



ANNUAL REPORT
2005

R+V Versicherung AG



Member of Volksbanken's and
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Financial Services Network

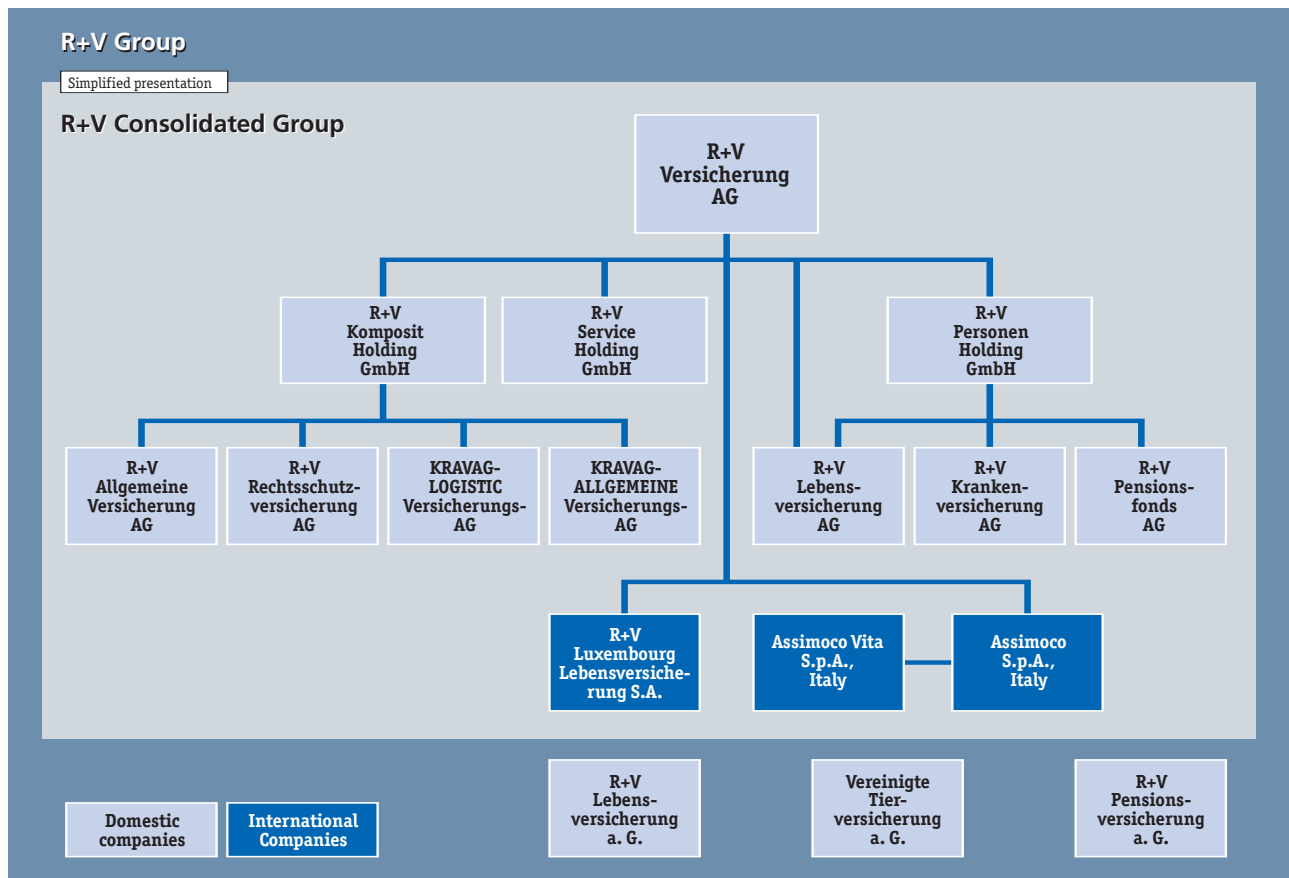
R+V Versicherung AG

Taunusstrasse 1, 65193 Wiesbaden, Germany, Tel. +49 611 533-0
Registered at the Wiesbaden Local Court no. HRB 7934

Annual Report 2005

Presented to the Ordinary General Meeting
on April 24, 2006

R+V at a glance



Figures for fiscal year		R+V Consolidated Group		R+V Group	
		2005	2004	2005	2004
Gross premiums written	€ million	8,139	8,057	8,466	8,305
Gross claims incurred	€ million	5,606	5,614	5,751	5,740
Current investment income	€ million	1,872	1,868	2,032	2,028
Investments	€ million	41,169	38,037	44,674	41,337
Net retained profits	€ million	156	95	n/a	n/a
Number of policies	million	16.9	16.4	17.2	16.9
Number of employees as of Dec. 31		10,370	10,346	11,360	11,305

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Macroeconomic Situation

The forecasts of economic analysts for 2006 are optimistic following a consolidation of the economic upswing in Germany in the last quarter of 2005. They expect growth of between 1.2% and 1.7% for the next year. In 2005, the German economy saw a muted development, and there was no broad based economic recovery. The situation was split: the export business boomed, the domestic economic situation showed almost no progress. The insurance sector was also affected by the economic slowdown, but grew much stronger than the overall economy.

The German economy still lives on the positive boosts from abroad. However, the increase in exports slowed down compared to the previous year. This was due to the quieter global economy. The clearly weakened Euro against the Dollar had a positive influence. Within the European Union, the German export business benefited from increased competitiveness, and price and cost reductions resulting from savings programs came to fruition.

However, this dynamic global growth had only a negligible impact on the domestic economy, as was the case for 2004 as well. Real gross domestic product increased by only 0.9% in 2005, thus falling clearly behind the expectations of the Federal Government of 1.7%.

The propensity to invest of German entrepreneurs increased in 2005. The high order volumes in the German export sector and their almost exhausted capacities forced companies to increase investment in machinery and other equipment. Industrial production in Germany grew more dynamically than expected as a result. In addition, favorable financing conditions promoted investment activities. Capital market interest continued to fall. And many companies generated high profits.

Private consumption and the labor market continued to be the main problems

No such promising developments were observed regarding private consumer spending. The same weak situation existed for the third consecutive year. People's uncertainty about their jobs and the high tax burden dampened the German consumers' inclination to spend money. In addition, the disposable incomes of private households saw nominal growth of only 1.5%, real disposable incomes even declining. The noticeable increase in energy prices had a special effect in 2005. On average, every private household had to pay € 176 more for fuel and gas than in the previous year. The already tight financial room for consumption was even more restricted as a result.

The weak domestic climate had an analog effect on the labor market: The number of employees subject to social insurance continued to decline. Although the number of unemployed has fallen below the five million mark from April, this success was due largely to the increased application of labor market instruments such as so-called one-euro jobs.

Bond and stock markets drifted apart at times

Interest on the bond market continued to decline from 3.7% at the end of 2004 to 3.3% at the end of 2005. During the year the capital yield of ten-year German government bonds fell for the first time below the psychologically important level of 3%. The reasons were economic fears in the euro zone, which receded in the course of the year. The money market followed the global trend of rising central bank interest. For the first time after two years, the European Central Bank raised interest by 0.25 percentage points. Overall, the yield structure curve flattened. Credit markets (corporate bonds, bonds from developing countries, securitization) remained remarkably calm despite a series of burdens, with still low risk mark-ups.

While the American stock market moved sideways, stock prices on the Japanese and European markets rose significantly. The Nikkei 225 rose by 40% and the DJ Euro Stoxx 50 by 21%. The DAX climbed from 4,256 to 5,408 points, which corresponds to an increase of 27%. The international companies contained in the DAX reflected the positive global trend rather than the muted national economic prospects.

Expert economists forecast an upswing for 2006

Economic analysts and the Federal Government are optimistic for 2006. They expect growth of between 1.2% and 1.7% for the next year. According to expert opinions, the recovered global economy will bring good business for the German export sector. In addition, the clearly improved cost situation of enterprises will strengthen their position within international price competition, with positive consequences for domestic investments. The intensity of the economic boom will depend, among other things, on the economic direction of the new Federal Government.

Analysts expect slight growth for private consumption, mainly due to pull-forward effects from the planned VAT hike starting in 2007. However, high energy costs are still dampening the consumers' willingness to spend money. Disposable income will increase slightly in nominal terms according to the forecasts of economic analysts. Disposable income is an important indicator for the insurance sector, since it defines the financial limits of customers and their financial opportunities of taking out insurance.

But these overall more favorable conditions will not be enough to improve the situation on the labor market.

Insurance sector with sound growth

The weak overall climate in 2005 had almost no impact on the insurance sector. Growth of premium income of 3.8% to €157.8 billion clearly outperformed the growth of the general economy. On the expenditure side, liabilities of direct insurers and net claims incurred increased in 2005 by 9.9% to €164.3 billion. Investments by the sector climbed from €1,010 billion to about €1,050 billion.

Life insurers rely on private pension insurance

As a result of the *Alterseinkünftegesetz* (Retirement Income Act), a paradigm change could be observed in the field of life insurance, pension funds and pension investment funds in 2005. New offers and marketing strategies were successful. Old-age provision policies with pension-like payouts have gained importance.

The emphasis was on private annuity insurance supported by tax benefits. While the share of annuity insurance policies in the overall new business of life insurers (excluding pension funds and pension investment funds) amounted to 39.6% in 2004, it increased to 42.1% in 2005. The growth rate of the “Riester” annuity models during that period is impressive: a plus of 280.7%. In view of the tight financial situation of the statutory pension plan, the German public made use of the offer of state subsidies and took out about 1.1 million new Riester insurance policies.

A glance at the overall new business volume of life insurers, pension funds and pension investment funds shows that the sector returned to normality in 2005. After the record year 2004, which saw a boom due to the change in the general tax conditions under the Retirement Income Act, the number and the insured sums of new policies declined in 2005 as expected. On the other hand, annuity insurance policies with single premiums, in particular from maturing endowment insurance policies, increased significantly. This is a clear proof for the trust of the German public in private annuity insurance. However, the new business for insurance policies with regular contributions dropped significantly as expected.

In total, premium income of life insurance companies, pension funds and pension investment funds increased by 6.9% to €75.2 billion. This encouraging development was due to three reasons: Firstly, strong new business at the end of fiscal 2004, which showed its full effects in the course of 2005; secondly, the rising number of single premium contracts and, thirdly, the normalization regarding expiring contracts.

Net interest on investments of life insurance companies stabilized at 5% according to an estimate of the GDV (German Insurance Association).

Trends in life insurance*	2005 € bn	Change year-on-year
Gross premiums written	75.2	+6.9 %
Number of new policies	7.8 million	-39.2 %
Current premiums from new business	15.4	-23.7 %

* GDV figures, life insurers, pension funds and pension investment funds as of March 2006

The high compulsory insurance limit led to a slow down in the private health insurance sector

The plus in premiums for private health insurance of 3.4% has weakened clearly, but is still noticeable. Two opposite trends can be observed: On the one hand, the rising premium income is a proof of the unbroken attractiveness of private health insurance. Before the background of cuts in benefits of statutory health insurance, private provision becomes more and more important for social security. On the other hand, it is becoming increasingly difficult to gain new insurance customers. This is proven by the decline in growth from 6.8% to 3.4% in the year under review. The reason is the compulsory insurance limit, which has been raised greatly since 2003. Result: In 2005, only 109,000 gainfully employed people turned their backs on statutory health insurance and took out private comprehensive health insurance, which was half as much as before.

The main growth driver in private health insurance was the sale of private supplementary insurance. Almost 580,000 citizens decided to obtain supplementary private coverage in addition to the statutory health benefits, mainly for out-patient supplementary insurance including orthodontics.

Trends in health insurance*	2005 € bn	Change year-on-year
Gross premiums written	27.3	+3.4 %
of which comprehensive and supplementary insurance	25.4	+3.4 %
of which private compulsory long-term care insurance	1.9	+3.2 %
Benefit payments	17.4	+4.8 %

*GDV figures as of March 2006

Technical result of the property and accident insurance dropped

In total, property and accident insurers did not see growth in the year under review. The good results of the two previous years could not be achieved again in fiscal 2005. Premium income fell by 0.2% to about €55.3 billion, the level of claims increased slightly after several years of declining figures, the combined ratio deteriorated from 91.2% to 92.5% and technical results reduced by 15% to about €3.7 billion. The situation in motor insurance and industrial property insurance was the main reason for the drop in the results of this insurance class.

