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DFV Deutsche Familienversicherung AG
IFRS Consolidated Financial Statements 2015

**DFV Deutsche Familienversicherung AG
Frankfurt am Main**

**Consolidated financial statements in accordance
with IFRS as at 31 December 2015**

Audit opinion for financial year 2015

Copy of auditor's report

Note: This pdf copy of the auditor's report for the consolidated financial statements is only a non-binding sample copy. Only the certified copy of the consolidated financial statements prepared and delivered in paper form is authoritative!

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IFRS Consolidated Financial Statements 2015

Auditors' Report

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**DFV Deutsche Familienversicherung AG,
Frankfurt am Main**

IFRS Consolidated Financial Statements 2015

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**Audited Consolidated Financial Statements as of and for the fiscal year
ended December 31, 2015 (Prepared in accordance with IFRS) of
Deutsche Familienversicherung AG**

Consolidated balance sheet

Deutsche Familienversicherung AG, Frankfurt am Main
Balance sheet as of December 31, 2015

EUR	31.12.2015	31.12.2014	01.01.2014
A. Intangible assets			
I. Good will	0	0	0
II. Other intangible assets	9.339.681	8.030.226	5.244.316
Sum A.	9.339.681	8.030.226	5.244.316
B. Investments			
I. Loans	0	0	0
II. Financial investments available for sale	15.627.687	12.815.031	6.208.759
III. Financial investments at fair value through profit or loss	0	0	0
IV. Other investments	0	0	0
Sum B.	15.627.687	12.815.031	6.208.759
C. Receivables			
I. Receivables from direct insurance business			
1. to policyholders	1.559.148	2.337.340	648.071
2. to insurance brokers	337.861	1.006.223	818.967
	1.897.009	3.343.563	1.467.038
3. Other receivables	4.596.667	1.011.865	1.416.888
Sum C.	6.493.676	4.355.428	2.883.926
D. Current accounts at banks	8.544.499	1.736.390	8.541.613

Consolidated balance sheet

Deutsche Familienversicherung AG, Frankfurt am Main
Balance sheet as of December 31, 2015

EUR	31.12.2015	31.12.2014	01.01.2014
E. Share of reinsurers in underwriting provisions			
I. Unearned premiums	1.658.893	463.160	0
II. Actuarial reserves	7.661.926	2.338.730	311.054
III. Reserves for outstanding claims	4.255.873	1.892.490	2.768.705
IV. Other underwriting provisions	13.319	232.611	0
Sum E.	13.590.012	4.926.991	3.079.760
F. Tax refund claims			
I. from actual taxes	0	0	0
II. from deferred taxes	251.794	64.151	0
Sum F.	251.794	64.151	0
G. Other assets	1.581.737	4.515.652	1.612.053
Total assets	55.429.086	36.443.869	27.570.426

Consolidated balance sheet

Deutsche Familienversicherung AG, Frankfurt am Main
Balance sheet as of December 31, 2015

EUR	31.12.2015	31.12.2014	01.01.2014
A. Equity			
I. Authorized capital	34.110.000	32.110.000	32.110.000
II. Capital reserves	3.893.859	3.893.859	3.893.859
III. Retained earnings	-21.897.604	-20.097.502	-21.537.808
IV. Other reserves			
1. Unrealized gains and losses	72.885	268.222	153.331
2. Reserve from currency conversion	0	0	0
Sum IV.	72.885	268.222	153.331
V. Consolidated net income for the year attributable to the shareholders of the parent company	867.964	-1.800.102	1.440.306
Sum A.	17.047.104	14.374.477	16.059.688
B. Gross underwriting provisions			
I. Unearned premiums	5.220.681	3.570.900	2.251.900
II. Actuarial reserves	10.945.607	3.341.041	444.363
III. Reserves for outstanding claims	9.299.590	6.030.850	5.255.256
IV. Other underwriting provisions	775.860	367.321	43.200
Sum B.	26.241.738	13.310.112	7.994.719
C. Other reserves	418.720	599.706	1.063.574
D. Liabilities			
I. Liabilities from direct insurance business			
1. to policyholders	367.671	258.093	22.921
2. to insurance brokers	652.232	2.016.774	364.299
	1.019.904	2.274.868	387.219
3. Other liabilities	9.613.375	4.767.339	1.472.232
Sum D.	10.633.278	7.042.207	1.859.451
E. Tax debt			
I. from actual taxes	71.189	32.304	336.712
II. from deferred taxes	1.017.056	1.085.063	256.283
Sum E.	1.088.245	1.117.367	592.995
Total equity and liabilities	55.429.086	36.443.869	27.570.426

Consolidated statement of comprehensive income

Deutsche Familienversicherung AG, Frankfurt am Main
Statement of comprehensive income 2015

EUR	2015	2014
I. Income statement (through profit or loss)		
1. Written premiums		
a) Gross	63.166.832	49.847.139
b) Share of reinsurers	34.751.243	21.675.714
	28.415.589	28.171.424
2. Change in unearned premiums		
a) Gross	1.649.781	1.319.000
b) Share of reinsurers	1.195.733	463.160
	454.048	855.840
3. Earned net premiums	27.961.542	27.315.584
4. Result from investments	197.781	452.412
of which: result from associated companies	0	0
5. Other income	238.089	617.179
Total income	28.397.411	28.385.175
6. Benefits paid to customers		
a) Gross	37.892.689	24.185.564
b) Share of reinsurers	18.559.867	8.048.601
	19.332.821	16.136.963
7. Expenses for insurance operations		
a) Gross	23.792.085	24.807.903
b) Share of reinsurers	16.071.162	11.934.602
	7.720.923	12.873.301
8. Other expenses	636.280	702.442
Total expenses	27.690.025	29.712.705
9. Operating result	707.386	-1.327.530

Consolidated statement of comprehensive income

Deutsche Familienversicherung AG, Frankfurt am Main
Statement of comprehensive income 2015

EUR	2015	2014
10. Financing expenses	0	0
11. Net income before income taxes	707.386	-1.327.530
12. Income taxes	-160.578	472.572
13. Net result	867.964	-1.800.102
of which attributable to shareholders of the parent company	867.964	-1.800.102
of which attributable to minority interests	0	0
II. Other results (recognized directly in equity)		
14. Unrealized gains and losses from investments	-195.338	114.892
15. Currency conversion	0	0
III. Total result	672.627	-1.685.211
of which attributable to shareholders of the parent company	672.627	-1.685.211
of which attributable to minority interests	0	0

Consolidated statement of changes in equity

Deutsche Familienversicherung AG, Frankfurt am Main

Consolidated statement of changes in equity in TEUR	Subscribed capital	Capital reserves	Retained earnings	Reserve from currency conversion	Reserve unrealized gains and losses	Group equity
As of December 31, 2015	32.110	3.894	-20.098	0	153	16.059
Change in consolidation scope	0	0	0	0	0	0
Gains and losses recognized directly in equity	0	0	0	0	115	115
Consolidated net profit/loss	0	0	-1.800	0	0	-1.800
Total group result	0	0	-1.800	0	115	-1,685
Paid dividends	0	0	0	0	0	0
Capital increase	0	0	0	0	0	0
As of December 31, 2014	32.110	3.894	-21.898	0	268	14.374
Change in consolidation scope	0	0	0	0	0	0
Gains and losses recognized directly in equity	0	0	0	0	-195	-195
Consolidated net profit/loss	0	0	868	0	0	868
Total group result	0	0	868	0	-195	673
Paid dividends	0	0	0	0	0	0
Capital increase	2.000	0	0	0	0	2.000
As of December 31, 2015	34.110	3.894	-21.030	0	73	17.047

Consolidated statement of cash flow

Deutsche Familienversicherung AG, Frankfurt am Main
Cash flow statement

Result for the period before extraordinary	2015 EUR	2014 EUR
1. items	867.964	-1.800.102
2. Change of gross underwriting provisions	4.268.605	3.468.162
3. Change in deposits retained and accounts payable as well as accounts receivable and accounts payable	841.257	3.697.621
4. Change in other receivables and liabilities	611.567	13.633
5. Gains and losses on the disposal of investments	-150.374	-213.473
6. Change in other balance sheet items	2.379.527	-2.546.327
7. Other non-cash expenses and income	1.330.839	909.156
I. Cash flow from operating activities	10.149.385	3.528.670
9. Proceeds from the sale and maturities of other investments	0	5.890.371
10. Payments from the acquisition of other investments	-2.885.521	-12.168.277
11. Other proceeds	-208.358	0
12. Other payments	-2.247.398	-4.055.985
II. Cash flow from investment activities	-5.341.277	-10.333.892
13. Proceeds from additional equity	2.000.000	0
14. Payments to company owners and minority shareholders	0	0
III. Cash flows from financing activities	2.000.000	0
Changes in cash funds	6.808.108	-6.805.222
Cash funds at the beginning of the period	1.736.390	8.541.613
Cash funds at the end of the period	8.544.499	1.736.390

Segment reporting

Deutsche Familienversicherung AG, Frankfurt am Main

	Supplementary health insurance		Damage/ accident	
	2015 EUR	2014 EUR	2015 EUR	2014 EUR
A. Intangible assets				
I. Good will				
II. Other intangible assets	6.820.868,96	5.497.349,96	2.518.812,04	2.532.876,04
Sum A.	6.820.868,96	5.497.349,96	2.518.812,04	2.532.876,04
B. Investments				
I. Loans				
II. Financial investments available for sale	13.293.993,32	9.366.189,70	2.518.694,14	3.633.840,81
III. Financial investments at fair value through profit or loss				
IV. Other investments				
Sum B.	13.293.993,32	9.366.189,70	2.518.694,14	3.633.840,81
C. Receivables				
I. Receivables from direct insurance business				
1. to policyholders	350.125,96	442.921,40	1.209.022,25	1.894.419,06
2. to insurance brokers	261.759,22	726.065,80	76.101,99	280.157,23
	611.885,18	1.168.987,20	1.285.124,24	2.174.576,29
3. Other receivables	3.794.605,23	555.653,06	1.054.894,11	316.368,81
Sum C.	4.406.490,41	1.724.640,26	2.340.018,35	2.490.945,10
D. Share of reinsurers in underwriting provisions				
I. Unearned premiums	132.465,59	–	1.526.427,76	463.160,02
II. Actuarial reserves	7.661.926,16	2.338.729,88	–	–
III. Reserves for outstanding claims	2.047.129,38	1.015.505,97	2.208.743,69	876.984,03
IV. Other underwriting provisions	13.319,00	232.610,83	–	–
Sum D.	9.854.840,13	3.586.846,68	3.735.171,45	1.340.144,05
E. Other segment assets	6.175.510,62	3.721.870,42	3.655.743,41	2.358.324,25
Sum segment assets	40.551.703,44	23.896.897,03	14.768.439,39	12.356.130,24

Segment reporting

Deutsche Familienversicherung AG, Frankfurt am Main

	Other		Consolidation		Total	
	2015 EUR	2014 EUR	2015 EUR	2014 EUR	2015 EUR	2014 EUR
A. Intangible assets						
I. Good will						
II. Other intangible assets	-	-	-	-	9.339.681,00	8.030.226,00
Sum A.	-	-	-	-	9.339.681,00	8.030.226,00
B. Investments						
I. Loans						
II. Financial investments available for sale	-	-	- 185.000,00	- 185.000,00	15.627.687,46	12.815.030,51
III. Financial investments at fair value through profit or loss					-	-
IV. Other investments					-	-
Sum B.			- 185.000,00	- 185.000,00	15.627.687,46	12.815.030,51
I. Receivables from direct insurance business						
1. to policyholders	-	-	-	-	1.559.148,21	2.337.340,46
2. to insurance brokers	-	-	-	-	337.861,21	1.006.223,03
	-	-	-	-	1.897.009,42	3.343.563,49
3. Other receivables	61.767,68	282.404,97	- 314.600,25	- 142.562,22	4.596.666,77	1.011.864,62
Sum C.	61.767,68	282.404,97	- 314.600,25	- 142.562,22	6.493.676,19	4.355.428,11
D. Share of reinsurers in underwriting provisions						
I. Unearned premiums	-	-	-	-	1.658.893,35	463.160,02
II. Actuarial reserves	-	-	-	-	7.661.926,16	2.338.729,88
III. Reserves for outstanding claims	-	-	-	-	4.255.873,07	1.892.490,00
IV. Other underwriting provisions	-	-	-	-	13.319,00	232.610,83
Sum D.	-	-	-	-	13.590.011,58	4.926.990,73
E. Other segment assets	546.775,23	235.999,44	-	-	10.378.029,26	6.316.194,11
Sum segment assets	608.542,91	518.404,41	- 499.600,25	- 327.562,22	55.429.085,49	36.443.869,46

