automation of processes and the introduction of new technical tools should, first and foremost, support our field service teams in consulting and sales.

One good example here is the new information portal for field service, the introduction of which was associated with great expectations at the end of the year. This portal now noticeably facilitates our everyday work life since all work-relevant functionalities and processes can be accessed easily through one single log-in. This portal was implemented in the context of the project “DiPOSS” which was realised across several divisions.

We equip our field service with attractive, self-developed products and those of cooperation partners to ensure their business success. The motor vehicle insurance is still of high importance in this connection.

In line with this high significance, we placed a new motor vehicle tariff on the market last year. For its concept, we focussed on the data pool stored behind the vehicle identification number: The information gained from such is directly included in the calculation of the premium. This digital process, combined with the individual components and services, has immediately been met with high acceptance. In addition, we created targeted incentives to further develop the inventories in the agencies in a quality-oriented manner. This enabled us to make a big impact, in particular, in homeowners insurance. On the product side, we set new priorities with the introduction of a new casualty tariff; and we introduced the occupational disability insurance for self-employed professionals.

These sales activities are supported by a wide range of marketing programmes. We promote the presence of our agencies in the social media and wish to raise the awareness for our offers and services more strongly at different points of the “customer journey”. Therefore, our digital marketing for the exclusive sales organisation was given a significantly higher profile in the past year. In this context, we created a “digital menu card” containing our strategy for the upcoming years.



# Result of Operations

## Premium development

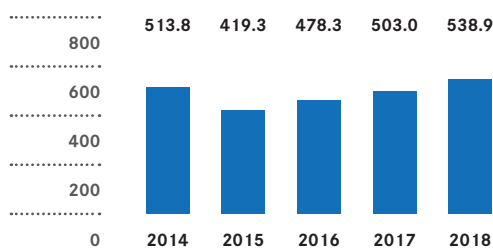
The successful development of the previous year continued in the 2018 financial year. RheinLand Versicherungsgruppe's premiums entered rose significantly by 7.1% from € 503.0 million in the previous year to € 538.9 million in the current financial year and thus exceeded our expectations. All our business fields took a positive development.

The number of premiums received in payment protection and purchase price insurance also increased further in 2018. Premiums entered amounted to € 209.8 million at the end of the financial year (previous year: € 186.4 million). This pleasing development resulted mainly from the joint and continuous expansion of the business with our existing cooperation partners.

RheinLand Versicherungs AG with its own organisation and Rhion Versicherung AG with its brokerage sales were able to keep their ground successfully in classic property and casualty insurance (not including purchase price insurance). Premiums entered rose in the reporting year to € 219.7 million (previous year: € 210.4 million) after Rhion had reported a decline in premiums in 2017 due to the introduction of a co-insurance for the combined homeowner's insurance business. It was, in particular, Rhion Versicherung AG which once again contributed mainly to this successful development and further expanded its position as one of the best and most popular providers in the broker market.

In the field of conventional life insurance, RheinLand Group achieved premium income totalling € 109.3 million (previous year € 106.1 million). While the life insurance industry has been able to stabilise after years of declining premiums, we recorded another growth of approx. 3% in this business field. This pleasing trend is the result of the continuous good business development of Credit Life AG. Main reason for this continuous increase in premiums are newly concluded risk insurance contracts. For more detailed information on the individual companies, please refer to pages 45 et seq.

Changes in premium income in million €



## Development in losses and benefits

For the insurance sector, the year 2018 was characterised by several heavy storms (cf. the development of the insurance market on page 34). RheinLand Versicherungs AG was affected by these weather events to a different extent in Rhion Versicherung AG and RheinLand Versicherungs AG. It was mostly the storm Friederike which caused a high number of storm damage for the companies and their policyholders at the beginning of the financial year. RheinLand Group incurred a total of € 6.7 million of gross loss expenses on account of these weather events.

Besides these weather phenomena, major losses in the property insurance had an impact on the insurance technology. And, the permanent expansion of the business in payment protection insurance resulted in a constant increase of the technical provisions. Expenses for insurance claims after reinsurance in property and casualty insurance totalled € 132.0 million (previous year € 138.3 million). The combined loss and cost ratio in property and casualty insurance amounted to 97.2% in the financial year.

Expenses for insurance claims fell in the life insurance business by a total of € 63.6 million (previous year € 72.7 million). This significant decline compared with the previous year was mainly caused by the expiry of old inventories. In contrast to the lower expenses for losses, the allocations made to the provisions for life

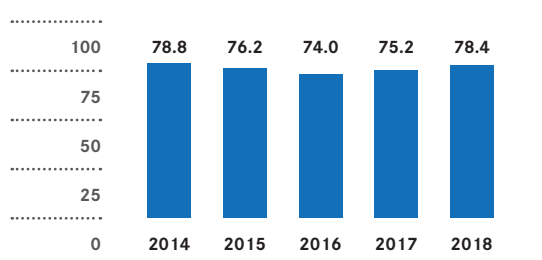
insurance rose strongly. Reason for the higher amount of the provisions for life insurance is mainly the continuous expansion of the payment protection business through our bank and cooperative sales channel.

## Cost development

After the successful strategic new orientation of Rheinland Versicherungsgruppe in the previous years which was connected with a cost cutting programme, we were able to continuously reduce our operating expenses over the last years. Given the sustainable expansion of the business and the strong increase in our portfolio, these costs were up again in 2017 and 2018 in absolute terms. Cost of sales and administration rose to € 78.4 million in the financial year (previous year € 75.2 million). In relation to the contributions, the cost ratio could sustainably reduced in the past years.

These costs arise from administrative expenses in the financial year less commissions.

Changes in costs in million €



## Investment result

The earnings resulting from investments stood at € 30.0 million in the financial year (previous year € 32.7 million). Considering the other investment result of € 0.5 million (previous year € 8.8 million), this resulted in earnings from investments of € 30.6 million (previous year € 41.4 million). The other result from investments results from income from disposals and sales as well as appreciations and amortisation/depreciation. It

was down compared to the year before, mainly due to legal changes applicable to the calculation of the additional interest rate reserve in life insurance. The introduction of this so-called corridor method significantly dampened the increase of the additional interest rate reserve and prevented the realisation of extraordinary income from the disposal of investments, in particular in Rheinland Lebensversicherung AG.

## Consolidated net profit / loss

The net technical result of Rheinland Versicherungsgruppe rose in the 2018 financial year from € 20.4 million to € 21.9 million. All business fields reported a positive result and made an important contribution to the technical profits according to our objective of a successful diversification strategy.

In the financial year, not only the weather events, but also investments, in particular in digitalisation, left their traces in the result from ordinary business operations. At the end of the year, the consolidated profit before taxes stood at € 19 million and thus below the result of € 20.1 million in the year before, but significantly above the planned result of € 15-17 million.

Tax expenses of € 5.4 million (previous year € 6.5 million) arose mainly from the result from ordinary business operations.

The consolidated net profit for the year after taxes was € 13.6 million in the financial year (previous year € 13.7 million).

That means that Rheinland Group can look back at a good 2018 financial year.

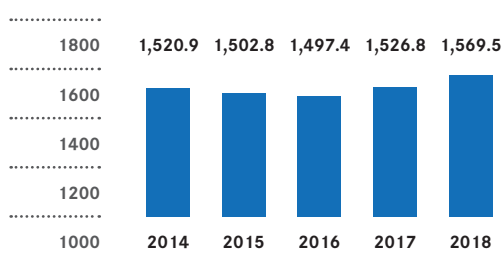
# Net Assets and Financial Situation

## Investments

RheinLand Versicherungsgruppe's investments rose by 2.8% to € 1,569.5 million (previous year € 1,526.8 million). In the past financial year, investments of RheinLand Group were once again made in highly liquid securities with a strong credit rating in an environment of still insecure economic conditions. A major part of the investments was made in fixed-income securities from companies with a good to very good credit rating. In 2018, the still low returns of German and European government bonds had an impact on the interest rate of investments.

Of the total investments, 30.7% were made in notes receivable, 25.1% in registered bonds, 6.8% in stocks and investment shares and 24.2% in bearer bonds.

Changes in investments in million €



## Liquidity

At the end of 2018, RheinLand Versicherungsgruppe had liquid funds of € 33.2 million (previous year € 37.8 million). RheinLand Group has been solvent at all times in the past financial year. There are no indications for a threat to its future liquidity, thanks to the inflow of cash from premium income and income from investments.

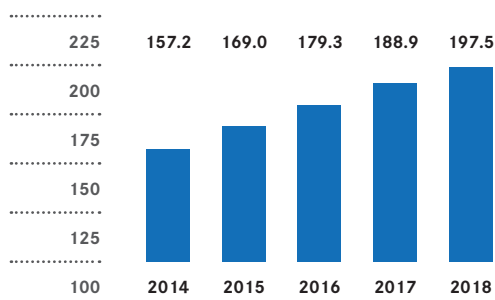
## Equity

Taking into account the consolidated net profit for the year, RheinLand Versicherungsgruppe's consolidated equity rose in the financial year to € 197.5 million (previous year € 188.9 million).

In the past financial years, RheinLand Holding AG had raised subordinated loans totalling € 40.0 million to finance the Group's growth and the associated solvency requirements. The objective was to replace these subordinated loans by equity and to replace them over the course of time according to their maturity.

This objective to finance the solvency requirements from our own results was achieved. The last € 5.0 million were paid back in the previous year and the subordinated loans could thus be cancelled completely. It is for this reason, that the balance sheet of 2018 no longer discloses subordinated liabilities. The consolidated equity could be doubled over the past ten years from resources generated in the company.

Changes in consolidated equity in million €



## Financial and non-financial performance indicators

We use mainly the changes in premiums, losses and costs and in the consolidated net profit for the year before taxes to control RheinLand Versicherungsgruppe.

We measured the changes in premiums in comparison with the gross premiums entered which amounted to € 538.9 million in the past financial year. As explained on page 41, they rose sharply again in the previous years after the strategic re-orientation and further development of the group. We still consider our business differentiated according to business fields and cooperation partners to be able to work successfully also

in the future. In addition, we closely monitor the development of losses across divisions to recognise potential tendencies at an early time and to be able to take measures against risks. We developed the indicator presented on page 43 which comprises the total costs, less commissions, for cost controlling. The cost budget defined in this manner amounted to € 79.1 million in 2018. Another performance indicator is our group result before taxes which pleasingly amounted to € 19.0 million in 2018.

In connection with non-financial performance indicators, we focus, in particular, on the training of our employees, our organisation and its processes as well as on environmental management. For more detailed information, please refer to pages 66 et seq.

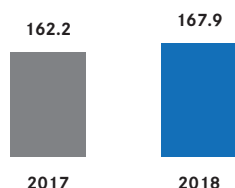
# Course of Business of the Individual Companies

## RheinLand Holding AG

RheinLand Holding AG controls the insurance companies belonging to RheinLand Versicherungsgruppe. They operate the life and property/casualty insurance business. In addition, their activities focus on the management of their own real property and other investments.

RheinLand Holding AG's fixed asset consisting of property, plant and equipment and financial assets rose in the financial year by € 5.7 million (3.55%) to € 167.9 million (previous year € 162.2 million).

Fixed assets in million €



This increase results mainly from the increase in investment shares for liquidity control and one bearer bond which was acquired as a hedge in the course of a reinsurance solution and thus strengthens RheinLand Lebensversicherung AG's funds under Solvency II. Rhein-Land Holding AG supervises the capital resources of its subsidiaries on a regular basis.

Property, plant and equipment (real estate property) fell in the financial year due to scheduled depreciation to € 24.7 million (previous year € 25.1 million).

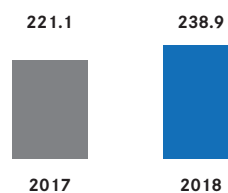
Total income stood at € 23.6 million in the financial year (previous year € 24.8 million). Income from profit and loss transfer agreements with RheinLand Versicherungs AG accounted for € 13.4 million of total income in the financial year (previous year € 12.8 million), those with Rhion Versicherung AG accounted for € 0.8 million (previous year € 1.8 million) and those of Credit Life AG for € 3.1 million (previous year € 4.1 million).

RheinLand Holding AG's net profit for the year totalled € 14.8 million on the reporting date (previous year € 16.4 million). € 7.4 million of which were allocated to other retained earnings. The net profit for the year including the profit carry-forward was € 7.4 million (previous year € 8.2 million).

## RheinLand Versicherungs AG

Premium income of RheinLand Versicherungs AG rose in the past financial year for the entire insurance business to € 238,909k (previous year € 221,099k). This significant increase in premiums is reflected mainly in the direct insurance business where premiums entered were up to € 227,261k (previous year € 213,823k). But even the premiums from contracts taken in reinsurance took a positive development after a slight decline in the previous year and were up to € 11,648k (previous year € 7,275k).

Premium income in million €



While the portfolio could be expanded in 2018, the positive development of expenses for claims continued like in the year before. It was mainly the pleasing claims experience in motor vehicle insurance which resulted in falling expenses for insurance claims for own account. Expenses for insurance claims for own account totalled € 68,893k (previous year € 84,021k). This development led to the fact that the claims ratio after reinsurance disclosed in the balance sheet improved to 35.8% (previous year 44.8%).

High investments were made to be able to use the opportunities offered by digitalisation. Given the additional costs for the expansion of our business, our expenses for insurance operation rose to € 130.008k (previous year € 118,498k).

In the technical income statement for own account, the direct insurance business achieved a profit before change of equalization provision of € 2,758k (previous year € -2,392k). The result after reinsurance in the indirect insurance business fell to € 11,268k (previous year € 14,017k).

That means that a technical profit of € 14,026k could be achieved for the entire insurance business for own account before change of the equalization provision (previous year € 11,625k). After a reversal of the equalization provision of € 125k (previous year € -194k), the technical result of the entire business for own account improved to € 14,151k (previous year € 11,431k).

RheinLand Versicherungs AG's investments fell in the financial year by € 1,432k (0.4%) to a total of € 334,733k (previous year € 336.165k).

Current income from investments amount to € 3,777k (previous year € 4,867k). Current expenses for investments stood at € 352k (previous year € 548k).

The extraordinary result from investments of RheinLand Versicherungs AG amounts to € 467k (previous year € -2,538k). This leads in a total result from investments of € 3,892k (previous year € 1,781k).

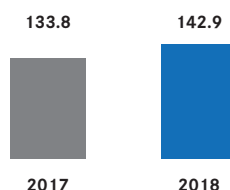
The non-technical result fell to € 1,108k in the financial year due to the extraordinary income from the reversal of provisions in the year before (previous year € 2,986k).

After tax expenses of € 1,893k (previous year € 1,662k), RheinLand Versicherungs AG transferred a result of € 13,366k in the year under review based on the profit and loss transfer agreement concluded with RheinLand Versicherungs AG (previous year € 12,755k).

## Credit Life AG

In the financial year, the gross premiums entered by Credit Life AG stood at € 142,919k (previous year € 133,847k). € 81,268k related to one-off premiums (previous year € 79,561k). Current contributions amounted to € 61,733k (previous year € 54,289k). In total, gross premiums entered were up by 6.3% (previous year 27.5%), one-off premiums rose by 2.1% (previous year 33.5%) and current premiums by 12.1% (previous year 19.7%). Premiums earned for own account stood at € 93,711k in the year under review (previous year € 84,760k).

Premium income in million €



The entire increase in insurances amounted to 268,734 contracts with an insured sum of € 10,695,295k in the year under review. Measured by the number of contracts, the insurance portfolio amounted to 730,051 contracts at the end of the year (previous year 648,180).

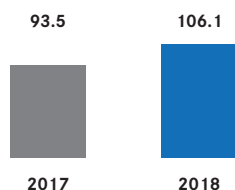
Investments of Credit Life AG were up in the financial year by € 21,496k (9.6%) to a total of € 246,040k (previous year € 224,544k). The vast of majority of the assets, i.e. 96.3% is invested in fixed-income securities. Current income from investments amount to € 4,184k (previous year € 4,245k). Current expenses for investments stood at € 471k (previous year € 556k). Credit Life AG's extraordinary investment result amounts to € 21k (previous year € 102k). The total investment result is € 3,733k (previous year € 3,792k).

After tax expenses of € 18 million in the Netherlands, this leads to a result of € 3.1 million. It was transferred, in full, to RheinLand Holding AG based on the profit and loss transfer agreement concluded with this company. Taking into account the profit carry-forward from the year before, this is a net profit for the year of € 5.4 million.

## Rhion Versicherung AG

The high-growth development of our brokerage sale continued impressively in the past financial year. Gross premium income entered was up from € 93,537k by a little over 13% to €106,149k in the reporting year and significantly exceeded the market growth. That means that, for the first time since the foundation of the company, it reported a premium income of more than € 100,000k in 2018.

Premium income in million €



The year 2018 was characterised by several heavy storms. Rhion was also affected by these events. And, an increase of the number of major losses resulted in the fact that expenses for claims after deduction of reinsurance were up to € 63,058k (previous year € 54,258k). These events also left their traces in the claims ratio disclosed in the balance sheet which, after reinsurance, rose again in the financial year to 66.2% (previous year 62.9%).

In addition to the investments for digitalisation described above, the growth of Rhion Versicherung AG resulted in the fact that expenses for insurance operation rose in the financial year by € 3,033k to € 34,823k (previous year € 31,790k).

The technical result for own account before change of equalization provision fell in the financial year based on the effects described and reported a loss of € 856k (previous year € +1,672k). The increase in expenses for claims resulted in the reversal of the equalization provision of € 280k. After the reversal of this equalization provision, the technical result for own account amounted to € -576k (previous year € -249k).

Investments of Rhion Versicherung AG were up in the financial year by € 10,799k (8.4%) and totalled € 140,114k (previous year € 129,316k). The vast majority of the assets, i.e. 96.8%, is invested in fixed-income securities.

Current income from investments amount to € 1,651k (previous year € 1,799k), current expenses for investments stood at € 141k (previous year € 129k). Rhion Versicherung AG's extraordinary investment result amounts to € 29k (previous year € 339k). The total investment result is € 1,540k (previous year € 2,009k).

The non-technical income statement discloses a profit of € 1,361k for the financial year (previous year € 2,016k).

At the end of the financial year, a profit of € 785k (previous year € 1,767k) was transferred to the parent company, RheinLand Holding AG, based on the profit and loss transfer agreement.

## RheinLand Lebensversicherung AG

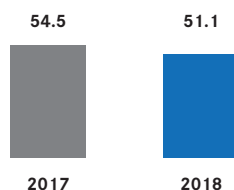
RheinLand Lebensversicherung AG is mainly operating the funeral expense and endowment insurance business. In addition, our field service employed in the group of companies sells to our cooperation partners life insurance products not operated by us, in particular unit-linked life insurances. In view of the difficult market environment with the still unchanged low interest rates, RheinLand Versicherungsgruppe's strategic activities currently focus on parts of the company which are not disclosed in the balance sheet of RheinLand Lebensversicherung AG.

The calculation method for the additional interest rate reserve (corridor method) was changed in RheinLand Lebensversicherung AG in the past financial year. The company increased the additional interest rate reserve amounting to € 3.3 million to € 64.1 million and allocated € 1.6 million to the provisions for premium reimbursement.

Gross premiums entered from direct insurance business fell to € 51,124k in the period under review (previous year € 54,495k). Current premiums fell from € 50,144k to € 47,427k and one-off premiums from € 4,346k to € 3,691k. We continue to monitor the market activities and the conditions prevailing in the life insurance business to regularly adapt our strategic orientation and to be able to react adequately.

Premiums earned for own account amounted to € 34,367k in the reporting year after € 49,660k in the year before. This is a decline of 30.8%. The current annual premium of all contracts in the portfolio fell by 5.7% from € 49,036k to € 46,264k.

Premium income in million €



The total number of new contracts fell by 7.4% from € 36,348k to € 33,664k, measured in comparison with the sum insured. Insurances from direct insurance business were down by 5.5% to EUR 1,311,387k.

The portfolio of investments stands at € 808,282k compared with € 801,944k in the year before. The increase is 0.8%.

Current income from investments amounted to € 21,078k (previous year € 22,852k). The extraordinary result from investments amounted to € 2,375k in the financial year (previous year € 13,559k). For the purpose of financing the allocation to the additional interest rate reserve of € 3,291k (previous year € 14,034k), hidden reserves were realised from pensions of € 2,470k. On the balance sheet date, the additional interest rate reserve totals € 64,101k (previous year € 60,810k).

The gross surplus fell only marginally from € 2,318k in the previous year to € 2,309k in the year under review.

The financial year was closed with a net profit of € 0.7 million.



# Risk report

## Total system of risk monitoring and control

The main purpose of the insurance companies combined in the Group is to consciously take risks as risk carriers in a controlled manner, to make them transparent and calculable and to manage them in a well-balanced risk portfolio. Precondition is a professional risk management.

Risks mean all events and potential developments within and outside of the company which might have a negative effect on the company's objectives according to its short-, medium- and long-term plans and thus on the economic and financial position. The branches of Credit Life AG and of RheinLand Versicherungs AG are integrated in the relevant company planning and control as a separate division.

## Organisation and duties of risk monitoring and control

The risk management is performed according to uniform guidelines on all levels of RheinLand Versicherungsgruppe and focusses on the protection of RheinLand Holding AG's financial position and that of its operating companies and on a sustainable increase of the value of these companies. In order to achieve these objectives, great importance is attached to the compliance with a risk culture and transparency of the risks, both in the entire group and on the level of the individual companies. Adequate instruments are being applied to actively control the risks and to reduce them. The capital resources are protected by maintaining a defined security level.

RheinLand Versicherungsgruppe has an organisational structure which is oriented toward risk management and internal control mechanisms which ensures an efficient measuring, supervision and control of the risks. Basis are the standards and requirements set forth in the law and specified by supervisory authorities by observing the new regulatory requirements under Solvency II which have been in effect since 1 January 2016.

An independent compliance function exists in the entire group to ensure that its business is managed with integrity. The operating companies of the Group acceded to the code of conduct for sales of GDV. All guidelines were regularly updated under risk and compliance aspects and new guidelines were added, if necessary. Great importance is attached to uniform guidelines which take into account the specific requirements of each company.

## Risk management structure

The following main set of rules contain the documentation on rules, responsibilities and duties of the individual functions and the risk management process:

- Risk strategy
- internal guideline on risk management (Risk Manual)
- Risk inventory
- Compliance Management Guideline
- Guideline on the actuarial function
- Documentation on the Internal Control System (ICS)

These documents are updated once per year and completed, in case of need. In addition, the operating units have other risk-limiting rules (e.g. receipt and signature guidelines, powers of attorney).

The risk management is performed by the following functions:

- Executive Board
- Supervisory Board
- Internal audit
- Compliance function
- Actuarial function
- Independent risk controlling function
- Risk Management Board
- Risk officers

The Executive Board holds the overall responsibility for risk management and for approving and constantly reviewing, assessing and further developing the business organisation with the relevant sets of rules.

The Supervisory Board is responsible for supervising the decisions taken by the Executive Board in the context of risk management. It is regularly informed about the current risk situation by the Executive Board of the Group.

The internal audit is responsible, in particular, for verifying the internal control system (ICS) in view of its security, effectiveness and propriety. In addition, it regularly checks the risk management system and the compliance function. The internal audit is not subject to any controls, restrictions or other influences which might impair its independence.

The compliance function supervises, assesses and reports on the compliance with the legal and regulatory framework and the rules and standards prepared by the company.

The actuarial function has the duty to advice, supervise or validate and coordinate in connection with the calculation and assessment of the actuarial provisions, the assessment of the general signatory and acceptance policy and the adequacy of the reinsurance

agreements. It ensures that future profit participations are taken into account adequately in the actuarial provisions according to Solvency II. It contributes to the effective implementation of the Risk Management System and reports on the results achieved. Rheinland Versicherungsgruppe selected a body solution for its organisational structure which is headed by the responsible actuary.

The independent risk controlling function (IRCF) which is organisationally performed by the central department of Balance Sheet Actuary, Solvency II and Risk Management is responsible for the cross-divisional risks and the conceptional further development and update of the group-wide risk management system. It has a coordinating and supervisory function and supports the risk officer in the operating fields and checks the adequacy of the ICS. The department of Balance Sheet Actuary, Solvency II and Risk Management is granted unlimited right to information in order to perform its duties. It coordinates the regular risk reporting to the Executive Board, the Supervisory Board, the supervisory authorities and the public.

The Risk Management Board consists of representatives of all divisions of the company and is, as a body, responsible for consensus-oriented decisions in the context of the instructions given by the Executive Board and the risk analyses made by the risk management.

The decentralised identification, assessment, control and supervision of the risks in the relevant business divisions are made according to the instructions given in the corporate guideline on risk management. These tasks are performed by the risk officers of the operating divisions. The officers and the persons responsible for risks are trained regarding their functions in risk management. Duty of the executives is to supervise the implementation and effectiveness of the risk management in their sphere of responsibility.

