Company bodies

Supervisory Board

Norbert Hansen
Berlin
Chairman
Member of Deutsch Bahn AG Management Board with responsibility for Personnel Unit

Dr rer. nat. Norbert Bensel
(Doctor of Science)
Berlin
Deputy Chairman
Member of Management Board with responsibility for Transport and Logistics Unit for DB Mobility Logistics AG

Ruth Ebeler
Cologne
Chairperson of Works Council for DEVK Versicherungen, Cologne Headquarters

Dr rer. oec. Klaus Eberhardt
(Doctor of Economic Sciences)
Berlin
Member of the Management Board for Sparda-Bank Berlin eG

Heinz Fuhrmann
Neu-Anspach
Deputy National Chairman of the German Transport Trade Union (GDBA)

Armin Keppel
Sankt Augustin
President of Bundeseisenbahnvermögen and Eisenbahn-Bundesamt (Federal Railways Office)

Dr rer. pol. Johannes Ludewig
(Doctor of Economic Sciences)
Alfter
Executive Director Community of European Railways (CER)

Helmut Petermann
Essen
Chairman of General Works Council for DEVK Versicherungen

Ilmar Schichtel
Sankt Ingbert
Chairman of Management Board for Sparda-Bank Südwest eG

Executive Board

Friedrich Wilhelm Gieseler
Bergisch Gladbach
Chairman

Gottfried Rüßmann
Cologne

Hans-Otto Umlandt
Oesterdeichstrich
(as of 1 June 2008)

Bernd Zens
Königswinter

Management report

Commercial environment and general conditions

Overview

As a 100 percent subsidiary of DEVK Sach- und HUK-Versicherungsvereins a.G., DEVK Rückversicherungs- und Beteiligungs-AG has two functions within the DEVK Sach- und HUK-Versicherung Group. Firstly, it acts as a reinsurer that underwrites business from both inside and outside group. Secondly, it serves as an intermediate holding company that manages the group's other insurance companies as well as other participations.

There was no loss event in the reinsurance business similar in magnitude to the violent Kyrill windstorm of 2007. Instead the windstorm "Emma", a series of storm and hail events, and an early onset of winter in November and December have affected the claims development in 2008.

The real estate crisis, which started a year before in the USA, developed into a global financial crisis in 2008 and increasingly impacted the real economy both globally and in the Eurozone. This manifested itself first on the capital markets, which with few exceptions, have recorded significant losses overall. The bond markets are first and foremost suffering from the considerable widening of spreads and lack of liquidity. Over the course of the year, the DAX fell by 40.4 % and by the end of the year had recovered from an annual low of 4,127.4 points to merely 4,810 points. At the end of the year and at the start of the new year, the figures for the real economy have also worsened in virtually all areas.

Taking everything into consideration, it can be said that the business performance in FY 2008 was satisfactory.

Ratings

In 2008, DEVK commissioned Standard & Poor's to provide independent verification of its creditworthiness (rating). In detail, DEVK Sach- und HUK-Versicherungsverein a.G., DEVK Allgemeine Versicherungs-AG, DEVK Allgemeine Lebensversicherungs-AG and DEVK Rückversicherungs- und Beteiligungs-AG have been subjected to the interactive rating process. All four companies were immediately given an "A+" rating and Standard & Poor's considered the business outlook to be "stable". On balance, this is therefore confirmation of the very good financial strength of the DEVK companies.

Opportunities in the reinsurance market

The opportunities for growth as a capacity provider on the reinsurance market have markedly improved as a result of Standard & Poor's assigning DEVK Rückversicherungs- und Beteiligungs-AG's financial strength an "A+" (very good) rating in 2008 because for many business partners such a rating is now a pre-requisite for signing a contract. In our opinion, there is still strong demand for a partner with a traditional market footprint that also has its roots in the mutual assurance sector. This demand arises not only in Germany, but also in most European countries.