	Supplementary health insurance		Damage/ accident	
	2015 EUR	2014 EUR	2015 EUR	2014 EUR
A. Gross underwriting provisions				
I. Unearned premiums	737.744,17	609.537,02	4.482.936,80	2.961.362,98
II. Actuarial reserves	10.945.607,24	3.341.041,14	–	–
III. Reserves for outstanding claims	4.265.383,40	2.531.751,23	5.034.206,52	3.499.098,68
IV. Other underwriting provisions	24.716,97	348.087,68	751.142,59	19.233,28
Sum A.	15.973.451,78	6.830.417,07	10.268.285,91	6.479.694,94
B. Other reserves	245.366,11	302.939,05	109.729,19	182.706,24
C. Other segment liabilities	9.945.892,67	5.413.932,90	1.748.308,99	2.681.902,36
Sum segment liabilities	26.164.710,56	12.547.289,02	12.126.324,09	9.344.303,54
1. Written premiums from insurance business	39.515.566,97	34.131.204,92	23.651.265,03	15.715.933,85
2. Earned net premiums	19.321.051,70	17.039.096,49	8.640.489,96	10.276.487,54
3. Result from investments	296.987,45	398.560,49	132.814,56	240.376,71
4. Other income	333.206,00	311.099,70	149.011,72	187.628,03
Total income	19.951.245,15	17.748.756,67	8.922.316,24	10.704.492,28
5. Benefits paid to customers	10.995.859,36	7.440.531,92	8.336.962,04	8.696.430,91
6. Expenses for insurance operations	4.992.175,22	10.113.258,53	2.728.748,01	2.760.041,17
7. Other expenses	360.654,29	316.876,34	762.116,55	482.438,71
Total expenses	16.348.688,87	17.870.666,79	11.827.826,60	11.938.910,79
8. Operating result	3.602.556,28	-121.910,11	-2.905.510,36	1.234.418,51
9. Financing expenses	–	–	–	–
10. Net income before income taxes	3.602.556,28	121.910,11	-2.905.510,36	-1.234.418,51
11. Income tax	- 114.679,51	285.867,39	-51.285,36	172.410,12
12. Net result	3.717.235,79	-407.777,50	-2.854.225,00	-1.406.828,64
Interest income	5.260,44	32.677,33	2.352,50	19.708,10
Interest expense	87.641,05	12.954,55	39.193,60	7.813,05
Scheduled depreciation and amortization	853.626,18	530.494,05	381.746,74	319.947,45
Significant non-cash income (+) and expenses (-) *	- 497.510,38	–	- 222.489,62	–

* with the exception of scheduled depreciation and amortization

	Other		Consolidation		Total	
	2015 EUR	2014 EUR	2015 EUR	2014 EUR	2015 EUR	2014 EUR
A. Gross underwriting provisions						
I. Unearned premiums	-	-	-	-	5.220.680,97	3.570.900,00
II. Actuarial reserves	-	-	-	-	10.945.607,24	3.341.041,14
III. Reserves for outstanding claims	-	-	-	-	9.299.589,92	6.030.849,91
IV. Other underwriting provisions	-	-	-	-	775.859,56	367.320,96
Sum A.	-	-	-	-	26.241.737,69	13.310.112,01
B. Other reserves	63.625,00	114.061,00	-	-	418.720,30	599.706,29
C. Other segment liabilities	341.921,86	206.300,75	- 314.600,25	- 142.562,22	11.721.523,27	8.159.573,79
Sum segment liabilities	405.546,86	320.361,75	- 314.600,25	- 142.562,22	38.381.981,26	22.069.392,09
1. Written premiums from insurance business	-	-	-	-	63.166.832,00	49.847.138,77
2. Earned net premiums	-	-	-	-	27.961.541,66	27.315.584,03
3. Result from investments	- 232.021,10	- 186.525,21	-	-	197.780,91	452.411,98
4. Other income	5.140.866,76	6.089.309,66	-5.384.995,63	-5.970.857,97	238.088,85	617.179,42
Total income	4.908.845,66	5.902.784,45	-5.384.995,63	-5.970.857,97	28.397.411,42	28.385.175,43
5. Benefits paid to customers	-	-	-	-	19.332.821,40	16.136.962,83
6. Expenses for insurance operations	-	-	-	-	7.720.923,23	12.873.299,70
7. Other expenses	4.898.505,28	5.873.984,95	-5.384.995,63	-5.970.857,97	636.280,49	702.442,03
Total expenses	4.898.505,28	5.873.984,95	-5.384.995,63	-5.970.857,97	27.690.025,12	29.712.704,56
8. Operating result	10.340,38	28.799,50	-	-	707.386,30	-1.327.529,13
9. Financing expenses	-	-	-	-	-	-
10. Net income before income taxes	10.340,38	28.799,50	-	-	707.386,30	-1.327.529,13
11. Income tax	5.387,00	14.295,00	-	-	- 160.577,87	472.572,52
12. Net result	4.953,38	14.504,50	-	-	867.964,17	-1.800.101,64
Interest income	-	-	-	-	7.612,94	52.385,43
Interest expense	-	-	-	-	126.834,65	20.767,60
Scheduled depreciation and amortization	-	-	-	-	1.235.372,92	850.441,50
Significant non-cash income (+) and expenses (-) *	-	-	-	-	- 720.000,00	-

* with the exception of scheduled depreciation and amortization

Notes to the consolidated financial statements

A.1. Principles of preparation and legal provisions

A.1.1. General information

The consolidated financial statements of DFV Familienversicherung AG were prepared in accordance with the International Financial Reporting Standards (IFRS) pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and Council of July 19, 2002 and Sec. 315e para. 3 German Commercial Code (HGB). It complies with all IFRS and applicable International Accounting Standards (IAS) applicable and valid in the European Union (EU) in fiscal year 2017 and the corresponding interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC) and applicable interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretation Committee (SIC). The new standards that came into force in 2017, amendments to existing standards and interpretations that were not mandatory for the 2017 fiscal year were not applied early. Moreover, as a non-capital market-oriented company, DFV Familienversicherung AG, does not voluntarily apply IAS 33 „Earnings per Share“.

Uniform accounting and valuation methods were applied to the reporting period and the comparative period, unless prospective changes in methods were explicitly permitted for the year under review. The consolidated financial statements were prepared on the going concern assumption. The reporting currency is the EUR. The consolidated financial statements are presented in full EUR; this may result in rounding differences.

Pursuant to IFRS 4.13, IFRS 4 „Insurance Contracts“, which is currently still relevant for insurance companies, permits during a transitional phase, Phase I, to account and assess underwriting items in principle according to the accounting provisions applied prior to the introduction of IFRS. Accordingly, in compliance with IFRS 4.25, DFV Familienversicherung AG applied the national accounting standards applicable to the accounting of insurance contracts under the German Commercial Code (HGB) and other additional accounting standards applicable to insurance companies. Pursuant to IFRS 4 an insurance company has to classify its contracts concluded with policyholders regarding the assumption of underwriting risks and thus with respect to the applicability of IFRS 4.

As part of its own underwriting business, DFV Familienversicherung AG underwrites the following classes and segments of insurance:

A.1.2. Indication of the underwritten classes of insurance

Pursuant to IFRS 4 an insurance company has to classify its contracts concluded with policyholders in regard to the assumption of underwriting risks and thus with respect to the applicability of IFRS 4.

Deutsche Familienversicherung AG underwrites the following classes and segments of insurance:

Damage and accident insurance

- Accident insurance
- Liability insurance
- Legal expense insurance
- Household insurance
- Pet and livestock insurance
- Electronics insurance

Private supplementary health insurance and long-term care insurance

- **Supplementary health insurance, underwritten according to the type of life insurance**
 - Supplementary long-term care insurance
 - State-aided care provision insurance
 - Supplemental insurance for inpatient treatment
 - Daily hospital insurance

- **Supplementary health insurance, underwritten according to the type of damage insurance**
 - Supplemental dental insurance for dentures and tooth preservation
 - Supplemental insurance for outpatient treatment and outpatient prevention
 - Foreign travel health insurance

The insurance contracts concluded by Deutsche Familienversicherung as part of the above-mentioned insurance classes each include the assumption of a significant insurance risk of a policyholder by agreeing to pay compensation or assumption of costs incurred in the event of an uncertain future event which adversely affects the policyholder. These contracts therefore meet the definition of an insurance contract (IFRS 4 Appendix B - Definition of an insurance contract) and must be accounted for in accordance with IFRS 4.

Reinsurers' shares in underwriting provisions are shown separately in the balance sheet pursuant to IFRS 4.14 (d) (i). Reserved amounts of discretionary profit participation are shown under underwriting provisions.

A.1.3. Significant changes to standards and interpretations in the reporting year

Amendment to IAS 12, recognition of deferred tax assets for unrealized losses

The amendments were published on January 19, 2016 and must be applied for the first time in the fiscal year. They consist of clarifying text paragraphs and an additional explanatory example relating to the recognition of deferred tax assets from assets recognized at fair value. The amendments did not result in effects on the accounting in the DFV consolidated financial statements.

Amendments to IAS 7, disclosure initiative

The amendment to IAS 7, Cash flow statements, is part of the IASB's disclosure initiative and requires entities to disclose information that enables users of financial statements to track both cash and non-cash changes in liabilities arising from financing activities. When applying the amendment for the first time, companies are not required to disclose comparative information for previous reporting periods. The provision resulted in slightly expanded disclosures in the notes for the DFV Group. A reconciliation of group liabilities was, for example, inserted in the notes to the consolidated financial statements, subdivided into cash and non-cash changes in cash flow from financing activities. Moreover, one-line item was redesignated in the cash flow statement (proceeds and payments from financial liabilities).

Improvements compared to IFRS (2014–2016)

The improvements to IFRS 2014-2016 represent a collective standard that was published in December 2016. The changes are not relevant for the DFV Group.

A.1.4. Significant new IFRS standards to be applied by DFV in coming accounting periods

IFRS 9 and IFRS 17 (IFRS 9, Financial Instruments (endorsed by the EU Commission on November 22, 2016))

The IASB completed its project to replace IAS 39 Financial Instruments: Recognition and measurement in July 2014 with the publication of the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 contains in particular the following fundamentally revised areas of regulation:

Classification and measurement of financial instruments:

The regulations for classification and measurement of financial instruments were revised for financial assets. For financial liabilities, the regulations of IAS 39 were adopted almost exclusively. The classification and valuation of these instruments is decided based on the business model according to which the portfolio is managed. The models „Hold to generate contractual cash flows“, „Hold and sell“ and „Other“ are provided for this purpose. Another criterion for assessing classification and measurement is the evaluation of contractual cash flows. If the cash return consists exclusively of interest and repayments and if the business model „Hold to generate contractual cash flows“ exists, the instrument is generally measured at amortized cost unless the fair value option is exercised.

If the above requirements are not met, an instrument generally has to be measured at fair value; the categories „fair value through profit and loss“ and „fair value through OCI“ are available for this purpose, depending on the existing conditions.

Equity instruments are generally measured at fair value through profit or loss, unless the decision is made to measure them directly in equity. The prerequisite for a valuation recognized directly in equity is that the equity instrument is neither held for trading purposes nor represents a contingent consideration that is recognized by an acquirer as part of a business combination pursuant to IFRS 3.

Conversely, the classification and valuation rules for financial liabilities have hardly changed. Only for liabilities designated at fair value, in the future, changes in this fair value that are attributable to changes in the Group's own credit risk no longer have to be recognized in profit and loss but in other comprehensive income (OCI).

Impairment

The new provisions on impairment fundamentally change the recognition of impairments, because not only incurred losses but also expected losses have to be recognized. In regard to the scope, it is again differentiated as to whether the default risk of financial assets has deteriorated significantly since their acquisition or not. If they have deteriorated or if the default risk cannot be classified as low on the balance sheet date, all expected losses have to be recorded over the entire term from this point in time. Otherwise, only the expected losses over the term of the instrument resulting from future potential loss events within the next twelve months have to be considered. For certain instruments, all expected losses have to be or may be recognized upon acquisition.

Hedge Accounting

It is the main objective of the new provisions to align hedge accounting more closely to a company's economic risk management. As previously, companies have to document the respective risk management strategy including their risk management objectives at the beginning of a hedging relationship; however, the relationship between the hedged underlying transaction and the hedging instrument (hedge ratio) generally has to correspond to the requirements of the risk management strategy in future. If this hedge ratio changes during a hedging relationship, but not the risk management objective, the quantities of the underlying transaction and the hedging instrument included in the hedging relationship have to be adjusted while the hedging relationship may not be dissolved. As opposed to IAS 39, IFRS 9 will no longer allow a hedging relationship to be terminated at any time for no reason. In addition, under certain circumstances, individual risk components can also be considered in isolation for non-financial base transactions. Moreover, the requirements to prove the effectiveness of hedging transactions are changing: According to IFRS 9, both the retrospective evidence and the effectiveness band of IAS 39 no longer apply. Instead, companies have to prove, without commitment to quantitative limits, that an economic relationship exists between the hedged item and the hedging instrument that leads to corresponding opposite changes in value due to a common base value or the hedged risk. This evidence may also be provided in purely qualitative form. However, the changes in the value of the economic relationship may not mainly be caused by the influence of credit risk.

IFRS 9 is first applicable to fiscal years beginning on or after January 1, 2018. In general, this initially has to apply retrospectively, but various simplification options are granted, such as, for example, prospective application for hedge accounting. In 2016, the provisions of IFRS 9 were adopted into European law by the EU.

We claim the temporary exemption from IFRS 9 because we have not applied any other version of IFRS 9 until then and our business activities since December 31, 2015 or on a subsequent balance sheet date (see IFRS 4.20G) are primarily related to the insurance business (see IFRS 4.20D). This is primarily related to the fact that the carrying amount of liabilities from contracts within the scope of application of IFRS 4 is significant compared to the total carrying amount of all its liabilities. The share of the total carrying amount of our insurance-related liabilities in the total carrying amount of all liabilities exceeds 90%.

IFRS 17, Insurance Contracts (EU endorsement procedure not yet completed)

With the currently applicable IFRS 4, the IASB published a transitional solution for accounting for insurance contracts in 2004, which has now been applicable for more than 10 years. Subject to the EU endorsement, the final new standard IFRS 17, Insurance Contracts, must be applied for the first time as of January 1, 2021.

IFRS 17 largely applies to all insurance and reinsurance contracts written by an entity. The definition of insurance contracts was adopted from IFRS 4. Excluded from the scope of application are financial guarantees, if the user makes use of the option to treat them as a financial instrument, product guarantees, assets and liabilities from pension plans, conditional contractual rights and obligations from non-financial matters, residual value guarantees, conditional payments from business combinations and companies as policyholders. Derivatives, investment components and benefit obligations for goods and services embedded in insurance contracts that are not closely related to the insurance component shall generally be treated according to the applicable standard.