Price competition of motor vehicle insurers cut the results in half

The largest individual class, the motor vehicle insurance, saw a decrease in premium revenue of 2.3%. The main reason for declining income in all motor vehicle classes is the intensifying price competition. Insurers lowered their premiums and moved a disproportionately high number of their customers into lower-premium insurance classes. The continuing weak increase in the number of contracts was not able to compensate for these losses in premium revenue. The claims expenditure showed an encouraging development. It fell by 2.3%. Successful restructuring measures in the last few years and the reduced use of vehicles, conditioned by the weak economy, have contributed to this development. As a whole, the motor vehicle class ended the year with a positive technical result, but the technical income was cut in half to about €660 million.

Gross premiums written property and accident insurance*	2005 € bn	Change year-on-year
Total property/casualty	55.3	-0.2 %
Motor	22.0	-2.3 %
General liability	6.8	+3.5 %
Accident	6.0	+0.5 %
Legal protection	3.0	+3.0 %
Non-life	14.1	+0.2 %

*GDV figures as of March 2006

Industrial property insurance suffered losses from large-size claims

Premium revenue in industrial property insurance declined even more than in motor vehicle insurance: by 3.4% to €4.1 billion. Here as well, the main reason is strong price competition. Due to the high number of large-size claims, expenditure showed a strong 19.2% increase to €2.9 billion, causing the technical income to decline by half to about €600 million.

The general property insurance class, which includes commercial, agricultural and private property insurance, saw a plus in revenues of 2%. Claims expenditure declined strongly. Intensive claims management, more and higher retentions, preventive measures and the absence of major natural disasters had a positive effect in this class.

Management Report

Developments on the international direct insurance and reinsurance markets

Despite weaker but nevertheless intense global growth, macroeconomic conditions continued to have a positive effect on the insurance industry. There were signs of an increase in worldwide risks from natural dangers and human activities. The demand for the protection of risks was at an unchanged high level. In the current fiscal year, the rates in property and accident reinsurance stagnated at a still attractive level, the first signs of weakening in conditions being identified in individual cases.

Already 2004 was characterized by a multitude of natural disasters, but 2005 turned out to be the year with the greatest number of losses in the history of reinsurance. The twelve hurricanes and 21 major tropical storms on the Atlantic Ocean broke all damage records. Hurricane "Katrina" caused total insured losses of between US\$ 40 and 60 billion. "Rita" and "Wilma" were two further severe hurricanes leading to losses running into two-digit billion amounts. In Europe, "Erwin", the severest storm since 1999, swept over the north of Great Britain, Scandinavia and the Baltic States and caused considerable damage, in particular in Sweden and Denmark. In the second half of August 2005, the Alpine regions of Austria, Germany and Switzerland were hit by a flood catastrophe resulting in damage running into millions, especially in Switzerland.

The German direct insurance business started to move in the 2005 fiscal year. While, with expectedly good earnings, above-average increases in rates of personal insurance were achieved, the property insurance class saw a decline in premiums. The motor insurance class was characterized by increased competition, and the non-life insurance result was burdened by major claims in the industrial business.

The reinsurance business in **Germany** continued to experience a hard market environment. After the withdrawal of a market participant in 2004, there were no additional business closures in 2005; sufficient capacities were still available.

The direct insurance and reinsurance sectors in **Great Britain and Ireland** faced a stagnation of rates at a high level already in the course of 2004. 2005 saw a decline in the mass business in addition to the first softening tendencies in industrial business. Following the large hurricanes, prices in industrial business stabilized at a still acceptable level. On December 11, 2005, there were three massive explosions in a fuel depot north of London, where about 20 oil tanks were destroyed. According to experts, this has been the largest fire damage of this type in Great Britain and the European continent to date, which also affected an adjoining industrial region and several residential buildings.

Despite the increased number of major claims, **France** experienced a decline in damage frequencies in 2005, both in the motor vehicle liability business and in private fire insurance. This led to moderate rate increases in the private fire insurance business and slight declines in the motor business. The reinsurance market was characterized by drastic rate rises in motor insurance, resulting in a wave of increases of retentions of direct insurers. In the field of natural disaster coverage, however, moderate price reductions could be observed again.

The **Italian** direct insurance and reinsurance markets still experienced a stable environment. Minor local hail events did not influence the overall situation. As in the previous years, concentration through mergers and acquisitions of companies continued in 2005.

The **Northern European** market saw a slight recovery in 2005. New companies were able to establish themselves, and a few market participants modified their orientation in order to strengthen their market position and to improve earnings. The situation in the marine sector, which is very important for this market, continued to be difficult and was characterized by hard competition worldwide. In January, hurricane „Erwin“ led to considerable burdens on direct insurers and reinsurers, in particular in Sweden and Denmark.

In **Eastern Europe** the economic development continued to be positive. The direct insurance and reinsurance markets were characterized by above-average growth. The expansion wave of major Austrian companies in this region was unbroken, and the market saw further acquisitions and business establishments.

All previous damage records were broken on the **US-American** reinsurance market in 2005 due to the worst hurricane season since the 1930s. The severest damage from one single event was caused in August by "Katrina".

In the direct insurance market, the influence of the four major storms in 2004 (Charly, Frances, Ivan, Jeanne) was not strong enough to relieve pressure on the original rates. A further price slump could be identified in the commercial sector in particular.

After the serious crisis in recent years, **Latin America** showed the highest growth of the last 10 years at 5.8%. This development had a positive influence in 2005 on the major insurance markets of this region. Latin America continues to have sufficient capacity. Property insurance, in particular, saw strong competition both on the direct insurance and the reinsurance front.

The premium levels in the property and casualty business in the **Asian** direct business market declined slightly as a whole. Exceptions were China and India, which were characterized by strong growth. However, established markets like South Korea, Taiwan and Singapore recorded a slight softening in prices and conditions. The emerging markets such as Malaysia, Indonesia, Thailand and the Philippines were subject to intense competition with partially drastic effects on the rates.

In addition to this development, the Asian market was hit by several extraordinary major claims in 2005. The flood damage in Bombay led to an all-time high insurance claim in India. At the same time, the Taiwan market was affected by the fire damage of "Advanced Semiconductor".

The reinsurance market continued to be characterized by intense competition and excess capacities. The burdens resulting from the Tsunami at the end of December 2004 did not result in significant changes in prices.

In 2005, the **Japanese** non-life insurance market could benefit from both the absence of major natural disasters and improved prospects for the Japanese economy. The development of the Japanese capital market also had a positive impact on capitalization and earnings of the insurance sector.

Claims burdens resulting from the typhoons in the previous year led to rate increases in the reinsurance market for storm disasters, while the prices for earthquake risks remained largely stable.

In the reinsurance market in **Australia** and **New Zealand**, prices and conditions continued to remain stable in 2005. The rates in the highly competitive industrial property business had eased in 2004 in the Australian direct insurance market. This trend continued initially in 2005, but stabilized in the course of the year. Apart from minor hail damage, no disasters occurred in 2005. The direct insurance rates stabilized in New Zealand as well, and the absence of natural disasters had a positive impact of the results of companies.

On the **African** continent, South Africa is by far the most important insurance market. After substantial problems in previous years, most direct insurers were able to record technical profits since 2003. This development also had a positive impact on reinsurance.

Business development and position of the Company

R+V Versicherung AG is the ultimate parent company of the R+V Group. It holds direct and indirect majority interests in the R+V Group's direct insurance companies. The R+V Group Management Report elaborates in greater detail on the business conducted by these direct insurance companies.

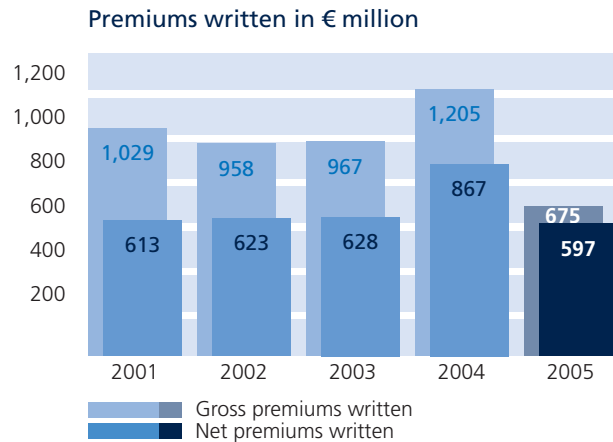
R+V Versicherung AG also acts as the reinsurer for the direct insurance companies belonging to the R+V Group. In addition, it operates independently on the international reinsurance market. The reinsurance business is conducted primarily from the Wiesbaden head office. The Group's interests in Southeast Asia are managed by the branch office in Singapore, which was established in 1997.

Reporting of the third-party property and casualty insurance business

In view of the conversion to International Financial Reporting Standards (IFRS), the deferral of third-party property and casualty insurance was discontinued in the previous year. The technical revenues reported in the 2004 financial report for this segment therefore contain the years 2003 and 2004, while only the revenues of the fiscal year were included in the year under review (method: see table below).

Reporting of technical revenues		
	Method Balance sheet 2004 Settlement year	Method Balance sheet 2005 Settlement year
Group business	2004	2005
Third-party business		
Life	2004	2005
Property/casualty	2003 + 2004	2005
Singapore branch office	2004	2005

Therefore, the previous year values can be compared to those of the year under review to a limited degree only under commercial aspects.



Premium income

Due to the discontinuance of the deferral of third-party property and casualty business in the previous year, R+V Versicherung AG's gross premium income fell in the year under review by 44.0% to €674.8 million. After adjustment for exchange rate effects, premium income reduced by 45.4% to €658.2 million.

Increases in the retentions and restructuring in the portfolio of direct insurers within the R+V Group resulted in premiums in the group business being reduced in the life, general liability, fire, comprehensive homeowners, storm, marine, bonds and livestock classes. The premium figures in the third-party business cannot be compared to previous year values due to the accounting effects described above.

The main contributors to the premium volume were the traditional reinsurance markets of Italy, Spain, France, Austria, Great Britain and North America along with the Singapore branch.

The total net premium volume reduced year-on-year by €269.7 million to €596.8 million. Retention rose to 88.4% (previous year: 71.9%).

The following table provides a breakdown of the Company's premium income by key insurance classes:

	2005 Gross €m	2004 Gross €m	Change Gross %	2005 Net €m	2004 Net €m	Change Net %
Life	151.7	345.8	-56.1	99.5	108.3	-8.2
Accident	36.7	43.0	-14.6	36.3	39.3	-7.6
Liability	39.0	52.8	-26.2	36.5	47.5	-23.1
Motor	116.2	133.0	-12.6	115.0	125.7	-8.5
Fire	156.6	280.6	-44.2	142.2	238.8	-40.5
Other property	92.8	153.8	-39.7	90.9	131.2	-30.7
Marine and aviation	41.3	105.2	-60.7	41.5	100.8	-58.9
Others	40.5	90.9	-55.4	34.9	75.0	-53.4
Total	674.8	1.205.1	-44.0	596.8	866.6	-31.1

Without the effect of the discontinuance of deferred accounting, the gross premiums of non-life business fell by €21.7 million to €162.2 million in Germany and rose by €34.6 million to €360.9 million abroad.

After retrocessions, the domestic and foreign businesses saw increases in premiums. Domestic net premiums increased by €10.9 million to €152.0 million and foreign net premiums by €44.8 million to €345.3 million.

Mainly due to the discontinuance of underwriting active life reinsurance business in 2004, the gross premiums declined in the life insurance class both gross and net. While the domestic premium volume fell by €57.4 million gross to €145.8 million and by €6.1 million net to €88.5 million, the foreign business reduced by €136.8 million gross to €5.9 million and by €2.7 million net to €11.0 million.

In total, premium volumes in Germany and abroad developed in line with each other. Domestic gross premium volume reduced by €79.1 million to €308.0 million, and foreign gross premium volume by €102.2 million to €366.8 million. The net premiums, however, saw increases. The domestic business grew by €4.8 million to €240.5 million, and the foreign business increased by €42.1 million to €356.3 million.

The tables on pages 12 and 13 show the development of premiums in the significant insurance sectors of settlement years 2004 and 2005.

The following explanations only comment on the premium development from 2004 to 2005.

Gross premiums written	Settlement year 2005 €m			Settlement year 2004 €m		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Accident	25.3	11.4	36.7	24.2	16.8	41.0
Liability	28.6	10.4	39.0	30.9	7.2	38.1
Motor	74.7	41.5	116.2	68.6	27.8	96.4
Fire	15.9	140.7	156.6	21.1	128.9	150.0
Other property	4.4	88.4	92.8	13.6	71.8	85.4
Marine and aviation	8.7	32.6	41.3	12.8	37.3	50.1
Others	4.6	35.9	40.5	12.7	36.5	49.2
Subtotal	162.2	360.9	523.1	183.9	326.3	510.2
Life	145.8	5.9	151.7	203.2	142.7	345.9
Total	308.0	366.8	674.8	387.1	469.0	856.1

Technical result

Despite natural disasters, strict underwriting policies led to a positive earnings situation

In recent years, prices and reinsurance conditions experienced extremely sharp corrections in some cases, allowing a largely adequate premium level to be achieved on the market. Starting from the constant price level in 2004, the first signs of price reductions were seen in 2005. Business outlook in the property and casualty insurance business started to deteriorate slightly after the good results of the two previous years. The difficult macroeconomic environment, the high degree of market penetration and the intense price competition influenced revenues.