These duties are as follows in the control loop:



## Risk categories

The risk management takes account of the following risk categories:

- **Technical risk:** The technical risk means the risk that the actual expenses for claims and benefits deviate from the expected expenses due to accident, mistake or change. It comprises the mortality and longevity risk (insufficiency of the mortalities assumed in the premiums and technical provisions of RheinLand Lebensversicherung AG and Credit Life AG) or the premium and reserve risk (insufficiency of the calculated premiums or the provisions in the balance sheet at RheinLand Lebensversicherung AG and Rhion Versicherung AG), as well as the cost, catastrophe and cumulated risk and the cancellation risk.
- **Market risk:** The market risk describes the risk resulting, directly or indirectly, from the sensitivities of assets, liabilities and financial instruments with regard to changes or the volatility of the interest curve or interest rates, the stock prices, credit spreads (via the risk-free interest rate curve) and the market prices of real estate. The market risk includes the exchange rate risk. It also includes concentration risks resulting from a lack of diversification of the asset portfolio.
- **Default Risk:** The default risk describes the risk resulting from an unexpected default or deterioration of the credit rating of counter-parties and debtors.
- **Liquidity Risk:** The liquidity risk describes the risk of losses caused by a decline of the prices or the lack of liquidity of the relevant markets when assets need to be sold due to a short-term liquidity need. It also includes the ability to meet the obligations arising from concluded insurance contracts, at any time.
- **Operational Risk:** The operational risk describes the risk of losses caused by the inadequacy or failure of internal processes or in case of employee- or system-related or external incidents as well as compliance and legal risks.
- **Strategic risk:** The strategic risk is the risk arising from strategic business decisions. The strategic risk also includes the risk arising from the fact that business decisions are not adapted to a changed economic environment. The strategic risk is usually a risk occurring in connection with other risks. However, it may also occur as an individual risk.
- **Reputation risk:** The reputation risk is the risk resulting from possible damage sustained by the reputation due to negative perceptions in the public (e.g. among customers, business partners, shareholders, authorities). Like the strategic risk, the reputation risk usually constitutes a risk that often arises in connection with other risks. However, it may also occur as an individual risk.

## Risk-Bearing Ability and Limit System

The standards set forth in Solvency II and the minimum requirements to the business organisation of insurance companies (MaGo) under supervisory laws require the establishment of a limit system derived from the concept of risk bearing ability.

This risk bearing ability specifies to what extent the risks currently accepted and assessed by the companies of RheinLand Versicherungsgruppe are covered by the company's own resources that are available for such purpose. It is measured as a quotient of available own funds and capital requirements under Solvency II according to a standard formula, expanded by the findings from the corporate risk assessment (ORSA), if appropriate. RheinLand Versicherungsgruppe and all of its individual companies need to be equipped with sufficient resources. This is mainly done by adapting their entire risk positions (need for risk capital) to the resources available to it at the relevant time or by adapting the capital resources. The need for capital resources is defined according to the Insurance Supervisory Act.

A control and continuous supervision of the risk bearing capacity of the individual companies and of RheinLand Versicherungsgruppe are made on the basis of defined risk capital budgets, limits and thresholds which are described in the risk strategy and the internal guideline on risk management. In addition, the strategic risks were analysed in 2018 on a semi-annual basis in the Risk Management Board and assessed as to their quality in the context of a strength/weakness analysis. Essential operational risks are controlled and supervised in the context of harmonised implemented processes.

## Risk reporting

The Executive Board and the Supervisory Board are presented with risk reports and thus informed, at least twice per year, on the risk situation of the individual companies and the group, about their control measures which serve their control and about new risks and essential changes in already known risks as required under supervisory laws. The topic of risk management is regularly on the agenda of Executive Board and Supervisory Board meetings. The current risk report is used as documentary basis for such. If any of the known risks are subject to suddenly occurring essential changes and in case of newly arising risks, an ad-hoc reporting will be made.

For Executive Board and Supervisory Board meetings in which no detailed risk report is submitted, a slide reporting will be prepared on the current status of the risk situation, in case of need, under the management of the IRCF and in coordination with the Risk Management Board.

## Supervision and Control of Risks

The following risk situation applies to RheinLand Versicherungsgruppe according to the individual risk categories.

## Technical Risk

### Property and casualty insurance

RheinLand Versicherungsgruppe pursues, jointly with its property and casualty insurers, the expansion of property, liability and casualty insurance divisions with stable profit contributions, both for private and commercial clients, by specifying suitable acceptance guidelines and underwriting competencies. Concentration risks arise for natural phenomena due to the

regional focus regarding the business field. These risks affect, in particular, the combined homeowner's insurance and the volatility of the result resulting therefrom. In addition to acceptance and underwriting guidelines, RheinLand Versicherungs AG and Rhion Versicherung AG apply a suitable mixture of co- and re-insurance to reduce potential effects of this result volatility. The company does not underwrite classic major industry or commercial business with potential for major claims or long-term claims.

A systematic technical controlling is in place. The development of the gross technical result is analysed before internal costs and according to sales channels, divisions, cooperation partners and customer segments and according to underwriting and balance sheet years on the basis of a standardised process. The results are reported directly to the persons responsible for the affected business segment, like members of the Executive Board and persons working in the fields, divisions/operation as well as in sales. Suitable countermeasures can be developed within short in case of any undesirable developments. In its reports of the year 2018 to the Executive Board of RheinLand Versicherungs AG and Rhion Versicherung AG, the technical function also reported on essential analyses and results in the context of the technical controlling of property/casualty. Comprehensive special analyses are performed, in case of need, which take into account all aspects ranging from competitiveness of the products and tariffs to the development of claims.

The rating and reserve functions are established in different divisions. Reserves are made according to the principles of prudence under commercial and actuarial laws. Reserves for claims related to individual cases are created according to defined internal loss guidelines to ensure an adequate and continuous creation of reserves. The sufficiency of such reserves is verified on a regular basis

A premium-oriented multi-year planning is prepared under the premise of a stipulated target return and defined target claim ratios. On this basis, analyses and controlling of the development of risks arising from the insurance portfolio are performed.

The loss ratios and claims regulation for own account took the following development in the field of property/casualty in the past years:

	Balance sheet claims ratio for own account in % of earning premiums	Balance sheet claims ratio for own account in % of premiums earned (excl. natural disasters)	Claim handling result for own account in % of the provision on 1 January
2008	69.6	64.4	5.2
2009	69.5	67.4	6.9
2010	69.3	68.0	6.1
2011	66.0	64.5	7.5
2012	59.0	58.8	9.1
2013	60.5	59.7	6.6
2014	65.1	63.1	3.6
2015	66.3	65.1	3.9
2016	64.2	63.0	6.1
2017	66.9	66.0	4.7
<b>2018</b>	66.6	65.5	6.1

### Payment protection insurance (Occupational disability and unemployed insurance)

In the payment protection business, RheinLand Versicherungs AG's portfolio consists of occupational disability and unemployment insurances. These are sold through a number of medium-sized cooperation partners normally for hedging mortgage, motor vehicle or consumer credits in Germany, the Netherlands and Italy.

Controlling the technical risk in payment protection insurance is a very challenging task. In contrast to the classic insurance divisions of property and casualty business, the German Insurance Association or the *Deutsche Aktuarvereinigung* (German Association of Actuaries) provide no statistical basis. Therefore, the Group develops its own accounting bases for occupational disability and unemployment insurance for this special business on the basis of the technical course of the historic portfolios combined with publicly available statistics of the social insurance carriers.

The profitability is analysed at least once per year for each individual cooperation partner by using a standardised technical scheme according to division, underwriting years and balance sheet years. In parallel, the technical gross results are compared several times per year with the planned values for all major cooperation partners. The results of these analyses are discussed in the management circle responsible for the operating business. This ensures that any undesired developments are recognised quickly and that countermeasures can be taken within short. No major undesired developments have been found so far. Essential aspects of this technical controlling were included in the report of the technical function to the Executive Board of RheinLand Versicherungs AG.

## Life Insurance

Credit Life AG has positioned itself in the market as term life insurance specialist. It actively offers term life insurances without surplus participation, including payment protection term life insurances and term life insurances eligible to surplus participations, the participation of which is normally made by premium set-off. The portfolio also includes products to safeguard the risk of occupational disability. In addition, it has concluded a small number of capital life and pension insurances.

Term life insurances without surplus participation and payment protection term life insurances are offered by a number of major and medium-sized cooperation partners to hedge mortgage, motor vehicle and consumer credits in Germany, the Netherlands and in Italy. They offer products with consistent or falling benefits against payment of a one-off premium or ongoing premium payments.

The actuarial risk is controlled based on mortality tables available for the relevant markets and own data and experience. The profitability is analysed at least once per year for each individual cooperation partner by using a standardised technical scheme according to underwriting year and balance sheet year. In parallel, the technical gross results are compared sever-

al times per year with the planned values for all major cooperation partners. So-called mortality analyses are performed several times per year, specifically for the Dutch and Italian market, which compare the actual claims which have arisen with the claims expected according to the mortality table used. And the trend in cancellations is analysed on a regular basis as well. Here, we make a difference between the amount of the actuarial interest or according to the residual term since these criteria have, in our experience, a significant influence on the cancellations of customers. The results of this analysis will be discussed in the management circle responsible for the operating business. This ensures that any undesired developments are recognised quickly and that countermeasures can be taken within short.

In order to further increase the security for the strongly growing business, a complete analysis of the tariff structure, tariff level and mortality trend, including a comparison with the competition, was prepared for the Netherlands in 2016 and for the Italian market in 2018. The term life insurance business in the Netherlands and in Italy is, in addition, protected by high re-insurance participations. The report of the technical function to the Executive Board of Credit Life AG in 2018 explicitly mentioned the special topics of "Term life insurance in the Netherlands" and "Payment protection term life in Italy".

Classic term life insurances with surplus participation are offered on the German market. The surplus participation is mainly granted in form of an advance deduction of the premium. In case of negative tendencies in the risk trends or of burdens arising from the legal requirements (e.g. additional interest rate reserve), countermeasures can be taken by adapting the surplus participation.

Since the second quarter of 2016, RheinLand Lebensversicherung AG has been offering exclusively a death benefit for new business. For information on risks arising from changes in interest rates, please refer to the following chapter.

## Potential changes of legal conditions

Like in the previous years, changes of the legal conditions might arise for the insurance sector. Such might result in the realisation of the risk of technical changes. A current example is the discussion conducted in Germany regarding the introduction of a so-called cap for commissions aiming at a regulation of the incentive systems in sales.

## Market Risk

### Measures in the low-interest environment

A particularly difficult market environment exists for classic life insurances with its long-term benefit guarantees. RheinLand Versicherungsgruppe made further provisions by creating a so-called additional interest rate reserve. The reference interest rate relevant for the calculation fell from 2.21% to 2.09% on the reporting date of 31 December 2018. That means that additional interest rate reserves must now be provided for portfolio contracts with promised interest guarantee until 2.25%, including. At the end of the financial year, RheinLand Lebensversicherung AG's additional interest rate reserves amount to € 64,101k (previous year € 60,810k) and € 4,720k at Credit Life AG (previous year € 4,419k). The regulations for determining the additional interest rate reserve defined in the *Deckungsrückstellungsverordnung* (Actuarial Reserve Ordinance), were changed in 2018 such that the annual change of the reference interest rate is limited so that the further need for allocation to the additional interest rate reserve which might arise due to the still falling reference interest rates will be reduced or distributed over a longer period of time.

The maximum actuary interest rate for new business at RheinLand Lebensversicherung AG has been 0.9% from 2017. Credit Life AG has been using a actuarial interest rate of 0.0% for actuarial reserves from one-off premium business for some time now. This is significantly below the maximum statutory actuarial interest rate. The strong growth in the insurance business of Credit Life AG is thus significantly de-coupled from the increase in further interest rate risks.

The Supervisory Board attaches high importance to the topic of "RheinLand Life in a Low-Interest Environment". As early as in spring of 2015, it ordered a set of measures (subordinated loans, reinsurance solution, transitory measure for stock risks) which has largely been implemented in the meantime and with which RheinLand Lebensversicherung AG is better prepared against fluctuations in market interest rates. Topics such as solvency coverage, additional interest rate reserve and strengthening of capital resources have been discussed constantly in terms of their current status of implementation and the economic development during more Supervisory Board meetings.

### Investments

RheinLand Versicherungsgruppe's investments follow a conservative approach and are made according to the requirements of the Group's obligations. The risk capital budget which is specified by the risk management is analysed on a monthly basis in order to control the investment risks.

Market risk concentrations are counteracted as follows. All investments made regarding one and the same debtor must not exceed 5% of the deposit premium. The concentration of assets in one portfolio manager should be avoided for special assets or company assets, insofar as they exceed 20% of the deposit premium.

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

RheinLand Versicherungsgruppe's bond portfolio is as follows:

Bond portfolio	in k€	in % of total
Total	1,258,075	
of which government bonds	59,533	4.7
Bank exposure	1,119,011	87.8
Corporate bonds	96,032	7.5

Additional hedges apply in the bonds mentioned above:

Hedges	in k€	in % of total
Lien	349,472	27.8
Deposit protection	637,090	50.6
Government-guaranteed bonds	60,030	4.8
without hedges	211,480	16.8

The bond portfolio with bank exposure amounts to € 1,119,011k, € 140,949k of which (12.6%) are not hedged.

Subordination (without ABS direct portfolio) amounts to:

Subordination	in k€	in % of total
Profit participation rights	1,179	0.1
Subordinated loans	45,192	4.4

The group has a non-hedged share exposure through one special fund in the operating companies which amounts to € 30,405k. On the balance sheet date, RheinLand Versicherungsgruppe's share ratio was 1.6%.

Even possible future fluctuations at the capital markets will result in only limited risks of depreciation in RheinLand Versicherungsgruppe, due to the high securities existing for investments. Falling prices would, first and foremost, result in the disclosure of hidden losses, due to the "buy and hold" strategy. The current developments are analysed continuously. There is currently no essential need for action. Even the stress tests performed during the year have not resulted in any need for action.

The effects of strong fluctuations of stock prices and capital market returns on the fair value of securities held in the portfolio on the balance sheet date are shown in the scenarios below:

#### Shares, investment shares and other non-fixed income securities

Changes in share price	Change of the market value of investments in k€
Increase by 20%	6,081
Increase by 10%	3,040
Decrease by 10%	-3,040
Decrease by 20%	-6,081



**Bearer bonds and other fixed-income securities**

Changes in interest rates	Change of the market value of investments in k€
Increase by 200 base points	-100,667
Increase by 100 base points	-51,803
Decrease by 100 base points	55,987
Decrease by 200 base points	115,896

The potential need for depreciation from non-offset hidden losses arising from all investments amount to € 7,218k for the group on 31 December 2018.

Investments focus on European issuers with a high credit rating (average rating of “A+”). The following overview shows the distribution of the investments across several credit rating classes on the reporting date (Standard & Poor’s):

**Bond portfolio according to credit rating classes**

Rating class	Share in %	Carrying amount in k€	Market value in k€
AAA	20.5	257,539	266,650
AA	15.5	194,797	201,984
A	58.9	740,833	760,463
BBB	4.8	60,699	63,050
BB/B	0.0	0	0
CCC/CC/C	0.0	0	0
without rating	0.3	4,207	4,261
	100.0	1,258,075	1,296,408

Investments without rating relate to the protector registered participation rights and one bonded loan.

## Default Risk

Receivables from reinsurers, brokers and customers are generally also subject to a default risk, as are investments. RheinLand Versicherungsgruppe also made value allowances on its portfolio of receivables in

order to provide for risks. Outstanding receivables with a due date dating back more than 90 days existed in the amount of € 3,365k on the balance sheet date. The average default rate of the past three financial years, derived from flat-rate value allowances of the individual companies, is less than 3%.

RheinLand Versicherungsgruppe and its operating companies aim at a need-based and cost-effective reinsurance policy by observing the aspects of hedging and continuity. In view of the planned long-term contractual relationship with reinsurance partners, one ancillary criterion for their selection is the requirement to have a minimum credit rating of “A-” (Standard & Poor’s or a comparable rating of another rating agency). Brand developments and deteriorations of the credit rating are monitored constantly in the context of the limit system. The reinsurance business taken over by external companies has gained in importance again due to new contract relations.

**Accounts receivable from reinsurers on the balance sheet date**

Rating class	in k€	in % of total
AAA	0	0.0
AA	52,220	43.6
A	64,939	54.3
BBB	2,517	2.1
without rating	0	0.0
	119,676	100.0

without intra-group reinsurance

All ratings are verified on a regular basis and documented accordingly. Receivables from reinsurers with a rating worse than “A” result mainly from claims to be settled. No risks associated therewith are recognisable for RheinLand Versicherungsgruppe.

## Liquidity Risk

Monthly liquidity plans are prepared to ensure that the payment obligations can be fulfilled at any time. RheinLand Versicherungsgruppe's liquidity surplus is approx. 1.8% on average per month, in relation to its total investments. The expected liquidity surplus, not including re-investments, is € 167,181k for 2019.

RheinLand Versicherungsgruppe has sufficient investments which could be sold immediately in case of a liquidity bottleneck. Therefore, no liquidity risk exists from today's point of view.

## Operational Risk

The control and supervision of the operational risks is performed by the responsible departments. Scenario analyses are performed for operational risks once per year and risk indicators are verified during the year. Emergency plans, insurances, access controls as well as rules for powers of attorney and authorisations result in low probabilities of occurrence or potential losses. The cyber risks which have been spreading in the meantime, are counteracted, in particular, by comprehensive data security concepts, protection programs and an externally performed professional email verification. A cyber-insurance was taken out for the event of losses.

In addition, a documented ICS plays a central role for risk control of operational risks. It ensures a systematic prevention and early recognition of procedural risks. Key controls are in place to control the essential process risks. Compliance risks which might arise in relation to the compliance with or implementation of laws, legal provisions, regulatory requirements or ethical / moral standards and internal provisions and regulations, are provided for in a defined process according to the Compliance Management Policy. Fraud risks are subject to special observation and reporting.

There is a general risk that the case law arising from individual cases has an impact on the operating companies of RheinLand group. In order to counteract this risk, all pending actions are assessed, monitored and regularly discussed regarding their general validity between the technical departments and the legal department. An adequate provision is created, in case of need, depending on the classification of the risks.

## Strategic Risk

Clearly regulated decision-making processes and a close cooperation of all relevant decision-making bodies are the basis for an 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. Every year, the strategic risks are identified and qualitatively evaluated as part of a SWOT analysis.

## Reputation Risk

Reputation risks are qualitatively evaluated on a regular basis and continuously monitored. In 2018, no reputation risk arose for RheinLand Versicherungsgruppe.

## Summary Presentation of the Risk Position

In 2018, RheinLand Versicherungsgruppe and all individual companies belonging to the Group had, at all times, a sufficient economic and supervisory risk-bearing capacity. There is, overall, currently no development evident that could unexpectedly have an adverse and lasting effect on the net assets, financial position and result of operations of RheinLand Versicherungsgruppe.

The preliminary solvency ratio under Solvency II, not to be audited by the auditor, exceeds the coverage of the Solvency Capital Requirement (SCR) of 100% required by supervisory laws and it also exceeds the internally specified limit of 120%. For more details on the solvency of RheinLand Versicherungsgruppe please refer to the report on solvency and financial situation (SFCR) as of 31 December 2018. The report must be published on the website until 3 June 2019 under supervisory laws.

# Opportunities Report

A precondition for being successful as an entrepreneur is to use any opportunities that arise for the generation of additional profitable growth. In order to identify opportunities, we monitor closely the trends arising in the industry and markets. The assessment and critical analysis of competitive information and the recognition of new needs, trends and tendencies enable us to drive innovations in order to be well prepared for future requirements.

Our existing business model which is based on three brands and sales channels has been proven to be successful. We provide our field service, our brokerage sales and our sales channel of banks and cooperatives with products and solutions which put us in a good position and enable us to reach our target groups. Our consequent service orientation, our short decision-making paths and lean structures provide us with many advantages: they lead to a partnership in the best sense of the meaning and open up scope of action in which we can react flexibly to changing situations – jointly with our customers and cooperation partners.

The still close connection of our company to the descendants of the founding families provides us with a distinctive profile and ensures the independence of Rheinland Versicherungsgruppe in an environment characterised by concentration processes. All our activities have always been based on the principles of a respectable businessman. Our company has continuously developed based on this foundation of values which are still up to date. We combine the knowledge of our tradition with innovation spirit and the courage to innovate. Our most important asset are our employees: because they shape the permanent change with their power.

# Outlook

## Concerns about international trade barriers and political insecurities burden the sentiment

At the beginning of the year, the sentiment in the economy was cautious. Entrepreneurs expected a weaker growth of the global trade which might be thwarted by a new spiral of trade restrictions and customs. The disputes continued at the beginning of 2019, in particular, between China and the US. And the economic impact of the exit of the United Kingdom from the European Union remained another open question. More insecurities were caused by the increase of new debts in Italy which raised concerns about a revival of the sovereign debt crisis.

Forecasts for 2019 are thus cautious. At the beginning of the year, the World Bank only expected a growth of the global economy by 2.9%. The International Monetary Fund (IMF) had still calculated a value of 3.7% and the Organisation for Economic Cooperation and Development (OECD) forecast 3.5% for 2019 at the end of 2018. For Europe, the OECD forecast a growth of 1.8% in this year and of 1.6% in the next.

And the World Bank also expects a weakening of the dynamics in the USA. The growth rate will fall to 2.5%. Some analysts say that the positive effects of falling tax rates will gradually lose their effect and that the higher US interest rates will dampen the growth. Growth in China will, according to this forecast, fall to 6.2%.

That will also have an effect on Germany. Expectations for the economic growth amount to 1.8% (Federal Government) or 1.9% (IMF). The German Council of Economic Experts even forecasts only a growth of 1.5% for the gross domestic product in Germany.

Higher consumer spending as planned by the German government might provide impulses for the economic development. They grew by 1.4% in 2018. For 2019, the federal government assumes that the plus will

amount to 2.5% and it also expects an increase of consumer spending in private households. After a plus of 1.6%, an increase of 2.0% is expected for 2019.

Despite dampened forecasts, market observers expect another bottleneck on the labour market. The federal government forecasts a rise of the number of employees to 45.3 million (from 44.8 million in 2018). That means that the lack of specialists might remain an item on the economic agenda.

## Outlook on the financial markets in 2019

The European Central Bank (ECB) ended its bond purchasing programme worth billions at the end of 2018. According to its own statements, the ECB will keep the base rate at the historic low rate of 0.0% "at least until summer 2019". The deposit rate for banks will remain at -0.4% in the medium term. Compared with 2018, the basic constellation for investors will thus change only little: European bonds offer hardly any return so that investments such as stocks and real estate still seem more attractive.

However, the volatility at the international stock markets increased strongly lately. In December 2018, a downright crash occurred at the stock markets – lastly even in the US. While the stock exchanges recovered in January, the insecurity about the further development at the stock exchanges remains. The deteriorated economic climate might cause investors to act more prudently in the upcoming months. And the trend at the exchange rate market remains exciting as well: If the US Fed turns its monetary policy around, the gap between the interest curves in the US and Europe might still cause increasing bond returns in the US Dollar zone and an increasingly strong US Dollar. In such a scenario, a weaker Euro would give tailwinds, in particular, to German companies strong in exports which might then be noticeable at the stock exchange with increasing stock prices.

And the further development of the US economy might have stronger effects on the capital markets: The labour market is still stable, the continuously high propensity to consume drives the economic development. Compared with European dividend titles, US stocks are still highly rated, despite the recent correction in December. In addition, large risks such as a hard Brexit and a crisis in Italy have already been factored in the European stocks. The element of surprise would thus rather be a solution of the problems: if no or a less hard Brexit occurs and/or if Italy agrees on a moderate debt trend with the EU, European stocks offer an attractive rating level and the potential for a sustainable price recovery. Investors with a higher risk appetite are offered opportunities for higher returns, mainly in the Emerging Markets, because there are indications that the growth difference existing between emerging and industrialised countries will rise.

Last year, the volatility at the international stock markets went up. This trend will probably continue in the current year. The risk for price corrections in the meantime has thus rather increased as well.

## Outlook for the insurance economy in 2019

The entire industry expects a stable premium growth of approx. 2% for 2019. Life insurance companies expect a plus of about 1 % and companies active in property and casualty insurance assume that premiums will go up by 3%. In old-age provision, the already rising demand for products with return chances and hedging mechanisms might increase further, since the industry expects that interest rates remain on a low level also in 2019. In addition, the still increasing employment levels and the higher wages open up leeways for households to take out additional hedges. Another subject for old-age provision are the ongoing discussions regarding the reform of the German Riester pension and the introduction of a simplified standard product. Such might provide new dynamics for private old-age provision.

In other insurance segments, the increase of cyber-risks and natural hazards might result in an increasing demand for the relevant insurance products. And the still good economic situation of private households should also support the business of private health insurances. The insurance economy expects that the growth trend in additional health insurances will continue. Impulses might come also from corporate health insurance schemes. Companies active in private health insurance expect an increase in premiums of about 3 %.

Insurance companies worked intensively on a digitalisation of their processes and business models also in 2019. They renewed their systems and established new technologies. This digitalisation is changing the core business of insurance companies, step by step. Companies react to these change processes by using cloud solutions, blockchain technologies and applications based on artificial intelligence. One special focus is on IT security to protect the data of customers.

And even regulation topics are once again on the agenda for 2019. This includes further changes of rating systems and adaptations to the equity requirements in the context of the introduction of the supervisory system Solvency II. But, the insurance economy is mainly monitoring the progress of the political discussions around the question to what extent commissions should be capped. Companies active in the industry reject such a cap – inter alia since that would make it harder for people with low and medium income to enter the insurance consultancy field.

In addition, the insurance economy will deal intensively with the subject of sustainability, after the EU Commission introduced a comprehensive plan of actions for a sustainable financial system, last year. This might be accompanied by new provisions for regulations. Insurance companies have already been dealing intensively with this topic and put a stronger focus on sustainable capital investments. New reporting obligations and the establishment of new risk functions might paralyse the personal initiative and cause high costs – fears the industry.

## Forecast on the development of the three sales channels

### Bank and cooperative sales

We are going to continue our growth-oriented development in the current financial year. That applies to our activities in Germany as well as to those in the Netherlands and Italy.

The overriding topic and important field of innovation is and remains digitalisation. We will use the associated opportunities for sales and continue to work on models enabling us to completely map online the processes downstream from product sales. We obtain impulses and know-how in this context also from FinTech / InsurTech companies whose creative solutions we are able to use for adding value to our company.