The subject matter of the standard is the presentation of assets and liabilities resulting from insurance contracts. In the course of standard development, the present value of fulfilment cash flows has emerged as the preferred valuation concept. The present value of fulfilment cash flows results from a current estimate of the expected present value of the cash flows required from the company's perspective to meet the obligations arising from an insurance contract.

The valuation of the provision for future cover is based on a general model using the 3-block approach (Building Block Approach, BBA):

- Estimation of expected incoming and outgoing cash flows
- Discounting of expected cash flows to reflect the time value of money
- Determination of a risk margin for the uncertainty of estimated cash flows

If the present values of expected proceeds exceed those of expected risk-adjusted payments, the remaining residual amount has to be recognized as the contractual service margin (CSM). Negative margins must be recognized through profit or loss in the income statement.

In general, a distinction has to be made between the prospective provision for future cover and the provision for damages incurred. The above concept is likewise applied to the provision for damages incurred.

Not all insurance contracts have to be mapped according to the 3-block approach. Contracts with a maximum term of one year can be mapped using the simplified method (Premium Allocation Approach, PAA). This also applies to contracts with a term of more than 12 months, where the application of the simplified method would lead to similar results as the 3-block approach. However, the simplified approach does not apply to contracts for which the PAA is not a reasonable estimate for the 3-block approach. These include unprofitable contracts as well as contracts that contain embedded options or guarantees or have a long term.

In addition to direct insurance contracts (including active reinsurance), passive reinsurance contracts also have to be valued by a primary insurer. In general, passive reinsurance contracts are valued using the 3-block approach, usually based on portfolios, while some modifications have to be considered.

By including the variable fee approach (VFA), the IASB set an important course for the accounting of life insurance business, in particular of business with profit participation rights. Fluctuations in the amount of the insurer's share of the investment result and in the value of the guarantees may be offset against CSM under the VFA. An insurance contract is regarded as directly entitled to surpluses and therefore falls within the scope of the variable fee approach if:

- the policyholder participates in a clearly identifiable pool of underlying assets,
- the insurer distributes a significant portion of the income to the policyholder, and
- a significant portion of the insurer's cash flows to the policyholder fluctuates with the development of the underlying values.

According to the current status, the applicability of the VFA for participating direct insurance business in Germany can be derived from this definition of contracts directly entitled to surpluses. Reinsurance contracts are not covered by the VFA, even if they relate to insurance contracts covered by the VFA.

In deviation from the general model, the contractual service margin under the VFA bears interest at the current interest rate, not at the locked-in interest rate.

In the context of subsequent measurement, the topics income recognition and handling changes in estimates with regard to expected cash flows, risk adjustment and the yield curve are of great importance. Changes in estimates of the expected cash flows and the risk adjustment with respect to future cover are offset against CSM; the effects of interest rate fluctuations on underwriting liabilities can be recognized either in the income statement through profit or loss or directly in equity at portfolio level (OCI option).

With the OCI solution, the IASB has decided on an instrument to avoid volatility in an insurer's income statement. Accordingly, the effects of market interest rate fluctuations on the fulfilment cash flow of the underwriting obligations can be recognized directly in equity (OCI). In analogy, a category for financial instruments with a debt character for the assets side was created in IFRS 9, which is also subject to measurement recognized directly in equity (OCI) with no effect on income in accordance with the business model holding and selling. While the new investment category is recycled when a financial instrument is sold, an analogous effect is guaranteed when the OCI solution is applied on the liabilities side by adding interest at the fixed (locked in) interest rate at the time of posting.

Assessment of possible effects of the application of IFRS 17

A significant portion of the assets and liabilities in the balance sheet and the overall structure of the income statement will change completely in DFV's consolidated financial statements with the introduction of IFRS 17. This corresponds to the extensive introduction of IFRS at DFV, which also represents a paradigm shift from the accounting method previously used for insurance contracts. In the future, all incoming and outgoing payments from an insurance contract have to be estimated and mapped at the beginning of the contract. Misjudgments in regard to cash flows result in increased P&L volatility. Especially in the first period after the introduction of IFRS 17, this will result in major challenges with regard to the planning, predictability and ability to interpret corporate results.

In conjunction with IFRS 9, the challenge is to exploit the optimum possibilities to avoid an accounting mismatch. An appropriate portfolio cut of insurance products, the analogous exercise of options and valuation approaches and the determination of suitable yield curves are instruments for this purpose.

To introduce IFRS 17, a new subledger for insurance contracts has to be introduced and inserted into the corporate system landscape in addition to the implementation of the technical requirements. The introduction of IFRS 17 therefore results overall in a significant reorganization of processes for the preparation of future DFV consolidated financial statements. This affects large parts of the company, in particular also with regard to planning and simulation processes. The introduction of IFRS 17 always has to be viewed in close interaction with IFRS 9, which further increases the requirements for users.

Challenges in the future interaction of IFRS 9 and IFRS 17

The main challenge in the joint application of IFRS 9 and IFRS 17 is to avoid an accounting mismatch. In this context, the possibility to exercise the OCI option for financial instruments on the assets side and for insurance contracts on the liabilities side mostly congruently is of major importance. A considerable difficulty is that both standards cannot be introduced simultaneously at DFV, so that the assets side of the balance sheet has to be classified according to IFRS 9, which is currently applicable for the first time, while the interactions with the insurance contracts portfolios to be formed on the liabilities side of the balance sheet cannot already be evaluated at the same time.

The standard „Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts“, Amendments to IFRS 4, published in September 2016, contains, inter alia, the deferral approach for insurance companies, which generally allows them to introduce IFRS 9 not in 2018, but only with the first-time application of IFRS 17. DFV will introduce IFRS 9 together with IFRS 17.

Conclusion

Overall, it is foreseeable that the application of IFRS 9 and the implementation of IFRS 17 will result in considerable conversion expenses in the coming fiscal years, resulting in a reorganization of IFRS accounting for insurance companies, which will lead to a completely new picture of the IFRS consolidated financial statements. However, many specific questions regarding the introduction of IFRS 17 remain unanswered. Their response over time will have additional consequences that are not yet foreseeable.

A.1.5. Other changes for which the EU endorsement process has been completed

IFRS 15, Revenue from contracts with customers

The regulations and definitions of IFRS 15 replace both the content of IAS 18 „Revenue“ and also of IAS 11 „Construction Contracts“ as well as the associated interpretations.

It is the core principle of IFRS 15 that an entity should recognize revenue in the amount at which consideration is expected for the transfer of goods or the rendering of services to customers. This core principle is implemented with a five-level framework model:

- Identification of the contract/contracts with a customer,
- Identification of the independent service obligations in the respective contract,
- Determination of the transaction price,
- Distribution of the transaction price among the service obligations of the contract,
- Revenue recognition upon fulfilment of the service obligations by the company.

DFV will apply the new standard as of the defined effective date according to the rules of the modified retrospective approach.

Compared to other industries, DFV is hardly affected by the new regulations, since the main sales revenues of an insurance company, the insurance premiums, continue to be governed by the regulations of IFRS 4 and, from 2021, to the provisions of IFRS 17 and not the regulations of IFRS 15. As a non-manufacturing company, DFV is generally not affected by changes in accounting for production orders. Other income such as interest and rent have to be accounted for in accordance with standards such as IFRS 9 and IAS 17. DFV does not expect the introduction of the new standard to have any significant effects on the consolidated financial statements and is not aware of any significant conversion effects. Overall, DFV expects little impact from the application of IFRS 15 on the disclosures in the notes.

IFRS 16, Leases

On January 13, 2016, IASB published the Standard IFRS 16 „Leases“, which must be applied as of January 1, 2019. DFV will apply the new standard as of the defined effective date according to the modified retrospective approach. So far, DFV has only entered into operating leases for movable assets such as motor vehicles, IT and office technology. Until now, payment obligations for operating leases have only been disclosed in the notes. However, in the future, the rights and obligations arising from these leases have to be recognized as assets (right of use in the leased asset) and liabilities (lease liability) in the balance sheet. The Group expects the redefinition of a lease to have an impact on the number of items to be recognized as leases. Exceptions thereof are short-term leases of up to twelve months and leases of low-value assets. DFV expects the new regulations to result in a small increase of the balance sheet total at the time of initial application measured against total assets.

So far, the income statement shows expenses from operating leases have been reported under various items in the various business segments according to the occurrence of expenses. In the future, depreciation on the right of use and interest expenses for the leasing liabilities will be reported instead.

So far, payments for operating leases have previously been reported under cash flow from operating activities in the cash flow statement. In the future, they will be divided into interest payments and repayments. While interest payments continue to be reported under cash flow from operating activities, repayments will be allocated to cash flow from financing activities.

According to previous analyses, lessor accounting will remain largely unchanged, with the exception of extended notes.

The transitional provisions contain simplifications to the effect that a so-called „simplified procedure“ can be used for the first-time application of IFRS 16, which does not include full retrospective accounting. An adjustment of the previous year’s figures would not be necessary if the simplified procedure were applied. Existing contracts would not have to be fully reassessed retroactively if the simplified procedure were applied.

As explained above, the implementation of IFRS 16 is expected to lead to changes in the accounting of lessee relationships in the consolidated financial statements. However, the impact on the net assets, financial and earnings situation of the Group is estimated to be rather minor.

Amendments to IFRS 4, application of IFRS 9 Financial Instruments together with IFRS 4 Insurance Contracts

The amendments and their relevance for DFV are recognized in the section on IFRS 9 and IFRS 17 under the heading Challenges in the future interaction of IFRS 9 and IFRS 17.

Improvements compared to IFRS (2014–2016)

The improvements to IFRS 2014–2016 represent a collective standard that was published in December 2016. The improvements pertaining to IFRS contain the following changes:

- IFRS 1: Short-term exemptions were deleted because they fulfilled their purpose.
- IAS 28: It was clarified that the individual valuation principle applies to the options in IAS 28.18 and IAS 28.36A. A uniform valuation at fair value for all investments is not mandatory.

IFRS 9 is first applicable to fiscal years beginning on or after January 1, 2018. Currently, DFV does not expect this change to have any effect.

A.1.6. Other changes for which the EU endorsement process has not been completed

Amendments to IAS 19 Plan amendment, curtailment or settlement

In February 2018, the IASB issued the amendments and thus addressed one of two issues in relation to IAS 19 that were submitted to the IFRS Interpretations Committee and published as a joint draft in June 2015. The following changes in plan amendments, curtailments or settlements (amendments to IAS 19) were decided:

- In the future, it will be mandatory that in case of an amendments, curtailments or settlement of a defined benefit plan the current service cost and the net interest for the remainder of the fiscal year have to be remeasured using the current actuarial assumptions used to revalue the net liability (asset).
- Furthermore, additions have been included to clarify how a plan amendment, curtailment or settlement will affect the asset ceiling requirements.

An enterprise applies the changes to plan amendments, curtailments or settlements which begin on or after 1 January 2019. An early application is permitted but has to be disclosed. The changes relate to future plan amendments, curtailments or settlements.

Currently, none of these issues are relevant to DFV; no effects are foreseeable in this regard.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation includes the clarification that to determine the exchange rate to be applied when an asset, expense or income is initially recognized when a non-monetary asset or liability arising from advance consideration is derecognized, the date of the transaction corresponds to the date when the non-monetary asset or liability arising from the prepayment is recognized for the first time. If several advance deposits or payments exist, the company has to determine the transaction date for each deposit or payment of a consideration paid in advance. Companies can apply the changes retrospectively.

In the alternative, an enterprise may apply the interpretation prospectively to all relevant transactions that are initially recognized at or after the beginning of the period in which the enterprise first applies the interpretation or at or after the beginning of the comparative period for the period of first-time application.

The interpretation is applicable to fiscal years beginning on or after January 1, 2018. An early application is permitted and has to be disclosed in the notes. DFV expects not to enter into any transactions for which IFRIC 22 would be relevant.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation was published in June 2017 and has to be applied to the accounting for income taxes according to IAS 12 if uncertainties exist regarding the treatment of income tax. It does not apply to taxes or levies which do not pertain to the scope of IAS 12 and does not contain provisions on interest and surcharges in connection with uncertain tax treatment. The interpretation requires an entity to determine whether it should assess uncertain tax treatment individually. Moreover, assumptions have to be made with regard to the review of tax treatment by the tax authorities. Furthermore, the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates are topics of the interpretation just as the consideration of changes in facts and circumstances.

Companies have to determine whether they assess each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach should be chosen that allows a better prediction to resolve the uncertainty. The interpretation is effective for reporting periods beginning on or after January 1, 2019. However, certain transitional reliefs may be used. At the time of the preparation of these consolidated financial statements specific statements on the expected effects of IFRIC 23 cannot yet be made.

Amendments to IFRS 2, classification and measurement of share-based payment agreement

The IASB issued an amendment to IFRS 2 Share-based Payment which addresses three main areas: the impact of vesting conditions on the measurement of cash-settled share-based payment transactions; the classification of share-based payment transactions with net performance clauses in case of a statutory withholding tax obligation; and the accounting for cash-settled share-based payment transactions in the event of a modification of their conditions, which lead to a classification as equity-settled share-based payment transactions. The amendment is applicable to fiscal years beginning on or after January 1, 2018. An early application is permitted but has to be disclosed. Since the DFV Group does not provide share-based payments based on cash-settled options, net performance clauses or equity compensation, the clarifications do not lead to changes in Group accounting.

Amendments to IAS 40, Transfers of Investment Property

The amendments adopted in December 2016 clarify that an enterprise can only change the classification of an investment property if evidence of a change in use exists. The change in use may result in that the property meets (or no longer meets) the definition of an investment property for the first time. This clarifies that an intended change of use by the company management is not sufficient proof of a change of use. The clarifications are covered by an analysis of building use that takes place on a regular basis; no impact is expected insofar. The changes are effective for reporting periods beginning on or after January 1, 2018. An early application is permitted but has to be disclosed. The changes are to be applied prospectively. A retrospective application is only permitted if this is possible without the use of later findings.