The large number of natural disasters and major claims worldwide in the year under review led to an increase in the gross claims expenses to 72.6% (previous year: 66.0%) for the non-life classes. The net loss ratio after retrocessions amounted to 72.5% (previous year: 73.3%). The gross expense ratio increased to 29.6% (previous year: 28.2%) and the net expense ratio increased to 30.1% (previous year: 29.6%).

After the loss in motor insurance had reduced in the previous years, portfolio adjustments led to a positive result in the year under review. This result was largely due to the clear improvement of earnings in the motor vehicle liability class. The comprehensive motor vehicle insurance segment closed the year with a profit, which was below the previous year's results.

Liability business closed the year under review with an increased deficit, after recording a slight loss in the previous year.

The casualty insurance business recorded profits in the year under review following a loss in the previous year.

Despite increased claims expenses due to natural disasters and major claims events, the fire insurance business closed in the year under review with a profit above the previous year's level.

Following a clear increase in premium levels in aviation insurance in the wake of the events of September 11, 2001, the rates showed a declining trend in the two subsequent years, which continued in the year under review to a weaker extent. After substantial profits were achieved in the two previous years, the year under review closed with a minor surplus due to declining rates and portfolio restructuring.

Net premiums written	Settlement year 2005 €m			Settlement year 2004 €m		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Accident	25.0	11.3	36.3	24.0	15.6	39.6
Liability	26.1	10.4	36.5	28.0	6.1	34.1
Motor	74.2	40.8	115.0	65.6	25.5	91.1
Fire	13.4	128.8	142.2	10.7	115.0	125.7
Other property	3.7	87.2	90.9	-0.4	68.7	68.3
Marine and aviation	8.9	32.6	41.5	11.7	35.8	47.5
Others	0.7	34.2	34.9	1.5	33.8	35.3
Subtotal	152.0	345.3	497.3	141.1	300.5	441.6
Life	88.5	11.0	99.5	94.6	13.7	108.3
Total	240.5	356.3	596.8	235.7	314.2	549.9

The restructuring measures in the portfolio have led to reduced net loss ratios in the marine insurance business. After losses in the previous years, the year under review closed with a profit as a result.

Overall, the other insurance classes recorded losses in the year under review. This was due to the storm, engineering and health insurance classes. Following on the surplus recorded by this segment (Others) in the two previous years, the burdens from natural disasters were mainly responsible for the deficit in the year under review.

The technical surplus recorded in the life insurance class reduced year-on-year.

Overall, the reinsurance business ended the fiscal year with a net profit of €5.7 million (previous year: net loss of €2.4 million) before allocations to the equalization provision and similar provisions.

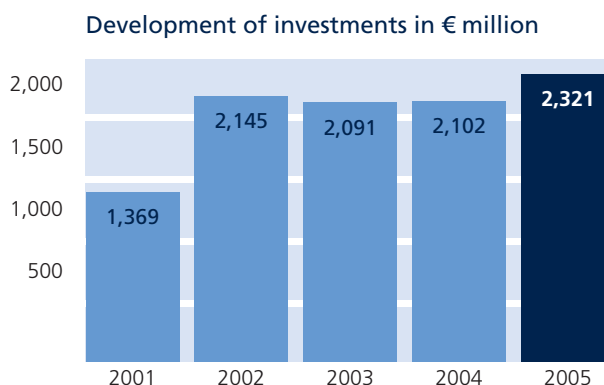
As a result of the development of the net loss ratios in 2005 in the general accident, motor liability, motor vehicle accident, comprehensive motor vehicle, comprehensive home contents, engineering, construction services, livestock, hail/crop, marine, aviation, credit and legal expense insurance classes, allocations were made to the equalization provision in the year under review. Allocations were also made in fire and bonds/construction guarantee insurance, while the claims situation in other classes led to withdrawals. All in all, allocations of €44.4 million were made to the equalization provision and similar provisions (previous year: allocations of €27.6 million).

After allocation to the equalization provision and similar provisions, the net technical loss amounted to €38.7 million (previous year: net technical loss of €30.0 million).

Total non-life business	2003	2004	2005
Reported gross loss ratio	59.6	66.0	72.6
Gross expense ratio	31.5	28.2	29.6
Gross combined ratio	91.1	94.2	102.2

Guarantee funds	2005	2004
	€ million	€ million
Share capital	292.0	292.0
Capital reserves	1,001.4	1,001.4
Revenue reserves	148.5	108.1
Net retained profits	73.1	61.8
Shareholders' equity	1,515.0	1,463.3
Unearned premiums	78.9	82.0
Mathematical reserve	535.3	407.9
Claims outstanding	610.2	564.8
Policyholders' reserves	0.4	0.4
Equalization provision and similar provisions	184.6	140.2
Other insurance reserves	0.2	0.5
Total insurance reserves	1,409.6	1,195.7
Guarantee funds	2,924.6	2,659.0

Based on net premiums written, the guarantee ratio remained at a high level of 490.0% (previous year: 502.6%). The equity ratio contained within this figure amounted to 253.8% (previous year: 276.6%), and the reserve ratio amounted to 236.2% (previous year: 226.0%).



Investment portfolio

The investments of R+V Versicherung AG (excluding deposits with ceding undertakings) increased clearly in the 2005 fiscal year by €219.0 million or 10.4% to €2,320.6 million. Funds available for new investments were used mainly for interest securities. The main item of the investment portfolio continued to be the Company's interests in affiliated companies, which accounted for 62.2% of the entire investment. Due to the balance sheet timing, the Company had high deposits with banks.

In the year under review, the new orientation of R+V Versicherungsgruppe, which had been started in 2002, was continued and capital and result transparency improved further as a result. All service activities of the R+V Group were summarized in the newly established R+V Service Holding GmbH. It is now positioned as the third holding company at the same level as the operative insurance companies R+V Komposit Holding GmbH and R+V Personen Holding GmbH under the parent company R+V Versicherung AG. R+V Service Holding GmbH has taken over the previous services companies of R+V Allgemeine Versicherung AG and of R+V Rechtsschutzversicherung AG.

With respect to the Company's investments in affiliates, the Company sold shares in Assimoco Vita S.p.A. on the one hand and, on the other, acquired stock of R+V Allgemeine Versicherung AG. In addition, the Company took part in capital increases by R+V Luxembourg Lebensversicherung S.A. and Assimoco S.p.A. and Finassimoco S.p.A.

Investment result

The capital investments of the Company (excluding interest on deposits) generated current investment income of €152.3 million. Less ordinary expenses of €4.4 million, the ordinary result amounted to €147.9 million.

Income from write-ups in accordance with section 280 HGB, resulting from an upwards valuation of write-downs of previous fiscal years, amounted to €5.6 million. In addition, the Company generated book gains totaling €4.9 million from the sale of investments in associates.

Non-scheduled write-downs amounted to €0.6 million.

In total, this resulted in an extraordinary income of €9.7 million.

The net profit (excluding interest on deposits) increased by €55.7 million or 54.6% to €157.6 million as compared to €101.9 million in 2004. This corresponds to a net interest rate of 7.1%, which is clearly above the 2004 figure of 4.9%.

The remeasurement reserves for the investments carried at cost amounted to €1,463.8 million. This resulted in a reserve ratio of 63.1% of total investments (previous year: 75.5%).

The development of remeasurement reserves as compared to the previous year resulted from a change in the methods and parameters for measuring the value of investments in companies. This change was carried out in order to comply with the new version of the standard for the implementation of corporate valuations IDW S1, promulgated by the Institut der Wirtschaftsprüfer (IDW) (and the related German Accounting Standard IDW RS HFA 10).

The measurement did not include the reserves for assets carried at their nominal amount such as loans and registered bonds, since these were exempted from the disclosure obligation.

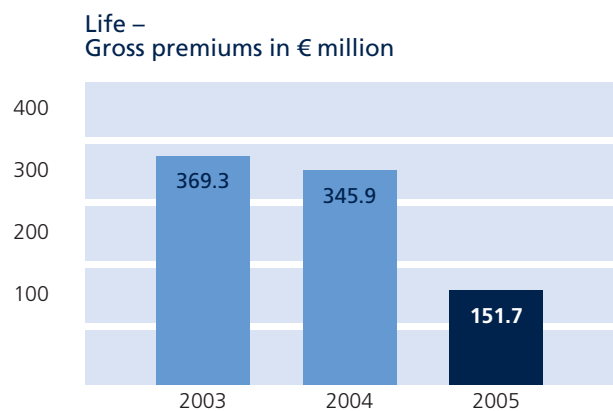
Overall result

Based on the technical loss (€38.7 million), the investment result (€158.6 million) and the net other income and expense (€-7.7 million), R+V Versicherung AG generated earnings before tax of €112.2 million in 2005, compared with €67.1 million in the previous year.

Tax back settlements from the previous years resulted in a tax refund of €1.3 million. Of the net income for the year of €113.5 million (previous year: €62.2 million), €40.5 million was allocated to revenue reserves and €73.1 million reported as net retained profits.

A proposal will be made to the General Meeting to utilize the net retained profits to pay a dividend of €6.50 per no-par value share.

Business developments in the individual insurance classes



Life

The discontinuance of the active life reinsurance business led to declining premium income

The adoption of the "Alterseinkünftegesetz" (Retirement Income Act) had special effects on the life insurance, pension funds and pension investment funds. Due to general tax conditions, many customers brought forward the conclusion of life and pension insurance contracts with capital accumulation components to the 2004 year. As expected, the new business declined in 2005, whereby a trend to contracts featuring long-term retirement provisions can be seen.

The growth in international life insurance markets was due mainly to the emerging countries, especially India and China. The markets in the USA and Japan continued to stagnate. The high quota reinsurance amounts, established at the end of the 1990s in Great Britain and the USA, were viewed critically from 2002 and reduced further in the year under review.

The number of life insurance companies continued to decline. With the last major acquisition at the end of 2005, the three largest companies had a market share of more than 50% worldwide.

R+V Versicherung AG's life insurance portfolio fell by €4.8 billion to a total insured sum of €13.2 billion. This corresponds to a reduction of 26.5%. The net portfolio declined by 27.7% to a total insured sum of €10.4 billion.

Due to the discontinuance of underwriting active life reinsurance business at the end of 2004, premium income declined both in the domestic and the foreign business.

Life insurance recorded a profit of €0.6 million at the end of the fiscal year (previous year: €6.2 million).

In terms of sums insured, the portfolio developed as follows:

		2005 € million	2004 € million
Reinsurance business assumed			
Sum insured	Capital	10,086.4	13,396.7
	Annuity	3,111.4	4,553.5
Business ceded			
Sum insured	Capital	1,725.3	2,362.2
	Annuity	1,061.7	1,179.9
Retained for own account			
Sum insured	Capital	8,361.1	11,034.5
	Annuity	2,049.7	3,373.6

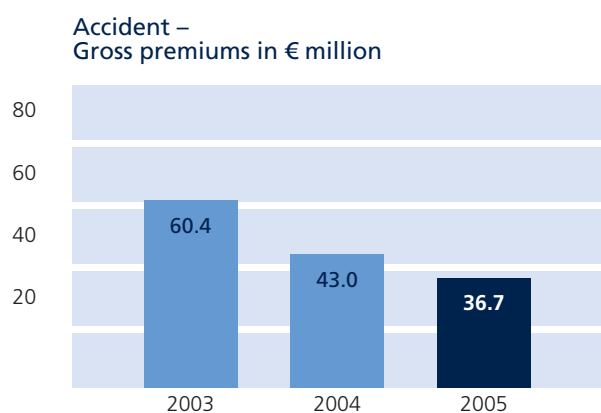
Accident

Declining premium income in the foreign business

	2003	2004	2005
Reported gross loss ratio	54.2	55.5	39.3
Gross expense ratio	46.2	48.7	49.2
Gross combined ratio	100.4	104.2	88.5

Accident insurance remained at the previous year's level in respect of both the gross and the net premium volume from domestic business. While gross income fell by 0.1% to €25.3 million, retained premiums increased by 0.2% to €25.0 million.