Business performance in reinsurance

DEVK Rückversicherungs- und Beteiligungs-AG has further expanded its reinsurance business from outside the group in FY 2008. Conversely, the reinsurance provided within the group decreased. In particular, DEVK Lebensversicherungsverein a.G. and DEVK Allgemeine Lebensversicherungs-AG have not required any group-internal reinsurance coverage. Booked gross premiums consequently fell by 13.2 % to € 171.3 m.

The earned premiums for own account amounted to € 96.5 m (previous year € 119.4 m), the expenses for claims for own account came to € 66.3 m (previous year € 78.9 m). Their ratio of net claims expenses to net earned premiums therefore fell to 68.7 % (previous year 66.1 %). The ratio of expenses for the insurance business for own account to the earned premiums for own account stood at 27.7 % (previous year 23.6 %).

An underwriting profit before changes to the equalisation reserve of € 3.0 m (previous year – € 10.5 m) was reported. Following a withdrawal from the equalisation reserve, the underwriting result for own account came to € 3.5 m (previous year – € 13.0 m).

Business performance in the individual insurance business units

The business performance in the individual insurance business groups, units and types has developed as follows:

Life insurance

The life reinsurance unit has been in operation since FY 2002. The ratios for the existing reinsurance contracts with DEVK Lebensversicherungsverein a.G. and DEVK Allgemeine Lebensversicherungs-AG were reduced to zero for 2008. The securities accounts provided for coverage of the underwriting reserves taken over were released. We have provided the two life insurance companies with liquid assets equal in value to the portfolio withdrawals . Together with the small amount of business from outside the group, this led to an underwriting profit of € 51,000.

Casualty insurance

The gross booked premium income came to € 22.4 m (previous year € 21.1 m). The underwriting result for own account amounted to € 2.2 m (previous year € 2.1 m).

Liability insurance

This business, which has merely been a small-scale operation, (like last year booked gross premiums were € 0.7 m), reported an underwriting loss of – € 30,000 (last year – € 16,000).

Motor vehicle liability insurance

With premiums amounting to € 40.9 m (previous year € 41.3 m), the motor vehicle liability insurance business booked an underwriting result of – € 46,000 (previous year – € 2.7 m) following a withdrawal from the equalisation reserve (€ 2.4 m).

Other motor vehicle insurance

We pool the comprehensive and partial comprehensive (third-party, fire and theft) motor insurance together under other motor vehicle insurance business. With premiums amounting to € 50.8 m (previous year € 52.2 m), underwriting result came to € 1.0 m (previous year € 1.9 m) following a withdrawal from the equalisation reserve (€ 0.9 m).

Fire and non-life insurance

The fire and non-life insurance business booked gross premiums amounting to € 53.1 m (previous year € 47.4 m). In detail, the performance in the fire and non-life property insurance business breaks down as follows:

In the householders' comprehensive insurance business, gross premiums at € 7.9 m were slightly down on last year (€ 7.7 m). Like last year, the underwriting result came to € 2.0 m.

With premium income of € 23.6 m (previous year € 21.7 m) we recorded an underwriting profit of € 0.9 m (previous year € 0.6 m) in houseowners' comprehensive insurance.

In the other fire and non-life insurance units, the booked gross premiums came to a total of € 21.5 m (previous year € 18.0 m). Underwriting generated a loss of – € 1.0 m (previous year – € 6.2 m). This loss stemmed largely from the fire insurance unit.

Other insurance policies

With premium income amounting to € 4.0 m (previous year € 3.4 m), the underwriting result came to € 0.6 m.

Retrocession

The business ceded by our company to reinsurance was distributed among several external reinsurers. Our selection of the reinsurers took account of their ratings.

Commercial performance in the investment business

The income from investments amounted to € 123.5 m (previous year € 141.9 m). This included proceeds from profit transfer agreements with affiliated companies amounting to € 119.3 m (previous year € 140.3 m). These proceeds were set against expenses arising from a loss transfer of € 2.4 m (previous year € 2.6 m).

Investment and net investment income

In the year under review, the investment portfolio contracted by 2.2 % to € 1,318.6 m. Accounting for 45.4 %, the "investments in affiliated companies and participations" remain the largest single item.