Since these changes only apply to future business transactions, the effects on future consolidated financial statements of DFV cannot be assessed; in particular, it cannot be foreseen if and to what extent relevant business transactions will occur at all.

Amendments to IFRS 9 Prepayment Features with Negative Compensation

These amendments were published in October 2017 and consider the classification rules of IFRS 9 for financial assets with a negative compensation in the event of premature repayment. Pursuant to the clarification, such assets meet the cash flow conditions. Subject to the still outstanding EU endorsement, the amendments have to be applied retrospectively for fiscal years beginning on or after January 1, 2019. An early application is permitted but has to be disclosed. The transitional provisions allow certain transitional reliefs. Due to a lack of relevant business transactions the DFV Group does not expect any effects from this provision.

Amendments to IAS 28 Long-term Investments in Associates and Joint Ventures

These amendments were published in October 2017. They explain that an entity first applies IFRS 9 to financial instruments that are not accounted for using the equity method but are part of a net investment in an associate or joint venture. IAS 28.38 and IAS 28.40-43 are applied below. Subject to the still outstanding EU endorsement, the amendments have to be applied retrospectively for fiscal years beginning on or after January 1, 2019. An early application is permitted but has to be disclosed. The transitional provisions provide for some transitional reliefs. This has no effect on DFV.

Improvements compared to IFRS

The improvements pertaining to IFRS 2015–2017 are a collective standard that was published in December 2017 and consists of amendments to various IFRS which have to be applied for fiscal years beginning on or after January 1, 2019. The improvements pertaining to the IFRS contain the following changes:

- IFRS 3: Clarification that an enterprise has to remeasure its previously held equity interests if it acquires control of a joint activity
- IFRS 11: Clarification that an enterprise does not remeasure its previously held equity interests if it acquires management of a joint activity

- IAS 12: Clarification that the income tax consequences of dividends are rather related to the original business transactions that resulted in distributable profits. Therefore, an enterprise has recognized the income tax consequences of dividend payments in either profit or loss, other comprehensive income or equity, depending on the underlying transaction.
- IAS 23: Clarification that an enterprise has to include any outstanding debt borrowed specifically to obtain an asset in the calculation of the weighted average of all borrowing costs to prepare the asset for its intended use or sale as of the date on which substantially all work is completed.

Since the publication of the improvements only took place in December 2017, we have only just begun to analyze their relevance for DFV. In this respect, we cannot yet make any statements in regard to the expected effects of the improvements on future consolidated financial statements.

A.2. Adjustment of the measurement

Since the IFRS was applied for the first-time, valuation adjustments were not made in the reporting year.

A.3. Use of discretion, estimates and assumptions

The preparation of the consolidated financial statements requires the use of discretion, estimates and assumptions in the measurement of various items in the balance sheet and income statement. This concern, in particular, the following segments:

- Distribution of acquisition costs as part of a company acquisition, in particular with regard to the measurement of acquired intangible assets
- Determination of the fair values of financial instruments, unless stock exchange prices or acquisition costs are taken as a basis for measurement
- Determination of recoverable amounts for impairment tests of assets

A.4. Recognition and derecognition of assets and liabilities

Assets are recognized if it is likely that their future economic benefits will flow to the company and if their acquisition or production costs can be reliably measured. Assets are derecognized when risks and rewards transfer to third parties or when power of disposition is lost.

Liabilities are recognized if it is likely that a direct outflow of economically relevant resources will result from the fulfillment of a current obligation of the company. Liabilities are derecognized when the obligation no longer exists.

A.5. General valuations of assets and liabilities

The monetary amounts for the items in the financial statements are determined with the help of various valuation bases and methods. The most frequently used valuation bases for the measurement of assets and liabilities are:

- Amortized acquisition costs and
- Fair values.

These valuation bases are often combined with other valuation bases, for example when determining present values and net realizable values. The valuations and valuation bases are regulated in the IFRS framework concept.

Measurement at fair value is becoming increasingly important in IFRS. Fair value is defined as the price that would be received in an ordinary transaction between market participants on the measurement date upon sale of an asset or upon transfer of a liability. IFRS 13 „Fair Value Measurement“ provides detailed guidance on how to measure assets and liabilities at fair value if another standard requires a fair value measurement or disclosure of fair value in the notes. If the fair values are determined internally, scopes for discretion exist, for example in the choice of input parameters.

Therefore, fair value measurements require extensive disclosures in the notes, for example information on the hierarchy levels of the fair values, descriptions of the measurement procedures and the used input parameters.

A.6. General principles of impairment and reversal of impairment losses of assets

Pursuant to IAS 36 „Impairment of Assets“, all intangible and tangible assets are assessed at least on each balance sheet date to determine whether there is any indication of material impairment. If this is the case, the recoverable amount of the corresponding asset is determined. The recoverable amount is defined as the higher of the net realizable value (sales price minus selling costs) and the value in use (present value of future cash flows). Irrespective of whether any indications of impairment exist, intangible assets with an indefinite useful life, such as, for example, goodwill, brand names and intangible assets not yet ready for use, are subject to an annual impairment test.

Assets that do not generate separable cash flows are allocated to so-called cash-generating units. The subject of an impairment test is the cash-generating unit.

If the recoverable amount of an asset or a cash-generating unit is less than its carrying amount, an impairment loss has to be recognized in accordance with IAS 36. An impairment loss is first allocated to the goodwill of a cash-generating unit or to other intangible assets separable from it and then proportionately to the other assets on the basis of their carrying amounts and are immediately recognized in the result for the period.

Market prices quoted on active markets or prices from transactions with the same or comparable assets are used as the basis to determine recoverable amounts. In the alternative, fair values are determined using generally accepted mathematical valuation models. Details for this and the internally defined criteria for an impairment are explained in the notes to the general accounting and valuation methods under the corresponding items.

Impairments of goodwill are shown in a separate item in the income statement. Impairments on investments are reported under depreciation and amortization and impairments on investments, while allowances on other intangible assets, other receivables and sundry assets are included in operating expenses, claims and insurance benefits expenses, investment expenses and other expenses by function. Impairment losses are recognized directly by reducing the carrying amounts of the assets.

If the requirements of IAS 36 are met, all assets, with the exception of goodwill, reversals of impairment losses are performed up to the lower of their recoverable amount and amortized costs.

Reversals of impairment losses on investments are shown in the income statement under income from write-ups. Pursuant to IAS 39.69, write-ups of equity instruments in the category „available for sale“ through profit or loss are not permitted.

A.7. Consolidation principles and group reporting entity

A.7.1. Consolidation principles

Pursuant to IFRS 10 „Consolidated Financial Statements“, a parent company controls another entity, irrespective of the nature of its engagement, if it has power of disposition over that entity, is exposed to or has rights to variable returns (positive or negative) from the entity and can influence those returns based on its power of disposition. In this context, a parent company has the power of disposition if it is currently able to determine the relevant activities of the entity based on existing voting rights or other rights. These are the activities that significantly influence the economic success of the investment company.

If voting rights are relevant, the Group controls an entity if it directly or indirectly holds more than half of the voting rights in the entity. Potential voting rights are also taken into consideration in evaluating control if they are deemed to be substantial.

Special funds and other structured companies are included in the consolidated financial statements as subsidiaries according to the uniform criteria of IFRS 10. They are also considered consolidated structured companies within the meaning of IFRS 12 „Disclosure of Interests in Other Entities“. Pursuant to IFRS 12, structured entities are entities that are designed in such a way that voting rights or similar rights are not relevant to decide who controls the entity.

In accordance with IAS 8.8, subsidiaries are only not included if, viewed together in regard to equity as well as the annual result, they are of minor significance for the presentation of a true and fair view of the net assets, financial and earnings situation of the DFV Group. The balance sheet date of the consolidated subsidiaries is generally December 31 of each calendar year.

In case of deviations, interim financial statements are prepared as of December 31 of the respective fiscal year.

Intercompany receivables and liabilities, expenses and income as well as interim results are eliminated.

In general, as part of the consolidated financial statements, uniform Group-wide accounting principles are applied. Subsidiaries are consolidated as of the date when DFV obtains a controlling influence. The consolidation ends at the point in time when a controlling influence is no longer possible. A business combination exists when the DFV Group acquires control of another business. A business combination is recognized using the purchase method pursuant to IFRS 3 „Business Combinations“. This requires the recognition of all identifiable assets, liabilities and contingent liabilities of the acquired company at their fair values on the acquisition date, in particular also the identification and measurement of intangible assets acquired as part of the business combination. The acquisition costs result from the total fair value of the consideration paid to obtain control. Incidental acquisition costs are recorded as an expense in the fiscal year in which they arise. If the acquisition costs exceed the Group's share in the revalued net assets of the subsidiary, the difference is capitalized as goodwill. Differences on the liabilities side are immediately recognized through profit or loss after the carrying amounts have been reassessed.

The non-controlling interest in the net assets of the subsidiary is shown separately in the balance sheet.

Since the IASB clarifies that the scope of application of IAS 40 „Investment Property“ and IFRS 3 are independent of one another, the acquisition of an investment property may also result in a business combination pursuant to IFRS 3.

At the time when the DFV Group loses control of a subsidiary, the assets and liabilities of the subsidiary are derecognized at their carrying amounts, the carrying amount of all non-controlling interests in the former subsidiary is derecognized and the fair value of the received consideration is recognized. The shares held in the former subsidiary are recognized at fair value and any resulting difference is recognized as a profit or loss in the consolidated income statement. Amounts recognized in other comprehensive income directly in equity in prior periods associated to this subsidiary are transferred to the consolidated income statement or, if required by other standards, directly to retained earnings.

A.7.2. Group reporting entity

DFV has five subsidiaries which are intended to permanently serve the business operations of the DFV Group.

Pursuant to IFRS 10, the consolidated financial statements include in addition to DFV Versicherung AG as parent company all subsidiaries except DFVR Deutsche Familienversicherung Rechtsschutz-Schadenabwicklung mbH. The shares in subsidiaries of the Group are held directly by DFV Versicherung AG. The financial information in the consolidated financial statements contains data of the parent company together with its consolidated subsidiaries, presented as an economic unit.

DFV Group consists of 6 consolidated companies. This includes, in addition to the parent company and the 4 subsidiaries, 1 special fund (DFV Sondervermögen, registered office in Luxembourg, 100% share).

Joint ventures or associated companies do not exist.

Company	Registered office	Investment book value TEUR	Investment quota	Subscribed capital TEUR	Equity TEUR	Last year's result TEUR
DFVS Deutsche Familienversicherung Servicegesellschaft mbH	Frankfurt am Main	25.0	100%	25.0	36.0	0.9
DFVV Deutsche Familienversicherung Vertriebsgesellschaft mbH -	Frankfurt am Main	35.0	100%	25.0	25.0	0
Stiftung PflegeZukunft gestalten GmbH	Frankfurt am Main	25.0	100%	25.0	-10.1	-9.5
MeinPlus Servicegesellschaft mbH	Frankfurt am Main	100.0	100%	100.0	152.0	13.4

A.8. Accounting and valuation methods

A.8.1. Intangible assets

Other intangible assets

Other intangible assets include purchased software. Purchased software is recognized at amortized cost or manufacturing costs. For purchased software, the acquisition costs include the purchase price and directly attributable costs to prepare the software for its intended use. Subsequently, software is carried at acquisition cost or manufacturing costs less any accumulated amortization and impairment losses. The amortization of software is generally depreciated pro rata temporis through additions and disposals of the fiscal year to other intangible assets with limited useful lives.

A.8.2. Investments

Financial instruments

Financial instruments are currently held exclusively in the category „available for sale“. They are reported pursuant to IAS 39. Financial instruments are initially recognized on the fulfilment date.

Generally, fair values of financial instruments are determined based on parameters that can be observed on the market. IFRS 13 defines the fair value as „sales price“ (price that would be received in an ordinary transaction between market participants on the measurement date upon sale of an asset or upon transfer of a liability). The portfolio currently consists exclusively of stock exchange-traded financial instruments, which are valued based on current market prices.

Pursuant to IFRS 13, the method to determine the fair values results in an allocation to a specific hierarchy level. Comprehensive explanations of the hierarchy levels and their underlying individual valuation procedures as well as the used calculation parameters, are presented below.

The category „financial instruments available for sale“ is a residual. It contains all financial instruments which, due to their nature, do not have to be allocated to another category and for which no other option has been exercised. This item mainly shows shares, investment shares and other shareholdings. „Financial instruments available for sale“ are measured at fair value. For listed securities, this is generally the market value.

Changes in value resulting from the difference between fair value and amortized acquisition cost are recognized directly in equity.

An impairment loss is recognized through profit or loss if the fair value of equity instruments in an active market is below cost for more than six months or more than 20% on the balance sheet date. Write-ups through profit or loss of equity instruments are not permitted. Reversals of impairment losses are recognized directly in equity.

Profits or losses on the disposal of „financial instruments available for sale“ are calculated from the difference between the proceeds from the sale and the carrying amount on the date of sale. They are reported under investment income or expenses. Profits or losses from an interim revaluation that were initially recognized directly in equity are realized upon sale.

A.8.3. Share of reinsurers in underwriting provisions

According to IFRS, reinsurers' shares in underwriting provisions are shown under assets in the balance sheet. The corresponding gross amounts have to be shown on the liabilities side. The reinsurers' shares in underwriting provisions are determined by taking the contractual terms of the underlying reinsurance contracts into consideration.