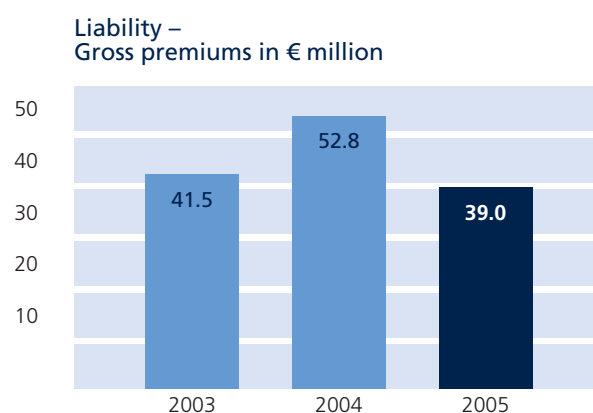
Terminations due to portfolio restructuring led to declining premium income in foreign business both gross and net. Gross premium volume fell from €17.6 million to €11.4 million, while net premiums fell from €14.3 million to €11.3 million.



Overall, gross premium income fell by €6.3 million to €36.7 million, and net premium income by €3.0 million to €36.3 million.

General accident insurance ended the year with a net profit of €4.0 million (previous year: net loss of €3.4 million). After allocations to the equalization provision, this insurance class recorded a loss of €1.4 million (previous year: profit of €5.2 million).

The premium volume from motor vehicle accident insurance reduced year-on-year and was due almost exclusively to domestic business. This class ended the year with a balanced result (previous year: profit of €0.2 million).



Liability

Rising net loss and expense ratios impact earnings

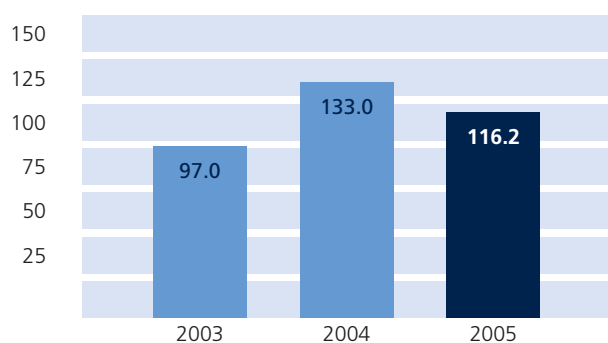
	2003	2004	2005
Reported gross loss ratio	45.4	63.7	99.0
Gross expense ratio	37.6	33.3	34.2
Gross combined ratio	83.0	97.0	133.2

Liability insurance gross premium income declined in both foreign and domestic business. While gross premium volumes of domestic business fell by 22.0% to €28.6 million, foreign business recorded a decline of 35.6% to €10.4 million. Retained premiums in domestic business fell from €33.7 million to €26.1 million and, in foreign business, from €13.8 million to €10.4 million.

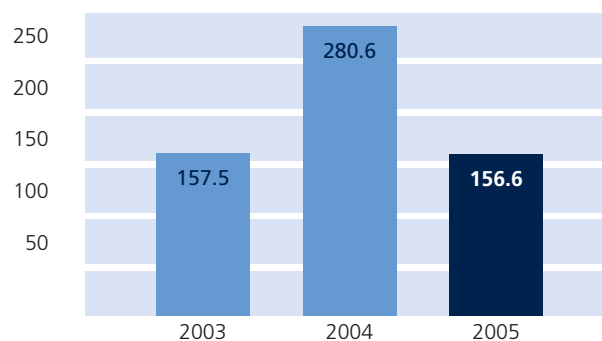
Overall, gross premium volume declined by 26.2% to €39.0 million, and net premium volume by 23.1% to €36.5 million.

The reported net loss ratio rose by 22.2 percentage points to 90.6%, and the net expense ratio by 2.7 percentage points to 34.8%. Taken together, these factors led to a loss of €9.1 million (previous year: loss of €0.3 million). After withdrawal from the equalization provision and similar provisions, the insurance class closed the year with a net technical loss of €3.9 million (previous year: loss of €4.3 million).

**Motor –
Gross premiums in € million**



**Fire –
Gross premiums in € million**



Motor

Improved net loss ratio in motor liability insurance had a positive impact on motor insurance results

	2003	2004	2005
Reported gross loss ratio	74.8	82.3	80.2
Gross expense ratio	17.6	17.1	17.8
Gross combined ratio	92.4	99.4	98.0

Premium volumes in the motor insurance business developed negatively in both gross and net terms. While gross premium volumes from domestic business fell from €79.8 million to €74.7 million, retained premiums reduced from €76.1 million to €74.2 million. Foreign business developed in a similar manner. Gross premium income fell from €53.2 million to €41.5 million, and net premiums fell from €49.6 million to €40.8 million.

Overall, gross premium volume declined from €133.0 million to €116.2 million. Net premiums after retrocessions amounted to €115.0 million, as against €125.7 million in the previous year (-8.5%).

Domestic business performed more or less identically across all the individual classes of motor insurance. The gross premium volume in the motor vehicle liability insurance class fell from €50.1 million to €46.9 million, while the net amount declined from €47.5 million to €46.8 million. Development was similar in the motor vehicle cover class. Gross premium income stood at €27.8 million in the year under review, compared with

€29.7 million in the previous year (-6.5%). Retained premiums amounted to €27.4 million, after €28.6 million in the previous year (-4.3%).

Foreign business also performed similarly. In motor vehicle liability insurance, both gross and net premiums declined. While gross premiums fell by 29.4% to €28.0 million, retained premiums declined from €37.1 million to €27.8 million. In the motor vehicle cover class, gross premiums fell by 0.3% to €13.5 million, and net premiums rose from €12.5 million to €13.0 million.

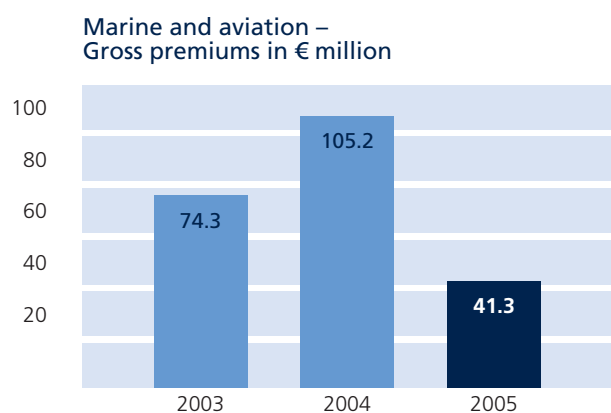
The net technical result in the motor insurance class improved from a loss of €6.9 million in the previous year to a profit of €2.4 million in the year under review. Allocations to the equalization provision resulted in a loss amounting to €8.1 million (previous year: loss of €10.0 million).

Fire

Slightly higher foreign share

	2003	2004	2005
Reported gross loss ratio	66.1	57.6	76.0
Gross expense ratio	30.3	30.9	32.3
Gross combined ratio	96.5	88.4	108.3

Gross premium income from fire insurance performed negatively in the year under review. The premium volume declined by 44.2% to €156.6 million. This development was due predominantly to foreign business.



While premium income from domestic business fell from €38.5 million to €15.9 million, foreign business recorded a decline by €101.4 million to €140.7 million.

After retrocessions, retained premiums from foreign business fell from €216.2 million to €128.8 million, while a premium volume of €13.4 million was retained from domestic business. This corresponded to a reduction of 40.8%. The share of gross premiums written from foreign business amounted to 89.8% (previous year: 86.3%), which is a slight increase as compared to the previous year.

The insurance class ended the fiscal year with a profit of €2.2 million (previous year: profit of €1.7 million). After allocations to the equalization provision, the net technical loss amounted to €1.1 million (previous year: loss of €20.8 million).

Marine and aviation

Falling loss ratios have a positive impact on earnings in marine insurance – declining earnings trend in aviation

	2003	2004	2005
Reported gross loss ratio	83.7	84.1	37.6
Gross expense ratio	21.3	26.1	28.4
Gross combined ratio	105.0	110.2	66.0

In marine insurance, both gross and net premium volumes declined in the year under review. Gross premium income fell by €48.1 million to €26.5 million, with retained premiums declining by €45.6 million to €26.5 million.

In domestic business, gross premiums fell by €9.7 million to €6.9 million, while net premiums written fell by €8.5 million to €7.0 million.

Gross and net premiums from foreign business developed in line with each other. Gross premium volumes declined by 66.2% to €19.6 million, and net premiums by 65.6% to €19.5 million.

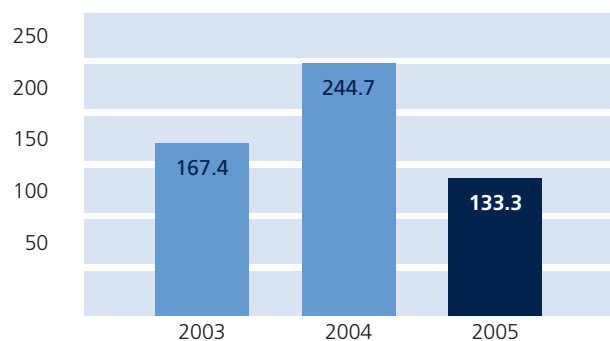
As a result of a clearly improved net loss ratio, the insurance class closed the year with a profit of €11.6 million (previous year: loss of €16.9 million). Allocations to the equalization provision led to a net loss of €4.2 million (previous year: net loss of €16.9 million).

Gross premium income from aviation insurance declined in the year under review. Premium volumes reduced by €15.8 million to €14.9 million. In line with the development of the premium volumes, retained premiums fell by €13.7 million to €15.0 million. This decline was generated mainly by foreign business. In this segment, the gross premium volume fell by €14.3 million to €13.1 million, while the net premium volume fell by €12.8 million to €13.2 million.

The gross volume from domestic business declined by €1.5 million to €1.8 million, and the net volume by €1.0 million to €1.8 million.

At the end of the fiscal year, this insurance class posted a profit of €0.1 million (previous year: profit of €4.5 million). The allocations to the equalization provision led to a loss of €2.6 million (previous year: profit of €0.3 million).

Other classes –
Gross premiums in € million



Other insurance classes

Increased loss ratios impacted earnings

	2003	2004	2005
Reported gross loss ratio	39.4	61.0	74.5
Gross expense ratio	38.9	27.8	29.9
Gross combined ratio	78.3	88.9	104.4

Premium volumes in the other insurance classes saw a declining development in both gross and net terms. Gross premium income fell by 45.5% to €133.3 million, and retained premiums dropped by 39.0% to €125.9 million.

Gross premium income from domestic business fell by €24.1 million to €9.0 million, while retained premiums declined by €2.9 million to €4.5 million.

Foreign business developed similarly. Gross premium income fell by €87.2 million to €124.3 million, while net premiums declined by €77.4 million to €121.4 million.

Key contributions to the premium volume came from the storm, credit and bonds, hail/crop, engineering and burglary and theft insurance classes.

Loss ratio trends were varied as against the previous year. While there were improvements in the reported net loss ratios for comprehensive home contents, comprehensive homeowners, credit and bonds as well as hail/crop insurance, the opposite was true for the burglary and theft, storm, engineering and health insurance classes.

Profits were generated in comprehensive home contents, hail/crop, livestock as well as credit and bonds insurance, while technical losses were recorded in the comprehensive homeowners, burglary and theft, storm, engineering and health insurance classes.

Overall, the other insurance classes generated a net loss of €6.1 million in the year under review (previous year: net profit of €12.5 million). Following allocations to the equalization provision, the loss increased to €18.0 million (previous year: profit of €10.2 million).

Staff numbers

As of December 31, 2005, the number of people employed in comparison to the previous year was as follows:

	2005	2004
Total number of employees	270	251
of whom		
Full-time	243	223
Part-time	24	23
Employees with fixed-term contracts	3	5

261 people were employed at the head office in Wiesbaden (previous year: 242) and nine people were employed at the branch office in Singapore, as in the previous year.

Contractual relations within the R+V Group

Members of the Boards of Management of a number of R+V Group companies also hold similar positions at other R+V Group companies.

R+V Group companies have concluded service agreements within the Group. In line with these agreements, certain intragroup services are performed by one of the following companies – R+V Versicherung AG, R+V Allgemeine Versicherung AG, R+V Lebensversicherung AG, KRAVAG-LOGISTIC Versicherungs-Aktiengesellschaft or R+V Service Center GmbH (formerly Rhein-Main Assistance GmbH) - in each case. The services performed for the other companies primarily extend to the following areas: sales, investments, asset management, accounting, premium collection, financial control, legal, auditing, communications, personnel management, general administration and IT. The companies receiving these services are billed after these have been provided; they have rights of instruction and control over the outsourced areas.