In addition, we have still been in close cooperation with long-term cooperation partners to recognise new opportunities for us and to derive suitable offers from such. We continue our efforts to sensibly expand the circle of companies cooperating with us. At the beginning of the financial year, we were able to gain a renowned new cooperation partner in BMW Bank. BMW Bank is one of the leading automotive banks in Germany with a subsidiary in France and two branch offices in Italy, Spain and Portugal.

BMW Bank will offer its customers in future special insurance solutions which can be combined with leasing and financing products to form individual mobility packages. The partnership is intended for a long term; first products will already be launched in the second half year of 2019.

We were able to consequently expand our market position which has been strengthened in the Netherlands. It is our aim to fully exhaust the technical opportunities in order to increase our efficiency. In this context, we will establish a medical underwriting department in our

Amsterdam branch. The solid development in Italy will continue in the current year. We wish to find new partners through our sales platform there, to achieve an even stronger position as provider in the credit hedge business on the Italian market.

### Brokerage sales

The management of brokerage sales was transferred to new personalities at the beginning of the current financial year. This succession has been prepared for a long term to be able to smoothly continue the very successful development of this sales channel. The rejuvenation on the top management level is accompanied by our objective to be perceived on the market as a “Digital brokerage brand” with rhion.digital. We do this without forsaking our roots, since the changes implemented in 2018 are the logical continuation of a continuous growth trajectory. Tailwinds not only come from those sales partners with whom we hold particularly long years of relations.

The storms “Bennett” and “Eberhard” caused serious damage all over Germany in March. “Eberhard” was comparable to the storm “Friederike” which occurred in January 2018, as regards its intensity. Luckily, it caused a far less impact on us than the storm in the year before. It was mainly residential buildings which were affected, while the damage caused to motor vehicles were manageable.

One sales approach this year is the intensification of the motor vehicle business. This is based on the motor vehicle tariff “ONdrive” introduced in 2018 which was well received in the market. It will be further optimised in the upcoming months where we will pursue the project in cooperation across many divisions. The sales start of the product which was supplemented by new components and services is planned for the beginning of October. In parallel, a purely digital motor vehicle insurance has been designed on the basis of “ONdrive” under the leadership of the digital company, the corporate start-up of RheinLand Group. We provide them to brokers as a lean solution for uncomplicated selling. Brokers were actively involved in the development:

They were given the option to contribute their ideas and suggestions in the process (Open Innovation). This product with its unique selling points went “live” at the beginning of the second quarter.

In addition, we wish to gain more in-depth knowledge of the many opportunities for a digital full-service of sales partners. The focus is on portfolio management. And the aim is to increase the attractiveness of a co-operation with rhion.digital thanks to these additional services. Furthermore, we draw our attention to bring out further potentials along the value adding chain by using digital tools; we also use the know-how of In-surTechs for this purpose with whom we cooperate.

Not least, we set the tracks for an expansion of our business activities in brokerage sales to the Netherlands in the first quarter of the year. The planned establishment on the Dutch market is based on a cooperation agreement with Nederlandse Vereniging van Gevolmachtigde Assurantiebedrijven (NVGA), an association of 174 underwriting agents. The cooperation will start on 1 January 2020. After a start phase as co-insurer, it is planned to expand this cooperation with products customised to the needs of Dutch customers. The brokerage business in the Netherlands will be controlled by a new branch in Eindhoven.

## Exclusive sales operation

Similar to brokerage sales, we were affected by the storms in March in the field of our exclusive sales operation. But, their impacts were limited for us, as mentioned above.

In the current financial year, topics in the exclusive sales organisation are mainly organisational subjects. They arise from the ever growing digital instruments that we make available for our regional management offices and branches.

It is our aim to enable our local sales force not only selectively but comprehensively to make full use of the potential of the digital opportunities for a profitable business. We hold the responsibility in this respect, which is why we started an additional development programme for our sales management team.

The objective is to create a competency pool on the management level consisting of personalities which approach the subject of digitalisation with the highest possible degree of openness and willingness to learn. We are sure that we will be able to further increase the uniform understanding of the opportunities offered by digitalisation. In addition to this internal impact, digital competency also has a high external impact, since it puts us in a better position in the competition for the best professionals.

While the general trend in the industry indicates strongly decreasing numbers of agents, it is still our aim to expand the number of our main agents, partners and customer consultants in the next two years from currently 270 to about 300. We take high care of who is suited to consequently continue the development which our field service has successfully taken.



## Result trend

We wish to achieve a noticeable growth again and expect for 2019 a premium growth above the average of the industry. In addition, we wish to make major investments in digitalisation and thus in the improvement of our efficiency. We plan to start our composite business under the “rhion.digital” brand in the Netherlands from 2020, after we have already successfully sold payment protection and term life insurances in our neighbouring country. We were once again able to prove our innovative power with our new digital motor vehicle insurance “ONdrive 1.0”. RheinLand Versicherungs AG was awarded the 2nd prize in the innovation award “Goldener Bulle”, which is the “Oscar” of the financial sector, in February 2019.

The structure of our investments will mainly be kept, but, we expect a reduction of the current asset income due to the situation that was forecast for the capital markets. Taking into account the current development of the storms in spring and our planned investments, we expect a group result before taxes for 2019 at the level of the previous year.

# Personnel

The number of employees in our insurance group, including those of RheinLand Vermittlungs GmbH (6 employees), RH Digital Company GmbH (6 employees) and Callas Nederland B.V. (31 employees) stood at 834 in the year under review and this changed only slightly compared with the year before (820).

The share of women we employ went up slightly to 45% (previous year 44%), the share of men fell accordingly to 55%.

In 2018, our fluctuation rate was 4.6% in office service and 3.4% in field service.

The foundation for our cooperation in the workplace are values which we have developed jointly with our employees. We strive for a good balance between promoting and requiring, giving and taking to ensure a high satisfaction and motivation of our employees with their daily work. We are proud of the loyalty of many employees who stay in the company for many years and appreciate their competency and experience. It is important to us that each of them understands learning as part of their tasks and that leadership personnel and employees actively and jointly design and drive this process. We are convinced that the ability to learn new things and the will to do so are indispensable – both for us as a company and for the individual employee.

We give the compatibility of family and profession a high priority. In this practice, this is reflected in the framework conditions, in particular in flexible working times and the option to work from home. We offer our employees comprehensive social benefits – from a loan via a childbirth allowance to additional work-free days. They have a claim to special vacation at special occasions. In addition, we support corporate events such as excursions and celebrations. One important concern is the promotion of physical health: One example here is our annual “fitness day”. This event is dedicated to all employees in office duty and field service and their family members.

RheinLand Versicherungs AG is one of the big companies in the Rhine district of Neuss offering apprenticeships. On 1 August 2018, RheinLand hired eight

apprentices – distributed over three occupations requiring training. Two more apprentices were hired on 15 October 2018. Eight of these ten trainees take part in a training to become saleswomen or salesman for insurances and finances, one is trained to become an office management assistance and one of the trainees will become an IT specialist for application development. Six of the eight saleswomen/salesmen for insurances and finances will in this apprenticeship year be trained in sales, in the district management offices and branches. At the end of the year under review (on 31 December 2018), a total of 32 young people were prepared for their future professional live, 19 of which were hired in sales.

In 2018, the participants of the first year of the Rheinland state subsidy programme started their advanced training to become business administrator and/or Bachelor in insurance business. This state subsidy programme provides special support to trainees who achieved above average results in their training with RheinLand Versicherungs AG.

## Promotion of the Work/Life balance

We are dedicated to promoting a good work/life balance. Since 2018, we have a new works agreement on flexible working hours and mobile working. Both provide all employees with a highest degree of flexibility. In addition, we offer individual working time models, an autonomous design of the workplace, either in form of a part-time job or by using a home-office workplace. RheinLand always reacts with individual solutions to special situations in life.

The topic of health and care has been rated very well in the employee surveys conducted in the past years. In the professional work life, health-promoting measures (i.e. offers for seminars, flu vaccination, ergonomic consulting) cater for the well-being and safety of our staff. Numerous corporate sports groups not only contribute to health, but also promote team spirit and an collegial conduct. We continuously work on further initiatives and offers.

## Declaration on Company Management

### Support of Women in Leadership Positions

The Executive Board and Supervisory Board also take care of the promotion of diversity in the company and, in particular, of an adequate share of women when they fill positions in the corporate bodies and leadership positions. Based on the German Act on the Equal Participation of Women and Men in Leadership Positions in Private Economy and Public Service, Rheinland Versicherungs AG is obliged to determine target numbers for the number of women in the Supervisory Board, the Executive Board and the two management levels below.

In the period from 1 July 2017 to 30 June 2022, Rheinland Versicherungs AG established new target values for the share of women in the relevant bodies according to these legal requirements. The target numbers are 16.67% for the Supervisory Board and 0.0% for the Executive Board, 6.67% for the first leadership level below the Executive Board and 24.24 % for the second leadership level below the Executive Board.

# Organisation and Processes

An improvement and streamlining of the corporate processes is a continuous process. We use transparent processes and the latest methods to consequently increase our value and our customer orientation in a cost-conscious manner. We thus contribute to ensuring the competitiveness of RheinLand Group as an independent insurance group.

In the past financial year, we achieved an important objective of our digitalisation strategy by introducing the new claims system. It was the biggest project of the past years in terms of its scope. What has been developed since November 2016 and went live in July 2018 creates significant progress for claims handling in terms of efficiency and exactness. The employees of the property division received intensive training on the use of the new system in close coordination with the Works Council to be well prepared for the change which was mastered with a highly committed team. As a result, we were able to decommission the mainframe computer. The new claims system for whose realisation we cooperated with external specialists, is technically forward-looking. Claims recording has not just been simplified, but facilitations were achieved, in particular, in places where errors have occurred so far: at the interfaces. In view of an average of 70,000 claims which are handled in one reporting year, this change-over of the system will bring noticeable benefits. Reference must also be made in this context, to the new, cross-divisional fraud recognition system called Risk Shield 360. It helps recognising potential cases of fraud in a very exact manner. The system takes the data of the claim to a "Blackbox" where they are screened and analysed. The existing data of the claims management will also be activated by matching certain information to recognise abnormalities. This means that the corporate knowledge resources and experience are used to achieve a very fast and precise allocation of each new case, thanks to these electronic processes.

In addition to the successful completion of the partial project "Ablösung Schaden (Claims Close Out)" as part of our objective to establish a uniform system platform (ESP), the accounting system was identified as a new project field. The biggest concern here is to reduce the complexity and to significantly increase the benefit for the user. For example, in the project "Incoming Invoice Management" we plan to have a completely digital process chain from the middle of 2019.

In addition, we were able to set another important milestone with the project "DiPOSS" (digitalisation at the Point of Sale and Service). "Apollo", the new information portal of RheinLand's field service brought us a big step ahead in terms of digitalisation of the exclusive sales organisation: All work-relevant functionalities and processes can now be reached in an uncomplicated manner with one single log-in. The result is based on the good cooperation between the exclusive sales organisation, the IT and the processes. The requirement has been, from the beginning, that the portal should be available on all mobile devices. The start page can be configured according to the individual requirements, and owners of agencies will be able to specify areas that are visible and functions that are available for their employees, depending on their roles. Elements from the Google toolbox were included in the design of the portal which facilitate a quick orientation. And, the information is divided in individual divisions which all follow the same scheme.

The new Customer Relationship Management that has already been mentioned above was introduced for brokerage sales in the context of "DiPOSS". Information from and about our sales partners becomes more and more important in the context of digitalisation to be able to perform actions and make approaches in a targeted manner. For this purpose, we need to constantly update and improve data volumes and quality.

The new CRM system helps us in this regard. In a second step, the system was connected to the data warehouse and the sales database to make the sales control more effective, but also to unify and simplify the processes in our house. In the end, the quality of service increases, since information on the individual sales partners is available as transparent as never before. Another sales project realised in cooperation between many divisions was the brand name change from Rhion Versicherungen to rhion.digital in the past year that has already been described in detail on the prior pages of this report. In October, it was presented on the biggest broker fair, the DKM in Dortmund, and met with enthusiasm among brokers. The former Rhion logo was replaced by the new logo of rhion.digital in all systems, on any and all printed matters, on many other information carriers: a big project with a very good team performance headed by Marketing.

In order to protect our electronic data traffic, highest security precautions are an absolute must: from firewalls via virus protection to encoding technology, password guidelines and codes of conduct. We assume this high responsibility by subjecting the field of IT operation to a certification according to ISO in the 2017 financial year which was renewed in the past financial year. Even our mail and service centre, the services of which are decisive for the quality of our processes, underwent a certification process and passed it successfully.

Another certification will be made in the current financial year. It will focus on RheinLand Versicherungsgruppe's "Business Continuity Management" which was established based on high expertise and which will protect us against catastrophes in the Group administration – for example in case of a fire and power failure. It enables us to keep the ordinary business operation up, both in terms of rooms and personnel, and to ensure the service for customers and sales partners, thanks to precisely prepared contingency plans. An emergency exercise in which a total division of the operation took part for one day confirmed that our precautions are suitable. The "Business Continuity Management" applies to all companies of RheinLand Grup at the Neuss location; a dedicated team in which even the Executive Board is represented acts as control unit.



# Environmental Management

As an insurance group, we are particularly affected by changing environmental and climate conditions and by the increasing damage caused by bad weather associated therewith and the resulting burdens caused by damage. It is for that reason alone that we are active in environmental protection both in the company and outside of it. At the same time, we wish to treat the resources with care, decrease our operational expenses and act, not least, as a role model. An environmental management system which has been regulating our processes since 1997 helps and supports us in systematically identifying and using potentials for improvement.

We specified the key objective of our activities for environmental protection in 2007: we wish to ensure the CO<sub>2</sub> neutrality of our business operation for a term of 50 years. In cooperation with "PRIMAKLIMA-welt

weit e.V.", we caused a reforestation at our location in Neuss, but also in other locations in Germany, in Europe and even worldwide, in several stages. The reforested areas combined compensate all CO<sub>2</sub> emissions of our business operation, so that we have been able to achieve our objective as early as in May 2011. That made us one of the first insurance companies on the German market that realised the CO<sub>2</sub> neutrality of their business operation so quickly.

We disclose our consumptions and needs once per financial year in our environmental balance sheet which is part of our Sustainability Report. This is testimonial of the great value that we continue to attach to a responsible use of resources and that we will not forget the high importance that CO<sub>2</sub> neutrality has for our company. We will live up to this proof also in the future in the transparent and open manner.

Neuss, 18 March 2019

The Management

Christoph Buchbender

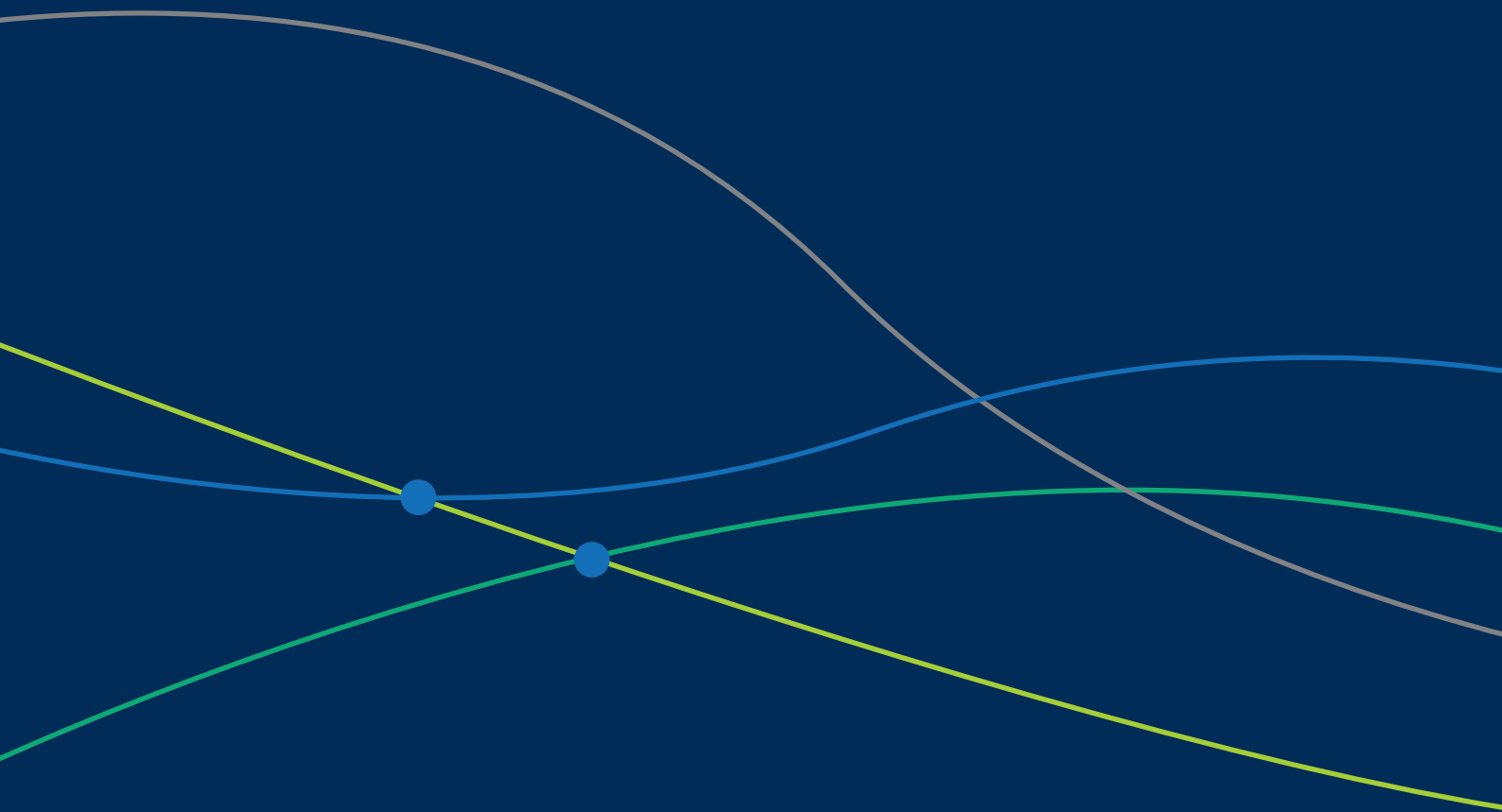
Dr. Lothar Horbach

Udo Klanten

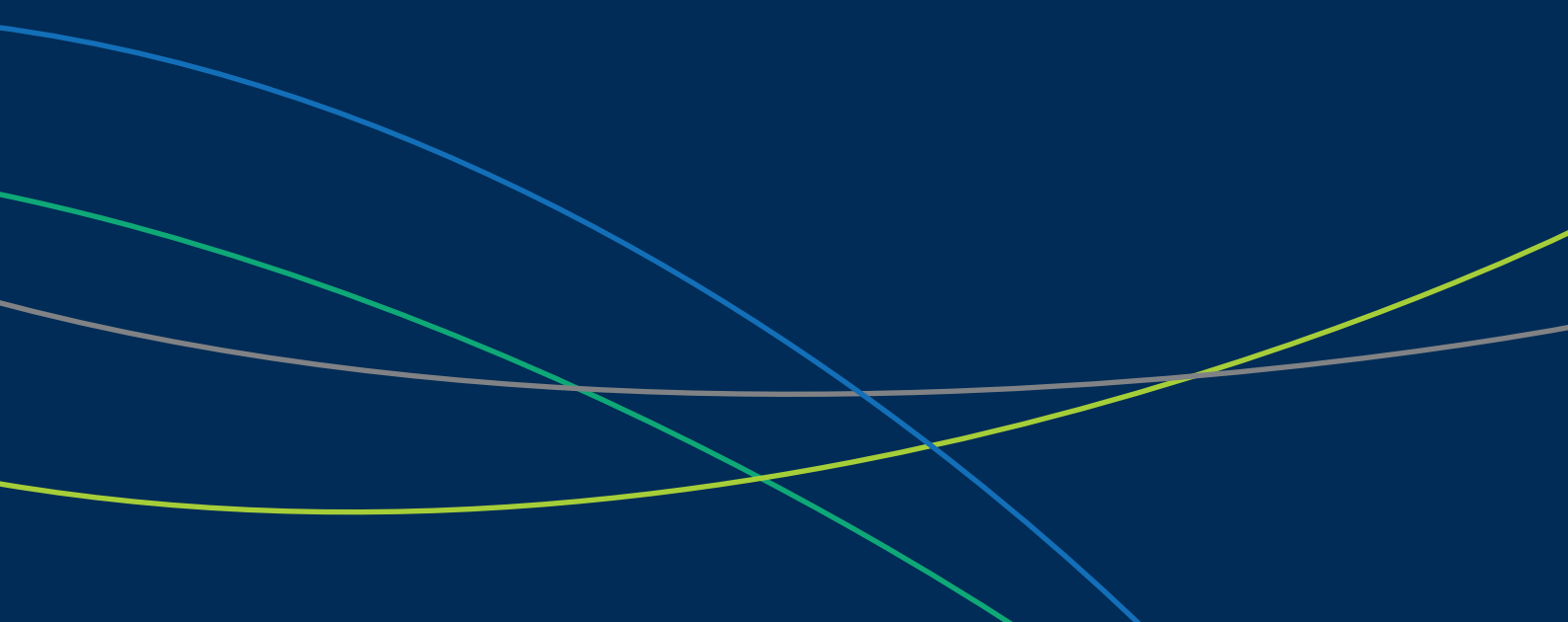
Andreas Schwarz



# Consolidated Financial Statements



74 \_ Consolidated Balance Sheet as of 31 December 2018  
78 \_ Consolidated Income Statement  
for the period from 1 January to 31 December 2018



# Consolidated Balance Sheet as of 31 December 2018

<b>Assets</b>	<b>2018</b>	<b>2018</b>	<b>2018</b>	<b>2018</b>	<b>2017</b>
	€	€	€	€	€
<b>A. Intangible assets</b>					
I. Concessions, industrial property rights and similar rights and values acquired against payment and licences in such rights and values			16,362,300.33		13,668,694.92
II. Goodwill			983,987.00		1,473,580.00
				17,346,287.33	15,142,274.92
<b>B. Investments</b>					
I. Land, leasehold rights and buildings including buildings on third party land			50,230,363.95		52,532,717.88
II. Investments in associated companies and participating interests					
1. Shares in affiliated companies insofar as they were not included in the Consolidated Financial Statements		2,804,030.84			3,485,682.22
2. Participating interests		5,704,276.38			5,945,593.50
			8,508,307.22		9,431,275.72
III. Other investments					
1. Share, investment shares and other non-fixed-income securities		106,715,822.28			94,700,916.13
2. Bearer bonds and other fixed-income securities		380,112,674.42			356,377,289.60
3. Claims arising from mortgage, land charge and annuity charge		22,996,308.18			25,400,002.98
4. Other loans					
a) Registered bonds	394,405,316.03				391,394,624.38
b) Notes receivable and loans	482,378,351.57				494,187,061.69
c) Loans and advance payments on insurance certificates	5,602,677.95				6,218,998.87
d) Other loans	1,178,879.92				3,030,937.87
		883,565,225.47			894,831,622.81
5. Deposits at banks		116,279,539.70			92,537,610.77
6. Other investments		20,920.00			20,920.00
			1,509,690,490.05		1,463,868,362.29
IV. Deposits retained under the assumed reinsurance business			1,048,552.58		949,339.65
				1,569,477,713.80	1,526,781,695.54

**Assets**

	2018	2018	2018	2018	2017
	€	€	€	€	€
<b>C. Investments for account and risk of policyholders of life insurances</b>				1,262,103.61	1,278,000.48
<b>D. Accounts receivable</b>					
I. Receivables arising out of direct insurance operations from:					
1. Policyholders					
a) Claims due	9,119,365.83				5,795,291.90
b) Claims not yet due	6,426,065.10				8,334,352.40
		15,545,430.93			14,129,644.30
2. Intermediaries		38,541,894.76			27,188,503.18
			54,087,325.69		41,318,147.48
II. Reinsurance receivables			4,219,891.25		6,287,059.72
III. Other accounts receivable			7,422,662.55		8,596,254.36
				65,729,879.49	56,201,461.56
<b>E. Other assets</b>					
I. Property, plant and equipment and inventories			6,289,586.62		5,854,884.60
II. Current cash at credit institutions, checks and cash in hand			33,162,225.42		37,847,614.93
III. Other assets			20,000.00		20,000.00
				39,471,812.04	43,722,499.53
<b>F. Accrued items</b>					
I. Accrued taxes and rents			12,841,512.64		13,948,592.41
II. Other accrued items			2,304,027.14		2,834,953.50
				15,145,539.78	16,783,545.91
<b>G. Excess of plan assets over pension liabilities</b>				32,027.25	42,292.92
<b>Total assets</b>				1,708,465,363.30	1,659,951,770.86



## Equity and liabilities

	2018	2018	2018	2017
	€	€	€	€
<b>A. Equity</b>				
I. Subscribed capital		9,830,400.00		9,830,400.00
II. Capital reserve		15,169,462.46		15,169,462.46
III. Retained earnings				
1. legal reserve	168,726.32			168,726.32
2. other retained earnings	164,893,539.58			155,556,507.49
		165,062,265.90		155,725,233.81
IV. Consolidated net profit for the year		7,405,516.47		8,184,226.80
V. Equalisation item for shares of other shareholders		17,530.28		0.00
			197,485,175.11	188,909,323.07
<b>B. Technical provisions</b>				
I. Unearned premiums				
1. Gross amount	148,812,658.00			135,979,877.68
2. of which less: share of the business ceded to reinsurance	34,470,860.64			29,532,701.03
		114,341,797.36		106,447,176.65
II. Provision for life insurance				
1. Gross amount	988,295,742.65			948,419,264.61
2. of which less: share of the business ceded to reinsurance	146,612,641.46			124,244,509.96
		841,683,101.19		824,174,754.65
III. Provision for outstanding insurance claims				
1. Gross amount	294,504,438.60			277,372,178.75
2. of which less: share of the business ceded to reinsurance	57,371,052.48			52,243,101.33
		237,133,386.12		225,129,077.42
IV. Provision for the performance-based and non-performance-based premium refunding				
Gross amount = for own account		29,936,055.56		31,384,659.35
V. Equalisation provision and similar provisions		42,475,136.00		42,879,641.00
VI. Other technical provisions				
1. Gross amount	3,101,503.68			2,438,981.09
2. of which less: Share of the business ceded to reinsurance	166,438.78			211,527.65
		2,935,064.90		2,227,453.44
			1,268,504,541.13	1,232,242,762.51
<b>C. Technical provisions in the area of life insurance, if the investment risk is borne by the policyholders</b>				
Provision for life insurance, gross = for own account			1,262,103.61	1,278,000.48