A.8.4. Receivables

Receivables mainly include interest receivable, receivables from direct insurance business (dIB) and accounts receivable from reinsurance business. They are reported at nominal value less payments made. Based on past experience, a standardized specific allowance is made for receivables from the dIB. Credit risks are adequately taken into consideration after an individual risk assessment.

For reinsurance, allowances are made on a strict case-by-case basis. Write-offs through profit and loss are generally only made in case of insolvency. Based on past experience no further allowances are made, even with regard to essential items.

In the DFV Group allowances through profit and loss are made and reduce the premium income and the book value of the receivables. If fair values of receivables are to be determined for the required disclosures in the notes, it is assumed pursuant to IFRS 7.29 (a) that the carrying amount represents the best approximate value. According to the regulations of IFRS 13, this results in an allocation of these fair values to hierarchy level 3.

A.8.5. Cash and cash equivalents

Cash and cash equivalents are reported at the nominal value.

A.8.6. Deferred tax assets

Deferred tax assets have to be recognized in accordance with IAS 12 if asset items in the consolidated balance sheet are to be valued lower or liability items higher than in the tax balance sheet of the relevant Group company and these differences balance out in the future with effect on taxes (temporary differences). If the temporary differences are recognized in profit or loss, the deferred taxes are recognized in profit or loss; if they are recognized in equity, the related deferred taxes are also recognized directly in equity. In addition, deferred tax assets are formed for unused tax loss carryforwards and certain consolidation procedures. Deferred taxes are calculated using the individual corporate tax rates of the respective Group companies. For this purpose, changes in tax rates already decided on the balance sheet date are taken into consideration. If a realization of the respective deferred tax refund claim is not likely, the deferred tax assets is value adjusted.

A.8.7. Other assets

Other assets include operating and office equipment, prepaid expenses, inventories and sundry assets.

Operating and office equipment is recognized at cost less accumulated depreciation and impairment losses. The straight-line depreciation is based on expected useful lives of between three and five years.

A collective item is created for assets with acquisition values between EUR 150 and EUR 1,000 net. This collective item includes all assets acquired in a fiscal year within the stated value limits. It is depreciated over a period of five years, beginning in the year of formation.

Prepaid expenses are stated at nominal values on a pro rata basis.

Inventories mainly include advertising material and office supplies. Inventories are measured at the lower value of acquisition or manufacturing costs and net realizable value. Any necessary allowances and reversals of impairment losses are recognized through profit and loss.

A.8.8. Equity

Group equity

Subscribed capital

Subscribed capital is reported at the nominal value of the shares. There are no different share categories.

Capital reserves

The capital reserve contains the premium from the issue of shares and other additional payments to equity.

Retained earnings

Retained earnings include the results of the companies included in the consolidated financial statements according to IFRS.

Reserve unrealized gains and losses

Unrealized gains and losses in the reserve include unrealized changes in the value of financial assets measured at fair value that are available for sale at any time, less deferred taxes.

A.8.9. Underwriting provisions (gross)

A.8.9.1 Actuarial reserves

For health insurance business conducted like life insurance, the company strictly calculates according to the actuarial equivalence principle, i.e. the present value of premiums and benefits are calculated in parity during the initial calculation. The provisions of the KalV (Calculation Regulation)¹ are strictly observed. For this purpose, the calculation bases listed in the following table are used. Unless premium adjustments have to be made, the premiums per tariff and policyholder will remain the same throughout the life of the policyholder.

¹ Regulation on Actuarial Methods for the Calculating of Premiums and Ageing Provisions in Private Health Insurance (Calculation Regulation - KalV)

Gender	Interest alpha	Mortality table	Lapse table	Burning cost table
BISEX	0.0300	8 PKV 2011	BaFin Sto-Son 2008*	EPV 2009*
BISEX	0.0300	17 PKV 2011	BaFin Sto-Son 2008*	EPV 2009*
UNISEX	0.0300	12 PKV 2011	BaFin Sto-Son 2008*	EPV 2009*
UNISEX	0.0275	17 PKV 2011	BaFin Sto-Son 2008*	EPV 2009*
UNISEX	0.0275	12 PKV 2011	BaFin Sto-Son 2008*	EPV 2009*
UNISEX	0.0275	8 PKV 2011	BaFin Sto-Son 2008*	EPV 2009*
UNISEX	0.0275	17 PKV 2011	BaFin Sto-Son 2008*	EPV 2009*
UNISEX	0.0275	8 PKV 2011	BaFin Sto-Son 2008*	EPV 2009*
UNISEX	0.0275	2 PKV 2011	BaFin Sto-Son 2008**	EPV 2009**
UNISEX	0.0275	2 PKV 2011	BaFin Sto-Son 2008**	EPV 2009**
			*Lapse table was curbed according to age	*The burning cost experience was smoothed.
			**A stronger curb was applied for the GEPV (Subsidized supplementary nursing care insurance)	**The smoothed burning cost was increased for the GEPV

For these tariffs, an actuarial reserve (ageing provision) is formed for part of the collected premiums. It is used to finance increased claims payments that exceed the calculated risk premium at the age of the policyholders. This actuarial reserve is set up strictly in accordance with the prospective method required by law. In case of premium adjustments, their compensation is adjusted to the current calculation bases. Their adequate measurement is independently verified and certified by the appointed responsible actuary.

A.8.9.2 Provision for profit-related premium refunds

For health insurance business conducted like life insurance, policyholders are entitled to technical surpluses in accordance with regulatory provisions. These surpluses result from risk, interest and cost profits arising in the course of business of these tariffs. They have to be accumulated in a provision for profit-related premium refunds (RFB) according to statutory provisions. The reserves provided by the company for this purpose were independently audited and found to be correct by both the auditors who certify the balance sheet and by the responsible actuary.

A.8.9.3 Claims reserve

The reserve for outstanding claims represents benefit obligations from claims for which the amount and/or time of payment cannot yet be reliably determined. The reserve is reported but is also created for claims that have already been incurred but not yet reported. This also includes both internal and external expenses as well as claims settlement costs.

For known claims, the reserve for outstanding claims is generally calculated individually. Receivables from recourses, claim recoveries and distribution agreements are offset. For claims incurred or caused but not yet reported as of the balance sheet date, the reserve was increased by a reserve for claims incurred but not reported as of the balance sheet date based on the subsequent claims reports observed in previous years. Claims not yet reported at the balance sheet date are assessed with a lump-sum. The reserve for outstanding claims is not discounted. The reserves for claims settlement expenses also included in this item are determined using a lump-sum method. The share of reinsurers in the reserve is determined pursuant to the reinsurance contracts.

In the segments legal expenses insurance and homeowners' insurance, reserves are provided for already reported claims by external service providers.

A.8.9.4 Reserve for claims incurred but not reported

A.8.10. Other reserves

A.8.10.1. Tax provisions

Tax provisions include actual income taxes and other taxes, which are determined in consideration of the respective national taxation regulations. They are reported according to IAS 12.

A.8.10.2. Other provisions

Pursuant to IAS 37, other provisions are recognized and measured in consideration of all identifiable risks in the amount of the expected settlement amount as far as a current obligation exists to third parties from a past event that will likely result in an outflow of resources in the future and can be reliably estimated. The fulfilment amount is determined based on the best possible estimates. Provisions according to IAS 37 are not offset against reimbursement claims.

A.8.11. Liabilities

Liabilities include liabilities from direct insurance business as well as accounts payable and deposits liabilities from reinsurance business and other liabilities. They are reported at nominal values.

A.8.12. Deferred tax liabilities

Deferred tax liabilities have to be recognized in accordance with IAS 12 if asset items in the consolidated balance sheet are to be valued higher or liability items lower than in the tax balance sheet of the relevant Group company and these differences balance out in the future with effect on taxes (temporary differences). If the temporary differences are recognized in profit or loss, the deferred taxes are recognized in profit or loss; if they are recognized in equity, the related deferred taxes are also recognized directly in equity.

A.8.13. Other liabilities

Other liabilities include only prepaid expenses and are reported at their repayment amount.

A.8.14. Written gross premiums

Written gross premiums are premiums and premium rates due in the fiscal year for direct insurance business.

A.8.15. Earned premiums (net)

Earned premiums (net) correspond to gross premiums written minus reinsurers' shares. Moreover, the change in unearned premiums is taken into consideration here. The premiums for each insurance contract are calculated pro rata temporis on a daily basis, in consideration of the commencement of insurance.

A.8.16. Investment income and expenses

Investment income includes current income, income from write-ups, profits from changes in fair value and profits from the disposal of investments. Current income mainly includes interest income from fixed-interest securities and dividend income. The inflow principle applies to dividends; interest income is recognized on an accrual basis.

Investment expenses include expenses for the management of investments, depreciation and impairment losses on investments, losses from changes in fair value and losses from the disposal of investments.

A.8.17. (Net) expenses for insurance operations

(Net) expenses for insurance operations include direct and indirect acquisition and administrative expenses. Commissions and profit shares received from reinsurers are deducted from this amount.

A.8.18. (Net) insurance benefits

(Net) insurance benefits include payments for claims, the change of the reserve for outstanding claims, the change in the actuarial reserve and the other underwriting provisions as well as the expenses for premium refunds. They are shown minus reinsurers' shares.

A.8.19. Leasing

IAS 17, which is applicable to the accounting of leases, distinguishes between operating leases and finance leases. In accordance with the specified criteria, it is examined whether the lease is an operating lease or a hire purchase with transfer of economic control (finance lease).

Each lease is classified at the commencement of the contract. In practice, the classification of leases is based on various criteria and indicators stipulated in IAS 17 which, individually or in combination, results in a classification as a finance lease. These criteria are: Transfer of ownership, existence of a purchase option, term structure, present value of the minimum leasing payment and existence of a so-called special leasing. The contract is classified as an operating lease, if these criteria do not apply.

For finance leases, the leased asset is capitalized in the lessee's balance sheet and a payment liability of the lease payments is recognized accordingly. For operating leases, the item remains instead in the lessor's balance sheet and only results in that the lessee recognizes the leasing expenses in the income statement.

A.9. Notes to the Consolidated Balance Sheet – Assets

A.9.1. Development of sundry intangible assets

Development of sundry intangible assets in TEUR	Purchased software	Other intangible assets	Total
	2015	2015	2015
Gross book value December 31, previous year	8,784	511	9,295
Accumulated amortization December 31, previous year	782	483	1,265
Balance sheet value December 31 previous year / January 1 fiscal year	8,002	28	8,030
Additions	2,212	36	2,247
Depreciations	915	23	938
Balance sheet value December 31, fiscal year	9,299	41	9,340
Accumulated amortization December 31, fiscal year	1,697	506	2,203
Gross book value December 31, fiscal year	10,995	547	11,542

A.9.2. Shares in subsidiaries, joint ventures and associated companies

The amount of TEUR 25 shown here relates exclusively to DFVR Deutsche Familienversicherung Rechtsschutz Schadenabwicklungsgesellschaft mbH. For reasons of materiality, we refrained from consolidation

A.9.3. Financial instruments – available for sale

Financial instruments – available for sale	2015 TEUR	2015 TEUR
Not fixed interest		
- shares	3,259	3,045
- investment fund units	4	5
- other (incl, accounts)	8,638	6,197
Fixed interest+call monies	3,728	3,568
Total	15,628	12,815

Securities lending

At the time of reporting, no securities were lent.

A.9.4. Share of reinsurers in underwriting provisions

Share of reinsurers in underwriting provisions in TEUR	2015	2014
Unearned premiums	1,659	463
Actuarial reserve	7,662	2,339
Provisions for outstanding claims	4,256	1,892
Other underwriting provisions	13	233
Total	13,590	4,927

A.9.4.1 Reinsurers' share of the development of unearned premiums

Reinsurers' share of the development of unearned premiums in TEUR	2015
As of December 31, previous year / January 1, fiscal year	463
Additions	1,659
Reversed/ claimed	463
As of December 31, fiscal year	1,659

A.9.4.2 Reinsurers' share of the development of actuarial reserve

Reinsurers' Share of the Development of actuarial reserve in TEUR	2015
Actuarial reserve previous year	2,339
Addition	5,400
Reversal	77
Actuarial reserve fiscal year	7,662

A.9.4.3 Reinsurers' shares in the development of the reserve for outstanding claims

Reinsurers' shares in the development of the reserve for outstanding claims in TEUR	2015
As of December 31, previous year / January 1, fiscal year	1,892
Claims expenses	
for the fiscal year	12,598
for previous years	857
Total	13,456
Minus payments	
for the fiscal year	9,055
for previous years	2,037
Total	11,093
As of December 31, fiscal year	4,256

A.9.5. Receivables

Receivables in TEUR	2015	2014
Receivables from direct insurance business	1,897	3,344
Of which to policyholders	1,559	2,337
Of which to insurance brokers	338	1,006
Accounts receivable from reinsurance business	4,030	319
Receivables from insurance business	5,927	3,663
Receivables surcharge nursing care insurance	551	450
Other receivables	16 242	11,093
Total	6,494	4,355

A.9.6. Tax deferral

TEUR	2015			2014		
	Total deferred tax assets	Of which directly in equity	Of which through profit or loss	Total deferred tax assets	Of which directly in equity	Of which through profit or loss
Intangible assets	0			0		
Investments						
Financial instruments	24	24		0	0	0
Derivative financial instruments	0			0	0	0
Underwriting provisions	185		185	0	0	0
Sundries	42		42	64	0	64
	251	24	227	64	0	64

TEUR	2015			2014		
	Total deferred tax liabilities	Of which directly in equity	Of which through profit or loss	Total deferred tax liabilities	Of which directly in equity	Of which through profit or loss
Intangible assets	961		961	844		844
Investments						
Financial instruments	4	4		27	27	0
Derivative financial instruments	2		2	0	0	0
Underwriting provisions	0		0	150	0	150
Sundries	50		50	64	0	64
	1,017	4	1,013	1,085	27	1,058

A.9.7. Sundry assets

Other assets in TEUR	2015	2014
Operating and office equipment	1,047	1,231
Prepaid expenses	380	187
Accrued interest investments	64	2,567
Tax prepayments	505	505
Other assets	59	505
Other receivables	33	26
Total	1,582	4,516

A.9.8. Development of operating and office equipment

in TEUR	2015
Gross book value December 31, previous year	2,231
Accumulated amortization December 31, previous year	1,000
Balance sheet value December 31 previous year / January 1 fiscal year	1,231
Addition	211
Disposals gross book values	-186
Depreciations	-393
Disposals depreciations	183
Balance sheet value December 31, fiscal year	1,047
Accumulated amortization December 31, fiscal year	1,209
Gross book value December 31, fiscal year	2,256

A.10. Notes to the Consolidated Balance Sheet – liabilities –

A.10.1. Underwriting provisions (gross)

Underwriting provisions (gross) in TEUR	2015	2014
Unearned premiums	5,221	3,571
Actuarial reserve	10,946	3,341
Reserve for outstanding claims	9,300	6,031
Reserve for premium refunds	0	332
Other underwriting provisions	776	35
Total	26,242	13,310

A.10.1.1. Development of unearned premiums

in TEUR	2015
As of December 31, previous year / January 1, fiscal year	3,570.90
Additions	5,220.68
Reversed/ claimed	3,570.90
As of December 31, fiscal year	5,220.68

A.10.1.2. Development of actuarial reserve

in TEUR	2015
Actuarial reserve previous year	3,341
Addition	7,505
Reversal	109
Interest share	209
Actuarial reserve fiscal year	10,946

The interest portion is determined from the respective actuarial interest from the fiscal year in relation to the mean value of the balance-sheet actuarial reserve of the previous year and the fiscal year.