In addition, the companies of the R+V Group have concluded an agreement on central cash management and a central financial clearing system.

Shareholder structure

As of the balance sheet date, shares in R+V Versicherung AG were held directly or indirectly by the following shareholders:

- DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt/Main
- WGZ-Bank AG Westdeutsche Genossenschafts-Zentralbank AG, Düsseldorf
- Bayerische Raiffeisen Beteiligungs-AG, Beilngries
- Beteiligungs-AG der Bayerischen Volksbanken, Pöcking
- Norddeutsche Genossenschaftliche Beteiligungs-AG, Hanover
- DZ PB-Beteiligungsgesellschaft mbH, Frankfurt/Main
- KRAVAG-SACH Versicherung des Deutschen Kraftverkehrs VaG, Hamburg
- BAG Bankaktiengesellschaft, Hamm
- 821 branches of Volksbank and Raiffeisenbank throughout Germany
- 7 interests in free float

Dependent company report

In the dependent company report in accordance with section 312 of the Aktiengesetz (AktG – German Public Companies Act), the Board of Management declared that, according to the circumstances known to it at the time the transactions mentioned in the report were performed, the Company received adequate consideration for each transaction, and that it did not take or fail to take any other measures subject to disclosure.

Risks of future development

Risk management process

In line with the Gesetz zur Kontrolle und Transparenz im Unternehmensbereich (KonTraG - German Act on Control and Transparency in Business), risk management covers all systematic measures involved in recognizing, evaluating and controlling risks.

A risk management process, implemented across all companies, lays down the rules to be observed when dealing with risks and forms the basis for a centralized early-warning system. Based on binding indicators and threshold values, an updated index rating in the database for all of the R+V Group's major risks is carried out every quarter. In the event that a specific index value is exceeded, obligatory measures are instituted and the individuals responsible for them appointed.

The regular risk conference and central risk reporting to the Board of Management guarantee that risks to future development are identified, analyzed and controlled in a timely manner. In exceptional cases where changes to risks represent a threat to the Group's continued existence, reports will be made to the member of the Board of Management responsible and the coordinator of the risk conference on an ad hoc basis.

The risks monitored in the risk management process are technical risks, default risks relating to receivables from the insurance business, investment risks, operating risks, and global strategic risks.

Technical risks

The main technical risks for a reinsurer lie in an unbalanced portfolio, inappropriate liability for catastrophic loss and fundamental changes in the basis trends on the main markets.

R+V Versicherung AG counters these risks by continuously tracking the markets. Particular importance is attached to maintaining a balanced portfolio - in terms of both territorial diversification across the world and different classes of insurance.

Risks are assumed within prescribed underwriting boundaries that limit liability for both individual and cumulative losses. The level and frequency of possible impacts from catastrophic losses are documented and tracked on an ongoing basis using established industry software, supplemented by additional verification by the Company itself. Liabilities assumed, particularly in the area of cumulative losses, are reinsured on national and international reinsurance markets with companies with first-class credit ratings. Technical provisions are maintained at appropriate levels. Based on net premiums written, the Company has a high guarantee funds ratio and a high equity ratio.

Owing to its strong capitalization, high reserves and adequate equalization provisions, the Company will be able to increase its retained premiums in several insurance classes in 2006.

The development of losses in 2005 was characterized by an increase of natural disasters as against the previous year. The resulting claim burdens were duly taken into account in the financial statements and had no significant impact on results.

Default risks relating to receivables from the insurance business

The default risk relating to billed reinsurance receivables from cedents and retrocessionaries is limited by monitoring the Standard & Poor's ratings on a regular basis.

Investment risks

In order to create "insurance coverage" products, insurance companies expose themselves to market price, credit and liquidity risks as part of their investment activities. R+V Versicherung AG counters these risks by observing the basic principle of achieving the greatest possible security and profitability while maintaining the liquidity of the insurance company at all times. In particular, its investment policy aims to minimize risks by maintaining an appropriate mix and diversification of investments.

R+V Versicherung AG ensures that it adheres to the Anlageverordnung (AnlV – Regulation on the Investment of the Committed Assets of Insurance Undertakings [Investment Regulation]) and the resulting regulatory investment principles and requirements by providing qualified investment management, appropriate internal investment guidelines and controls, a farsighted investment policy and other organizational measures.

Derivative financial instruments, structured products and asset-backed securities are only used in accordance with the regulatory requirements. Their use is explicitly regulated by internal guidelines. These include volume and counter-party limits, in particular.

Extensive, timely reporting ensures that the various risks are regularly monitored and presented transparently.

Assuming that the capital market situation at the end of 2005 continues through to December 31, 2006, and that the methods adopted in 2005 to calculate lasting impairments are retained, the Company expects investment income to make a positive contribution to the net income for the period.

At an organizational level, R+V Versicherung AG counters investment risks by ensuring the strict functional separation of trading, settlement and financial control.

Investment risks comprise:

- Market risk: the risk of incurring losses due to unfavorable changes in market prices or price-influencing factors such as changes in interest rates, share prices or exchange rates.
- Credit risk: the risk of sustaining losses or being unable to realize profits due to the default of an issuer or counterparty.
- Liquidity risk: the risk of being unable to always meet payment obligations – particularly from insurance policies – due to untimely liquidity in- and outflows.

Market risk

Scenario analyses were performed to measure possible market risks in R+V Versicherung AG's investments, using the following assumptions: For directly held shares and shares held via funds, the effect of a 20 per cent price change on the present value of these items was simulated.

For fixed-income securities, registered bonds, notes receivable and loans, the effects on the fair value of these securities and loans of a shift in the yield curve by one per cent upwards or downwards were calculated.

In addition, a duration analysis is performed regularly for the fixed-income securities and loans portfolio.

Credit risk

The Company's investment behavior is directed at avoiding risk concentration in the portfolio and at minimizing risk through broad investment diversification. In addition, a majority of the fixed-income securities and loans – such as government bonds or mortgage bonds – are issued by the state, by public sector institutes, or by banks with excellent ratings.

More than 96% of these investments in fixed-income securities are rated by Standard & Poor's as A or higher, and more than 82% are rated as AA or higher.

Liquidity risk

R+V Versicherung AG's liquidity risk is centrally managed. This process includes all payment flows from technical business, investments and general administration.

Currency risk

As far as possible, liabilities in foreign currencies arising from reinsurance business are matched with investments in these foreign currencies. This allows exchange rate gains and losses to be largely offset.

Operating risks

Operating risks are risks from general business activities. They arise as a result of human behavior, technical faults, weaknesses in process or project management, or external influences.

Risk provisioning using the internal control system

The main instrument used by the R+V Group to limit operating risks is its internal control system.

The Group protects against the risk of errors and fraudulent activities in its administration through regulations and controls in force in its specialist departments and by reviewing the application and effectiveness of the internal control systems in Group audits. As far as possible, payment flows and undertakings are handled by computer. Additional security is provided by predefined powers of attorney and authorization rules stored in the user profiles, as well as electronic submissions for release made by the stored random generator. Depending on the risk, manual processing is conducted according to the dual control principle.

The internal monitoring of the regulations governing the risk management system, particularly with regard to their effectiveness, is reviewed by the Group audit department. The implementation of the resulting measures is monitored by the Group audit unit as part of the follow-up.

Provision for IT risks

In the IT area, the security of programs and data and the ability to ensure business continuity is guaranteed by comprehensive access controls and safety precautions. A particular risk would be the partial or complete failure of the IT systems. The R+V Group has made provisions against this by establishing two separate data centers, each with special access protection, sensitive fire protection measures and a secure power supply based on emergency power generators. A defined restart procedure to be used in the event of a disaster is tested for its effectiveness in exercises on a regular basis. Data is stored in different R+V buildings in high security areas as well as at additional external locations. The telecoms infrastructure has been designed with a high level of redundancy, both internally within the buildings and with regard to external network access.

Quality assurance for the IT systems is provided by way of established problem and change management processes. All events of relevance to services are recorded and tracked in accordance with their significance. Current topics are dealt with in daily conferences and allocated processing priority. Monthly service control meetings attended by all IT division heads are held to escalate problems and agree and take countermeasures when fixed thresholds for system availability and response times are exceeded.

Risk provisions for major projects and investments

The R+V Group has laid down binding procedures for the planning and implementation of projects and investments. In line with these specifications, an investment committee regularly examines major projects and investments, paying particular attention to events, problems and (counter) measures, as well as adherence to budgets. Necessary changes are implemented immediately. The investment committee also liaises with the risk conference committee.

Summary of the risk situation

The instruments and methods of analysis outlined here show that R+V Versicherung AG has a comprehensive system that satisfies the risk identification and analysis requirements needed for efficient risk management. To date, it has not identified any developments that could have a material adverse effect on the Company's net assets, financial position and the results of operations in the long term.

Significant events and outlook 2006

As reported in the last year, irregularities in the business relationship with a foreign brokerage company led to the extraordinary termination of the existing contracts. The action brought forward by R+V Versicherung AG in the High Court of Justice in London led to the Court confirming on November 18, 2004, that this unilateral termination of the business relationship by R+V Versicherung AG was valid. The verdict is not yet legally binding. Compulsory execution measures were initiated with respect to enforceable cost reimbursement claims of GBP 1 million. The foreign brokerage company is suing R+V Versicherung AG for damages. Lawsuits are pending in various countries. As the actions relate to the same matter in dispute as the case in Great Britain, we expect the action to be dismissed. Reserves were set up for the trial costs in the balance sheet for the year under review.

No significant events after the end of the fiscal year existed.

Positive prospects for R+V Versicherung AG in 2006

R+V Versicherung AG plans to continue its growth process, the emphasis being more on earnings than on growth.

A key factor for the Company's good results are the efficient and motivated employees of R+V.

For continuous further development and improvement, R+V performs employee satisfaction surveys at regular intervals. Strengths and weaknesses are identified in the survey and analyzed. Resulting requirements for further actions are handled in discussion rounds and workshops and implemented in relevant actions in the context of the continuous improvement process. The company, all employees and customers benefit equally from this process.

In 2005, R+V won the InnoWard, the new educational award of the insurance market, for its excellent activities in personnel development. In this way, the Company's systematic further development of personnel and management resources was honored.

No impulses from politics and economy for the insurance business

The insurance sector faces new challenges at both the national and the international level. On the one hand, the current situation on the capital markets, which is characterized by low yields, forces companies to undertake major efforts on the operative side and, on the other, new statutory provisions such as Solvency II and the conversion of accounting policies require a change in risk diversification of the entire sector. However, there are also new markets and new opportunities as a result, such as due to the expansion of the European Union.

Innovative products, systems and solutions of information and communication technology contribute to an improvement of internal processes in enterprises and of communication between enterprise and customer. In this way, insurance companies can increase their efficiency and competitiveness.

Better results expected in technical services

In the non-life reinsurance business, R+V Versicherung AG continued its earnings-oriented underwriting policy. The Company consistently withdrew from contractual relations where the statutory provisions had not been fulfilled. Assuming that no exceptionally large claims occur, R+V expects a further improvement in the third-party business of property and accident insurance in the next year as well.

At the end of 2004, the Company stopped underwriting active third-party life reinsurance business. Accordingly premium volumes will show a declining development. R+V Versicherung AG expects a positive technical result in 2006 in this business sector as well.

Quiet development on the future capital market

Experts expect a more or less quiet year on the capital markets. They assume that interest and share prices will move sideways. Above-average yields as in 2005 cannot be expected in 2006.

The investment policy of R+V Versicherung AG will be oriented on the criteria of security, yield and liquidity in 2006 investment year as well.

In the current capital market environment, the emphasis of the investment strategy will be on secure yield income so as to be able to make a positive contribution to the overall result through adequate interest on technical obligations. R+V will also take on the chances offered on the stock markets and by international diversification. The supervisory provisions are being complied with strictly and the risks controlled tightly.

Before this background we expect a satisfactory annual result for the 2006 fiscal year should no more severe changes in the capital market occur.