## Equity and liabilities

	2018	2018	2018	2017
	€	€	€	€
<b>D. Other provisions</b>				
I. Provisions for pensions and similar obligations		21,252,962.41		20,525,640.34
II. Tax provisions		2,812,804.28		3,711,340.28
III. Other provisions		14,178,272.52		14,680,327.07
			38,244,039.21	38,917,307.69
<b>E. Deposit liabilities from insurance business ceded to reinsurers</b>			114,023,290.41	107,305,653.51
<b>F. Other liabilities</b>				
I. Accounts payable on direct insurance operations to:				
1. Policyholders	44,024,653.21			48,290,761.64
2. Intermediaries	14,309,582.83			7,994,981.36
		58,334,236.04		56,285,743.00
II. Reinsurance payables		8,628,790.42		11,602,789.08
III. Other liabilities		20,435,842.41		21,798,456.46
of which from taxes: € 3,981,211.46 (pr.y. €6,625,981.68)				
of which relating to social security: € 20,915.92 (pr.y. €14,873.85)				
			87,398,868.87	89,686,988.54
<b>G. Deferred items</b>			1,547,344.96	1,611,735.06
<b>Total equity and liabilities</b>			<b>1,708,465,363.30</b>	<b>1,659,951,770.86</b>

# Consolidated Income Statement

I. Technical account for the property and casualty insurance business	2018	2018	2018	2017
	€	€	€	€
1. Net premiums earned for own account				
a) Gross premiums entered	344,857,543.21			314,635,600.59
b) Reinsurance premiums paid	49,160,437.25			44,779,259.36
		295,697,105.96		269,856,341.23
c) Change in gross unearned premiums	-13,120,688.68			3,581,504.52
d) Change in the reinsurance's share in unearned gross premiums	-5,040,207.27			-532,122.43
		-8,080,481.41		4,113,626.95
			287,616,624.55	273,969,968.18
2. Net technical interest income			217,261.00	204,569.33
3. Other net technical income for own account			202,018.65	158,747.43
4. Net expenses for insurance claims for own account				
a) Payments made for insurance claims				
aa) Gross amount	144,217,117.10			152,875,753.92
bb) Share of reinsurers	21,974,424.68			28,674,237.87
		122,242,692.42		124,201,516.05
b) Change in the provisions for outstanding insurance claims				
aa) Gross amount	9,178,730.05			-2,975,356.27
bb) Share of reinsurers	-529,405.90			-17,052,952.70
		9,708,135.95		14,077,596.43
			131,950,828.37	138,279,112.48
5. Change in other net technical provisions				
a) Net provision for life insurance		-7,810,388.53		-14,425,160.48
b) Other net technical provisions		742,279.45		134,148.52
			-7,068,109.08	-14,291,011.96
6. Net costs of insurance operations for own account				
a) Gross costs of insurance operations		163,317,951.42		148,625,433.25
b) of which less: commissions and participations in profits received from reinsured business		15,792,834.69		14,151,304.83
			147,525,116.73	134,474,128.42
7. Other net technical costs for own account			945,509.37	911,596.78
8. Subtotal			14,682,558.81	14,959,459.22
9. Change in equalisation provision and similar provisions			404,505.00	-2,114,785.00
10. Net technical result in the property and casualty insurance business			15,087,063.81	12,844,674.22

for the period from 1 January to 31 December 2018

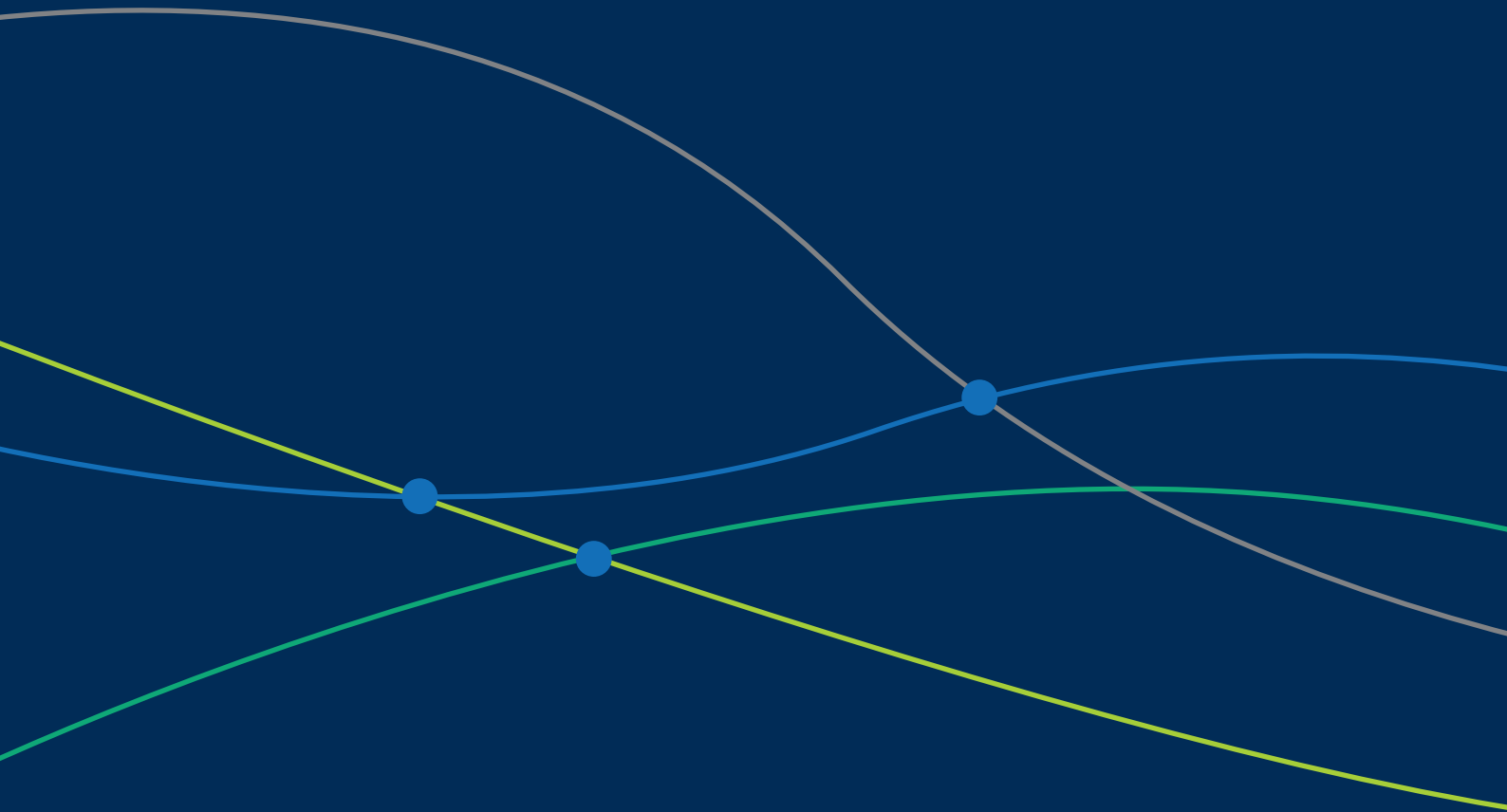
II. Technical account for the life insurance business	2018	2018	2018	2017
	€	€	€	€
1. Net premiums earned for own account				
a) Gross premiums entered	194,042,679.88			188,341,043.77
b) Reinsurance premiums paid	66,151,006.92			54,108,413.19
		127,891,672.96		134,232,630.58
c) Changes in net unearned premiums		185,860.70		187,085.81
			128,077,533.66	134,419,716.39
2. Premiums from the gross provision for premium refunding			170,021.82	275,895.92
3. Income from investments				
a) Income from participating interests		112,997.71		0.00
b) Income from other investments				
aa) Income from land, land rights and buildings, including buildings on third party land	1,451,546.07			1,397,772.02
bb) Income from other investments	23,696,970.85			25,699,704.26
		25,148,516.92		27,097,476.28
c) Income from write-ups		166,220.12		333,877.79
d) Profits from the disposal of investments		2,472,942.93		13,855,251.59
			27,900,677.68	41,286,605.66
4. Non-realised gains from investments			16,063.72	103,993.07
5. Other net technical income for own account			85,267.59	934,655.36
6. Net expenses for insurance claims for own account				
a) Payments made for insurance claims				
aa) Gross amount	98,358,616.80			85,308,165.79
bb) Share of reinsurers	36,548,660.47			15,194,597.94
		61,809,956.33		70,113,567.85
b) Change in the provisions for outstanding insurance claims				
aa) Gross amount	7,420,472.20			4,442,341.75
bb) Share of reinsurers	5,657,357.05			1,890,672.96
		1,763,115.15		2,551,668.79
			63,573,071.48	72,665,236.64
7. Change in other net technical provisions				
a) Provision for life insurance				
aa) Gross amount	47,670,969.70			65,070,115.81
bb) Share of reinsurers	22,368,131.50			24,651,679.05
		25,302,838.20		40,418,436.76
b) Other net technical provisions		-34,667.99		-512,481.43
			25,268,170.21	39,905,955.33
8. Net costs for performance-based and non-performance-based premium refunding for own account			4,900,000.00	6,117,636.41

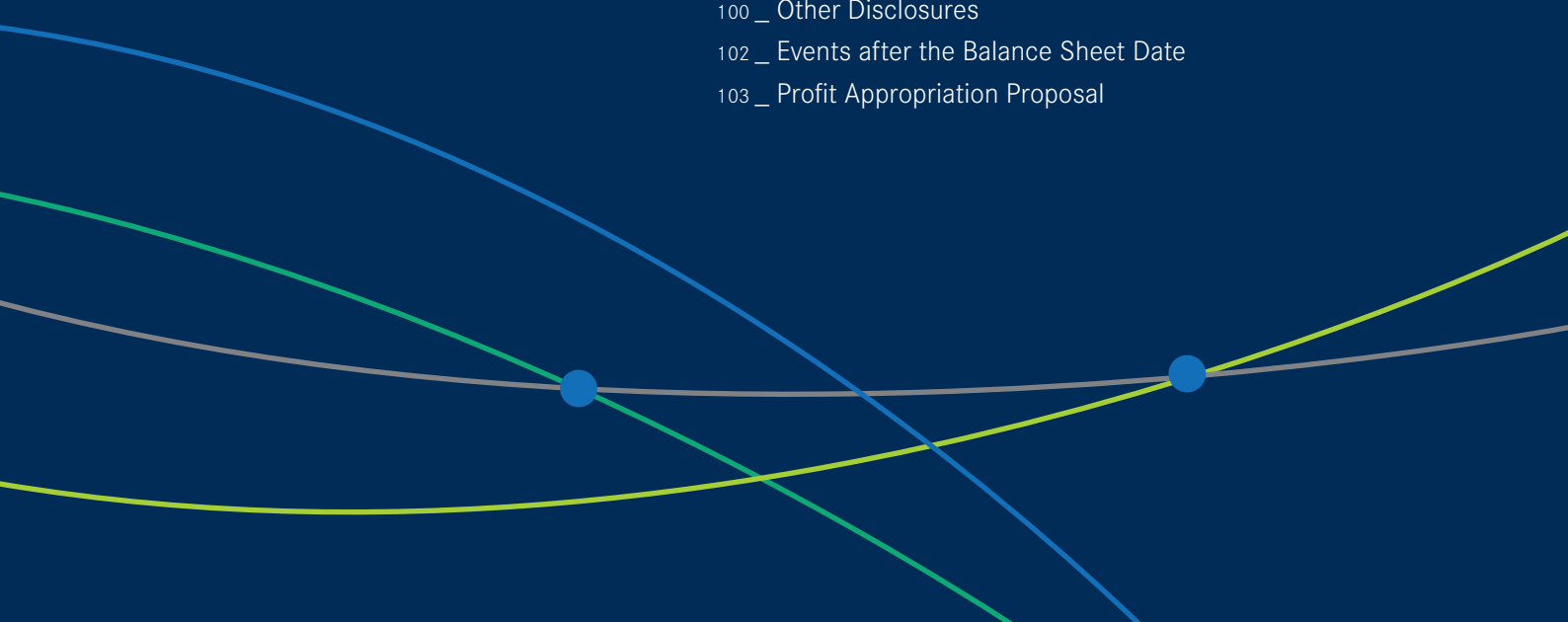
II. Technical account for the life insurance business	2018	2018	2018	2017
	€	€	€	€
9. Net cost of insurance operations				
a) Acquisition expenses	44,837,217.69			44,936,271.28
b) Administration expenses	6,790,076.27			5,401,981.38
		51,627,293.96		50,338,252.66
c) of which less: commissions and participations in profits received from reinsured business		19,240,688.64		16,165,084.67
			32,386,605.32	34,173,167.99
10. Investment costs				
a) Costs for the investment management, interest expenses and other investment costs		1,649,733.42		1,763,668.09
b) Depreciation on investments		242,490.12		260,710.33
c) Losses from the disposal of investments		1,087.65		271,162.08
			1,893,311.19	2,295,540.50
11. Unrealised losses			126,546.08	359.40
12. Other net technical costs for own account			21,264,901.69	14,287,429.70
13. Net technical result in the life insurance business			6,836,958.50	7,575,540.43

III. Non-technical account	2018	2018	2018	2018	2017
	€	€	€	€	€
1. Net technical result for own account					
a) in the property and casualty insurance business			15,087,063.81		12,844,674.22
b) in the life insurance business			6,836,958.50		7,575,540.43
				21,924,022.31	20,420,214.65
2. Investment income, if not reported under II.3.					
a) Income from participating interests		222,586.76			190,000.00
b) Income from other investments					
aa) Income from land, land rights and buildings, including buildings on third party land	3,562,436.99				3,534,486.21
bb) Income from other investments	5,388,748.90				6,428,285.73
		8,951,185.89			9,962,771.94
c) Income from write-ups		44,852.43			93,520.40
d) Profits from the disposal of investments		651,231.62			944,133.45
			9,869,856.70		11,190,425.79
3. Investment costs, if not reported under II.10.					
a) Costs for the investment management, interest expenses and other investment costs		2,411,326.95			2,608,416.39
b) Depreciation on investments		2,899,138.80			6,116,145.94
c) Losses from the disposal of investments		1,252.59			17,856.83
			5,311,718.34		8,742,419.16
			4,558,138.36		2,448,006.63
4. Technical interest income			-217,261.00		-183,969.00
				4,340,877.36	2,264,037.63
5. Other income			33,550,597.71		26,032,612.25
6. Other costs			40,811,105.60		28,579,757.20
				-7,260,507.89	-2,547,144.95
7. Result from ordinary business operations				19,004,391.78	20,137,107.33
8. Taxes on income			5,193,377.29		6,180,504.78
9. Other taxes			251,968.81		291,910.62
				5,445,346.10	6,472,415.40
10. Consolidated net annual profit				13,559,045.68	13,664,691.93
11. Consolidated profit carried forward				2,226.80	9,059.36
12. Allocation to retained earnings in other revenue reserves				6,150,475.73	5,489,524.49
13. Profit payable to other shareholders				5,280.28	0.00
14. Consolidated net profit for the year				7,405,516.47	8,184,226.80



# Consolidated Notes





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## General points

RheinLand Holding AG with its registered office in Neuss is registered in the Commercial Register kept at the *Amtsgericht* (Local Court of) Neuss (HRB 1113).

RheinLand Versicherungsgruppe operates the direct insurance business for own contracts and contracts assumed for reinsurance in the field of property / casualty and life insurance as well as insurance brokerage.

## Legal Basis

RheinLand Holding AG prepares the Consolidated Financial Statements for the biggest and smallest number of companies pursuant to Sections 341 i and j of the HGB and Sections 58 et seq. of the *RechVersV* (Ordinance on the Accounting of Insurance Companies). Forms 1 and 4 set out in Sec. 2 of the *RechVersV* were used for structuring the Consolidated Balance Sheet and Consolidated Income Statement.

## Consolidated Companies

Eight German and four foreign companies were included in the Consolidated Financial Statements. Four affiliated companies were not consolidated, due to their inferior importance for the presentation of the Group's net asset and financial situation as well as the result of operations.

## Consolidated companies with shareholdings

Name	Registered office	Shareholding (%)		Subscribed capital (in k€)	Annual result (in k€)
		Total	of which indirectly		
RheinLand Holding AG	Neuss			9,830.400	7,405.516
RheinLand Versicherungs AG	Neuss	100	0	39,304.192	13,365.554
RheinLand Lebensversicherung AG	Neuss	100	0	2,304.000	709.022
Credit Life AG	Neuss	100	0	7,096.320	3,096.569
Rhion Versicherung AG	Neuss	100	0	12,728.000	784.867
RH Digital Company GmbH	Neuss	100	0	50.000	-835.485
RheinLand Vermittlungs GmbH	Neuss	100	100	104.000	679.661
Credit Life & DEVK Vermittlungs GmbH	Neuss	51	51	25.000	10.776
Rheinland Groep Nederland B.V.	Amsterdam	100	100	1,300.000	-400.935
Callas Holding N.V.	Amstelveen	100	100	45.000	0
Callas Nederland B.V.	Amstelveen	100	100	18.000	0
Lazur B.V.	Amstelveen	100	100	18.000	0

The exemption option according to Sec. 313 (3) of the HGB was used.

## Principles of consolidation

Additions made until 31 December 2009 were consolidated according to the book value method. Under this method, the cost of acquisition of shares is set off with the Group's share in the equity of the consolidated subsidiaries at the time of purchase or their first-time consolidation according to the provisions set forth in Sec. 301 of the HGB. Any goodwill resulting therefrom was capitalized and subject to scheduled amortisation in the subsequent years. Differences under liabilities are set off with retained earnings.

Inter-company profits from intra-group deliveries and services were eliminated if such were of inferior importance for providing a true and fair view of the net asset and financial situation as well as the result of operations of the Group.

Any mutual accounts receivable and payable as well the income and expenses arising mainly from other service business of the group companies were eliminated.

# Accounting and Valuation Methods

The Financial Statements have been prepared according to the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (Akt), the Insurance Supervisory Act (VAG) and the Ordinance on Accounting of Insurance Companies (RechVersV).

## Assets

### Intangible assets

Goodwill was capitalised in 2016 in the context of the acquisition of Callas Group. It was amortised on a straight-line basis over five years, according to the customary useful life in the company.

Intangible assets acquired against consideration were valued at cost of acquisition.

### Investments

Land, rights equivalent to real property and buildings are recognised at cost of acquisition or production, less accumulated scheduled and unscheduled depreciation. Scheduled depreciation is made according to the useful life that is customary in the company. It is 50 years, based on the continued maintenance measures. These assets are subject to unscheduled depreciation in case they are probably permanently impaired.

Shares in affiliated companies and participating interests are recognised at cost of acquisition, less amortisation according to Sec. 341b (1) of the HGB in conjunction with Sec. 253 (3) sentence 5 of the HGB.

Shares, investment shares and other non-fixed income securities are generally measured at cost of acquisition, pursuant to Sec. 341b (2) of the HGB in conjunction with Sec. 253 (1), (3) and (5) of the HGB. An average cost of acquisition was created from different cost of acquisition of the same securities.

The fair value is used as valuation standard for the Rheinland ABS-CLO Fund held by Rheinland Versicherungs AG, Rheinland Lebensversicherung AG, Rhion Versicherung AG and Credit Life AG. The fair value is determined according to the prospective method which is based on the fact that the papers held in the fund until maturity are recognised at their nominal value, unless adaptations need to be made due to their credit rating. Other assets held in the fund (e.g. cash) are taken into account at their nominal value. Potential impairments are supervised based on a traffic light system.

Bearer bonds and other fixed-income securities are generally valued at cost of acquisition according to Sec. 341b (2) of the HGB in conjunction with Sec. 253 (1), (3) and (5) of the HGB.

Claims arising from mortgage, land charge and annuity charge are measured at amortised cost of acquisition pursuant to Sec. 341c of the HGB.

Registered bonds, notes receivable and loans are valued at amortised cost according to Sec. 341c of the HGB in conjunction with Sec. 253 (3) sentence 5 of the HGB. Any differences which might apply to the repayment amount (premium or discount) are amortised over the residual term by using the effective interests rate method. The company does not use the option to recognise registered bonds at their nominal amount which is provided for in Sec. 341c (1) of the HGB.

Loans and advance payments on insurance certificates are disclosed at their nominal amount.  
Deposits at banks are valued at their nominal amount.

Other investments are measured at cost of acquisition.

Investments for the account and risk of policyholders of life insurances are valued at their fair value according to Sec. 341d of the HGB in conjunction with Sec. 56 of the RechVersV.

Deposits retained under the assumed reinsurance business were disclosed at their nominal amount.

## Other assets

Receivables arising out of direct insurance business to policyholders and insurance agents as well as the billing receivables from reinsurance business were recognised at the nominal value less value allowances.

Individual value allowances were created to a sufficient extent, when there were indications that such might be uncollectible. The general value allowance for the general default risk corresponds to the rates that experience has shown in the companies.

Other receivables are measured at their nominal amount.

Property, plant and equipment was capitalised at cost of acquisition and subject to straight-line depreciation. Low-value assets with cost of acquisition of less than € 150 were fully written down in the year of acquisition. A compound item was created for assets with cost of acquisition of between € 150 and € 1,000 which is subject to scheduled amortisation over five financial years.

Interest and rent receivables were disclosed at nominal amounts less necessary amortisation or individual value allowances.

Inventories were measured at their cost price, including value added tax.

Current cash at credit institutions, checks and cash in hand were accounted for at their nominal amount.



## Deferred tax assets

The company used the option right pursuant to Sec. 274 (1) sentence 2 of the HGB to waive the disclosure under assets of any tax relief which resulted as a whole.

The following overview shows the composition of the deferred tax assets and liabilities which have been set off according to Sec. 274 of the HGB according to where such were caused.

## Overview of deferred taxes in the Consolidated Financial Statements for 2018

	2018	2017
	k€	k€
Investments	2,735.1	6,066.4
Technical provisions	11,277.4	10,144.5
Other provisions	2,447.3	2,439.7
<b>Total tax relief</b>	<b>16,459.8</b>	<b>18,650.6</b>
Investments	10,822.0	11,700.2
Technical provisions	0.0	129.5
Other provisions	0.0	47.6
Goodwill	309.5	471.5
<b>Total tax burden</b>	<b>11,131.5</b>	<b>12,348.8</b>
<b>Excess of deferred tax assets</b>	<b>5,328.3</b>	<b>6,301.8</b>
<b>Consolidation measures pursuant to Sec. 306 of the HGB</b>	<b>0.0</b>	<b>0.0</b>

A group-wide uniform tax rate of 31.5% determined from corporation tax and trade tax was used to calculate the deferred taxes.

## Excess of plan assets over pension liabilities

The company concluded reinsurances for each individual employee in order to safeguard the provision for employer financed pension commitments. These insurances are pledged to the relevant employee and are thus not accessible by other creditors. The fair value is set off with the underlying obligations pursuant to Sec. 246 (2) of the HGB. Since the fair value of the reinsurance exceeds the underlying obligation, the company discloses an positive difference from asset offsetting. The fair value of the insurance assets corresponds to the carrying amount. The cost of acquisition pursuant to Sec. 255 (1) of the HGB or the fair values of the set off assets pursuant to Sec. 255 (4) of the HGB total € 188k. The settlement amount of the offset debts amount to € 156k pursuant to Sec. 253(1) sentence 2 of the HGB. That means that assets exceed liabilities by € 32k. The positive difference from asset offsetting includes expenses of € 15k and income of € 4k which have been set off pursuant to Sec. 285 no. 25 of the HGB.

## Equity and liabilities

### Technical provisions

The carry-overs of premiums from direct insurance business were determined from the premiums entered according to the 1/360 system. The shares of the reinsurers were calculated taking into account the corresponding reinsurance agreements in relation of reinsurance premium to gross premium.

The carry-overs of the premiums from insurance contracts assumed for reinsurance were determined according to the instructions of the previous insurers. Unless details of the previous insurers were available, flat rates were applied to the assumed reinsurance business according to the average of the previous insurers' instructions. The premium elements that can be carried forward were determined on the basis of the BdF decree of 30 April 1974. To determine the unearned premiums for the guarantee insurance and the payment protection insurance, a general cost deduction to the amount of the entire paid commission was used, which fully takes the commission accrued at the time of conclusion of the contract into account in accordance with the (no longer applicable) "Länder" decree dated 30 April 1974.

The provision for life insurance was determined individually for each contract based on the actuarial principles. The provisions of the accounting guidelines issued by the German Federal Financial Supervisory Authority were observed. Provisions for formation-of-capital insurances were recognised to which at least half of the paid or due gross premiums were allocated.

The provisions for outstanding insurance claims of the direct property and casualty insurance business are determined according to the provisions for individual unsettled insurance claims as of 31 December 2018. The provisions for expenses for the settlement of claims were formed according to the coordinated "Länder" decree dated 2 February 1973. The provision for outstanding insurance claims was created for unsettled claims for business assumed for reinsurance based on an original list provided by the previous insurers. Provisions were estimated, insofar as we had no information. If it was recognisable that the assignors had made insufficient reserves, we made additions to such.