A.10.1.3. Development of the reserve for outstanding claims

in TEUR	2015
As of December 31, previous year / January 1, fiscal year	6,031
Claim expenses	
for the fiscal year	27,578
for previous years	2,302
Total	29,880
Minus payments	
for the fiscal year	20,315
for previous years	6,296
Total	26,611
As of December 31, fiscal year	9,300

A.10.1.4 Development of the reserve for premium refunds

in TEUR	2015
As of December 31, previous year / January 1, fiscal year	332
Additions	0
Claim	332
As of December 31, fiscal year	0

A.10.1.5 Other underwriting provisions

in TEUR	2015	2014
Cancellation reserve	56	35
Provision for impending losses	720	0
Total	776	35

A.10.2. Other reserves

A.10.2.1. Development of the tax provisions and other provisions

Development of other reserves in TEUR	2015
As of December 31, previous year	600
Claim	600
Reversal	0
Addition	419
As of December 31, fiscal year	419

A.10.2.2. Terms of other provisions

The remaining term of the other provisions is 12 months at most.

A.10.3. Liabilities

in TEUR	2015	2014
Liabilities from direct insurance business	1,020	2,275
Of which to policyholders	368	258
Of which to insurance brokers	652	2,017
Accounts receivable from reinsurance business	567	1,106
Deposit liabilities for reinsured insurance business	776	35
Liabilities from insurance business	9,249	5,952
Other liabilities	1,384	1,090
Total	10,633	7,042

A.10.3.1 Other liabilities

in TEUR	2015	2014
Taxes	838	791
Personnel and social security	23	4
Trade accounts payable	497	231
Other	26	64
Total	1,384	1,090

A.11. Notes on the Consolidated Income Statement

A.11.1. Earned premiums

We refer to the income statement in regard to the written premiums, changes in unearned premiums and earned premiums (gross, reinvested and net).

A.11.2. Result from investments

in TEUR	2015	2014
Income from investments		
Current income from investments	203	252
Income from additions	0	0
Profits from changes in fair value	0	0
Profits from the disposal of investments	1,124	216
Total	1,326	468
Expenses for investments		
Expenses for management of investments, other expenses	155	13
Depreciation and impairments on investments	0	0
Losses from changes in fair value	0	0
Losses from the disposal of investments	973	2
Total	1,128	16
Result from investments	198	452

A.11.3. Other income

in TEUR	2015	2014
Other underwriting income	30	9
Other non-underwriting income	208	608
Total	238	617

A.11.4. Insurance benefits

in TEUR	2015
Payments for insurance claims	
Gross amount	26,611
Reinsurers' share	11,093
Net amount	15,518
Change in reserve for outstanding claims	
Gross amount	3,269
Reinsurers' share	2,363
Net amount	905
Change in actuarial reserve	
Gross amount	7,605
Reinsurers' share	5,323
Net amount	2,281
Change in other underwriting provisions	
Gross amount	741
Reinsurers' share	13
Net amount	728
Expenses for premium refunds	
Gross amount	-100
Reinsurers' share	0
Net amount	-100
Total	19,333

A.11.5. Claims development (triangles)

Claims development (claims reserves plus claims payments made (in each case including claims settlement) for direct property/casualty insurance business:

A.11.5. Claims development (triangles)

Claims development (claims reserves plus claims payments made (in each case including claims settlement) for direct property/casualty insurance business:

Property 2015 in TEUR

Gross	2007	2008	2009	2010	2011	2012	2013	2014	2015
1	279	1,210	1,584	1,303	2,066	3,235	6,061	11,758	14,412
2	272	1,000	1,562	1,785	1,626	3,244	6,417	12,572	
3	221	1,161	1,568	1,816	1,713	2,568	6,259		
4	217	1,154	1,562	1,800	1,921	2,523			
5	217	1,105	1,610	1,397	2,120				
6	217	1,105	1,576	1,407					
7	217	1,123	1,605						
8	217	1,123							
9	217								

Deviat. result	62	87	-21	-103	-54	712	-199	-814	0
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Net	2007	2008	2009	2010	2011	2012	2013	2014	2015
1	144	486	666	390	494	2,259	4,812	8,678	7,089
2	126	444	679	489	443	2,216	5,088	9,144	
3	115	522	681	538	594	1,966	4,995		
4	115	526	688	597	692	1,961			
5	115	502	763	499	739				
6	115	512	757	537					
7	115	520	775						
8	115	520							
9	115								

Deviat. result	30	-34	-109	-147	-245	298	-184	-466	0
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Health insurance 2015 in TEUR

Gross	2007	2008	2009	2010	2011	2012	2013	2014	2015
1	0	0	178	1,196	3,265	4,448	6,149	9,289	12,750
2	0	0	214	1,501	3,611	5,006	6,313	10,509	
3	0	0	214	1,508	3,650	5,099	6,487		
4	0	0	214	1,514	3,761	5,115			
5	0	0	214	1,569	3,766				
6	0	0	221	1,573					
7	0	0	222						
8	0	0							
9	0								

Deviat. result	0	0	-44	-378	-501	-667	-338	-1,220	0
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Net	2007	2008	2009	2010	2011	2012	2013	2014	2015
1	0	0	122	386	1,828	2,313	3,290	6,180	7,849
2	0	0	129	588	2,061	2,823	3,421	7,039	
3	0	0	130	594	2,075	2,878	3,516		
4	0	0	130	597	2,141	2,888			
5	0	0	130	630	2,143				
6	0	0	134	632					
7	0	0	134						
8	0	0							
9	0								

Deviat. result	0	0	-12	-246	-316	-575	-226	-859	0
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A.11.6. (Net) expenses for insurance operations

Expenses for insurance operations in TEUR	2015
Acquisition costs	19,365
Administration expenses	4,427
Of which minus: reinsurers' shares	16,071
Total	7,721

A.11.7. Other expenses

in TEUR	2015	2014
Other underwriting expenses	395	52
Deposit interest reinsurance	127	21
Fire protection tax	268	32
Sundries underwriting expenses	0	0
Other non-underwriting expenses	241	650
Of which supervisory board compensations	41	37
Total	636	702

A.11.8. Main components of income tax expense and income

in TEUR	2015	2014
Actual taxes		
Reporting year	67	-315
Previous year	67	-315
Deferred taxes		
Deferred taxes from the occurrence or reversal of temporary differences	-228	787
	-161	473

Income taxes include corporate actually payable income taxes together with solidarity surcharge and trade taxes of the domestic Group companies. Changes in deferred tax assets and liabilities recognized through profit or loss also fall under this item.

A.11.9. Reconciliation of expected income taxes to reported income taxes

The following reconciliation of expected income taxes to reported income taxes resulted from earnings before income taxes:

in TEUR	2014	2015
Consolidated result	868	1,800
Income tax expenses	-161	473
Result before income tax	707	-1,327
Group tax rate in %	32,00	32,00
Expected income tax	226	-425
Adjusted by tax effects from		
Tax-exempt income		0
Nondeductible expenses		0
Deviating trade tax		0
Effects of tax rate differences		0
Income tax not relating to the period		0
Valuation allowances on deferred tax assets		0
Omitted deferred tax losses for the fiscal year	-159	0
Other effects	-228	898
	-387	898
Reported income taxes	-161	473

The expected income taxes were calculated at the Group tax rate of 32% (previous year: 32%).

The average total effective income tax rate in the reporting year was 13.6% compared to 13.6% in the previous year.

A.12. Other disclosures

A.12.1. Capital management IFRS 4

Capital structure

As of December 31, 2015, the DFV Group had total equity of EUR 17.0 million (previous year EUR 14.4 million). The facts are explained in more detail in the Notes in the section Adjustments to the Measurement and are also presented in the development of the Group equity. Equity consisted of the following components:

After a capital increase of EUR 2.0 million as of the balance sheet date, subscribed capital amounted to EUR 34.1 million, the capital reserve remained unchanged at EUR 3.9 million. Retained earnings amounted to EUR -21.0 million (previous year: EUR -21.9 million). This includes consolidated net income of EUR 0.9 million (previous year: consolidated net loss of EUR 1.8 million).

The reserve for unrealized profits and losses, where changes in the fair value of financial instruments classified as available for sale, in consideration of deferred tax effects, are recognized directly in equity, decreased to TEUR 73 (prior year: TEUR 268) in the course of the reporting year due to capital market factors.

The equity ratio, defined as the ratio of total equity of EUR 17.0 million (previous year EUR 14.4 million) to earned (net) premiums of EUR 28.0 million (previous year EUR 27.3 million), rose from 52.6% in the previous year to 61.0%. The return on equity rose to 4.2% (previous year -9.4%) It is calculated as the ratio of earnings before taxes of EUR 0.7 million (previous year: EUR -1.3 million) to equity adjusted for unrealized profits and losses of EUR 17.0 million (previous year: EUR 14.1 million).

For DFV, the equity of the DFV Group is also a portion to fulfil the solvency requirements, also in regard to the realignment of the regulatory capital requirements in the course of Solvency II.

Risk reporting

This report meets the requirements for risk reporting pursuant to IAS 1.134 through 136 (Capital), IFRS 4.38 to 39A (the nature and extent of risks arising from insurance contracts) and IFRS 7.31 to 42 (Nature and extent of risks arising from financial instruments).

DFV's risk management includes all relevant risk types. This approach is reflected in the present report on opportunities and risks. In general, the requirements of IFRS 4 and IFRS 7 are limited to risks resulting from insurance contracts or risks from financial instruments and place these at the center of reporting.

DFV focuses on an overall approach when using risk management instruments and when assessing the risk situation pursuant to the requirements of the Insurance Supervision Act (German Versicherungsaufsichtsgesetz, VAG).

Risk management system

The objective of DFV's risk management is to ensure that the obligations arising from insurance policies, and here in particular solvency and long-term risk-bearing capacity, the creation of sufficient underwriting provisions, investment in suitable assets, compliance with commercial principles, including proper business organization and compliance with the remaining financial principles of business operations, can be fulfilled on a permanent basis for all business activities. Risk management comprises all systematic measures to identify, evaluate and control risks. Risks and other negative developments that could have a significant impact on the net assets, financial and earnings situation are analyzed, and countermeasures are initiated.

The implemented risk management process establishes rules for the identification, analysis and evaluation, control and monitoring, reporting and communication of risks and for a central early warning system. Investments are also included in risk management. Moreover, the risk management system includes a business continuity management system.

It is the objective of the annual risk inventory to identify risks and assess their materiality. The subject of the risk inventory is to review and document all individual and accumulation risks. The results of the risk inventory are recorded in the risk profile.

The identified risks are assigned to risk categories. Following this categorization, the main risks are shown in this opportunity and risk report and measures to limit them are explained. Risk exposure is generally shown as net numbers, i.e. in consideration of the initiated or planned risk mitigation measures.

The review and assessment of risk-bearing capacity at least once per quarter also includes a review of clearly defined key figures and threshold values. Measures are initiated if a defined index value is exceeded.

The risk-bearing capacity and all material risks are finally assessed by the risk commission on a quarterly basis. The central risk reporting system ensures transparency in reporting. Notifications of the Executive Board are provided for in the event of significant changes in risks. The risk-relevant company information is made available to the responsible supervisory bodies on a regular basis and, if necessary, also on an ad hoc basis.

The effects on the company's risk profile are already analyzed and assessed as part of the new product procedure during product development. The impact of new business segments or the introduction of new insurance products on the overall risk profile has to be assessed.

Governance structure

DFV's risk management is embedded in the business strategy as an integral component of corporate management. It builds on the risk strategy approved by the Executive Board and is based on the three interlinked functions embedded in the control and monitoring system: operational risk management, risk monitoring and internal auditing. The control environment is completed by the Supervisory Board and external auditors.

The guideline Risk management and ORSA (Own Risk and Solvency Assessment) documents the management of risks with comprehensive descriptions of methods, processes and responsibilities. A basic principle of risk organization and risk management processes is the separation of risk management and risk monitoring.