Wiesbaden, March 9, 2006

The Board of Management

Appendix to the Management Report

In the year under review, the company was active in the following fields of domestic and foreign reinsurance:

Life

Health

Accident

Liability

Motor

Aviation

Legal

Fire and allied perils

Burglary and theft

Water damage

Glass

Storm

Comprehensive home contents

Comprehensive homeowners

Hail

Livestock

Engineering

Marine

Credit and bonds

Business interruption

Other

Proposal on the Appropriation of Profits

Net retained profits for the fiscal year amount to €73,082,124.	
We propose to the General Meeting that the net retained profits be used as follows:	€
Dividend of €6.50 per no-par value share for 11,242,000 shares	73,073,000
Retained profits brought forward	9,124
	73,082,124

Annual Financial Statements 2005

Balance Sheet as of December 31, 2005*

Assets

				2005	2004
	€	€	€	€	€
A. Unpaid contributions to subscribed capital				–	–
thereof called up: €– (€–)					
B. Intangible assets					
I. Start-up and business expansion costs	–		–		
II. Goodwill			–		–
III. Other intangible assets			195,170		–
				195,170	–
C. Investments					
I. Land, land rights and buildings including buildings on third-party land			2,681,402		2,617,310
II. Investments in affiliated and associated companies					
1. Shares in affiliated companies	1,443,406,452				1,436,318,647
2. Loans to affiliated companies	169,369,220				162,074,788
3. Investments in associates	61,546,263				64,290,871
4. Loans to associates	–	1,674,321,935			–
III. Other financial investments					
1. Shares, investment certificates and other variable-yield securities	107,446,095				85,095,850
2. Bearer bonds and other fixed-income securities	161,955,736				127,366,314
3. Receivables from mortgages, land charges and annuity land charges		–			–
4. Other loans					
a) Registered bonds	168,888,901				129,340,577
b) Notes receivable and loans	101,350,808				70,802,483
c) Loans and advance payments on insurance policies	–				–
d) Miscellaneous loans	5,112,919	275,352,628			5,112,919
5. Deposits with banks		95,336,878			15,036,936
6. Miscellaneous investments		3,551,053	643,642,390		3,550,930
IV. Deposits with ceding undertakings			1,051,575,668		1,106,230,978
				3,372,221,395	3,207,838,603

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

				2005	2004
	€	€	€	€	€
D. Assets held to cover linked liabilities				–	–
E. Debtors					
I. Debtors arising out of direct insurance operations			–		–
II. Debtors arising out of reinsurance operations			77,033,158		154,595,103
thereof:					
affiliated companies					
€5,327,294		(€4,902,438)			
associates					
€–		(€–)			
III. Others debtors			155,635,169		216,145,979
thereof:					
affiliated companies					
€125,107,114		(€109,701,044)			
associates					
€5,348		(€6,159)			
				232,668,327	370,741,082
F. Other assets					
I. Tangible assets and inventories			736,906		471,007
II. Cash with banks, checks and cash on hand			22,717,368		18,239,741
III. Own shares			–		–
Notional value:					
€–		(€–)			
IV. Miscellaneous assets			3,000		772
				23,457,274	18,711,519
G. Prepaid expenses					
I. Accrued interest and rent			12,680,926		10,789,915
II. Other prepaid expenses			2,779,577		7,468,716
				15,460,503	18,258,631
H. Anticipated tax relief for future fiscal years in accordance with section 274 (2) HGB				–	2,635,500
I. Deficit not covered by shareholders' equity				–	–
				3,644,002,669	3,618,185,335

Equity and liabilities

			2005	2004
	€	€	€	€
A. Shareholders' equity:				
I. Subscribed capital		292,000,000		292,000,000
II. Capital reserves		1,001,381,228		1,001,381,228
III. Revenue reserves:				
1. Legal reserve	–			–
2. Reserve for own shares	–			–
3. Statutory reserves	–			–
4. Reserve in accordance with section 58 (2a) AktG	–			–
5. Other revenue reserves	148,508,087	148,508,087		108,058,087
IV. Net retained profits		73,082,124		61,835,165
thereof profits brought forward: €9,124	(€4,165)			
			1,514,971,439	1,463,274,480
B. Participation certificates			–	–
C. Subordinated liabilities			76,693,782	76,693,782
D. Special tax-allowable reserves in accordance with section 6 b EStG			–	–
E. Technical provisions				
I. Unearned premiums				
1. Gross	87,589,658			98,558,893
2. less:				
reinsurance amount	8,697,626	78,892,032		16,576,570
II. Mathematical reserve				
1. Gross	954,232,514			1,018,616,976
2. less:				
reinsurance amount	418,920,503	535,312,011		610,745,492
III. Claims outstanding				
1. Gross	777,771,160			756,140,395
2. less:				
reinsurance amount	167,592,255	610,178,904		191,323,161
IV. Provisions for bonuses and rebates				
1. Gross	389,797			388,600
2. less:				
reinsurance amount	–	389,797		–
V. Equalization provision and similar provisions		184,630,631		140,193,944
VI. Other technical provisions				
1. Gross	255,681			482,148
2. less:				
reinsurance amount	–	255,681		631
			1,409,659,056	1,195,735,102

			2005	2004
	€	€	€	€
F. Technical provisions for linked liabilities			-	-
G. Other provisions				
I. Provisions for pensions and similar obligations		26,200,978		18,970,361
II. Tax provisions		7,482,000		9,407,124
III. Provisions for anticipated tax charges in future fiscal years in accordance with section 274 (1) HGB		-		1,674,585
IV. Other provisions		10,681,206		8,683,093
			44,364,184	38,735,163
H. Deposits received from reinsurers			432,142,295	629,211,223
I. Other liabilities				
I. Creditors arising out of direct insurance operations		-		-
II. Creditors arising out of reinsurance operations		124,200,812		171,784,351
thereof:				
affiliated companies				
€20,484,243	(€22,455,900)			
associates				
€522,315	(€87,615)			
III. Bonds		20,416,319		19,977,505
thereof convertible:				
€-	(€-)			
IV. Liabilities to banks		-		-
V. Other creditors		21,313,761		22,677,054
thereof				
taxes				
€450,751	(€1,096,834)			
social security contributions				
€373,672	(€331,661)			
to				
affiliated companies				
€14,653,983	(€14,709,798)			
associates				
€887,304	(€887,304)			
			165,930,892	214,438,910
K. Deferred income			241,021	96,674
			3,644,002,669	3,618,185,335

Income Statement* for the Period from January 1 to December 31, 2005

	€	€	2005 €	2004 €
I. Technical account				
1. Premiums earned - net:				
a) Gross premiums written	674,780,056			1,205,128,705
b) Reinsurance premiums ceded	77,969,915	596,810,141		338,577,790
c) Change in provision for unearned provisions - gross	13,497,206			-3,955,835
d) Change in provision for unearned premiums - reinsurer's share	7,914,852	5,582,354		12,683,005
			602,392,495	849,912,075
2. Allocated investment return - net			18,964,625	17,102,411
3. Other technical income - net			30,496,042	16,446,022
4. Claims incurred - net				
a) Claims paid				
aa) Gross	485,780,921			784,702,258
bb) Reinsurers' share	90,245,849	395,535,071		189,875,128
b) Change in provision for claims outstanding				
aa) Gross	8,290,765			-29,206,450
bb) Reinsurers' share	-24,369,779	32,660,544		-39,908,261
			428,195,615	605,528,941
5. Change in other technical provisions - net				
a) Mathematical provision - net		-32,114,950		-37,632,260
b) Other technical provisions - net		760,751		-142,966
			-31,354,199	-37,775,227
6. Bonus and rebates - net			653,347	139,708
7. Operating expenses - net				
a) Operating expenses - gross		211,076,499		341,571,126
b) less:				
Reinsurance commissions and profit participations received		26,087,707		100,093,880
			184,988,792	241,477,246
8. Other technical expenses - net			908,493	895,794
9. Subtotal			5,752,717	-2,356,407
10. Change in the equalization provision and similar provisions			-44,436,687	-27,600,272
11. Balance on technical result - net			-38,683,970	-29,956,679

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

				2005	2004
	€	€	€	€	€
II. Non-technical account					
1. Investment income:					
a) Income from investments		2,016,774			1,151,796
thereof:					
from affiliated companies					
€1,174,088	(€1,103)				
b) Miscellaneous investment income					
thereof:					
from affiliated companies					
€7,966,835	(€31,718,456)				
aa) Income from land, land rights and buildings					
including buildings on third-party land	377,671				347,731
bb) Miscellaneous investment income	69,996,290	70,373,961			72,439,799
c) Income from write-ups		5,624,835			41,850
d) Realized gains on investments		4,902,194			4,032,788
e) Income from profit pooling and profit transfer agreements		114,939,085			72,180,498
f) Income from the release of special tax-allowable reserves					
			197,856,848		150,194,462
2. Investment expenses					
a) Investment management expenses, interest expenses and other investment expenses		4,343,760			3,482,573
b) Write-downs on investments		600,609			129,338
c) Realized losses on investments		265,829			–
d) Expenses for losses assumed		–			1,470,026
e) Allocation to special tax-allowable reserves		–			–
			5,210,198		5,081,937
			192,646,650		145,112,525
3. Allocated investment return			–34,059,067		–38,967,092
				158,587,583	106,145,434
4. Other income			27,110,570		24,799,877
5. Other expenses			34,806,277		33,930,801
				–7,695,707	–9,130,924
6. Non-technical result				150,891,875	97,014,509
7. Result from ordinary activities				112,207,905	67,057,830

			2005	2004
	€	€	€	€
8. Extraordinary income		–		–
9. Extraordinary expenses		–		–
10. Extraordinary result			–	–
11. Taxes on income		–1,424,039		4,756,267
thereof reallocation within fiscal entity:				
€–	(€–)			
12. Other taxes		103,985		61,301
thereof reallocation within fiscal entity:				
€–1,032,985	(€–849,999)			
			–1,320,054	4,817,568
13. Income from losses assumed			–	–
14. Profit transferred as a result of profit pooling and profit transfer agreements			–	–
15. Net income for the year			113,527,959	62,240,263
16. Retained profits brought forward from the previous year			4,165	94,902
17. Withdrawals from capital reserves			–	–
18. Withdrawal from revenue reserves				
a) from legal reserve		–		–
b) from reserve for own shares		–		–
c) from statutory reserves		–		–
d) from other reserves		–		–
			–	–
19. Transfer from participation certificates			–	–
20. Appropriations to revenue reserves				
a) to legal reserve		–		–
b) to reserve for own shares		–		–
c) to statutory reserves		–		–
d) to other revenue reserves		40,450,000		500,000
			40,450,000	500,000
21. Transfer to participation certificates			–	–
22. Net retained profits			73,082,124	61,835,165

Notes

Accounting policies

Basis of preparation

The annual financial statements of R+V Versicherung AG for 2005 were prepared in accordance with the provisions of the Handelsgesetzbuch (HGB - German Commercial Code), the Aktiengesetz (AktG - German Public Companies Act) and the provisions of the Versicherungsaufsichtsgesetz (VAG - German Act on Private Insurance Undertaking) as well as the Verordnung über die Rechnungslegung von Versicherungsunternehmen (RechVersV - German Federal Regulations on Insurance Accounting) dated November 8, 1994.

Intangible assets were valued at cost and written down using the straight-line method over the useful life of the assets. Additions and disposals in the fiscal year were written down pro rata.

Land, land rights and buildings including buildings on third party land were carried at acquisition or manufacturing cost less depreciation. Straight-line depreciation was performed using the rate allowed by tax law.

Shares in affiliated companies and associates and other investments were carried at cost. Investments in associates held in foreign currencies were translated using the exchange rate applicable at the time of acquisition.

Loans to affiliated companies were measured according to the length of time they have been held by the Company, in the same way as other **variable-yield securities, bearer bonds and other fixed-income securities, other loans and deposits with banks**. Deposits with banks in foreign currencies were translated using the exchange rate as of the balance sheet date.

Shares, investment certificates and other variable-yield securities as well as bearer bonds and other fixed-income securities were measured in line with the strict principle of the lower of cost or market, to the extent that they were not allocated to fixed assets.

Investment certificates that are allocated to fixed assets in accordance with section 341 b (2) sentence 1 HGB were measured at their current market value as of December 31, 2005, but at the most at cost.

Where the reasons for write-downs charged in the past no longer applied, write-downs on the share price were reversed up to a maximum of the acquisition cost in accordance with section 280 (1) HGB.

The acquisition cost in euros of securities held in foreign currencies was calculated using the price of the security and the exchange rate at the time of acquisition; the book value in euro was calculated on the basis of the price of the security and the exchange rate as of the balance sheet date.

Other loans and deposits with banks were reported at their repayment value, insofar as specific valuation allowances did not have to be performed. Deposits with banks in foreign currencies were translated using the exchange rate as of the balance sheet date.

Premiums and discounts were amortized over the maturity period. The proportion relating to future years was reported as prepaid expenses.

Financial derivatives and structured products were broken down into their individual components and measured using recognized valuation techniques based on the Black-Scholes and Hull-White option pricing models.

Deposits with ceding undertakings and debtors arising out of reinsurance operations were carried at their nominal value. Doubtful debtors were written down directly.