The provision for unsettled insurance claims and redemptions of the life insurance business was determined as gross amount individually in the amount of the insurance sum arising in case of death or redemption. Delayed claims were subject to both individual and general value allowance. The shares of reinsurers correspond to the reinsurance agreement concluded.

An IBNR provision was created for claims which are not yet known on the reporting date. The average expenses per claim and the number of subsequently reported claims to be expected on the basis of experience made in the past years were used as basis for calculation purposes for each claim year.

The provision for pension was actuarially calculated according to the business plan. The technical interest income includes the actuarial interest rate for compounding the pension reinsurance provision in the casualty, liability and motor vehicle liability business.

The equalisation fund was calculated according to Sec. 29 of the RechVersV and the corresponding attachment.

The provision for unused premiums from suspended motor insurances was determined according to the individual contracts.

The default ratios regarding the dunning portfolio and the outstanding accounts were used to assess the provision for premium cancellation.

The provision for assistance to victims of motor accidents was accounted for according to the information submitted by the association “Verkehrsoferhilfe e.V.”, Hamburg, Germany.

The technical provisions of the business assumed in reinsurance were created based on our assignors’ instructions according to the contractual agreements.

The company made no reassessments by exercising the option right under Sec. 308 (2) sentence 2 of the HGB for a part of the technical balance sheet items of foreign companies.

## Other provisions

Pension provisions were calculated according to the internationally accepted projected unit credit method (PUC) in conjunction with Sec. 253 (1) sentence 21 of the HGB based on the Heubeck-Richttafeln (mortality tables) 2018G. In addition to current developments, even future developments as well as trends and fluctuations have been taken into account. The discounting is made by using the average interest rate of the past ten years as published by the German Federal Bank and based on an assumed residual term of 15 years according to Sec. 253 (2) sentence 2 of the HGB.

The actuarial parameters set out below were used for determining the obligations.

Pension

Pension increases 1.75% p.a.

Interest rate 3.21% p.a.

The fluctuation to be considered corresponds to the observable age-dependent average of the industry and has only a minor effect on the settlement amount. The alternative amount determined at the average interest rate of the past

seven years (2.36%) is € 23.1 million. The difference according to Sec. 253 (6) of the HGB of € 2.0 million is, including deferred taxes, blocked for distribution. However, the company has retained earnings in a sufficient amount.

The provision for part-time retirement was created according to the Standard RS HFA 3 of the IDW. The actuarial interest rate was involved on the basis of the values of the German Federal Bank of 2.36% p.a. pursuant to Sec. 253(2) of the HGB in conjunction with the *Rückstellungsabzinsungsverordnung* (RückAbzinsVO - German Regulation on the Discounting of Provisions). The Heubeck-Richttafel (mortality tables) 2018G were used as basis with a salary increase of 2.0% p.a. The provision for part-time retirement stood at € 1.0 million as of 31 December 2018.

It was set off with the fair value of the fund assets from the relevant old-age provision commitments of € 0.9 million and disclosed under other provisions at € 0.1 million according to the *Gesetz zur Modernisierung des Bilanzrechts* (BilMoG - German Accounting Law Modernisation Act). Cost of acquisition of the part-time retirement fund used for coverage amounted to € 0.9 million. The company incurred expenses from the compounding of the provision of € 25k.

The provision for anniversaries is valued according to Sec. 253 (2) sentence 2 of the HGB in analogy to the pension provisions. For information on the actuarial bases applied, we refer to our explanations.

Tax provisions comprise provisions for income tax and other taxes of the companies involved in the tax group which result from national taxes. This is the discounted settlement amount according to the BilMoG (German Accounting Modernisation Act) for future tax burdens from previous years and the financial year.

All other provisions were disclosed at their settlement amount according to the probable need. Provisions with a residual term of more than one year were also discounted by using the market interest rate of the past seven financial years which corresponds to their residual term.

## Other liabilities

Deposit liabilities, reinsurance payables, the liabilities arising out of direct insurance operations to policyholders and intermediaries and the remaining other liabilities were recognised at their settlement amount.

## General disclosures

To keep currency risks as low as possible, the technical obligations in the main currencies were covered with funds in the same currency, as far as that was possible. Amounts in foreign currencies were translated to Euro at the exchange rate prevailing on the reporting date. Any income from exchange rates of € 5k and expenses of € 21k are included in other results.

# Cash Flow Statement

	2018	2017
	k€	k€
<b>Inflow / outflow of cash from ordinary business activities</b>		
Consolidated net annual profit	13,559.0	13,664.7
Other payments to be allocated to financing activities	0.0	253.8
Changes in technical provisions	36,261.8	39,571.9
Changes in deposits retained under assumed insurance business	-99.2	-36.4
Changes in deposit liabilities for reinsurance business	6,717.6	1,098.1
Changes in non-technical provisions	-673.3	-2,844.9
Depreciation / appreciation on investments	2,456.6	1,295.0
Amortisation of intangible assets	4,579.8	2,091.2
Depreciation of property, plant and equipment and other assets	1,543.2	1,543.2
Profit / losses from the disposal of investments	-3,121.8	-14,510.4
	61,223.7	42,126.1
<b>Changes in net current assets</b>		
Changes in accounts receivable	-9,528.4	-7,992.3
Change in others assets and liabilities	-3.4	1,595.1
Changes in deferred items	1,648.3	3,137.6
Changes in liabilities	2,711.9	-6,507.4
Changes in deferred items under liabilities	-64.4	-2,107.3
	-5,236.1	-11,874.4
	55,987.6	30,251.8
<b>Cash inflows / outflows from investment activities</b>		
Additions / disposals of intangible assets	-6,783.8	-2,076.4
Additions / disposals of lands and buildings	-346.7	-52.1
Additions / disposals of non-consolidated shares in affiliated companies	681.7	-3,456.7
Additions / disposals of consolidated shares in affiliated companies	12.3	0.0
Additions / disposals of other investments	-42,266.5	-12,614.9
Additions / disposals of property, plant and equipment	-1,977.9	-1,666.6
	-50,681.0	-19,866.7
<b>Cash inflows / outflows from financing activities</b>		
Payments to equity	0.0	0.0
Repayment of subordinated loans	-5,000.0	-5,000.0
Interest payments from subordinated loans	0.0	-253.8
Dividend payment	-4,992.0	-4,992.0
	-9,992.0	-10,245.8
<b>Total inflow / outflow of cash</b>	-4,685.4	139.3
<b>Opening balance of liquid funds</b>	37,847.6	37,708.3
<b>Closing balance of liquid funds</b>	33,162.2	37,847.6
<b>Additional information</b>		
Income tax payments (on balance) – contained in cash-flow from ordinary business activities	-6,000.1	-2,807.8

# Explanations on the Consolidated Balance Sheet

## Assets

Changes in the items A., B.I. and B.II. under Assets which occurred in the 2018 financial year

Asset items	Balance sheet values previous year	Additions	Account Transfers	Dispos-als	Apprecia-tions	Amorti-sation / Deprecia-tion	Balance sheet values financial year
	k€	k€	k€	k€	k€	k€	k€
<b>A. Intangible assets</b>							
I. Concessions, industrial property rights and similar rights and values acquired against payment and licences in such rights and values	13 669	6 782	—	—	—	4 088	16 362
II. Goodwill	1 474	2	—	—	—	492	984
<b>Total of A.</b>	<b>15 142</b>	<b>6 784</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>4 580</b>	<b>17 346</b>
<b>B. I. Land, leasehold rights and buildings including buildings on third party land</b>	<b>52 533</b>	<b>347</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2 649</b>	<b>50 230</b>
II. Investments in affiliated companies and participating interests							
1. Shares in affiliated companies insofar as they were not included in the Consolidated Financial Statements	3 486	—	—	682	—	—	2 804
2. Participating interests	5 946	1 125	—	1 366	—	—	5 704
<b>Total of B.II.</b>	<b>9 431</b>	<b>1 125</b>	<b>—</b>	<b>2 048</b>	<b>—</b>	<b>—</b>	<b>8 508</b>
<b>Total of B.</b>	<b>61 964</b>	<b>1 471</b>	<b>—</b>	<b>2 048</b>	<b>—</b>	<b>2 649</b>	<b>58 739</b>
<b>Total</b>	<b>77 106</b>	<b>8 255</b>	<b>—</b>	<b>2 048</b>	<b>—</b>	<b>7 229</b>	<b>76 085</b>

### Lands

The balance sheet value of lands used by the company amounts to € 16,3 million as of 31 December 2018.

### Investments

RheinLand Versicherungsgruppe availed itself of the option provided for in Sec. 341b (2) sentence 1 of the HGB to allocate investment assets with a carrying amount of € 106,690k, fixed-income securities with a carrying amount of € 379,679k, and bearer bonds and bonded loans with a carrying amount of € 876,784k to fixed assets. The fair values are € 109,364k for investments, € 388,146k for fixed income securities and € 906,650k for bearer bonds and bonded loans.



Fair values of the items B.I., B.II. and B.III. under Assets which occurred in the 2018 financial year

### Asset items

	Balance sheet values financial year	Hidden losses	Hidden reserves	Fair values financial year
	k€	k€	k€	k€
<b>B. I. Land, leasehold rights and buildings including buildings on third party land</b>	50,230		44,871	95,101
<b>II. Investments in affiliated companies and participating interests</b>				
1. Shares in affiliated companies insofar as they were not included in the Consolidated Financial Statements	2,804	0	0	2,804
2. Participating interests	5,704	0	0	5,704
<b>Total of B.II.</b>	8,508	0	0	8,508
<b>III. Other investments</b>				
1. Shares, investment shares and other non-fixed-income securities	106,716	1	9,420	116,136
2. Bearer bonds and other fixed-income securities	380,113	96	13,776	393,793
3. Claims arising from mortgage, land charge and annuity charge	22,996	1	2,153	25,148
4. Other loans				
a) Registered bonds	394,405	5,885	18,835	407,355
b) Notes receivable and loans	482,378	3,132	19,940	499,186
c) Loans and advance payments on insurance certificates	5,603	0	0	5,603
d) Other loans	1,179	0	140	1,319
5. Deposits at banks	116,280	0	0	116,280
6. Other investments	21	0	0	21
<b>Total of B.III.</b>	1,509,690	9,115	64,264	1,564,840
<b>Total</b>	1,568,429	9,115	109,135	1,668,449

### Information on the determination of the fair value of all investments

#### Land, leasehold rights and buildings including buildings on third party land:

The fair values were determined for all developed lands according to the German income approach which is based on an assessment of the current market value from the years 2016 to 2018.

#### Investments in affiliated companies and participating interests:

The fair values are mainly determined on the basis of the German income approach or the asset method. Companies having no planning information, use the nominal value of the capital or the cost of acquisition as basis.

#### Shares, investment shares and other non-fixed-income securities:

Their fair value is determined based on stock exchange prices or the redemption prices on the reporting date. The fair value of the RheinLand ABS-CLO Fund is determined indicatively by the capital management company.

#### Bearer bonds and other fixed-income securities:

The fair values of bearer bonds and other fixed-income securities are determined based on the stock exchange prices on the reporting date.

#### Claims arising from mortgage, land charge and annuity charge:

Their fair value is determined based on the risk-adjusted interest rate structure curves of individual titles which were adapted for 2018 according to the spread trend.

**Registered bonds, notes receivable and loans:**

Their fair value is determined based on the risk-adjusted interest rate structure curves of individual titles which were adapted for 2018 according to the spread trend.

**Loans and advance payments on insurance certificates:**

The fair value of policy loans is determined based on the carrying amount, less repayments made in the meantime based on the daily termination rights.

**Other loans:**

Their fair value is determined based on the risk-adjusted interest rate structure curves of individual titles which were adapted for 2018 according to the spread trend. The fair values of the protector security fund are determined based on the cost of acquisition.

**Deposits at banks:**

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

**Other investments:**

Fair values are calculated based on the cost of acquisition.

## Information on investments accounted for at cost of acquisition with hidden losses (pursuant to Sec. 314 (1) No. 10 of the HGB)

**Shares, investment shares and other non-fixed-income securities:**

The carrying amount of investments not subject to depreciation amounts to € 71,366k on 31 December 2018 and their fair value is € 70,157k.

**Bearer bonds and other fixed-income securities:**

The carrying amount of investments not subject to depreciation amounts to € 53,356k on 31 December 2018 and their fair value is € 52,595k.

**Other loans:**

The carrying amount of investments not subject to depreciation amounts to € 183,500k on 31 December 2018 and their fair value is € 178,193k.

We currently believe that impairments result only from interest rates and will thus not be permanent. Accordingly, we made no amortisation pursuant to Sec. 253 (3) sentence 5 of the HGB.

## Disclosures on investment assets pursuant to Sec. 314 (1) No. 18 of the HGB

	Carrying amount 31/12/2018	Market value 31/12/2018	Valuation reserve	Distribution 2018
	k€	k€	k€	k€
<b>AIF Special Fund</b>				
Monega Fonds RheinLand-VM	34,436.0	38,072.0	3,636.1	967.9
RheinLand ABS-CLO Fonds	61,360.0	60,219.8	-1,140.2	839.2
Infinigon Investment Grade Liquid Alternative Fund	10,006.0	9,937.6	-68.4	23.3
<b>Total</b>	<b>105,802.0</b>	<b>108,229.4</b>	<b>2,427.4</b>	<b>1,830.4</b>

The investment objective is generally the generation of a long-term stable income. The shares can be redeemed at any time. The capital management companies are obliged to redeem the shares at the redemption price applicable at the relevant time, for the account of the special fund.

## Intangible assets

	2018	2017
	k€	k€
Property and casualty	10,320.5	7,402.0
Others	7,025.8	7,740.3
<b>Total</b>	<b>17,346.3</b>	<b>15,142.3</b>

## Investments

	2018	2017
	k€	k€
Life	1,055,583.5	1,027,765.5
Property and casualty	462,620.3	451,719.4
Others	54,782.5	48,574.8
<b>Total</b>	<b>1,572,986.3</b>	<b>1,528,059.7</b>

## Equity and liabilities

### Statement of Changes in Group Equity

	Subscribed capital	Capital reserves	generated Consolidated equity	Consolidated equity
	k€	k€	k€	k€
<b>Status as at 31/12/2016</b>	9,830.4	15,169.5	154,301.3	179,301.1
Paid dividends	0.0	0.0	-4,992.0	-4,992.0
Other changes	0.0	0.0	935.5	935.5
Consolidated net annual profit	0.0	0.0	13,664.7	13,664.7
<b>Status as at 31/12/2017</b>	9,830.4	15,169.5	163,909.5	188,909.3
Paid dividends	0.0	0.0	-4,992.0	-4,992.0
Other changes	0.0	0.0	8.8	8.8
Consolidated net annual profit	0.0	0.0	13,559.0	13,559.0
<b>Status as at 31/12/2018</b>	9,830.4	15,169.5	172,485.3	197,485.2

The subscribed capital totalling € 9,830 million relates to RheinLand Holding AG and is divided in 3,840,000 shares.

## Liabilities

Liabilities have a residual term of less than one year. Accounts payable on direct insurance operations to policyholders includes € 30.4 million (previous year € 363.1 million) of credited excess shares.

## Gross technical provisions

	2018	2017
	k€	k€
Life	1,055,463.8	1,002,162.3
Property and casualty	451,661.7	436,312.3
<b>Total</b>	<b>1,507,125.5</b>	<b>1,438,474.6</b>

The provision for the performance-based and non-performance-based premium refunding relates exclusively to performance-based premium refunding.

## Other provisions

	2018	2017
	k€	k€
Personnel	8,779.4	9,317.1
Commissions and benefits similar to commissions	1,564.0	958.0
Other provisions	3,834.8	4,405.3
<b>Total</b>	<b>14,178.3</b>	<b>14,680.3</b>

## Other liabilities

	2018	2017
	k€	k€
Life	420.3	399.8
Property and casualty	11,974.2	12,761.6
Others	8,041.3	8,637.0
<b>Total</b>	<b>20,435.8</b>	<b>21,798.5</b>

## Deferred Income and Accrued Expenses

These are mainly advance payments.

# Explanations on the Income Statement

## Gross premiums entered

	2018	2017
	k€	k€
Direct insurance business		
Life	194,042.7	188,341.0
Property and casualty	333,409.5	307,360.5
Insurance business assumed for reinsurance	11,448.0	7,275.1
<b>Total</b>	<b>538,900.2</b>	<b>502,976.6</b>

## Composition of premiums entered

	2018	2017
	€	€
from Germany	359,974,522.00	344,069,706.52
From other member states of the European Union and from other signatory states of the Agreement on the European Economic Area	167,477,699.26	151,631,797.44
<b>Total</b>	<b>527,452,221.26</b>	<b>495,701,503.96</b>

## Gross costs of insurance operations

	2018	2017
	k€	k€
Acquisition expenses		
Life	44,837.2	44,936.3
Property and casualty	83,540.8	75,717.6
Administration expenses		
Life	6,790.1	5,402.0
Property and casualty	79,777.2	72,907.8
<b>Total</b>	<b>214,945.3</b>	<b>198,963.7</b>

## Investment result

	2018	2017
	k€	k€
Life	26,007.4	38,991.1
Property and casualty	3,739.8	3,739.8
Others	818.4	-1,291.8
<b>Total</b>	<b>30,565.5</b>	<b>41,439.1</b>

## Other result

	2018	2017
	k€	k€
Life	-304.9	628.4
Property and casualty	2,661.6	5,208.7
Others	-5,528.3	-6,412.1
<b>Total</b>	<b>-3,171.6</b>	<b>-575.0</b>

## Disclosures pursuant to Sec. 277 (5) of the HGB

The interest expenses include expenses from the compounding of pension provisions of € 711k, of provisions for part-time retirement of € 25k, of provisions for anniversaries of € 69k and tax provisions of € 72k as of 31 December 2018.

# Other Information

## Employees

### Number of employees

	2018	2017
	Number	Number
employed at the end of the financial year		
in field service	58	56
in office duty	776	764
<b>Total</b>	<b>834</b>	<b>820</b>
of which apprentices	32	39

### Personnel expenses

	2018	2017
	k€	k€
Expenses for wages and salaries, including social security contributions	60,370.1	60,108.8

## Supervisory Board and Executive Board

### Total Remuneration of Supervisory Board and Executive Board

	2018	2017
	k€	k€
Supervisory Board	270	270
Executive Board	2,648	2,215
Pension payments for former Executive Board members	371	383
Pension provisions for former Executive Board members and pension entitlements	4,505	4,620

## Shareholder Information

The company Effektenverwaltung Cornel Werhahn GbR, Neuss, informed us for purely precautionary purposes in the event that they have the capacity of a company as defined in Sec. 20 of the AktG that they hold, indirectly, a majority share in the company. Furthermore, Verena Gräfin Huyn, Neuss, Dr. Ludwig Baum, Munich, and Heinrich Straaten, Königswinter, informed us for purely precautionary purposes in the event that they have the capacity of a company as defined in Sec. 20 of the AktG and insofar as the shares held by them might be qualified as depending companies according to the principles of several parent companies, that they hold, indirectly, a majority share in the company.



## Other Disclosures

The expenses for our auditor, PricewaterhouseCoopers GmbH Auditing Company, Frankfurt, Düsseldorf branch, amounted to € 411k for auditing services, and to € 31.1k for other expert and trust services.

### Financial obligations

An obligation for subsequent payment of € 6k arises from cooperative shares.

Life insurance companies are obliged to a membership in a security fund on account of the legal requirements of Sections 124 et seq. of the VAG.

Based on the SichLVFinV (Life - Germany Regulation on the Financing of the Security Fund for Life Insurance Companies), this security fund imposes annual contributions of max. 0.2% of the net technical provisions until security assets of 1 % of the total of the net technical provisions are built up. The company has currently no obligations thereunder since the maximum amount was not achieved in the financial year. In addition, this security fund may raise special contributions in the amount of another 1% of the total of the net technical provisions which corresponds to an obligation of € 888k.

In addition, RheinLand Lebensversicherung AG and Credit Life AG undertook to provide financial resources to the security fund or, alternatively, to the Protektor Lebensversicherungs AG, insofar as the funds of the security fund are insufficient if a case of financial restructuring arises. The obligation amounts to 1% of the net actuarial provisions, by offsetting the contributions that have already been provided to the security fund until such time. Including the above mentioned payment obligations from premium payments to the security fund, the total obligation amounts to € 7.7 million on the balance sheet date.

RheinLand Lebensversicherung AG and Credit Life AG participated as limited partners in Lampe Mezzanine Funds I GIKG GmbH & Co KG with a promised subscription amount totalling € 13.0 million. € 7.1 million were drawn upon from this promised subscription sum until the end of the investment phase on 31 October 2018. No other obligations for making more payments apply.

The Group is obliged to provide funds according to its share in the premium income of all member companies from direct motor vehicle liability business of the last but one calendar year, due to its membership in the association "Verkehrsofferhilfe e.V.". The funds to be raised per year are limited to 0.5% of this premium income.

# Events after the Balance Sheet Date

No events of particular importance occurred after the closure of the financial year.

# Profit Appropriation Proposal

The following profit appropriation proposal will be submitted to the General Meeting:

	€
Distribution of a dividend of € 1.20 per share =	4,608,000.00
Distribution of a bonus of € 0.10 per share =	384,000.00
Allocation to other retained earnings	2,410,000.00
Carry-forward to the new account	3,516.47
<b>Net profit for the year</b>	<b>7,405,516.47</b>

Neuss, 18 March 2019

The Management

Christoph Buchbender

Dr. Lothar Horbach

Udo Klanten

Andreas Schwarz

# Auditor's Certificate

## of the Independent Auditor

To Rheinland Holding AG, Neuss

### Audit opinions

We audited the Consolidated Financial Statements of Rheinland Holding AG, Neuss, and its subsidiaries (the Group) – consisting of the Consolidated Balance Sheet of 31 December 2018, the Consolidated Income Statement, the Consolidated Statement of Changes in Equity and the Consolidated Cash Flow Statement for the financial year from 1 January to 31 December 2018 and the Notes, including the presentation of the accounting and valuation methods. In addition, we audited the Group Management Report of Rheinland Holding AG for the financial year from 1 January to 31 December 2018.

According to our assessment and based on the knowledge gained during the audit,

- the accompanying Consolidated Financial Statements are, in all essential aspects, in compliance with the provisions under German commercial law applicable to corporations and provide, in consideration of the German generally accepted accounting principles, a true and fair reflection of the Group's net asset and financial position as of 31 December 2018 as well as of its result of operations for the financial year from 1 January to 31 December 2018, and
- the accompanying Group Management Report conveys an overall accurate view of the group's situation. This Group Management Report is, in all essential matters, in line with the Consolidated Financial Statements, complies with the German legal provisions and correctly presents the risks and opportunities relating to the future development.

We declare in accordance with Sec. 322(3) clause 1 of the *HGB*, that our audit did not give rise to any objections against the compliance of these Consolidated Financial Statements and the Group Management Report.

### Basis for the Audit Opinions

We conducted our audit of the Consolidated Financial Statements and of the Group Management Report in accordance with Sec. 317 of the *HGB* and the German generally accepted standards for auditing as promulgated by the IDW (Institute of Public Auditors in Germany). Our responsibility arising from these provisions and standards is described in more detail in the section "Auditor's Responsibility for the Audit of the Consolidated Financial Statements and the Group Management Report". We are independent of the group companies as defined in the provisions of the German Commercial Code and the laws applicable to our profession and have met our other German professional obligations in line with these requirements. We are of the opinion that the evidence we obtained during the audit is sufficient and suitable to serve as basis for our audit opinions on the Consolidated Financial Statements and the Group Management Report.

### Other Information

The legal representatives are responsible for the other information.

The other information comprises the business report – without any further cross-references to external information – apart from the audited Consolidated Financial Statements, the audited Group Management Report and our auditor's certificate.

Our audit opinions on the Consolidated Financial Statements and the Group Management Report do not extend to the other information and we provide, accordingly, neither an audit opinion nor any other form of conclusions on such.

In connection with our audit, we are responsible for reading the other information and to assess whether the other information

- contains essential discrepancies to the Consolidated Financial Statements, the Group Management Report or our knowledge gained during the audit, or
- seems to be incorrectly presented in any other essential way.

## Responsibility of the Legal Representatives and the Supervisory Board for the Financial Statements and the Management Report

The legal representatives are responsible for the preparation of Consolidated Financial Statements which are in compliance with the provisions of the German Commercial Code in all essential respects, and that the Consolidated Financial Statements, in consideration of the German generally accepted accounting principles, convey a true and fair view of the net asset, financial position and result of operations of the group. Furthermore, the legal representatives are responsible for the internal controls which they determined to be necessary in accordance with the German generally accepted accounting principles to enable the preparation of Consolidated Financial Statements which are free of essential misrepresentations – caused due to fraud or error.

In the preparation of the Consolidated Financial Statements, the legal representatives are responsible for assessing the Group's ability to continue its business activity as a going concern. Furthermore, they are responsible for stating matters associated with the going concern assumption, insofar as that is necessary. Moreover, they are responsible for accounting on the basis of the going concern accounting principle, unless it is opposed by actual or legal matters.

In addition, the legal representatives are responsible for preparing the Group Management Report which conveys, as a whole, a true and fair view of the group's situation, is, as a whole, in line with the Consolidated Financial Statements and in compliance with the German legal provisions and adequately presents the risks and opportunities relating to the future development. The legal representatives are also responsible for making the precautions and taking the measures (systems) that they considered necessary to enable the preparation of a Group Management Report in line with the German legal provisions to be applied and to be able to provide sufficiently suitable evidence for the statements in the Group Management Report.

The Supervisory Board is responsible for supervising the Group's accounting process for the preparation of the Consolidated Financial Statements and the Group Management Report.