Operational risk management

Risk management is the operational implementation of the risk strategy in the risk-bearing business segments. The operating segments make decisions to consciously assume or avoid risks. In this context, they have to observe the specified framework conditions and risk limits. The functions of the persons responsible for establishing risk positions are separated from the subordinate areas of risk monitoring under personnel and organizational aspects.

Risk monitoring

Insurance companies must have an effective risk management system that is well integrated into the organizational structure and decision-making processes of the company, whereby reasonably considering the information needs of persons who actually manage the company or hold key functions through appropriate internal reporting. The risk management system has to include the strategies, processes and internal reporting procedures which are required to identify, assess, monitor and control risks to which the company is or may be exposed and to report these risks in a meaningful manner. A risk strategy coordinated with the management of the company, which takes the type, scope and complexity of the business conducted and the risks associated with it into consideration, is in particular part of the strategies that is to be developed.

Due to the uncertainty of future developments, the insurance business is associated with risks. It is important to take specific risks in the context of the existing risk-bearing capacity, if the associated opportunities promise adequate added value.

DFV's overall risk can be divided into the following risk categories:

- Undertaking risks,
- Market risks, particularly in connection with investments,
- Credit risks, in particular from the default of receivables from insurance business,
- Liquidity risks,
- Operational risks,
- Reputation risk,
- Strategic risks.

DFV's risk management aims to identify, control and ultimately systematically manage these risks early on. Executive Board members and executives perform active risk management. The department heads report routinely to the divisional or full Executive Board in regard to the current course of business, also from a potential risk perspective. In addition, the company's Supervisory Board regularly addresses risk strategy issues at its meetings and is informed by the Executive Board about business development and planning.

The company's risk strategy also includes risk transfer to solvent reinsurance companies with first-class ratings via proportional risk assumptions and flexibly expandable coverage for major losses and natural catastrophes as well as annually adjusted insurance cover for loss of earnings/operating interruptions, public liability, business premises, business inventory and cyber risks.

During the reporting period, DFV also implemented an internal risk and solvency assessment process (ORSA – Own Risk and Solvency Assessment) according to the requirements of Solvency II. While each insurance company applies identical criteria for assessing a risk with the application of the standard formula, and thus determines a Europe-wide comparable solvency capital requirement, individual company assessment criteria are also used in ORSA and the individual overall solvency requirement is determined based thereon. Furthermore, the forecast for the next three to five years runs through certain stress scenarios to ensure a stable solvency of the DFV even under considerable pressure.

The Executive Board commissions to perform an ORSA at least once a year (regular ORSA) if certain criteria established in guidelines by the Executive Board (e.g. the intention to change the company's reinsurance policy or changes on the capital market that exceed established limits) occur, the Executive Board can at any time initiate an additional ORSA to summarize the changes in the procedure, principles, findings and conclusions of ORSA in an internal report to the Executive Board. The Executive Board determines possible effects on the business strategy and business planning within two weeks after the report is submitted and also decides on any further information to the Supervisory Board and the supervisory authority.

The CFO was appointed for independent risk control at DFV.

The company's Head of the Legal/Compliance Department of the company was appointed for the compliance function of the DFV. He is a fully qualified lawyer, attorney and in-house counsel. As part of the compliance function, he performs the tasks according to Sec. 29 para. 2 German Insurance Supervision Act (Versicherungsaufsichtsgesetz). This includes advising the Executive Board on compliance with the laws and administrative regulations that apply to the operation of the insurance business. Furthermore, the compliance function has to assess the possible effects of changes in the legal environment for the company and identify and assess the risk associated with the violation of legal requirements (compliance risk).

Procedures to implement compliance and the reports to be created are defined in a compliance plan. The Executive Board can implement the approved audit plan through resolution as the approved compliance plan and may waive a separate compliance plan. The compliance function informs the Executive Board on a regular basis about compliance issues and prepares an annual compliance report.

Insurance undertakings must have an effective actuarial function (AF). At DFV the AF was divided according to the insurance products by the type of damage insurance on the one hand and by the type of life insurance on the other hand and allocated externally in each case. The AF for the classes of insurance by type of loss, in particular supplementary health products by type of loss and personal and property insurance, such as liability, accident, glass breakage, household contents, was outsourced to Meyerthole Siems Kohlruss Gesellschaft für actuarielle Beratung mbH, Cologne, through a function outsourcing agreement of October 29, 2015, for which Dr. Dietmar Kohlruss, actuary (DAV) is responsible. The AF for the classes of insurance like life insurance, in particular for the supplementary products for non-substitutive health and nursing care like life insurance, was outsourced to the actuary (DAV) Dr. Berthold Ströter from the actuarial firm Bek Ströter & Partner PartG through a function outsourcing agreement of November 24, 2015. The outsourcing officer for the AF is the head of the DFV's actuarial department. He has many years of professional experience as a graduate mathematician (FH) in the insurance sector and is a DAV actuary.

Insurance companies are required to have an effective internal audit function that checks the adequacy and effectiveness of the entire business organization and in particular the internal control system.

Our Head of Internal Audit successfully passed the Internal Auditor Examination at the German Institute for Internal Auditing (DIIR) and partakes in continuing education on a regular basis. The internal audit department provides independent and objective auditing services and thereby supports management in achieving its objectives by assessing and recommending possible measures to improve the appropriateness and effectiveness of the business organization, in particular the internal control system, risk management and the management and monitoring processes. To ensure its independence, the internal audit department works reports directly to the Chairman of the Executive Board or a member of the Executive Board appointed by the entire Executive Board. The internal audit department reports exclusively to the Group Executive Board, and in case of outsourcing, also to the outsourcing representative. Within the scope of their auditing activities the persons engaged with internal auditing are not subject to any restrictive instructions and have to perform these tasks autonomously and independently.

Risk capital management

It is the objective of DFV's capital management to ensure risk-bearing capacity at all times to be able to meet all obligations from insurance contracts and to finance future growth largely independently through an appropriate equity strategy. The degree of capitalization represents the regulatory risk-bearing capacity of DFV as a ratio of eligible own funds to the risks resulting from business activity. The risk-bearing capacity is analyzed at least quarterly on the basis of supervisory regulations and under consideration of internal limits.

A.12.2. Regulatory risk-bearing capacity and underwriting risks

Regulatory risk-bearing capacity

In the fiscal year 2015, DFV meets the statutory minimum solvency requirements pursuant to Solvency I.

Underwriting risks

General information

Currently, Deutsche Familienversicherung AG operates exclusively in Germany. In this context, the policyholders are exclusively natural persons. According to the classes of insurance mentioned in section A.1.2., the insured risks are as follows

- Risks or illness, disability and accidents of natural persons as well as
- property belonging to persons.

Accumulation and major risks

Based on the nature of the conducted business, the portfolio of Deutsche Familienversicherung has no individual major risks whose occurrence could endanger the continued existence of the company. Moreover, the underwritten risks are widely spread geographically and thereby reduce possible risk concentrations.

Appropriate calculation and underwriting policy

In general, premiums are calculated using accepted actuarial methods and include sufficient safety margins. Based thereon, acceptance guidelines are implemented for each insured risk and their compliance is systematically monitored so that the risk of underwriting losses can be limited.

The powers of attorney to enter into legally binding underwriting risks for Deutsche Familienversicherung AG are only granted to employees who can prove that they have the necessary professional qualification. Before it is written, every underwriting risk is subjected to an appropriate and comprehensive risk assessment.

All classes of insurance offered by Deutsche Familienversicherung include in their terms the right to adjust premiums in case of a permanent change of the calculation basis. This also limits the risk of permanent underwriting losses.

Permanent risk control

The company systematically monitors the economic, social and legal bases of its insurance business. In doing so, it reviews in particular whether the underlying calculation bases for the premium calculation are still applicable and whether insurance conditions need to be adjusted due to changes in the legal framework. If this careful examination reveals the need for adjustments in the calculation or of the terms and conditions, such adjustments will be made promptly within the legally permissible framework.

Measurement of undertaking risks

The measurement of all categories of underwriting risk corresponds to and is integrated in the procedures used when applying the Solvency II requirements. This applies in particular to the calculation of stress scenarios, i.e. extremely unfavorable progressions in the development of business and investments, and their impact on the result and possible burden on equity.

For this purpose, the procedure is as follows in line with the inventory of insurance contracts underwritten by the company:

- Management of the underwriting risk health

The underwriting risk health is calculated as a combination of the capital requirements for the subcategories health like non-life insurance, health like life insurance and catastrophe risk health.

The risk measurement in the subcategories health like non-life insurance is generally carried out according to the methods described in the chapters on non-life underwriting risk.

For insurance contracts subject to mortality risk, the risk is shown by an increase in mortality of 15%.

For insurance contracts subject to longevity risk, the risk is shown by an increase in longevity of 20%.

For the insurance contracts subject to the cancellation risk, the risk is shown for the scenarios cancellation increase at a 50% increase in the cancellation rate, cancellation decrease at a 50% reduction of the cancellation rate and mass cancellation with a cancellation rate at 40% of the contracts.

The measurement of cost risk is based on the stress scenarios of a permanent increase of 10% in the costs taken into consideration in the measurement of the underwriting provisions and an increase by one percentage point in the cost inflation rate.

The risk of illness differentiated between cost reimbursement insurance and income reimbursement insurance.

The risk of illness in income reimbursement insurance is represented by an increase in burning costs by 10%.

The risk of illness in cost reimbursement insurance is represented by a one-off increase in insurance benefits of 5% and an increase in annual medical inflation of 1%. Furthermore, a one-off decrease of 5% in insurance benefits and 1% annually in medical inflation is assumed.

The disaster risk health is divided into mass accident risk, accident concentration risk and pandemic risk.

The mass accident risk assumes a sudden loss event in which many people are affected simultaneously by an accident.

The accident concentration risk assumes that a very large number of the persons affected by an accident are insured by the insurance company.

The pandemic risk assumes that a large number of people will require health care or disability benefits as a result of a directly spreading pandemic.

- Management of the underwriting risk non-life

The calculation of capital requirements for the premium and reserve risk is based on risk factors and volume measures for all classes of insurance. The risk factors (for example, the standard deviation as a percentage of the volume measure) describe the danger of the risk. Volume measures for the premium risk is the premium income. The volume measure for the reserve risk are the net claims provisions in the form of the best estimate.

To determine the risk requirement from a catastrophe scenario, we used site-specific and value-specific risk factors in consideration of the probabilities defined in the standard formula.

The solvency requirement for the cancellation risk is determined on the basis of a stress scenario assuming a cancellation of 40% of those insurance contracts for which a cancellation would result in an increase in the best estimate for the premium provision.

- Risk factors

In health insurance as an essential component of the underwriting risk health the risk of increased claims exists based on the behavior of insured persons and service providers.

As part of its property and casualty insurance business, DFV conducts business that covers catastrophes. These are natural disasters, such as earthquakes, storms or floods, and also accidents caused by human intervention. These events are unforeseeable.

In general, there is a risk that particularly large individual loss events take place and also that a particularly large number of loss events occur that are not necessarily large individual loss events. As a result, the actual claim burden from the amount and frequency of claims for one year can significantly exceed the expected burden.

Unfavorable claims experiences would result in an increase in insurance benefits reported in the income statement and could have a negative impact on DFV's result.

The limit values presented here for the stress scenarios performed by us correspond to the stipulations of Solvency II. They are suitable for assessing and quantifying extreme – but unlikely - business developments that could present a burden on equity. These invoices showed in no event a result that even remotely exhausts the company's equity.

Risk-adequate reinsurance

The company concludes reinsurance contracts in order to transfer its assumed risks with the following objectives:

- Avoidance of fluctuations in the underwriting experience,
- Limitation of cover amounts for contracts with a high cover commitment and
- Reduction of any remaining concentration risks.

In this contract the insurance contracts are long-term in nature. Reinsurance contracts are only concluded with companies with the best credit rating.

Product development

When developing new products, the needs for insurance in the target markets of Deutsche Familienversicherung are analyzed systematically and in a targeted manner to ensure that the company offers coverage concepts tailored to the needs of the market. It is in particular ensured that the protection offered is clearly structured and can be well understood by the policyholder. This reduces the risk that the provided insurance cover does not meet the expectation and understanding of the policyholder and the risk of legal disputes and damage to the company's image is consequently kept to a minimum.

Supplementary health insurances

Deutsche Familienversicherung AG offers insurance cover against financial burdens in the event of illness and the need for care. In this context, the insurance contracts cannot be terminated by the company on a regular basis. However, the premiums of a tariff are adjusted under certain conditions. The company therefore bears the risk of an unfavorable development of insured losses, interest, mortality, cancellation and other expenses only until the respective next premium adjustment.

Probability tables by the Federal Financial Supervisory Authority (BaFin), the Association of Private Health Insurers (PKV) and, if the existence of a tariff provides a sufficient basis for this, the insurer's own tables are used for the calculation of insurance premiums and actuarial provisions (ageing provisions). Furthermore, the calculation considers sufficient security surcharges for fluctuations below the thresholds that allow premium adjustments.

If premiums are adjusted, the company reviews all calculation bases and adjusts the premiums appropriately to the existing circumstances at that time. This also applies to the composition of the respective inventories by gender. A sufficiently high actuarial reserve (ageing provision) was created for the tariffs calculated like life insurance (supplementary care insurance, inpatient treatment, daily sickness allowance).

Interest rate risk – changes in interest rates can include economic and accounting opportunities and risks for the company.

An economic interest rate risk primarily exists in the business conducted by the company like life insurance, since an implicit actuarial interest rate for the entire life of an insurance contract is used here as the basis for premium calculation. It is, however, possible to adjust this actuarial interest rate to the current interest rate and capital market situation, if premium adjustments can be made. Due to the present low-interest phase, this actuarial interest rate for the tariffs of Deutsche Familienversicherung is reasonably low, so that the capital market income of the security assets created for this purpose in conjunction with a cautionary investment is sufficient to generate the established actuarial interest rate.