Operating and office equipment was carried at cost and written down using the straight-line method over the useful life. Additions and disposals in the fiscal year were written down pro rata. Low value assets were written off in full in the year of acquisition.

The **remaining assets** are carried at their nominal value. Any necessary valuation allowances were performed and deducted from assets.

Technical provisions (unearned premiums, mathematical provisions, claims outstanding and other technical provisions) were reported in line with information provided by the cedents.

If no information was available, provisions were estimated on the basis of contractual conditions and the course of business to date. We made appropriate increases to a number of our cedents' loss provisions for which we felt, given our experience, that the amounts stated were too low. Correspondingly, appropriate provisions were also made for expected future loss expenses. The reinsurers' share of provisions was calculated in line with the conditions of the reinsurance agreements.

The **equalization provision** and **similar provisions** (nuclear plants, pharmaceutical risks) were calculated in accordance with section 341h HGB in conjunction with sections 29 and 30 RechVersV.

Deposits received from reinsurers and creditors arising out of reinsurance operations were reported at their nominal value.

In line with section 6 a EStG, **provisions for pensions and similar obligations** were calculated using the present value method based on the 2005 G mortality tables published by Prof. Dr. Klaus Heubeck and, in addition, the 1998 mortality tables published by Prof. Dr. Klaus Heubeck, using an interest rate of 6%. The difference resulting from the first-time adoption of the 2005 G mortality tables is distributed over three fiscal years in line with section 6a (4) sentence 2 EStG. For the commercial balance sheet, based on individual values, the maximum amount was recorded, resulting from the provisions allowed by tax law, determined as defined above, and the provisions resulting in line with the mortality tables 2005 G using an interest rate of 6%.

The provision for **early retirement** was recognized in line with the principles laid down in section 6a EStG.

Partial retirement provisions cover both unpaid remuneration and outstanding top-up amounts for salaries and pensions. An actuarial discount was charged on the top-up amounts. The 2005 G mortality tables published by Prof. Dr. Klaus Heubeck were applied when calculating these amounts, using an interest rate of 5.5%.

The **provisions for jubilee benefits** were calculated using the 2005 G mortality tables published by Prof. Dr. Klaus Heubeck, using an interest rate of 5.5%.

The carrying amount of the **other non-technical provisions** is based on projected requirements.

The other liabilities were recognized at the amounts payable on maturity.

Currency translation

All items in foreign currencies were translated into euros.

The items listed under Assets C, Investments I to III and other debtors, other creditors, prepaid expenses and deferred income, and income and expense items relating to these investments were translated using the exchange rate as of the balance sheet date, December 31, 2005. For investments in associates, bearer bonds, other fixed-income securities, shares and deposits with banks, please refer to the notes on these items.

All other items on the balance sheet and in the income statement, including in particular the technical items, were translated using the exchange rate as of November 30, 2005 in order to accelerate the preparation of the annual financial statements.

The strong fluctuations in foreign exchange in the year under review resulted in an overall foreign currency gain.

Foreign currency gains and losses incurred in relation to a single currency were netted against each other.

List of Shareholdings

Shares in affiliated companies

Name and registered office of company	Share of capital in %	Currency	Figures for fiscal year	Shareholders' equity	Result
				€	€
Insurance companies					
Assimoco S.p.A., Segrate	35.4	EUR	2004	63,950,672	2,149,124
Assimoco Vita S.p.A., Segrate	47.0	EUR	2004	51,085,224	2,735,907
KRAVAG-ALLGEMEINE Versicherungs-AG, Hamburg	76.0	EUR	2005	53,585,489	328,084
KRAVAG-LOGISTIC Versicherungs-AG, Hamburg	51.0	EUR	2005	118,216,768	13,069,562
R+V Allgemeine Versicherung AG, Wiesbaden	92.7	EUR	2005	686,920,024	70,706,227
R+V Krankenversicherung AG, Wiesbaden	100.0	EUR	2005	19,985,231	4,500,000
R+V Lebensversicherung AG, Wiesbaden	100.0	EUR	2005	276,150,836	– *
R+V Luxembourg Lebensversicherung S.A., Strassen	100.0	EUR	2005	64,159,972	5,195,838
R+V Pensionsfonds AG, Wiesbaden	51.0	EUR	2005	8,956,689	23,861
R+V Pensionskasse AG, Wiesbaden	100.0	EUR	2004	10,000,000	–
R+V Rechtsschutzversicherung AG, Wiesbaden	100.0	EUR	2005	30,288,615	– *
Service, holding and real estate companies					
BWG Baugesellschaft Württembergischer Genossenschaften mbH, Stuttgart	80.8	EUR	2004	9,926,862	– *
carexpert Kfz-Sachverständigen GmbH, Walluf	65.0	EUR	2004	5,259,150	111,189
compertis Beratungsgesellschaft für betriebliches Vorsorgemanagement mbH, Wiesbaden	51.0	EUR	2004	4,215,179	350,071
GWG Gesellschaft für Wohnungs- und Gewerbebau Baden-Württemberg AG, Stuttgart	89.8	EUR	2005	86,332,704	8,114,863
HANSEATICA Sechzehnte Grundbesitz Investitionsgesellschaft mbH & Co. KG, Berlin	87.1	EUR	2004	31,244,715	–781,189
HGI Immobilien GmbH & Co. GB I KG, Frankfurt am Main	100.0	EUR	2005	34,335,368	2,331,241
HGI Real Estate L.P., London	100.0	GBP	2005	29,098,834	2,204,500
HumanProtect Consulting GmbH, Cologne	100.0	EUR	2004	158,934	40,035
KRAVAG Umweltschutz- und Sicherheitstechnik GmbH, Hamburg	51.0	EUR	2004	86,801	4,692
R+V Allgemeine Beteiligungs-GmbH, Wiesbaden	90.0	EUR	2004	47,275,384	3,594,534
R+V Erste Anlage GmbH, Wiesbaden	92.7	EUR	2004	27,195	902
R+V Erste Anlage GmbH & Co. Verwaltung KG, Wiesbaden	94.1	EUR	2004	42,355,262	9,976,327
R+V Immobilien GmbH, Wiesbaden	100.0	EUR	2005	122,319,232	15,180,648
R+V Immobilien GmbH & Co. KG Grundbesitzverwaltungs-gesellschaft Kaufingerstraße, Wiesbaden	97.1	EUR	2005	24,320,658	1,312,524
R+V Immobilien GmbH & Co. KG Grundstücksverwaltung Hemmingen, Wiesbaden (vormals: HBB Gewerbebau Projekt-gesellschaft Hemmingen mbH & Co. KG, Badendorf)	87.1	EUR	2005	13,021,733	951,843
R+V KOMPOSIT Holding GmbH, Wiesbaden	100.0	EUR	2005	1,554,648,708	– *
R+V Kureck Immobilien GmbH, Wiesbaden	92.7	EUR	2004	67,025	7,339
R+V Kureck Immobilien GmbH & Co. KG Grundstücks-verwaltungsgesellschaft Adolfsberg, Wiesbaden	100.0	EUR	2005	3,585,635	97,602
R+V Kureck Immobilien GmbH & Co. KG Grundstücks-verwaltungsgesellschaft Hochhaus, Wiesbaden	92.7	EUR	2005	5,347,419	628,604
R+V Kureck Immobilien GmbH & Co. KG Grundstücks-verwaltungsgesellschaft Sonnenberger Straße 2/2a, Wiesbaden	92.7	EUR	2005	8,031,464	719,991
R+V Kureck Immobilien GmbH & Co. KG Grundstücks-verwaltungsgesellschaft Sonnenberger Straße 2b, Wiesbaden	100.0	EUR	2005	1,520,479	139,991

Name and registered office of company	Share of capital in %	Currency	Figures for fiscal year	Shareholders' equity	Result
				€	€
R+V Kureck Immobilien GmbH & Co. KG Grundstücks- verwaltungsgesellschaft Taunusstraße 1, Wiesbaden	100.0	EUR	2005	7,443,744	124,703
R+V Kureck Immobilien GmbH & Co. KG Grundstücks- verwaltungsgesellschaft Taunusstraße 3, Wiesbaden	100.0	EUR	2005	4,461,969	371,634
R+V Leben Wohn GmbH & Co. KG, Wiesbaden	100.0	EUR	2005	106,584,972	2,757,972
R+V Personen Holding GmbH, Wiesbaden	100.0	EUR	2005	250,227,254	– *
R+V Real Estate Belgium N.V./S.A., Brussels	100.0	EUR	2004	3,764,000	–926,000
R+V Service Center GmbH, Wiesbaden (vormals: Rhein-Main Assistance GmbH Gesellschaft für Service- und Beistandsleistungen)	100.0	EUR	2004	6,927,954	1,556,990
R+V Service Holding GmbH, Wiesbaden (vormals: KRAVAG- (i)nstitut Gesellschaft für Firmeninhaber mbH, Hamburg)	100.0	EUR	2005	10,083	–40,449
R+V Zweite HG-Beteiligungs GmbH, Wiesbaden	100.0	EUR	2004	5,277,959	811,669
Rhein-Main Beteiligungs-GmbH, Wiesbaden	100.0	EUR	2004	1,140,263	86,476
Sprint Sanierung GmbH, Cologne	100.0	EUR	2004	2,898,538	805,088
UMB Unternehmens - Managementberatungs GmbH, Wiesbaden	100.0	EUR	2004	587,693	236
WBS Wohnwirtschaftliche Baubetreuungs- und Servicegesellschaft mbH, Stuttgart	85.3	EUR	2004	12,950,707	1,184,789

* Profit transfer agreement

Associates

Name and registered office of company	Share of capital in %	Currency	Figures for fiscal year	Shareholders' equity	Result
				€	€
Aareal Italien Fonds GmbH & Co. KG, Wiesbaden	23.1	EUR	2004	132,961,041	3,983,829
Aareal Property Services Germany B.V., Amsterdam	30.0	EUR	2004	1,996,103	1,313,282
Finassimoco S.p.A., Segrate	49.9	EUR	2004	59,443,809	638
PWR Holding GmbH, Munich	33.3	EUR	2004	50,947,105	14,044,334
Seguros Generales Rural, S.A. de Seguros y Reaseguros, Madrid	27.8	EUR	2004	50,156,000	2,333,000
TERTIANUM - Besitzgesellschaft Berlin Passauer Straße 5-7 mbH, Munich	25.0	EUR	2004	39,106,406	–732,902
TERTIANUM - Besitzgesellschaft Konstanz Marktstätte 2-6 und Sigismundstraße 5-9 mbH, Munich	25.0	EUR	2004	57,452,504	–1,128,954
TERTIANUM Management AG für Wohnen und Leben im Dritten Lebensabschnitt i. L., Munich	20.3	EUR	2004	263,240	–194,042
TERTIANUM Seniorenresidenzen Betriebsgesellschaft mbH, Constance	25.0	EUR	2004	2,512,490	2,426,679

Notes to the Balance Sheet

Statement of Changes in Asset Items B. and C. I. to III. in fiscal year 2005

	Values stated for previous year		Additions
	€ thou.	%	€ thou.
B. Intangible assets			
1. Start-up and business expansion costs in accordance with section 269 (1) sentence 1 HGB	–	–	–
2. Goodwill acquired	–	–	–
3. Other intangible assets	–	–	195
Total B.	–	–	195
C. Investments			
C. I. Land, land rights and buildings including buildings on third-party land	2,618	0.1	94
C. II. Investments in affiliated and associated companies			
1. Shares in affiliated companies	1,436,319	68.3	20,103
2. Loans to affiliated companies	162,075	7.7	176,510
3. Investments in associates	64,291	3.1	1,809
4. Loans to associates	–	0.0	–
Total C. II.	1,662,684	79.1	198,422
C. III. Other financial investments			
1. Shares, investment certificates and other variable-yield securities	85,096	4.0	17,439
2. Bearer bonds and other fixed-income securities	127,366	6.1	316,385
3. Receivables from mortgages, land charges and annuity land charges	–	0.0	–
4. Other loans			
a) Registered bonds	129,341	6.2	60,000
b) Notes receivable and loans	70,802	3.4	55,000
c) Loans and advance payments on insurance policies	–	0.0	–
d) Miscellaneous loans	5,113	0.2	–
5. Deposits with banks	15,038	0.7	78,472
6. Miscellaneous investments	3,551	0.2	–
Total C. III.	436,307	20.8	527,296
Total C.	2,101,608	100.0	725,812
Total	2,101,608		726,007

*) thereof currency write-ups: €14,053 thousand

**) thereof currency write-downs: €437 thousand

	Transfers	Disposals	Write-ups*)	Write-downs**)	Values stated for current fiscal year	
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	%
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	195	-
	-	-	-	-	195	-
	-	-	-	31	2,681	0.1
	-	13,016	-	-	1,443,406	62.1
	-	169,350	311	176	169,370	7.3
	-	4,554	-	-	61,546	2.7
	-	-	-	-	-	0.0
	-	186,920	311	176	1,674,322	72.1
	-	721	5,632	-	107,446	4.6
	-	292,872	11,893	816	161,956	7.0
	-	-	-	-	-	0.0
	-	20,452	-	-	168,889	7.3
	-	24,451	-	-	101,351	4.4
	-	-	-	-	-	0.0
	-	-	-	-	5,113	0.2
	-	-	1,842	15	95,337	4.1
	-	-	-	-	3,551	0.2
	-	338,496	19,367	831	643,643	27.7
	-	525,416	19,678	1,038	2,320,646	100.0
	-	525,416	19,678	1,038	2,320,841	

Assets

C. Investments

Present values of investments carried at cost			thereof fixed assets in accordance with section 341 b (2) HGB	
	Book value	Fair value	Book value	Fair value
Type of investment	€	€	€	€
Land	2,681,402	5,002,000	–	–
Fixed-income securities	163,161,018	165,879,223	–	–
Shares, investment certificates and other variable-yield securities	107,446,095	116,755,132	76,702,646	82,690,561
Other investments	1,508,503,768	2,957,964,871	–	–
	1,781,792,284	3,245,601,227	76,702,646	82,690,561

The revaluation reserves of the investments carried at cost, including fixed assets, amount to €1,464 million net or 63.1% of total investments. The reserves for investments carried at their nominal amount were not taken into account.