## Responsibility of the Auditors for the Audit of the Consolidated Financial Statements and the Group Management Report

Our objective is to obtain reasonable assurances as to whether the Consolidated Financial Statements are, as a whole, free of essential misrepresentations – due to error or fraud – and whether the Group Management Report conveys, as a whole, a true and fair view of the Group's situation and whether it is, in all essential matters, in line with the Consolidated Financial Statements and the knowledge gained during the audit, that it complies with the German legal provisions and adequately presents the risks and opportunities relating to the future development; and to provide an auditor's certificate containing our audit opinions on the Consolidated Financial Statements and the Group Management Report.

Sufficient assurance is a high degree of assurance but no guarantee that an audit performed in line with Sec. 317 *HGB*, in consideration of the German generally accepted accounting standards as promulgated by the Institut der Wirtschaftsprüfer (IDW), always detects any essential misrepresentation. Misrepresentations might arise from violations or inaccuracies and are considered essential if it can reasonably be expected that they, individually or combined, might affect the economic decisions that users of these documents make on the basis of these Financial Statements and the Management Report.

We apply professional judgement during the conduct of the audit and maintain a critical attitude. In addition,

- we identify and assess the risks of essential misrepresentations – due to error or fraud – in the Consolidated Financial Statements and the Group Management Report, plan and conduct audit activities in response to these risks and obtain audit evidence which is sufficient and suitable to serve as basis for our audit opinions. The risk that essential misrepresentations are not discovered is higher for violations than for inaccuracies since violations might involve fraudulent conduct, forgery, intended incompleteness, misleading representations and/or the overriding of internal controls.
- we gain an understanding of the internal relevant for the audit of the Consolidated Financial Statements and the precautions and measures relevant for the audit of the Group Management Report in order to plan audit activities which are adequate under the prevailing circumstances, but not in order to provide an audit opinion on the effectiveness of these systems.
- we assess the adequacy of the accounting methods applied by the legal representatives and the reasonableness of the values estimated by the legal representatives and the information and statements associated therewith.
- we draw conclusions on the adequacy of the going concern accounting principle applied by the legal representatives and, on the basis of the audit evidence obtained, whether an essential uncertainty exists in connection with events or situations which might raise serious doubts about the Group's ability to continue to exist as a going concern. If we come to the conclusion that an essential uncertainty exists, we are obliged to provide information in the Auditor's Certificate regarding the associated information disclosed in the Consolidated Financial Statements and the Group Management Report, or to modify our audit opinion if the information is inadequate. We draw our conclusions on the basis of the audit evidence obtained until the date of our auditor's certificate. Future events or situations might, however, result in the fact that the Group is unable to continue its business activities.

- we assess the overall presentation, the structure and contents of the Consolidated Financial Statements, including the information as to whether the Consolidated Financial Statements present the underlying transactions and events in a manner that the Consolidated Financial Statements, in consideration of the German generally accepted accounting principles, convey a true and fair view of the net asset and financial position and the result of operations of the Group.
- we obtain sufficient audit evidence for the accounting information of the companies or business activities performed within the Group to enable us to provide audit opinions on the Consolidated Financial Statements and the Group Management Report. We are responsible for the instruction, supervision and conduct of the audit of the Consolidated Financial Statements. We bear the sole responsibility for our audit opinions.
- we assess whether the Group Management Report is in line with the Consolidated Financial Statements, complies with the legal provisions and the view it conveys about the Group's situation.
- we conduct audit activities on the future-oriented statements presented by the legal representatives in the Management Report. Based on sufficiently suitable audit evidences, we reproduce, in particular, the significant assumptions underlying the future-oriented information provided by the legal representatives and assess whether the future-oriented statements have been properly derived from these assumptions. We do not provide an independent audit opinion on the future-oriented information and the underlying assumptions. There is an essential, unavoidable risk that future results deviate significantly from the future-oriented information.

We discuss with the persons responsible for the supervision, inter alia, the planned scope and schedule of the audit as well as important audit findings, including any defects in the internal control system which we detect during our audit.

Düsseldorf, 9 April 2019

PricewaterhouseCoopers GmbH Auditing Company

Alexander Hofmann  
Auditor

Michael Peters  
Auditor



# More Information on the Group Management Report

## List of insurance branches and types

### Life Insurance

- Assurance on death and survival
- Insurance with abbreviated contribution period
- Joint life insurance
- Insurance with fixed date of payment
- Insurance with constant sum insured
- Assurance on death
- Deferred pension insurance with premium refund and pension guarantee
- Risk insurance with constant sum insured
- Risk insurance with decreasing sum insured
- Risk insurance with fixed date of payment
- Joint life risk insurance
- Unit-linked life insurance
- Occupational disability insurance
- Insurance against reduced earnings of self-employed persons
- Occupational disability insurance for self-employed persons
- Additional accident insurance
- Additional occupational disability insurance
- Additional disability insurance

### Health insurance\*

- Individual daily benefits insurance
- Group health insurance (according to individual and special tariffs)

### Casualty insurance

- Individual casualty insurance without premium refund
- Group casualty insurance without premium refund
- Personal motor accident insurance
- Other not allocated accident insurance

### Liability insurance

- Personal liability insurance (including sports boats' and dog owner's liability insurance)
- Business and professional liability insurance
- Environmental liability insurance
- D&O Insurance
- other not allocated general third-party liability insurance

### Motor insurance

- Third-party vehicle insurance
- Comprehensive motor insurance
- Partial motor insurance
- Other and not allocated motor vehicle insurance

### Fire insurance

- Agricultural fire insurance
- Other fire insurance (including forest fire insurance)

### Burglary and robbery insurance

### Water damage insurance

### Glass insurance

### Storm insurance

- Storm insurance
- Insurance against further elementary damage for commercial risks

### Householder's comprehensive insurance

- Householder's comprehensive insurance, not including other elementary damage
- Householder's comprehensive insurance, including other elementary damage

### Homeowner's comprehensive insurance

- Homeowner's comprehensive insurance, not including other elementary damage
- Homeowner's comprehensive insurance, including other elementary damage

### Hail insurance

### Technical insurances

- Machine insurance (including construction device insurance)
- Electronics insurance
- other not allocated technical insurance

### Transport insurance

- Hull insurance
- Other and not allocated transport insurance

### Credit and bonding insurance

### Insurance of additional risks to the fire and business interruption insurance Extended Coverage (EC) insurance

### Business interruption insurance

- Fire and business interruption insurance
- Technical business interruption insurance
- Other business interruption insurance

### Assistance service insurance

- Roadside recovery insurance
- Roadside recovery insurance including a so-called Mallorca Policy
- Other not allocated assistance service insurance

### Aerospace liability insurance

- Aviation liability insurance

### Other property insurance

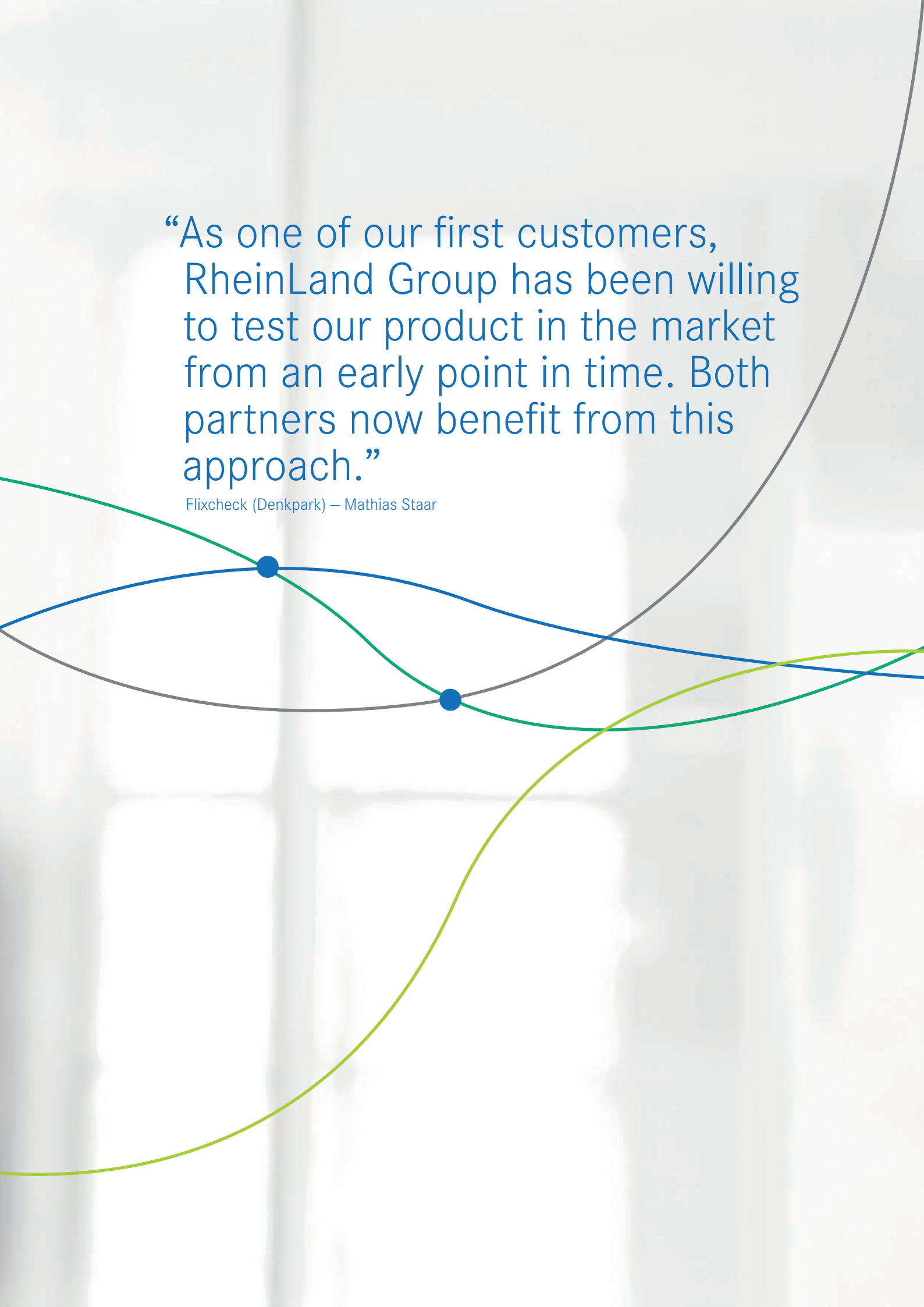
- Other property damage insurance
- Other pecuniary damage insurance
- Other mixed insurance

### Payment protection insurance

\* insurance lines only assumed for reinsurance

“As one of our first customers, RheinLand Group has been willing to test our product in the market from an early point in time. Both partners now benefit from this approach.”

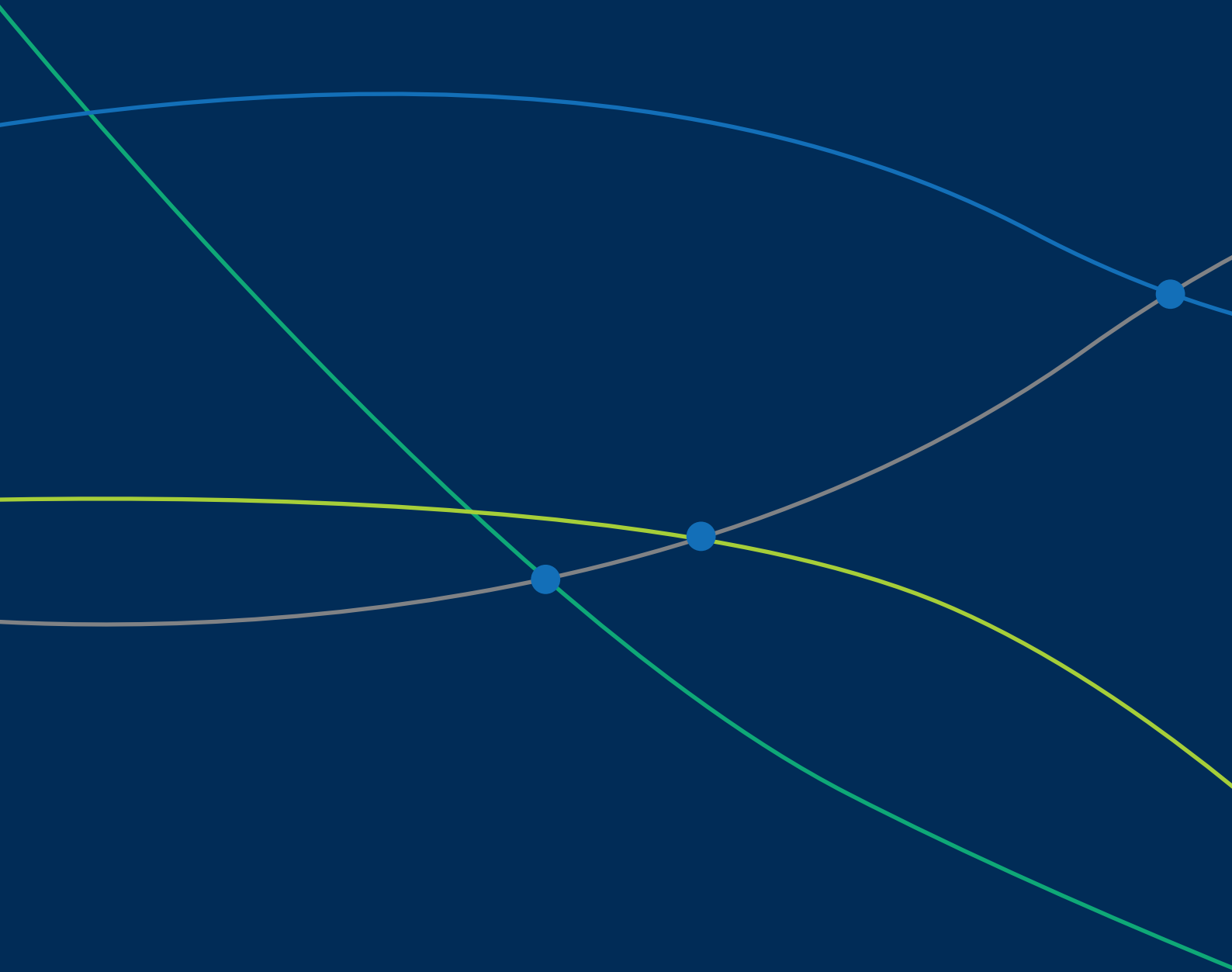
Flixcheck (Denkpark) – Mathias Staar





# RheinLand Holding AG

## Management Report



An abstract graphic on a dark blue background. It features several curved lines: a light blue line that starts from the left edge and curves upwards to the right; a darker blue line that starts from the left edge and curves downwards to the right; and a thin, light grey line that starts from the left edge and curves upwards to the right, intersecting the darker blue line. A small, solid blue circle is positioned at the intersection of the darker blue line and the light grey line.

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# Economic and business report

The economy has grown in 2018, but the dynamics declined. In Germany, the growth rate of plus 2.2% achieved in 2017 fell to 1.5%. Tensions between the USA and China for customs and market entry barriers burdened the development, as did disputes between the European Union and Italy for the violation of the EU budget rules and between the EU and the UK due to the planned exit of the country from the EU.

The international financial markets reacted with insecurities and recorded strong price losses, mainly in the past quarter of 2018. And the DAX was down by 18.26% over the course of the year. But, the real estate market showed a strong development, mainly in urban centres. The average price for one square meter of residential space was up by up to 5.45% in the seven major German cities of Berlin, Munich, Hamburg, Frankfurt am Main, Cologne, Düsseldorf and Stuttgart. A resulting strong revenue growth was reported by the construction sector.

The labour market continued to be robust, despite all insecurities. The number of employed persons rose to 44.8 million from 44.3 million in 2017. Germany's purchasing power was up by a nominal value of 2.8% according to a study by GfK. These factors stabilised Germany's economic situation. Prices rose continuously, albeit moderately. Inflation was up from 1.8% in 2017 to 1.9%.

The German insurance sector benefited from a still strong economic situation within Germany. Premium income of the entire sector exceeded the threshold of € 200 billion for the first time. They grew by 2.1% to € 202.2 billion above all three divisions. However, the natural disasters which occurred in the past year caused serious damage and thus burdened the insurance economy.

RheinLand Holding AG controls the insurance companies belonging to RheinLand Versicherungsgruppe. They operate the life and property/casualty insurance business. In addition, their activities focus on the management of their own real property and other investments.

Asset management and the other services necessary for managing the business are rendered by RheinLand Versicherungs AG.



# Business Development

RheinLand Holding AG's fixed assets consisting of property, plant and equipment and financial assets rose in the financial year by € 5.7 million (3.5%) to € 167.9 million (previous year € 162.2 million).

This increase results mainly from the increase in investment shares and one bearer bond which is provided as a hedge for a reinsurance solution and, in return, strengthens RheinLand Lebensversicherung AG's funds under Solvency II. RheinLand Holding AG permanently supervises the capital resources of its subsidiaries.

The company disclosed cash at banks of € 5.8 million on 31 December 2018. Its total portfolio of highly liquid investments stood at € 8.5 million on the reporting date. The company's solvency was ensured at any time during the financial year. There are no indications for a future threat to the liquidity thanks to the inflow of liquidity from financial assets.

Property, plant and equipment (real estate property) fell in the financial year due to scheduled depreciation to € 24.7 million (previous year € 25.1 million).

For information on the structure and development of the company's equity, please refer to the balance sheet item and our disclosures in the Notes on page 137. No changes occurred in the financial year under review, compared with the previous year.

# Result of Operations

Total income stood at € 23.6 million in the financial year (previous year € 24.8 million).

Income from profit and loss transfer agreements with RheinLand Versicherungs AG accounted for € 13.4 million of total income in the financial year (previous year € 12.8 million), those with Rhion Versicherung AG accounted for € 0.8 million (previous year € 1.8 million) and those with Credit Life AG for € 3.1 million (previous year € 4.1 million). Major claims and storms at Rhion Versicherung AG and the increase of technical provisions caused by the expansion of the business in Credit Life AG had an impact on the results of the companies and thus on the income from profit and loss transfers.

In 2018, the legislator changed the calculation method for determining the additional interest rate reserve (corridor method) which is relevant for life insurance companies holding products with interest rate-bearing guarantees. The change of this law affects RheinLand Lebensversicherung AG's Financial Statements. The company increased its additional interest rate reserve of € 3.3 million to € 64.1 million and allocated € 1.6 million to the provision for premium refund. The financial year closed with a net profit for the year of € 0.7 million.

Interest and similar expenses relate mainly to interest expenses arising from loans raised in the previous year and the interest allocated to pension provisions. RheinLand Versicherungs AG reimbursed the past service cost for meeting the provision obligations as joint and several debtor.

Income tax amounted to € 0.8 million in the financial year. Other taxes of € 0.2 million comprise mainly expenses for land tax.

RheinLand Holding AG's net profit for the year totalled € 14.8 million on the reporting date (previous year € 16.4 million). The result of the company fell short of expectations made in the strategic plans due to the effects described in profit and loss transfers. € 7.4 million of the net profit for the year was allocated to other retained earnings. The net profit for the year, including the profit carry-forward, was € 7.4 million (previous year € 8.2 million).

Overall, the company closed the year with a pleasing result.

# Risk Reporting

Sec. 91 (2) of the AktG (German Stock Corporation Act) provides that stock corporations are obliged to report on the risks of their future development. In addition, the standards in Solvency II provide for more legal requirements to the risk management of insurance companies. These standards were complied with uniformly in the entire Group.

All documentation on risk management is verified on an annual basis and updated in case of need. This includes, in particular, the risk strategy derived from the business strategy, the intra-group guideline on risk management, the limit system and the handling and assessment of operational, strategic and reputation risks. In addition, the internal control system is reviewed at least once per year in the relevant divisions and updated, if necessary.

RheinLand Holding AG is indirectly exposed to the same risks as its operating companies due to its shareholdings in these companies of RheinLand Versicherungsgruppe. The following risk situation arises for RheinLand Holding AG according to the individual risk categories:

## Technical risk

The technical risk means the risk that the actual expense for claims and benefits deviates from the expected expenses, in particular regarding the mortality risk, longevity risk and cancellation risk, due to accident, mistake or change. It also comprises the cost, catastrophe and cumulation risk.

### Property and casualty insurance

RheinLand Versicherungsgruppe pursues, jointly with its property and casualty insurers, the expansion of property, liability and casualty insurance divisions with stable profit contributions, both for private and commercial clients, by specifying suitable acceptance guidelines and underwriting competencies. Concentration risks arise for natural phenomena due to the

regional focus regarding the business field. These risks affect, in particular, the combined homeowner's insurance and the volatility of the result resulting therefrom. In addition to acceptance and underwriting guidelines, RheinLand Versicherungs AG and Rhion Versicherung AG apply a suitable mixture of co- and re-insurance to reduce potential effects of this result volatility. The company does not underwrite classic major industry or commercial business with potential for major claims or long-term claims.

A systematic technical controlling is in place. The development of the gross technical result is analysed before internal costs and according to sales channels, divisions, cooperation partners and customer segments and according to underwriting and balance sheet years on the basis of a standardised process. The results are reported directly to the persons responsible for the affected business segment, like members of the Executive Board and persons working in the fields, divisions/operation as well as in sales. Suitable countermeasures can be developed within short in case of any undesirable developments. The technical function also reported to the Executive Board of RheinLand Versicherungs AG and Rhion Versicherung AG regarding essential analyses and results in the context of the technical controlling of property/casualty. Comprehensive special analyses are performed, in case of need, which take into account all aspects ranging from competitiveness of the products and tariffs to the development of claims.

The rating and reserve functions are established in different divisions. Reserves are made according to the principles of prudence under commercial and actuarial laws. Reserves for claims related to individual cases are created according to defined internal loss guidelines to ensure an adequate and continuous creation of reserves. The sufficiency of such reserves is verified on a regular basis

A multi-year planning oriented on the profit contribution is prepared under the premise of a stipulated target return and defined target claim ratios. On this basis, analyses and controlling of the development of risks arising from the insurance portfolio are performed.

## Payment protection insurance (Occupational disability and unemployed insurance)

In the payment protection business, RheinLand Versicherungs AG's portfolio consists of occupational disability and unemployment insurances. These are sold through a number of medium-sized cooperation partners normally for hedging mortgage, motor vehicle or consumer credits in Germany, the Netherlands and Italy.

Controlling the technical risk in payment protection insurance is a very challenging task. In contrast to the classic insurance divisions of property and casualty business, the German Insurance Association or the Deutsche Aktuarvereinigung (German Association of Actuaries) provide no statistical basis. Therefore, the Group develops its own accounting bases for occupational disability and unemployment insurance for this special business on the basis of the technical course of the historic portfolios combined with publicly available statistics of the social insurance carriers.

The profitability is analysed at least once per year for each individual cooperation partner by using a standardised technical scheme according to underwriting year and balance sheet year. In parallel, the technical gross results are compared with the planned values for all major cooperation partners every month. The results of these analyses are discussed in the management circle responsible for the operating business. This ensures that any undesired developments are recognised quickly and that countermeasures can be taken within short. No major undesired developments have been found so far. Essential aspects of this technical controlling were included in the report of the technical function to the Executive Board of RheinLand Versicherungs AG.

## Life Insurance

Credit Life AG has positioned itself in the market as a term life insurance specialist. It actively offers term life insurances without surplus participation, including payment protection term life insurances and term life insurances eligible to surplus participations, the participation of which is normally made by premium set-off. The portfolio also includes products to safeguard the risk of occupational disability. In addition, it has concluded a small number of capital life and pension insurances. Term life insurances without surplus participation and payment protection term life insurances are offered by a number of major and medium-sized cooperation partners to hedge mortgage, motor vehicle and consumer credits in Germany, the Netherlands and in Italy. They offer products with consistent or falling benefits against payment of a one-off premium or ongoing premium payments.

The actuarial risk is controlled based on mortality tables available for the relevant markets and own data and experience. The profitability is analysed at least once per year for each individual cooperation partner by using a standardised technical scheme according to underwriting year and balance sheet year. In parallel, the technical gross results are compared several times per year with the planned values for all major cooperation partners. So-called mortality analyses are performed several times per year, specifically for the Dutch and Italian market, which compare the actually claims which have arisen with the claims expected according to the mortality table used. The results of this analysis will be discussed in the management circle responsible for the operating business. This ensures that any undesired developments are recognised quickly and that countermeasures can be taken within short.

In order to further increase the security for the strongly growing business, a complete analysis of the tariff structure, tariff level and mortality trend, including a comparison with the competition, was prepared for the Netherlands in 2016 and for the Italian market in 2018. The term life insurance business in the Netherlands and in Italy is, in addition, protected by high re-

insurance participations. The report of the technical function to the Executive Board of Credit Life AG in 2018 explicitly mentioned the special topics of “Term life insurance in the Netherlands” and “Payment protection term life in Italy”.

Classic term life insurances with surplus participation are offered on the German market. The surplus participation is mainly granted in form of an advance deduction of the premium. In view of the very long years of experience on the German insurance market, the risk of misjudgements is comparatively low. In addition, if undesired developments arise, countermeasures can be taken quickly by adapting the surplus participation.

RheinLand Lebensversicherung AG has been offering funeral expense insurances exclusively as new business since the second quarter of 2016. For information on the risk arising from interest rate changes, please refer to the next chapter.

## Potential changes of legal conditions

Like in the previous years, changes of the legal conditions might arise for the insurance sector. Such might result in the realisation of the risk of technical changes. A current example is the discussion conducted in Germany regarding the introduction of a so-called cap for commissions aiming at a regulation of the incentive systems in sales.

## Market Risk

The market risk describes the risk resulting, directly or indirectly, from the sensitivities of assets, liabilities and financial instruments with regard to changes or the volatility of the interest curve or interest rates, the stock prices, credit spreads (via the risk-free interest rate curve) and the market prices of real estate. The market risk includes the exchange rate risk. It also includes concentration risks resulting from a lack of diversification of the asset portfolio.