Capital gains increased to € 226.5 m (previous year € 200.9 m). This growth was specifically due to a strong increase in the profits from the divestment of investments.

Due to a greater write-down requirement, stemming from the financial markets crisis, the expenses for investments increased to € 43.8 m (previous year € 23.8 m).

All told, the net income from investments improved to € 182.7 m (previous year € 177.1 m).

Operating result and allocation of retained earnings

The profit on ordinary activities was up on last year (€ 167.0 Mio. vs. € 146.3 m).

The net profit for the year after tax stands at € 97.1 m (previous year € 68.0 m) and is reported as unappropriated retained earnings.

The Management Board proposes to the General Assembly that € 10.0 m from the unappropriated retained earnings is paid as a dividend to DEVK Sach- und HUK-Versicherungsverein a.G. and that the remaining € 87.1 m is transferred to the other retained earnings.

Affiliated companies, participations

The companies affiliated with DEVK Rückversicherungs- und Beteiligungs-AG are as follows:

DEVK Deutsche Eisenbahn Versicherung
Sach- und HUK-Versicherungsverein a.G.
Betriebliche Sozialeinrichtung der Deutschen Bahn, Cologne,

and its direct and indirect subsidiaries.

Our company's capital stock, which is worth roughly € 307 m, is fully paid in. It is 100 % held by DEVK Deutsche Eisenbahn Versicherung Sach- und HUK-Versicherungsverein a.G. Betriebliche Sozialeinrichtung der Deutschen Bahn, Cologne.

Control and profit transfer agreements exist with DEVK Allgemeine Versicherungs-AG, DEVK Rechtsschutz-Versicherungs-AG, DEVK Krankenversicherungs-AG, DEVK Vermögensvorsorge- und Beteiligungs-AG, DEVK Asset Management GmbH, DEVK Service GmbH and DEVK Web-GmbH.

Details about our company's direct shareholdings in affiliated companies and participations can be found in the notes.

The report prepared by the Management Board in accordance with Section 312 of the German Companies Act (AktG) regarding the relationships to affiliated companies was concluded with the statement that our company received an appropriate level of remuneration for every one of the legal transactions with the affiliated companies given the circumstances known at the time they were performed. No actions subject to compulsory reporting have taken place in FY 2008.

Organizational co-operation

In accordance with a service contract concluded with DEVK Sach- und HUK-Versicherungsverein a.G., this company performs services for us in line with our instructions, particularly in the areas of general administration, accounting, collection and disbursement, asset investment and management, human resources management and development, operational organisation, IT, controlling, auditing, legal services, inland revenue services, marketing, portfolio management and claims management.

Our company acquires or leases operational facilities and work equipment itself according to its needs.

Opportunities and risks of future developments

In accordance with the German Control and Transparency in Business Act (KonTraG), and the minimum risk management requirements laid down in Section 64a of the German Act on the Supervision of Insurance Companies (VAG), we now report the opportunities and risks presented by future developments.

Within the DEVK-Group, a risk management system is employed to identify and assess risks at an early stage. A comprehensive risk inventory is compiled using a uniform procedure every six months. The risks are recorded and classified according to type using a questionnaire. The risks are quantified as far as possible. The actions required to manage the risk are recorded. Using this system, we can react immediately and appropriately to developments that represent a risk to the group. The effectiveness and suitability of this system are monitored by the Internal Auditing unit.

DEVK's risk management organisation is both centralised and decentralised. The risk responsibility in the specialist units is defined as the decentralised risk management system. The persons in charge of the units and processes are in charge of and responsible for the management of risk in their specific operational areas. The centralised risk management unit is responsible for dealing with the cross-departmental risks and for the conceptual development and maintenance of the company-wide risk management system. It coordinates the company's risk management functions and supports the risk owners in the specialist units. At DEVK, the central department "Corporate Planning and Controlling" is responsible for this task.