Generally, present values were calculated on the basis of market prices, or using the net capitalized earnings method pursuant to IDW S1. Land was last appraised in 2005. Where other carrying amounts have been used in individual cases, these correspond with the provisions of section 56 RechVersV.

In line with section 341 b (2) HGB, investments in the amount of €76.7 million were allocated to the fixed assets. This includes a positive revaluation reserve of €6.0 million based on prices as of December 31, 2005.

C. III. Other financial investments

Structure of derivative financial instruments	Nominal value			
	Time to maturity			Total
	< 1 year	1-5 years	> 5 years	
€	€	€	€	
Interest rate	–	25,564,594	25,564,594	51,129,188
Currency	–	15,899,132	–	15,899,132
Equity/index	–	–	–	–
	–	41,463,726	25,564,594	67,028,320

In addition, closed-out swap transactions existed as of the balance sheet date.

Information on derivative financial instruments	Type	Totals	Totals	Totals
		Amount/volume	Book value	Fair value
		€	€	€
Balance sheet items				
Registered bonds	Interest rate swaps ¹⁾	51,129,188	–	4,644,328
Notes receivable and loans	Cross-currency swaps ¹⁾	15,889,132	–	–690,582

¹⁾ Measurement method = zero coupon pricing

G. II. Other prepaid expenses	2005
	€
Premium on investments	2,555,270
Expenses relating to subsequent fiscal years	224,307
As of Dec. 31	2,779,577

Equity and liabilities

A. I. Subscribed capital	2005
	€
Brought forward as of Jan. 1	292,000,000
As of Dec. 31	292,000,000

DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, has informed us in accordance with section 20 (4) AktG that it holds a majority interest in our company.

A. II. Capital reserves	2005
	€
Brought forward as of Jan. 1	1,001,381,228
As of Dec. 31	1,001,381,228

A. III. Revenue reserves	2005
	€
5. Other revenue reserves	
Brought forward as of Jan. 1	108,058,087
Appropriations from net retained profits	40,450,000
As of Dec. 31	148,508,087

K. Deferred income	2005
	€
Discounts on investments	95,820
As of Dec. 31	95,820

Other notes

There are no liabilities with a time to maturity of more than 5 years or liabilities secured by liens or similar rights.

Notes to the Income Statement

I. 1a.) Gross premiums written	2005	2004
	€	€
Property, health and casualty insurance	523,090,848	859,269,306
Life insurance	151,689,208	345,859,400
	674,780,056	1,205,128,705

I. 2. Allocated investment income	2005	2004
	€	€
	18,964,625	17,102,411

This relates to interest from the collateral provided to the previous insurers in the amount of the mathematical provision and the mathematical pension provision. The reinsurers' share of reserves was calculated in line with the conditions of the reinsurance agreements and deducted correspondingly.

I. 4. Claims incurred - net	2005	2004
	€	€
	428,195,615	605,528,941

The settlement of the provision for claims outstanding brought forward from the previous year resulted in a gross loss of €11 million.

II. 2b.) Write-down on investments	2005	2004
	€	€
Regular write-downs	31,025	58,598
Write-downs in line with section 253 (3) HGB	569,583	70,739
	600,609	129,338

Other Information

Supervisory Board

Dr. Christopher Pleister

– Chairman –
President, Bundesverband der Deutschen Volksbanken
und Raiffeisenbanken e.V., Berlin

Ulrich Birkenstock

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

Dr. Dr. h. c. Ulrich Brixner

– Deputy Chairman –
Chairman of the Board of Management DZ BANK AG
Deutsche Zentral-Genossenschaftsbank,
Frankfurt/Main

Dr. Peter Aubin

Chairman of the Board of Management,
Volksbank Göppingen eG, Göppingen

Uwe Brandenburg

Deputy Spokesman of the Board of Management,
Hannoversche Volksbank eG, Hanover
(until April 28, 2005)

Henning Deneke-Jöhrens

Spokesman of the Board of Management, Volksbank eG
Lehrte – Springe – Pattensen – Ronnenberg, Pattensen
(from April 28, 2005)

Andreas Dichtl

Chairman of the Board of Management,
Volksbank Raiffeisenbank Berchtesgadener Land eG,
Bad Reichenhall

Michael Doll

Customer Representative of R+V Service Center GmbH
(formerly Rhein-Main Assistance GmbH), Karlsruhe
(from April 25, 2005)

Peter Frenzel

Senior specialist
R+V Allgemeine Versicherung AG,
Oldenburg branch office
(until April 28, 2005)

Albrecht Hatton

Chairman of the Board of Management,
Volksbank Dessau/Anhalt eG, Dessau

Lothar Heise

District Manager, R+V Lebensversicherung AG,
Hanover branch office
(until April 28, 2005)

Peter Hermann

Printer, R+V Allgemeine Versicherung AG,
Wiesbaden head office
(until April 28, 2005)

Heinz Hilgert

Member of the Board of Management, DZ BANK AG ,
Deutsche Zentral-Genossenschaftsbank,
Frankfurt/Main

Gabriele Kaupp-Stöckl

Member of the Central Works Council, R+V Allgemeine
Versicherung AG, Wiesbaden head office
(from April 25, 2005)

Ralf Lammers

District Manager, R+V Allgemeine Versicherung AG,
Hamburg branch office
(from April 25, 2005)

Karl-Heinz Moll

Member of the Board of Management, Westdeutsche
Genossenschafts-Zentralbank AG, Düsseldorf

Hermann Rohrmeier

Branch Representative,
Southern sales office, R+V Allgemeine Versicherung AG,

Gerd Rück

Director, R+V Versicherung AG, Wiesbaden head office

Armin Schmidt

Deputy District Manager, Vereinte Dienstleistungs-
gewerkschaft ver.di Wiesbaden

Gudrun Schmidt

Head of Department, Vereinte Dienstleistungs-
gewerkschaft ver.di Wiesbaden, Frankfurt/Main

Board of Management

Dr. Jürgen Förterer
Chairman

Dr. Friedrich Caspers
(from 01.01.2006)

Dr. Christoph Lamby

Hans-Christian Marschler

Bernhard Meyer

Rainer Neumann

Rainer Sauerwein

Hans-Dieter Schnorrenberg

Peter Weiler

Personnel expenses	2005
	€
1. Wages and salaries	19,188,989
2. Social security costs	2,541,470
3. Pension costs	2,327,081
4. Total expenses	24,057,541

Total remuneration of the members of the Board of Management in the fiscal year amounted to €1,950,751.

Former members of the Board of Management and their surviving dependents received a total of €564,324.

The provisions for current pensions and pension entitlements for former members of the Board of Management and their surviving dependents amount to €5,104,033.

Expenses for the Supervisory Board amounted to €285,962 in the fiscal year.

No amounts subject to disclosure in accordance with section 285 no. 9 c HGB were paid in the fiscal year.

Number of employees

In fiscal 2005, R+V Versicherung AG employed an average of 270 people (2004: 251), of whom 261 were employed in Germany and 9 at the Singapore branch office.

Contingent liabilities and other financial commitments

Liabilities due to shares in cooperatives amount to €5,000.

A letter of comfort was submitted relating to R+V Pensionskasse.

There are no further contingent liabilities within the meaning of section 251 HGB.

Additional payment obligations

Additional payment obligations exist in the amount of €46,462,500 in relation to shares in affiliated companies and in the amount of €11,888 in relation to shares in German insurance companies.

Consolidated financial statements

R+V Versicherung AG produces subgroup financial statements in accordance with the provisions of sections 290 ff. HGB.

These are filed with the Wiesbaden commercial register under HRB 7934.

The subgroup financial statements of R+V Versicherung AG have been included in the higher-ranking consolidated financial statements of

DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main. These are filed with the Frankfurt am Main commercial register under HRB 45651.

Wiesbaden, March 9, 2006

The Board of Management

Dr. Förterer

Dr. Caspers

Dr. Lamby

Marschler

Meyer

Neumann

Sauerwein

Schnorrenberg

Weiler

Auditor's Report

We have audited the annual financial statements including the accounting and the management report of R+V Versicherung AG, Wiesbaden, for the fiscal year from January 1, 2005 to December 31, 2005. The maintenance of the books and records and the preparation of the annual financial statements and the management report in accordance with the provisions of the HGB (Handelsgesetzbuch – German Commercial Code) and the supplementary provisions of the Articles of Association are the responsibility of the Board of Management of the Company. Our responsibility is to express an opinion on the annual financial statements, including the accounting and the management report, based on our audit.

We conducted our audit of the annual financial statements in accordance with section 317 HGB and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal accounting control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit.

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

Our audit did not give rise to any reservations.

In our opinion, the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. On the whole, the management report provides a suitable understanding of the Company's position and suitably presents the risks of future development.

Frankfurt am Main, March 10, 2006

**KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft**

Henzler
Auditor

Fleischerowitz
Auditor

Report of the Supervisory Board

The Supervisory Board was regularly informed in written and oral reports by the Board of Management on the current position of the Company and particular transactions during fiscal year 2005, and supervised management on the basis of these reports.

The present financial statements for fiscal 2005, the management report, the consolidated financial statements and the consolidated management report for the 2005 fiscal year were examined by the Supervisory Board. The auditor responsible was present during the meeting of the Supervisory Board's audit committee and the meeting of the Supervisory Board, in which the annual financial statements were adopted, and was available to give all additional explanations and opinions required. The emphasis of the Supervisory Board's examinations were on the audit of the early warning system as required by section 91 (2) AktG, audits of technical estimates and an audit of the fair values of investments. No reservations were made in relation to the statements.

The Supervisory Board concurs with the audit opinion of the auditing firm KPMG Deutsche Treuhand-Gesellschaft AG, which was appointed in accordance with section 341k HGB and which issued an unqualified audit opinion.

The Supervisory Board concurs with the proposal of the Board of Management on the appropriation of the net retained profits of R+V Versicherung AG. The annual financial statements for R+V Versicherung AG prepared by the Board of Management and the consolidated financial statements for fiscal 2005 have been approved and hence adopted in accordance with section 172 AktG.

The dependent company report prepared by the Board of Management and the audit report on this prepared by the auditors were submitted to the members of the Supervisory Board and examined.

The auditors issued the following audit opinion on the dependent company report by the Board of management:

"On completion of our audit in accordance with professional standards, we confirm that

1. the factual statements made in the report are correct,
2. the remuneration paid by the Company with respect to the transactions listed in the report was not inappropriately high."

We concur with this opinion and raise no reservations to the closing declarations made by the Board of Management in the dependent company report.

Wiesbaden, March 13, 2006

The Supervisory Board

Dr. Pleister
Chairman

Addresses of R+V Insurance Companies

Head Office

R+V Versicherung AG

Taunusstrasse 1
D-65193 Wiesbaden
Tel. +49 611 533-0
Fax +49 611 533-4500
www.ruv.de
E-Mail: ruv@ruv.de

Foreign Branch Office

R+V Versicherung AG

Reinsurance

Singapore Branch
24 Raffles Place
11-01 Clifford Centre
Singapore 048621
Tel. +65 6533-9010
Fax +65 6533-5589