Moreover, the stress scenario calculations performed as part of Solvency II show that none of the calculated scenarios could create an economic situation for the company in which the available equity of the company would be even remotely used up.

Damage and accident insurance

Deutsche Familienversicherung offers insurance cover for property, liability, legal protection, animal and accident insurance. Therefore, the policyholders of Deutsche Familienversicherung are protected from economic loss or damage to insured property caused by the occurrence of defined risks. The company offers coverage against claims for damages of injured third parties in form of liability insurance. Accident insurance covers personal injury resulting from accidents. Each contract entered into by Deutsche Familienversicherung can be terminated without cause at the end of a defined term. The respective policyholder has a right of termination at any time. Under certain conditions, Deutsche Familienversicherung AG has extraordinary termination rights.

Premium risk - Premiums are calculated after a thorough evaluation of the relevant statistical bases according to accepted methods of property insurance mathematics. To this end, sufficient reserves are always part of the calculation; therefore, it is unlikely that the risk contributions to cover the losses lack detail. This counteracts the risk of underpricing. In addition, adjustment rights exist for all tariffs of property/casualty insurance if the claims experience exceeds the calculated safety surcharges.

Reservation risk – The reservation risk means that the individual or lump-sum provisions are too low for subsequent claims payments. Therefore, we use statistics from our own claims experience in conjunction with actuarial estimation methods to estimate their amount. In addition, we limit the risks in which the reversal of these provisions is constantly monitored. The knowledge acquired in this process is re-incorporated into the current estimates.

Claims development in the property-casualty segment has a significant influence on the result of Deutsche Familienversicherung.

Risks from the default of receivables from insurance business

Receivables from insurance business may exist against our policyholders, brokers and reinsurers.

A.12.3. Classification of financial instruments

Pursuant to IAS 39, financial instruments are contracts that result in a financial asset for one entity and simultaneously in a financial liability or equity instrument for another entity. Receivables from natural persons – for example from mortgage loans – are also treated as financial instruments.

IFRS 7 requires entity to allocate its financial instruments to specific classes for the disclosures in the notes to the consolidated financial statements. A distinction has to be made at least between financial instruments measured at amortized cost or their residual carrying amount and financial instruments measured at fair value. Shares in non-consolidated subsidiaries, joint ventures and associated companies require disclosures regarding their carrying amounts and level information according to IFRS 13.

Cash and cash equivalents with a term of up to three months are reported as a separate class of financial instruments. They are reported at nominal value and are only subject to insignificant fluctuations in value.

Loan commitments also represent a separate class of financial instruments for which the requirements of IFRS 7 have to be met, if applicable.

Further detailed information pursuant to IFRS 7 about risks and maturities of financial assets and liabilities and their risk management, sensitivity analyses and capital management of the DFV Group are explained in the opportunities and risk report.

A.12.4. Fair value hierarchy

IFRS 13 defines the fair value as sales price (price that would be received in an ordinary transaction between market participants on the measurement date upon sale of an asset or upon transfer of a liability). Pursuant to IFRS 13 all assets and liabilities measured at fair value are assigned to a measurement hierarchy (level). Moreover, level information also has to be disclosed for fair values, which are exclusively presented in the notes. The valuation hierarchy provides for three levels of valuation. The allocation informs which of the reported fair values have occurred through transactions on the market and to what extent the measurement was based on observable market-derived data or using valuation models due to a lack of market transactions. On each valuation date, it is reviewed whether the allocation to the levels of the valuation hierarchy is still appropriate. If changes in the valuation basis occurred, for example due to inactive markets, the use of new valuation methods or the adjustment of parameters that require a different allocation, corresponding reclassifications are made between the levels.

Level 1: Prices quoted in active markets on the valuation date for the assets and liabilities to be measured

Level 2: Use of quoted prices other than those defined in Level 1 that are either directly or indirectly observable for the asset or liability

Level 3: Unobservable input factors, if applicable of a valuation model using unobservable, estimated input factors

Valuation techniques and input factors to determine fair values for assets and liabilities at levels 2 and 3

The measurement of financial instruments and investments in these levels is mainly based on capital value-oriented methods. The investment in DFVR is carried at cost.

In the trading category, plain vanilla swaps and structured swaps are valued using the shifted Libor market model; the main valuation parameters are money market and swap yield curves and, where applicable, spot exchange rates. Moreover, derivatives are held at level 2 to hedge the interest rate risk. Their fair values are determined using recognized capital value-oriented methods, which incorporate interest rates, creditworthiness and liquidity premiums as measurement parameters that are mainly observable on the market and correspond to the respective term. Prepurchases are valued based on the DCF method; in this context, the yield curve and the credit spread are the measurement parameters. Stock and index-related options are valued using Monte Carlo simulation in a local volatility model with constant forward skew, expanded by forward volatilities. Implied volatilities and forecasted dividend payments from Bloomberg serve, inter alia, as the data basis. The valuation of forward exchange transactions corresponds to the discounted delta between the agreed forward rate and forward rate on the valuation date. Market data to determine forward rates on the key date is supplied in SAP via an interface to various providers of market data.

Negative fair values from derivatives in level 2 are valued in analogy to the positive fair values from derivatives.

Disclosure of assets and liabilities according to levels (2015) in TEUR	Level 1	Level 2	Level 3	Total
Shares in subsidiaries, joint ventures and associated companies	0.0	0.0	25.0	25.0
Financial instruments available for sale	15,602.7	0.0	0.0	15,602.7
Non-current assets held for sale	0.0	0.0	0.0	0.0
Total of positive market values	15,602.7	0.0	25.0	15,627.7
Shares in subsidiaries, joint ventures and associated companies	0.0	0.0	0.0	0.0
Financial instruments available for sale	0.0	0.0	0.0	0.0
Non-current assets held for sale	0.0	0.0	0.0	0.0
Total of negative market values	0.0	0.0	0.0	0.0

Disclosure of assets and liabilities according to levels (2016) in TEUR	Level 1	Level 2	Level 3	Total
Shares in subsidiaries, joint ventures and associated companies	0.0	0.0	25.0	25.0
Financial instruments available for sale	12,790.0	0.0	0.0	12,790.0
Non-current assets held for sale	0.0	0.0	0.0	0.0
Total of positive market values	12,790.0	0.0	25.0	12,815.0
Shares in subsidiaries, joint ventures and associated companies	0.0	0.0	0.0	0.0
Financial instruments available for sale	0.0	0.0	0.0	0.0
Non-current assets held for sale	0.0	0.0	0.0	0.0
Total of negative market values	0.0	0.0	0.0	0.0

12.4.1 Credit quality of the portfolio

Rating categories of interest bearing financial instruments	2015 TEUR	Share in %	2014 TEUR	Share in %
Available for sale				
AAA	3,136.3	34.8	2,997.5	49.8
AA	596.6	6.6	905.2	15.1
A	729.5	8.1	727.2	12.1
BBB	4,538.9	50.4	1,383.9	23.0
BB and lower	0.0	0.0	0.0	0.0
No rating	0.0	0.0	0.0	0.0
Total	9,001.3	100.0	6,013.8	100.0

12.4.2 Credit risk

Credit risk (2015) in TEUR	Carrying value as of December 31, 2015	Of which neither impaired nor overdue as of the balance sheet date	Of which impaired on the balance sheet date	Of which not impaired and overdue in the following time intervals					
				Less than 30 days	Between 30 and 60 days	Between 60 and 90 days	Between 90 and 180 days	Between 180 and 360 days	More than 360 days
Balance sheet items									
Available for sale	15,627.7	15,627.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Receivables from direct insurance business	1,897.0	337.9	1,559.1	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable from reinsurance business	4,029.7	4,029.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest and rent receivables	566.4	566.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	22,120.8	20,561.7	1,559.1	0.0	0.0	0.0	0.0	0.0	0.0

Credit risk (2014) in TEUR	Carrying value as of December 31, 2015	Of which neither impaired nor overdue as of the balance sheet date	Of which impaired on the balance sheet date	Of which not impaired and overdue in the following time intervals					
				Less than 30 days	Between 30 and 60 days	Between 60 and 90 days	Between 90 and 180 days	Between 180 and 360 days	More than 360 days
Balance sheet items									
Available for sale	12,815.0	12,815.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Receivables from direct insurance business	3,343.6	1,006.2	2,337.4	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable from reinsurance business	319.4	319.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest and rent receivables	892.9	892.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	17,370.9	15,033.6	2,337.4	0.0	0.0	0.0	0.0	0.0	0.0

A.12.5. Disclosures on net income from financial instruments

Corresponding disclosures are not available.

A.12.6. Interest income and expenses, current income and expenses from financial instruments

Interest income and expenses, current income and expenses (2015) in TEUR	Interest income	Current income	Interest expenses	Current expenses
Financial instruments available for sale	130.9	71.8	0.0	155.2

Interest income and expenses, current income and expenses (2014) in TEUR	Interest income	Current income	Interest expenses	Current expenses
Financial instruments available for sale	251.8	0.0	0.0	13.4

A.12.7. Disclosures on leasing – DFV as lessee

Payments based on operating leases relate in particular to rents for office and business premises, operating and office equipment, IT equipment and software products.

The financial obligations resulting from these contracts are stated in the disclosure on other financial obligations.

A.12.8. Other financial commitments

2015 (DFV AG):

Other financial obligations consist of the long-term lease of the Reuterweg 49 business premises until May 31, 2019 and Reuterweg 47 until December 31, 2022. The lease agreement for the property at Beethovenstrasse 71 was terminated as at December 31, 2015. A free usage agreement for the lower level and the basement still exist for this property. The expenses resulting from these obligations amount to TEUR 1,015 in fiscal year 2016 and are expected to amount to TEUR 2,966 for the years until 2019 and TEUR 2,493 for the years 2020 through 2022.

In addition, other financial obligations from rental and leasing contracts with different terms for the use of hardware, communications and network technology as well as other technical aids, office equipment and vehicles exist. The obligations arising from these contracts likely amount to approximately TEUR 373 in 2016.

A.12.9. Disclosures to contingent liabilities

No contingent liabilities exist as of the balance sheet date in addition to the provisions recognized in the consolidated balance sheet that would have to be reported.

A.12.10. Relations to associated companies and persons (related parties)

Related parties include persons in key positions within the DFV Group and their close family members. Members of the Executive Board and the Supervisory Board are regarded as persons in key positions.

A management member of in key positions has a controlling influence on DFV. During the reporting year, no business transactions existed that exceeded the disclosures on remuneration.

Compensation of key management members in TEUR	Executive Board	Supervisory Board	Total
Short-term benefits	798	41	839
Post-employment benefits	0	0	0
Other long-term benefits	0	0	0
Termination benefits	0	0	0
Share-based remuneration	0	0	0
Total compensation	798	41	839

These disclosures relate to the members of the Executive Management and the Supervisory Board of DFV Familienversicherung AG. This group of persons comprised 9 persons in the reporting year (previous year 8 persons).

A.12.11. Auditor's fee

As of the balance sheet date, the total fee charged by the auditor for services rendered in the fiscal year amounted to TEUR 65, which relates exclusively to auditing services.

A.12.12. Disclosures on the identity of the company and the consolidated financial statements

The parent company of the DFV Group, DFV Deutsche Familienversicherung AG, has its registered office in Frankfurt am Main and is recorded in the Commercial Register at the Local Court (Amtsgericht) of Frankfurt am Main under the number HRB 78012.

A.12.13. Disclosure

The IFRS consolidated financial statements were prepared on a voluntary basis. There is no legal obligation to disclose.

Supplementary report

No events of particular significance exist which occurred after the end of the consolidated financial year and have not been taken into consideration either in the consolidated income statement or in the consolidated balance sheet.

Frankfurt am Main, July 30, 2018

DFV Deutsche Familienversicherung AG

Executive Board



Dr. Stefan M. Knoll



Michael Morgenstern



Stephan Schinnenburg

Auditors' Report

To DFV Deutsche Familienversicherung AG

We have audited the consolidated financial statements prepared by DFV Deutsche Familienversicherung AG - comprising balance sheet, statement of comprehensive income, statement of changes in equity, cash flow statement, segment reporting and notes - for the financial year from 1 January 2015 to 31 December 2015. The preparation of the consolidated financial statements in accordance with IFRS is the responsibility of the Company's legal representatives. Our responsibility is to express an opinion on the consolidated financial statements based on our audit.

We have conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB (German Commercial Code) and the generally accepted German audit standards of 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 consolidated financial statements in accordance with IFRS are detected with reasonable certainty. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system as well as evidence supporting the disclosures in the consolidated financial statements are examined primarily on a sample basis within the framework of the audit. The audit includes an assessment of the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and main assessments made by the legal representatives, as well as an evaluation of the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements present a true and fair view of the net assets, financial position and results of operations of the Group in accordance with IFRS.

Frankfurt am Main, 1 August 2018

WEDDING & Cie. GmbH
Auditing Company

Johannes Wedding
Auditor

General Engagement Terms

for

Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften

[German Public Auditors and Public Audit Firms]
as of January 1, 2017

1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (*Wirtschaftsprüfer*) or German Public Audit Firms (*Wirtschaftsprüfungsgesellschaften*) – hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung*). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (*betriebswirtschaftliche Prüfungen*), the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [*Translators Note: The German term "Textform" means in written form, but without requiring a signature*] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of Wirtschaftsprüfer: *Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

- a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party
- b) examination of tax assessments in relation to the taxes referred to in (a)
- c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)
- d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)
- e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergütungsverordnung*) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (*Textform*).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

- a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax;
- b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;
- c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and
- d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (*Textform*) accordingly.

13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (*Verbraucherschlichtungsstelle*) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (*Verbraucherstreitbeilegungsgesetz*).

15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.