## Measures in the low-interest environment

A particularly difficult market environment exists for classic life insurances with its long-term benefit guarantees. RheinLand Versicherungsgruppe made further provisions for that purpose by creating a so-called additional interest rate reserve. The reference interest rate relevant for the calculation fell from 2.21% to 2.09% on the reporting date of 31 December 2018. That means that additional interest rate reserves must now be provided for portfolio contracts with promised interest guarantee until 2.25%, including. At the end of the financial year, RheinLand Lebensversicherung AG's additional interest rate reserves amount to € 64,101k (previous year € 60,810k) and € 4,720k at Credit Life AG (previous year € 4,419k). The regulations for determining the additional interest rate reserve defined in the *Deckungsrückstellungsverordnung* (Actuarial Reserve Ordinance), were changed in 2018 such that the annual change of the reference interest rate is limited so that the further need for allocation to the additional interest rate reserve which might arise due to the still falling reference interest rates will be reduced or distributed over a longer period of time.

The maximum calculatory interest rate for new business at RheinLand Lebensversicherung AG has been 0.9% from 2017. Credit Life AG has been using a actuarial interest rate of 0.0% for actuarial reserves from one-off premium business for some time now. This is significantly below the maximum statutory actuarial interest rate. The strong growth in the insurance business of Credit Life AG is thus significantly de-coupled from the increase in further interest rate risks.

The Executive Board and the Supervisory Board attaches high importance to the topic of “RheinLand Life in a Low-Interest Environment”. As early as in spring of 2015, it ordered a set of measures (subordinated loans, reinsurance solution, transitory measure for stock risks) which has largely been implemented in the meantime and with which RheinLand Lebensversicherung AG is better prepared against fluctuations in market interest rates. Topics such as solvency coverage, additional interest rate reserve and strengthening

of capital resources have been discussed constantly in terms of their current status of implementation and the economic development during more Supervisory Board meetings.

## Investments

Investments focus on shares in affiliated companies and directly held real estate. In the financial year, RheinLand Holding AG invested in a CLO fund (Ø AA rating, short terms) for liquidity control. And to strengthen its capital resources under Solvency II, RheinLand Lebensversicherung AG concluded a reinsurance agreement. RheinLand Holding AG provides a security deposit in this connection. RheinLand Holding AG continuously analyses the current developments at the financial market.

## Default risk

The default risk describes the risk resulting from an unexpected default or deterioration of the credit rating of counter-parties and debtors.

Receivables from reinsurers, intermediaries and customers are generally exposed to a credit risk, like investments. RheinLand Versicherungsgruppe also made value allowances on its portfolio of receivables in order to provide for risks. Outstanding receivables with a due date dating back more than 90 days existed in the amount of € 3,365k on the balance sheet date.

RheinLand Holding AG and its operating companies aim at a need-based and cost-effective reinsurance policy by observing the aspects of hedging and continuity. In view of the planned long-term contractual relationship with reinsurance partners, one ancillary criterion for their selection is the requirement to have a minimum credit rating A- (Standard & Poor's or a comparable rating of another rating agency). Brand developments and deteriorations of the credit rating are monitored constantly in the context of the limit system. The reinsurance business taken over by external companies has gained in importance again due to new contract relations.

## Liquidity risk

The liquidity risk describes the risk of losses caused by a decline of the prices or the lack of liquidity of the relevant markets when assets need to be sold due to a short-term liquidity need. It also includes the ability to meet the obligations arising from concluded insurance contracts, at any time.

Monthly liquidity plans are prepared to ensure that the payment obligations can be fulfilled at any time. The need for liquidity is presented from ongoing income from real estate. Any need for liquidity going beyond the one above is controlled through the results of shareholdings. Therefore, no liquidity risk exists from today's point of view.

## Operational Risk

The operational risk describes the risk of losses caused by the inadequacy or failure of internal processes or in case of employee-related or system-related or external incidents as well as compliance and legal risks.

The control and supervision of the operational risks is performed by the responsible departments. Scenario analyses are performed for operational risks once per year and risk indicators are verified during the year. Emergency plans, insurances, access controls as well as rules for powers of attorney and authorisations result in low probabilities of occurrence or potential losses. The cyber risks which have been spreading in the meantime, are counteracted, in particular, by comprehensive data security concepts, protection programs and an externally performed professional email verification. A cyber-insurance was taken out for the event of losses.

In addition, a documented internal control system (ICS) plays a central role for risk control of operational risks. It ensures a systematic prevention and early recognition of procedural risks. Key controls are in place to control the essential process risks. Compliance risks which might arise in relation to the compliance with or implementation of laws, legal provisions, regulatory requirements or ethical / moral standards and internal provisions and regulations, are provided for in a defined process according to the Compliance Management Policy. Fraud risks are subject to special observation and reporting.

There is a general risk that the case law arising from individual cases has an impact on the operating companies of RheinLand group. In order to counteract this risk, all pending actions are assessed, monitored and regularly discussed regarding their general validity between the technical departments and the legal department. An adequate provision is created, in case of need, depending on the classification of the risks.

## Strategic risk

The strategic risk is the risk resulting from strategic business decisions. The strategic risk also includes the risk arising from the fact that business decisions are not adapted to a changed economic environment. The strategic risk is usually a risk occurring in connection with other risks. However, it may also occur as an individual risk.

Clearly regulated decision-making processes and a close cooperation of all relevant decision-making bodies are the basis for an 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. Every year, the strategic risks are identified and qualitatively evaluated as part of a SWOT analysis. The essential risks which were identified are included in the above mentioned risk categories.



## Reputation risk

The reputation risk is the risk resulting from possible damage sustained by RheinLand Holding AG regarding its reputation due to negative perceptions in the public (e.g. among customers, business partners, shareholders, authorities). Like the strategic risk, the reputation risk usually constitutes a risk that often arises in connection with other risks. However, it may also occur as an individual risk.

Reputation risks are qualitatively evaluated on a regular basis and continuously monitored. In 2018, no reputation risk arose for RheinLand Holding AG.

## Summary Presentation of the Risk Position

In 2018, RheinLand Versicherungsgruppe and all individual companies belonging to the Group had, at all times, a sufficient economic and supervisory risk-bearing capacity. There is, overall, currently no development evident that could unexpectedly have an adverse and lasting effect on the net assets, financial position and result of operations of RheinLand Holding AG.

# Opportunities Reporting

A precondition for being successful as an entrepreneur is to use any opportunities that arise for the generation of additional profitable growth. In order to identify opportunities, we monitor closely the trends arising in the industry and markets. The assessment and critical analysis of competitive information and the recognition of new needs, trends and tendencies enable us to drive innovations in order to be well prepared for future requirements.

Our existing business model which is based on three brands and sales channels has been proven to be successful. We provide our field service, our brokerage sales and our sales channel of banks and cooperatives with products and solutions which put us in a good position and enable us to reach our target groups. Our consequent service orientation, our short decision-making paths and lean structures provide us with many advantages: they lead to a partnership in the best sense of the meaning and open up scope of action in which we can react flexibly to changing situations – jointly with our customers and cooperation partners.

The still close connection of our company to the descendants of the founding families provides us with a distinctive profile and ensures the independence of RheinLand Versicherungsgruppe in an environment characterised by concentration processes. All our activities have always been based on the principles of a respectable businessman. Our company has continuously developed based on this foundation of values which are still up to date. We combine the knowledge of our tradition with innovation spirit and the courage to innovate. Our most important asset are our employees: because they shape the permanent change with their power.

# Prospects

At the beginning of the year, the sentiment in the economy was cautious. Entrepreneurs expected a weaker growth of the global trade which might be thwarted by a new spiral of trade restrictions and customs. The disputes continued at the beginning of 2019, in particular, between China and the US. And the economic impact of the exit of the United Kingdom from the European Union remained another open question. More insecurities were caused by the increase of new debts in Italy which raised concerns about a revival of the sovereign debt crisis.

Forecasts for 2019 are thus cautious. At the beginning of the year, the World Bank only expected a growth of the global economy by 2.9%. The International Monetary Fund (IMF) had still calculated a value of 3.7% and the Organisation for Economic Cooperation and Development (OECD) forecast 3.5% for 2019 at the end of 2018. For Europe, the OECD forecast a growth of 1.8% in this year and of 1.6% in the next.

The expectations for Germany's economic growth are 1.8% (federal government) or 1.9% (IMF). The German Council of Economic Experts even forecasts only a growth of 1.5% for the gross domestic product in Germany.

Higher consumer spending as planned by the German government might provide impulses for the economic development. They grew by 1.4% in 2018. For 2019, the federal government assumes that the plus will amount to 2.5% and it also expects an increase of consumer spending in private households. After a plus of 1.6%, an increase of 2.0% is expected for 2019.

Despite dampened forecasts, market observers expect another bottleneck on the labour market. The federal government forecasts a rise of the number of employees to 45.3 million (from 44.8 million in 2018). That means that the lack of specialists might remain an item on the economic agenda.

The European Central Bank (ECB) ended its bond purchasing programme worth billions at the end of 2018. According to its own statements, the ECB will keep the base rate at the historic low rate of 0.0% "at least until summer 2019". The deposit rate for banks will remain at -0.4% in the medium term. Compared with 2018, the basic constellation for investors will thus change only little: European bonds offer hardly any return so that investments such as stocks and real estate still seem more attractive.

Insurance companies worked intensively on a digitalisation of their processes and business models also in 2019. They renewed their systems and established new technologies. This digitalisation is changing the core business of insurance companies, step by step. Companies react to these change processes by using cloud solutions, blockchain technologies and applications based on artificial intelligence. One special focus is on IT security to protect the data of customers.

And even regulation topics are once again on the agenda for 2019. This includes further changes of rating systems and adaptations to the equity requirements in the context of the introduction of the supervisory system Solvency II. But, the insurance economy is mainly monitoring the progress of the political discussions around the question to what extent commissions should be capped. Companies active in the industry reject such a cap – inter alia since that would make it harder for people with low and medium income to enter the insurance consultancy field.

## Forecast on the development of the three sales channels

### Bank and cooperative sales

We are going to continue our growth-oriented development in the current financial year. That applies to our activities in Germany as well as to those in the Netherlands and Italy.

The overriding topic and important field of innovation is and remains digitalisation. We will use the associated opportunities for sales and continue to work on models enabling us to completely map online the processes downstream from product sales. We obtain impulses and know-how in this context also from FinTech / InsurTech companies whose creative solutions we are able to use for adding value to our company. In addition, we have been in still close cooperation with long-term cooperation partners to recognise new opportunities for us and to derive suitable offers from such.

We continue our efforts to sensibly expand the circle of companies cooperating with us. At the beginning of the financial year, we were able to gain a renowned new cooperation partner in BMW Bank. BMW Bank is one of the leading automotive banks in Germany with a subsidiary in France and two branch offices in Italy, Spain and Portugal.

BMW Bank will offer its customers in future special insurance solutions which can be combined with leasing and financing products to form individual mobility packages. The partnership is intended for a long term; first products will already be launched in the second half year of 2019.

We were able to consequently expand our market position which has been strengthened in the Netherlands. It is our aim to fully exhaust the technical opportunities

in order to increase our efficiency. In this context, we will establish a medical underwriting department in our Amsterdam branch. The solid development in Italy will continue in the current year. We wish to find new partners through our sales platform there, to achieve an even stronger position as provider in the credit hedge business on the Italian market.

### Brokerage sales

The management of brokerage sales was transferred to new personalities at the beginning of the current financial year. This succession has been prepared for a long term to be able to smoothly continue the very successful development of this sales channel. The rejuvenation on the top management level is accompanied by our objective to be perceived on the market as a “Digital brokerage brand” with rhion.digital. We do this without forsaking our roots, since the changes implemented in 2018 are the logical continuation of a continuous growth trajectory. Tailwinds not only come from those sales partners which whom we hold particularly long years of relations.

One sales approach this year is the intensification of the motor vehicle business. This is based on the motor vehicle tariff “ONdrive” introduced in 2018 which was well received in the market. It will be further optimised in the upcoming months where we will pursue the project in cooperation across many divisions. The sales start of the product which was supplemented by new components and services is planned for the beginning of October. In parallel, a purely digital motor vehicle insurance has been designed on the basis of “ONdrive” under the leadership of the digital company, the corporate start-up of RheinLand Group. We provide them to brokers as a lean solution for uncomplicated selling. Brokers were actively involved in the development. They were given the option to contribute their ideas and suggestions in the process (Open Innovation). This product with its unique selling points will go “live” at the beginning of the second quarter.

In addition, we wish to gain more in-depth knowledge of the many opportunities for a digital full-service for sales partners. The focus is on portfolio management. And the aim is to increase the attractiveness of a co-operation with rhion.digital thanks to these additional services. Furthermore, we draw our attention to bring out further potentials along the value adding chain by using digital tools; we also use the know-how of InsurTechs for this purpose with whom we cooperate.

Not least, we set the tracks for an expansion of our business activities in brokerage sales to the Netherlands in the first quarter of the year. The planned establishment on the Dutch market is based on a cooperation agreement with Nederlandse Vereniging van Gevolmachtigde Assurantiebedrijven (NVGA), an association of 174 underwriting agents. The cooperation will start on 1 January 2020. After a start phase as co-insurer, it is planned to expand this cooperation with products customised to the needs of Dutch customers. The brokerage business in the Netherlands will be controlled by a new branch in Eindhoven still to be founded.

## Corporate field service

Organisational topics are on the agenda of our exclusive sales operation in the current year. They arise from the ever growing digital instruments that we make available for our regional management offices and branches.

It is our aim to enable our local sales force not only selectively but comprehensively to make full use the potential of the digital opportunities for a profitable business. We hold the responsibility in this respect, which is why we started an additional development programme for our sales management team.

The objective is to create a competency pool on the management level consisting of personalities which approach the subject of digitalisation with the highest possible degree of openness and willingness to learn. We are sure that we will be able to further increase the uniform understanding of the opportunities offered by digi-

talisation. In addition to this internal impact, digital competency also has a high external impact, since it puts us in a better position in the competition for the best professionals. While the general trend in the industry indicates strongly decreasing numbers of agents, it is still our aim to expand the number of our main agents, partners and customer consultants in the next two years from currently 270 to about 300. We take high care of who is suited to consequently continue the development which our field service has successfully taken.

## Result trend

The positive development of our sales channels described above is reflected in the course of business of the risk carriers. We assume that we will achieve good contributions to the results thanks to the continuous expansion of our insurance portfolio. The storms “Bennett” and Eberhard” caused serious damage all over Germany in March. “Eberhard” was comparable to the storm “Friederike” which occurred in January 2018, as regards its intensity. But, luckily, it had, by far, a smaller impact on us than in the year before. It was mainly residential buildings which were affected, while the damage caused to motor vehicles was manageable. In addition, we plan to achieved a stable income from renting our real estate. We expect, overall, a good result for the company in 2019 which will be slightly below the one of the previous year due to the investments in the future, in particular in the field of digitalisation.

As an insurance group, we are particularly affected by changing environmental and climate conditions and by the increasing damage caused by bad weather associated therewith and the resulting burdens caused by damage. It is for that reason alone that we are active in environmental protection both in the company and outside of it. At the same time, we wish to treat the resources with care, decrease our operational expenses and act, not least, as a role model. An environmental management system which has been regulating our processes since 1997 helps and supports us in systematically identifying and using potentials for improvement.

# Environmental Management

We specified the key objective of our activities for environmental protection in 2007: we wish to ensure the CO<sub>2</sub> neutrality of our business operation for a term of 50 years. In cooperation with “PRIMAKLIMA-weltweit e.V.”, we caused a reforestation at our location in Neuss, but also in other locations in Germany, in Europe and even worldwide, in several stages. The reforested areas combined compensate for all CO<sub>2</sub> emissions of our business operation, so that we have been able to achieve our objective in May 2011. That made us one of the first insurance companies on the German market that realised the CO<sub>2</sub> neutrality of their business operation so quickly.

We disclose our consumptions and needs once per financial year in our environmental balance sheet which is part of our Sustainability Report. This is testimonial of the great value that we continue to attach to a responsible use of resources and that we will not forget the high importance that CO<sub>2</sub> neutrality has for our company. We will live up to this proof also in the future in the transparent and open manner.

Neuss, 18 March 2019

The Management

Christoph Buchbender

Dr. Lothar Horbach

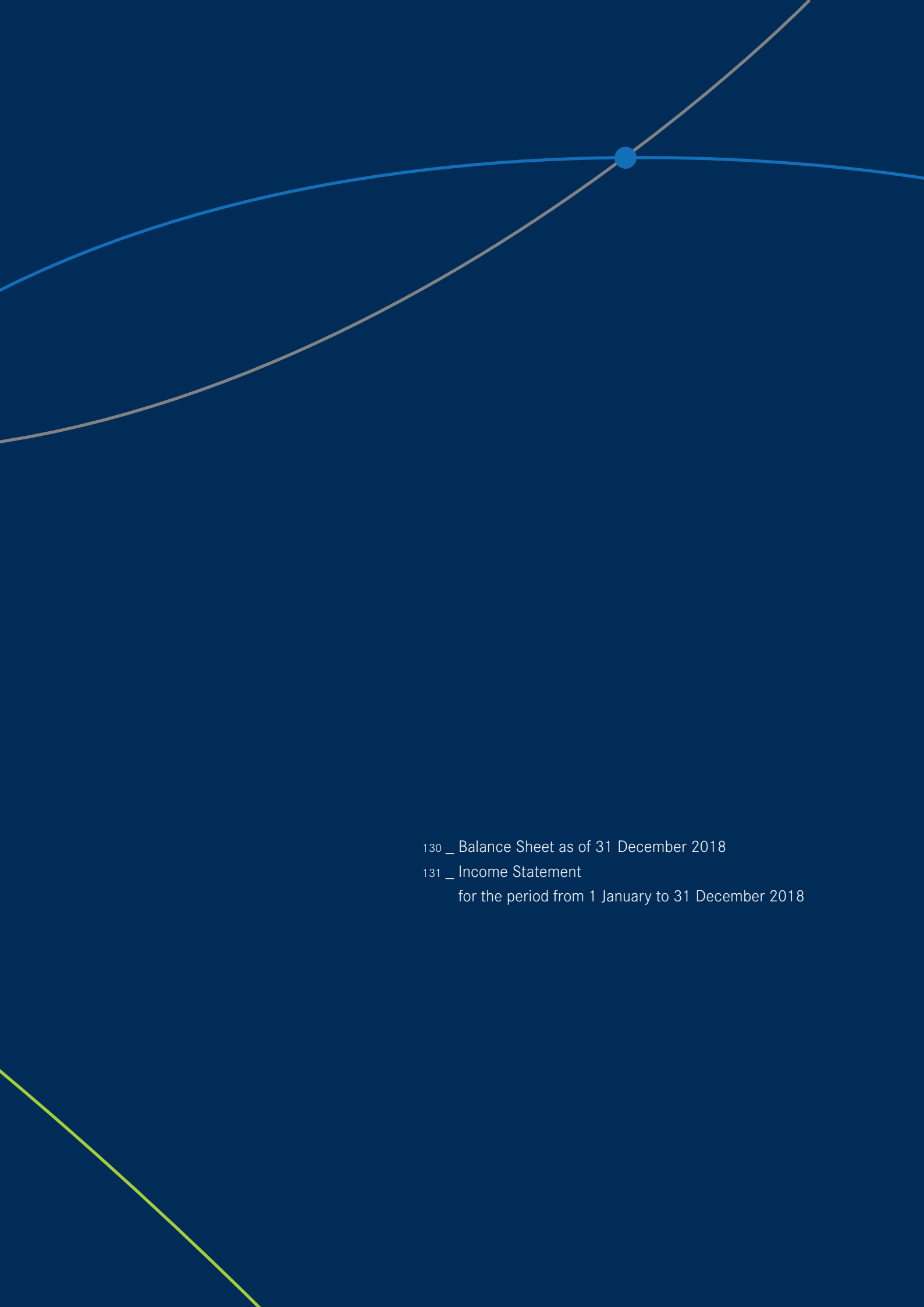
Udo Klanten

Andreas Schwarz

# RheinLand Holding AG

## Financial Statements





130 \_ Balance Sheet as of 31 December 2018  
131 \_ Income Statement  
for the period from 1 January to 31 December 2018



# Balance Sheet as at 31 December 2018

## Assets

	2018	2018	2018	2017
	€	€	€	€
<b>A. Fixed assets:</b>				
I. Property, plant and equipment:				
1. Land, leasehold rights and buildings including buildings on third-party land		24,740,497.60		25,105,039.06
II. Financial assets:				
1. Shares in affiliated companies		127,119,900.43		127,065,900.43
2. Loans to affiliated companies		10,000,000.00		10,000,000.00
3. Securities held as fixed assets		6,006,900.00		0.00
			167,867,298.03	162,170,939.49
<b>B. Current assets:</b>				
I. Accounts receivable and other assets:				
1. Receivables from affiliated companies	18,956,032.28			18,886,834.44
2. Other assets	1,102,175.24			617,735.67
		20,058,207.52		19,504,570.11
II. Bank balances		5,818,150.91		6,474,254.51
			25,876,358.43	25,978,824.62
<b>C. Accrued items</b>			308,595.88	302,739.72
			194,052,252.34	188,452,503.83

## Equity and liabilities

	2018	2018	2018	2017
	€	€	€	€
<b>A. Equity:</b>				
I. Subscribed capital		9,830,400.00		9,830,400.00
II. Capital reserves		15,169,462.46		15,169,462.46
III. Retained earnings:				
1. Legal reserve	168,726.32			168,726.32
2. Other retained earnings	128,780,000.00			118,200,000.00
		128,948,726.32		118,368,726.32
IV. Profit for the year		7,405,516.47		8,184,226.80
			161,354,105.25	151,552,815.58
<b>B. Provisions:</b>				
1. Provisions for pensions and similar obligations		21,029,932.20		20,315,364.10
2. Tax provisions		2,564,167.28		2,096,523.28
3. Other provisions		1,714,992.00		1,741,415.00
			25,309,091.48	24,153,302.38
<b>C. Liabilities:</b>				
1. Trade accounts payable		25,818.60		29,067.00
2. Accounts payable to affiliated companies		7,261,322.98		12,679,438.51
3. Other liabilities		101,914.03		37,880.36
of which from taxes: € 99,982.03				(24,679.39)
			7,389,055.61	12,746,385.87
			194,052,252.34	188,452,503.83

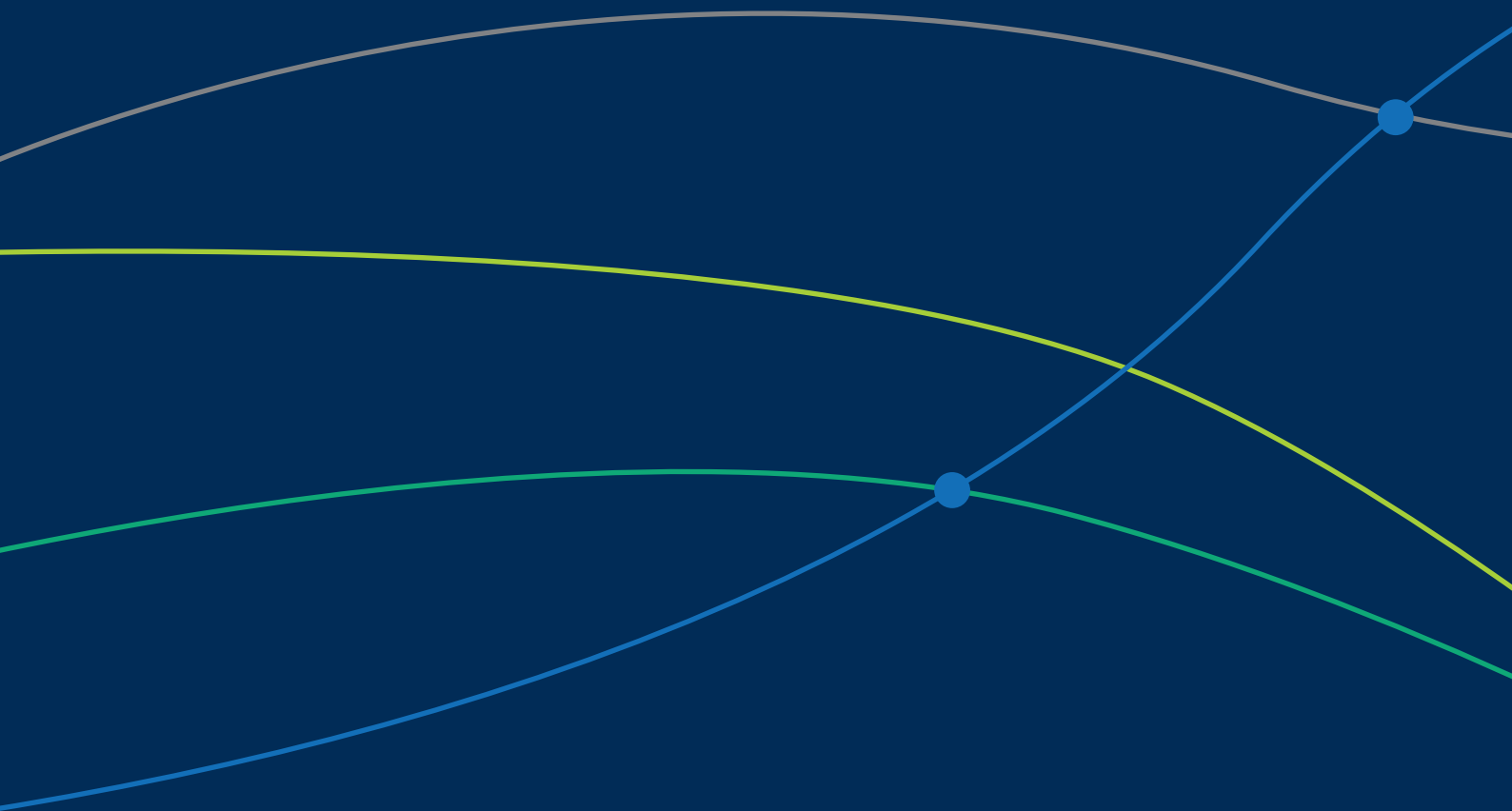
# Income Statement

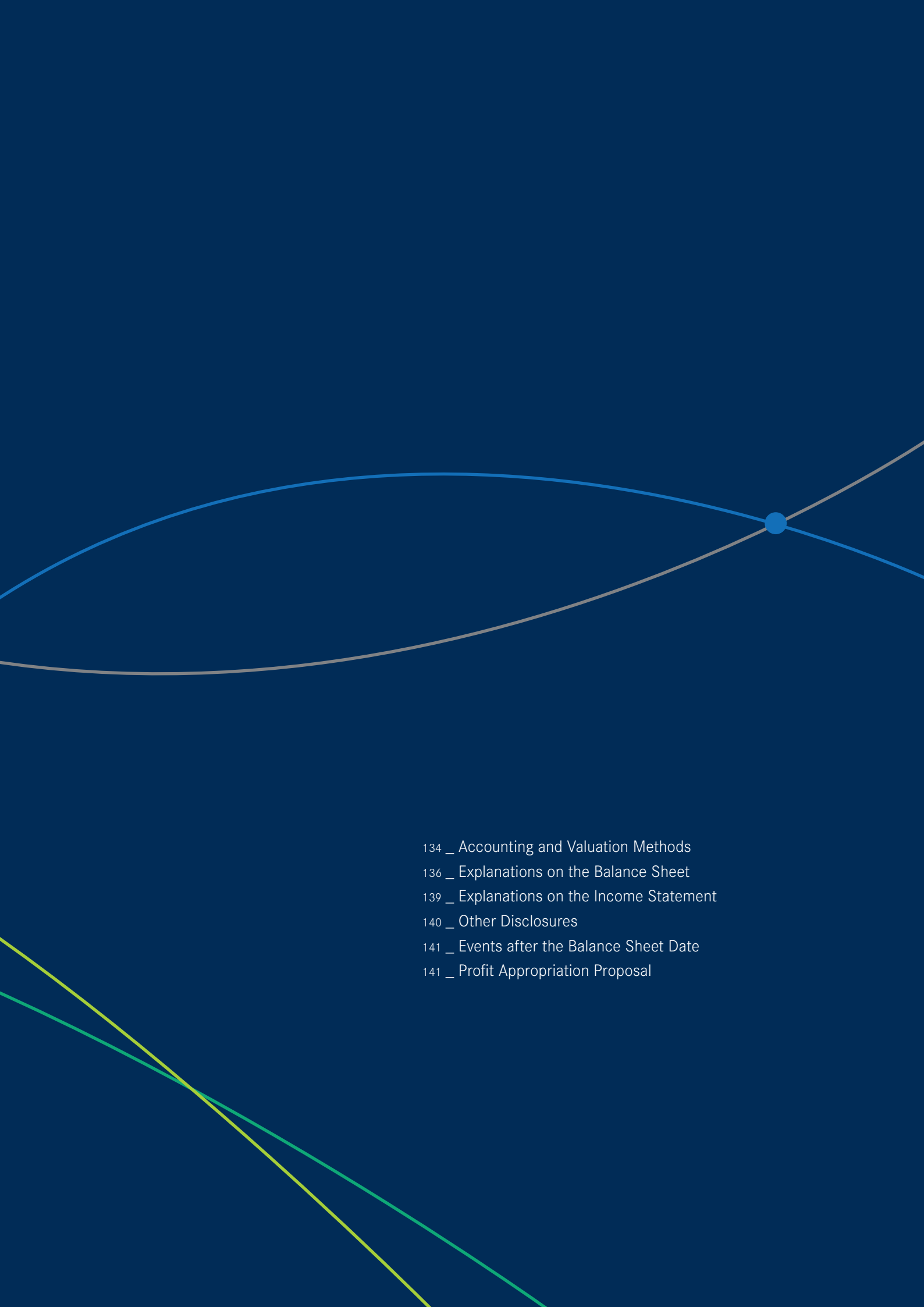
for the period from 1 January to 31 December 2018

	2018	2018	2017	2017
	€	€	€	€
1. Income from profit pools, profit and loss transfer and partial profit and loss transfer agreements	17,246,990.23		18,585,219.85	
2. Revenue	5,075,122.19		5,047,171.41	
3. Other operating income	350,597.77		414,635.88	
4. Income from other securities and loans held as fixed financial assets	658,061.75		650,000.00	
of which from affiliated companies: € 650,000.00			(650,000.00)	
5. Other interest and similar income	227,120.89	23,557,892.83	73,869.27	24,770,896.41
of which from affiliated companies: €0.00			(0.00)	
6. Depreciation of property, plant and equipment	711,251.18		705,173.40	
7. Cost of materials	1,783,523.62		1,794,538.18	
8. Other operating expenses	3,524,954.29		3,256,378.74	
9. Interest and similar expenses	955,971.87		1,273,704.67	
of which to affiliated companies: € 140,309.13		6,975,700.96	(153,780.59)	7,029,794.99
10. Expenses from loss assumption		835,485.18		0.00
Earnings of ordinary business activities before taxes		15,746,706.69		17,741,101.42
11. Taxes on income	756,579.70		1,148,232.75	
of which less: Tax group allocation	0.00		0.00	
12. Earnings after taxes		14,990,126.99		16,592,868.67
13. Other taxes		196,837.32		237,701.23
14. Net profit for the year		14,793,289.67		16,355,167.44
15. Profit carried forward from the previous year		2,226.80		9,059.36
16. Allocations to other retained earnings		7,390,000.00		8,180,000.00
17. Balance sheet profit		7,405,516.47		8,184,226.80

# RheinLand Holding AG

## Notes





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140 \_ Other Disclosures  
141 \_ Events after the Balance Sheet Date  
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# Accounting and Valuation Methods

The Financial Statements have been prepared according to the decisive provisions under the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The structure of the Balance Sheet and the Income Statement are generally in line with the provisions of Sections 266, 275 (2) of the HGB in conjunction with Sec. 158 of the AktG. In order to increase the understanding of the Income Statement, its structure was adapted to the purpose of the company. Therefore, sales revenue is not listed as the first item.

## Assets

Property, plant and equipment is valued at cost of acquisition or production. Amortisation and depreciation is made on a straight-line basis according to the useful life.

Shares in affiliated companies are recognised at cost of acquisition, taking into account amortisation and appreciation pursuant to Sec. 255 (1) of the HGB in conjunction with Sec. 253 (3) and (5) of the HGB.

If a permanent impairment is foreseeable, they are subject to unscheduled amortisation to their lower fair value.

Loans and receivables are disclosed at their nominal value or the lower fair value.

The investment shares and fixed-income securities are valued at cost of acquisition pursuant to Sec. 253 (1), (3) and (5) of the HGB.

Other assets are disclosed at cost of acquisition.

Rent receivables are subject to individual and general value allowances.

Liquid funds are valued at their nominal value.

Deferred taxes are calculated for temporary differences between the values of assets and liabilities applicable under commercial law and those applied for fiscal purposes.

The company used the option right pursuant to Sec. 274 (1) sentence 2 of the HGB to waive the disclosure under assets of the excess of a tax relief which resulted as a whole.

## Equity and liabilities

Pension provisions were calculated according to the internationally accepted projected unit credit method (PUC) in conjunction with Sec. 253 (1) sentence 21 of the HGB based on the Heubeck-Richttafeln (mortality tables) 2018G. In addition to current developments, even future developments as well as trends and fluctuations have been taken into account. The discounting is made by using the average interest rate of the past ten years as published by the German Federal Bank and based on an assumed residual term of 15 years according to Sec. 253 (2) sentence 2 of the HGB.

The actuarial parameters set out below were used for determining the obligations.

Pensionable age	Statutory pensionable age
Pension increases	1.75% p.a.
Interest rate	3.21% p.a.

The fluctuation to be considered corresponds to the generally observable average in the industry depending on the age and only has a low impact on the settlement amount. The alternative amount determined by using the average interest rate of the past seven years (2.36%) is € 23.1 million. The difference according to Sec. 253 (6) of the HGB of € 2.0 million is, including deferred taxes, blocked for distribution. However, the company has retained earnings in a sufficient amount.

The provision for part-time retirement was created according to the standard RS HFA 3 of the IDW. The actuarial interest rate was involved on the basis of the values of the German Federal Bank of 2.36% p.a. pursuant to Sec. 253(2) of the HGB in conjunction with the Rückstellungsabzinsungsverordnung (RückAbzinsVO - German Regulation on the Discounting of Provisions). The Heubeck-Richttafeln (mortality tables) 2018G were used as basis at a salary increase of 2.0% p.a. Cost of acquisition of the part-time retirement fund stood at € 0.9 million. The provision for part-time requirement amounted to € 1.0 million as of 31 December 2018. It was set off with the fair value of the fund assets from the relevant old-age provision commitments of € 0.9 million and disclosed under other provisions at € 0.1 million according to the Gesetz zur Modernisierung des Bilanzrechts (BilMoG - German Accounting Law Modernisation Act). The company incurred expenses from the compounding of the provision of € 27k.

Tax provisions comprise provisions for income tax and other taxes of the companies involved in the tax group which result from national taxes. This is the discounted settlement amount for future tax burdens from previous years and the financial year.

Other provisions take account of all recognisable risks and are accounted for at their settlement amount, like liabilities. Insofar as other provisions have a term of less than one year, they are discounted according to Sec. 253 (2) sentence 1 of the HGB.

# Explanations on the Balance Sheet

## Assets

Changes in Fixed Assets	Accumulated cost of acquisition and production	Additions	Disposals	Reclassifications	Appreciations	Accumulated amortisation / depreciation	Balance sheet values 31/12/2018	Amortisation / depreciation 2018
	k€	k€	k€	k€	k€	k€	k€	k€
<b>Property, plant and equipment</b>								
1. Lands	86,466	347	0	0	0	62,072	24,740	711
	86,466	347	0	0	0	62,072	24,740	711
<b>Financial assets</b>								
1. Shares in affiliated companies	131,407	54	0	0	0	4,342	127,120	0
2. Loans to affiliated companies	10,000	0	0	0	0	0	10,000	0
3. Securities	6,007	6,007	0	0	0	0	6,007	0
	147,414	6,061	0	0	0	4,342	143,127	0
<b>Total</b>	<b>233,880</b>	<b>6,408</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>66,413</b>	<b>167,867</b>	<b>711</b>

### Lands

The balance sheet value of lands used by the company amounts to € 16,324k as of 31 December 2018.

### List of shareholdings as of 31 December 2018 according to Sec. 285 no. 11 of the HGB

	Share in capital stock	Results of the last financial year 31/12/2018	Equity of the relevant company 31/12/2018
	%	€	€
<b>German companies</b>			
1. RheinLand Versicherungs AG, Neuss <sup>1</sup>	100 directly	0.00	58,464,847.72
2. RheinLand Lebensversicherung AG, Neuss	100 directly	709,021.59	20,945,246.62
3. Credit Life AG, Neuss <sup>1</sup>	100 directly	0.00	43,340,862.95
4. Rhion Versicherung AG, Neuss <sup>1</sup>	100 directly	0.00	21,768,194.54
5. RH Digital Company GmbH, Neuss <sup>1</sup>	100 directly	0.00	52,000.00
6. RheinLand Vermittlungs GmbH, Neuss	100 indirectly	679,661.24	4,636,443.35
7. Credit Life & DEVK Vermittlungs GmbH, Neuss	51 indirectly	10,776.08	37,776.08
8. RheinLand Betriebsrestaurant GmbH, Neuss	100 indirectly	6,030.61	61,259.53
<b>Foreign companies</b>			
1. Rheinland Groep Nederland B.V., Amsterdam	100 indirectly	-400,935.01	5,883,439.10
2. Callas Holding N.V., Amstelveen	100 indirectly	0.00	45,000.00
3. Callas Nederland B.V., Amstelveen	100 indirectly	0.00	18,000.00
4. Lazur B.V., Amstelveen	100 indirectly	0.00	18,000.00

The exemption option set forth in Sec. 286 (2) of the HGB was used.

<sup>1</sup> A Control and Profit and Loss Transfer Agreement is in place with RheinLand Holding AG.

## Accounts receivable and other assets under current assets

	2018	2017
	€	€
Tax refund claims	377,648.90	414,679.81
Interest and rent receivables	46,051.36	48,383.49
Others	678,474.98	154,672.37
<b>Total</b>	<b>1,102,175.24</b>	<b>617,735.67</b>

The receivables have a residual term of less than one year.

## Equity and liabilities

### Subscribed capital

The subscribed capital amounts to € 9,830 million and is divided in 3,840,000 shares.

### Capital reserves

The capital reserve contains exclusively premiums according to Sec. 272 (2) no. 1 of the HGB.

### Retained earnings

	2018
	€
Balance at the beginning of the financial year	118,368,726.32
Additions from the profit for the year 2017	3,190,000.00
Additions from the net profit for the year	7,390,000.00
<b>Balance at the end of the financial year</b>	<b>128,948,726.32</b>

### Net profit for the year

A profit carried forward from the previous year in the amount of € 2,226.80 was included in the net profit for the year.



## Accounts payable

In the 2016 financial year, the company raised a bonded loan of € 10.0 million with a term of five years from RheinLand Versicherungs AG. One part of this bonded loan was prematurely cancelled and repaid on 31 August 2018. The remaining sum on the balance sheet is € 5.0 million and the residual term is less than 5 years. In addition, a mortgage loan exists to RheinLand Lebensversicherung AG with a term of 5 years which will be repaid on an annual basis. Other liabilities have a residual term of less than one year.

We have expanded the list in the financial year and adapted the previous year's value accordingly.

## Provisions for pensions and similar obligations

The joint liability assumed for the pension commitments of RheinLand Versicherung AG, RheinLand Lebensversicherung AG and Credit Life AG, leads to the fact that persons entitled to pension commitments acquired a direct claim against these companies.

## Other provisions

	2018	2017
	€	€
Part-time retirement	986,992.00	1,026,915.00
Others	728,000.00	714,500.00
<b>Total</b>	<b>1,714,992.00</b>	<b>1,741,415.00</b>

# Explanations on the Income Statement

## Sales revenue

Sales revenue comprise income from rents.

## Other operating income

	2018	2017
	€	€
Income from the reversal of provisions	88,236.60	98,249.04
Income from cost allocation	253,809.29	257,505.53
Others	8,551.88	58,881.31
<b>Total</b>	<b>350,597.77</b>	<b>414,635.88</b>

## Depreciation of property, plant and equipment

Depreciation of € 711k relate exclusively to lands and buildings.

## Amortisation of financial assets

No amortisation was made in the financial year.

## Cost of materials

Cost of materials contain expenses for land.

## Other operating expenses

	2018	2017
	€	€
Cost allocation of affiliated companies	2,159,312.96	1,931,686.59
Others	1,365,641.33	1,324,692.15
<b>Total</b>	<b>3,524,954.29</b>	<b>3,256,378.74</b>

## Disclosures pursuant to Sec. 277 (5) of the HGB

Interest expenses include expenses from the compounding of pension provisions totalling € 711k and from the compounding of the provision for part-time retirement totalling € 25k, each as of 31 December 2018.

## Tax

Income tax relates mainly to taxes incurred in the financial year.

# Other Disclosures

## Supervisory Board and Executive Board

The total remunerations of members of the Supervisory Board and remunerations of the members of the Executive Board are disclosed in the Consolidated Notes.

The members of the Supervisory Board and the Executive Board are listed on pages 6 and 7.

## Information on shareholders

The company Effektenverwaltung Cornel Werhahn GbR, Neuss, informed us for purely precautionary purposes in the event that they have the capacity of a company as defined in Sec. 20 of the AktG that they hold, indirectly, a majority share in the company. Furthermore, Verena Gräfin Huyn, Neuss, Dr. Ludwig Baum, Munich, and Heinrich Straaten, Königswinter, informed us for purely precautionary purposes in the event that they have the capacity of a company as defined in Sec. 20 of the AktG and insofar as the shares held by them might be qualified as depending companies according to the principles of several parent companies, that they hold, indirectly, a majority share in the company.

## Other disclosures

RheinLand Holding AG with its registered office in Neuss is registered in the Commercial Register kept at the *Amtsgericht* (Local Court of) Neuss (HRB 1113).

As parent company, RheinLand Holding AG prepares the Consolidated Financial Statements for the biggest and smallest number of companies belonging to the Group.

# Events after the Balance Sheet Date

No events of particular importance occurred after the closure of the financial year.

## Profit Appropriation Proposal

The General Meeting will make the following proposal for the appropriation of the profit disclosed in the Balance Sheet:

	€
Distribution of a dividend of € 1.20 per share =	4,608,000.00
Distribution of a bonus of € 0.10 per share =	384,000.00
Allocation to other retained earnings	2,410,000.00
Carry-forward to the new account	3,516.47
<b>Profit for the year</b>	<b>7,405,516.47</b>

Neuss, 18 March 2019

The Management

Christoph Buchbender

Dr. Lothar Horbach

Udo Klanten

Andreas Schwarz

# Auditor's Certificate

## of the Independent Auditor

To Rheinland Holding AG, Neuss

### Audit opinions

We audited the Financial Statements of Rheinland Holding AG, Neuss, —consisting of the Balance Sheet as of 31 December 2018, Income Statement for the financial year from 1 January to 31 December 2018 as well as the Notes, including the presentation of the accounting and valuation methods. In addition, we audited the Management Report of Rheinland Holding AG for the financial year from 1 January to 31 December 2018.

According to our assessment and based on the knowledge gained during the audit,

- the accompanying Financial Statements are, in all essential aspects, in compliance with the provisions under German commercial law and provides, in consideration of the German generally accepted accounting principles, a true and fair view of the company's net asset and financial position as of 31 December 2018 as well as of its result of operations for the financial year from 1 January to 31 December 2018, and
- the accompanying Management Report conveys an overall accurate view of the company's situation. This Management Report is, in all essential matters, in line with the Financial Statements, complies with the German legal provisions and correctly presents the risks and opportunities relating to the company's future development.

In accordance with Sec. 322(3) clause 1 of the *HGB*, we declare that our audit did not give rise to any objections against the compliance of these Financial Statements and the Management Report.

### Basis for the Audit Opinions

We conducted our audit of the Financial Statements and of the Management Report in accordance with Sec. 317 of the *HGB* and the German generally accepted standards for auditing as promulgated by the IDW (Institute of Public Auditors in Germany). Our responsibility arising from these provisions and standards is described in more detail in the section "Auditor's Responsibility for the Audit of the Financial Statements and the Management Report". We are independent of the company as defined in the provisions of the German Commercial Code and the laws applicable to our profession and have met our other German professional obligations in line with these requirements. We are of the opinion that the evidence we obtained during the audit is sufficient and suitable to serve as basis for our audit opinion on the Financial Statements and the Management Report.

### Other Information

The legal representatives are responsible for the other information. The other information comprises the business report — without any further cross-references to external information — apart from the audited Financial Statements, the audited Management Report and our auditor's certificate.

Our audit opinions on the Financial Statements and the Management Report do not extend to the other information and we provide, accordingly, neither an audit opinion nor any other form of conclusions on such.

In connection with our audit, we are responsible for reading the other information and to assess whether the other information

- contains essential discrepancies to the Financial Statements, the Management Report or our knowledge gained during the audit, or
- seems to be incorrectly presented in any other essential way.

## Responsibility of the Legal Representatives and the Supervisory Board for the Financial Statements and the Management Report

The legal representatives are responsible for the preparation of Financial Statements which are in compliance with the provisions of the German Commercial Code and that the Financial Statements, by observing the German generally accepted accounting principles, convey a true and fair view of the net asset, financial position and the result of operations of the company. Furthermore, the legal representatives are responsible for the internal controls which they determined to be necessary in accordance with the German generally accepted accounting principles to enable the preparation of Financial Statements which are free of essential misrepresentations – caused due to fraud or error.

In the preparation of the Financial Statements, the legal representatives are responsible for assessing the company's ability to continue its business activity as a going concern. Furthermore, they are responsible for stating matters associated with the going concern assumption, insofar as that is necessary. Moreover, they are responsible for accounting on the basis of the going concern accounting principle, unless it is opposed by actual or legal matters.

In addition, the legal representatives are responsible for preparing the Management Report which conveys, as a whole, a true and fair view of the company's situation, is, as a whole, in line with the Financial Statements and in compliance with the German legal provisions and adequately presents the risks and opportunities relating to the company's future development. The legal representatives are also responsible for making the precautions and taking the measures (systems) that they considered necessary to enable the preparation of the Management Report in line with the German legal provisions to be applied and to be able to provide sufficiently suitable evidence for the statements in the Management Report.

The Supervisory Board is responsible for supervising the accounting processes of the company for the preparation of the Financial Statements and the Management Report.

## Responsibility of the Auditors for the Audit of the Financial Statements and the Management Report

Our objective is to obtain reasonable assurances as to whether the Financial Statements are, as a whole, free of essential misrepresentations due to error or fraud, and whether the Management Report conveys, as a whole, a true and fair view of the company's situation and whether it is, in all essential matters, in line with the Financial Statements and the knowledge gained during the audit, that it complies with the German legal provisions and adequately presents the risks and opportunities relating to the company's future development; and to provide an auditor's certificate containing our audit opinions on the Financial Statements and the Management Report.

Sufficient assurance is a high degree of assurance but no guarantee that an audit performed in line with Sec. 317 of the *HGB*, in consideration of the German generally accepted accounting standards as promulgated by the Institut der Wirtschaftsprüfer (IDW), always detects any essential misrepresentation. Misrepresentations might arise from violations or inaccuracies and are considered essential if it can reasonably be expected that they, individually or combined, might affect the economic decisions that users of these documents make on the basis of these Financial Statements and the Management Report.

We apply professional judgement during the conduct of the audit and maintain a critical attitude. In addition,

- we identify and assess the risks of essential misrepresentations – due to error or fraud – in the Financial Statements and the Management Report, plan and conduct audit activities in response to these risks and obtain audit evidence which is sufficient and suitable to serve as basis for our audit opinions. The risk that essential misrepresentations are not discovered is higher for violations than for inaccuracies since violations might involve fraudulent conduct, forgery, intended incompleteness, misleading representations and/or the overriding of internal controls.
- we gain an understanding of the internal control system relevant for the audit of the Financial Statements and the precautions and measures relevant for the audit of the Management Report in order to plan audit activities which are adequate under the prevailing circumstances, but not in order to provide the company with an audit opinion on the effectiveness of these systems.
- we assess the adequacy of the accounting methods applied by the legal representatives and the reasonableness of the values estimated by the legal representatives and the information and statements associated therewith.
- we draw conclusions on the adequacy of the going concern accounting principle applied by the legal representatives and, on the basis of the audit evidence obtained, whether an essential uncertainty exists in connection with events or situations which might raise serious doubts about the company's ability to continue to exist as a going concern. If we come to the conclusion that an essential uncertainty exists, we are obliged to provide information in the Auditor's Certificate regarding the associated information disclosed in the Financial Statements and the Management Report, or to modify our audit opinion if the information is inadequate. We draw our conclusions on the basis of the audit evidence obtained until the date of our auditor's certificate. Future events or situations might, however, result in the fact that the Company is unable to continue its business activities.

- we assess the overall presentation, the structure and contents of the Financial Statements, including the information as to whether the Financial Statements present the underlying transactions and events in a manner that the Financial Statements, in consideration of the German generally accepted accounting principles, convey a true and fair view of the net asset and financial position and the result of operations of the company.
- we assess whether the Management Report is in line with the Financial Statements, complies with the legal provisions and the view it conveys about the company's situation.
- we conduct audit activities on the future-oriented statements presented by the legal representatives in the Management Report. Based on sufficiently suitable audit evidences, we reproduce, in particular, the significant assumptions underlying the future-oriented information provided by the legal representatives and assess whether the future-oriented statements have been properly derived from these assumptions. We do not provide an independent audit opinion on the future-oriented information and the underlying assumptions. There is an essential, unavoidable risk that future results deviate significantly from the future-oriented information.

We discuss with the persons responsible for the supervision, inter alia, the planned scope and schedule of the audit as well as important audit findings, including any defects in the internal control system which we detect during our audit.

Düsseldorf, 9 April 2019

PricewaterhouseCoopers GmbH  
Auditing Company

Alexander Hofmann  
Auditor

Michael Peters  
Auditor



# List of Companies

## Credit Life AG

Headquarters  
RheinLandplatz  
41460 Neuss  
Germany  
Telephone 02131 2010-7000  
service@creditlife.net  
www.creditlife.net

## RheinLand Lebensversicherung AG

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41460 Neuss  
Germany  
Telephone 02131 290-0  
info@rheinland-versicherungen.de  
www.rheinland-versicherungen.de

## Rhion Versicherung AG

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Telephone 02131 6099-0  
info@rhion.digital  
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## RH Digital Company GmbH

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41460 Neuss  
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info@rheinland-versicherungen.de  
www.rheinland-versicherungen.de

# RheinLand Holding AG

## Supervisory Board

Anton Werhahn  
Commercial agent  
Neuss  
Chairman

Wilhelm Ferdinand Thywissen  
Commercial agent  
Managing Director of C. Thywissen VV GbR Neuss  
Neuss  
Deputy Chairman

Dr. Ludwig Baum  
Commercial agent  
Managing Director of Effektenverwaltung  
Cornel Werhahn GbR  
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The male gender is used herein for reasons of convenience. Any and all personal references shall apply to the male, female and other gender.