Once the risk assessment has been examined, the major risks identified are described in the so-called risk situation report, with a breakdown for every company and each of the respective Members of the Management Board. The risk manual, the risk evaluation report, and the risk control process analysis (identification, analysis, evaluation, management and monitoring) are updated every six months. The Members of the Management Board are the report's recipients.

Operational risks

Specific underwriting risks include the premiums/claims risk and the reserves risk.

In line with appropriate assumption guidelines, we underwrite only straightforward, standardised business. We counteract the risk of particularly high claims expenses resulting from extraordinary loss events with a corresponding retrocession policy.

Equalisation reserves are accrued to smooth the technical results in accordance with the calculation methods stipulated in commercial law.

Investment risks

The risks stemming from investments comprise:

- the risk of unfavourable interest rate, equity market or exchange rate trends (market price risks),
- the non-payment risk (reliability risk) and
- the liquidity risk, i.e., the risk of not being able to meet payment obligations at all times.

Our investments observe the investment principles laid down in Section 121b in connection with Section 54 Para. 1 of the German Act on the Supervision of Insurance Companies (VAG) with regard to qualified assets. We counteract the equity market and interest rate risks by creating a balanced mix of different types of investment. Through active portfolio management, we are able to utilise opportunities arising from market movements to positively impact our results. We limit the reliability risk by adopting very stringent rating requirements and by continually monitoring the issuers we select. A permanent influx of liquidity is ensured by endowing the investments in debt instruments with a balanced maturity structure. If the financial market crisis were to lead to a heightening of the economic crisis and bank insolvencies, this could negatively affect the value of the outstanding bonds issued by these banks. In our view, this would in turn also once again negatively impact the equity markets. This is why the equity funds are only marginally invested – despite the fact that share performance is expected to be better than last year. The equity investments are subjected to a portfolio insurance concept that limits share price risks.

Due to the negative performance on the equity markets, hidden liabilities have to be booked on the fixed assets dedicated to investments.

Similar to the P&C insurance business, we have subjected the investment portfolio to a stress test. This we did at the balance sheet date 31 December 2008 using the BaFin-specified modified stress test model from the German Insurance Association (GDV). All

of the scenarios were passed successfully. The stress test verifies whether the insurance undertaking would still be in a position to meet its obligations even if the capital markets were to be subject to a prolonged crisis. The stress test simulates a temporary, adverse change on the capital markets and examines the impact on the insurance undertaking's accounts. The target horizon is the next balance sheet date. The stress test assumes the following scenarios: 1) there is a negative trend on the equity market, while the bond market remains stable, 2) there is a negative trend on the bond market while the equity market remains stable, 3) there is a simultaneous crash on the equity and bond markets, 4) there is a simultaneous crash on the equity market and real estate market.

Operational opportunities and risks

Operational risks stem from inadequate or abortive operational processes, the failure of technical systems, external variables, employee-related incidents and changes in the legal environment. The half-yearly risk inventory concentrates specifically on operational risks.

DEVK's working procedures are performed based on internal guidelines. The risk of employee-related incidents is limited by authorisation and proxy regulations as well as by the provision of generally automatic support for the working procedures. The effectiveness and functional capability of this system are monitored by the Internal Auditing unit.

Comprehensive access controls and preventative precautions have been taken in the area of IT, which ensure the security and integrity of programs, data and ongoing operations. The link between internal and external networks is accordingly protected by state-of-the-art systems.

Solvability

The premium and loss index suggests that the company's own funds (which are to be certified in accordance with Section 53c of the German Law on the Supervision of Insurance Undertakings (VAG) to ensure the liabilities under the insurance contracts can be met at all times) provide a very high level of excess cover.

Cash flow

In the current fiscal year, the cash flow from investment activities, i.e., the funds required for the net investment volume, came to € 6.7 m (previous year € 25.1 m). The funds required for this were generated from the company's ongoing operations.

Summary of risk situation

There is currently no trend evident that could lead to a significant impairment of our company's situation with regard to its assets, financial standing or earnings position.

Supplementary report

After the reporting date, there were no developments or events to record that will significantly affect the company's future situation with regard to its assets, financial standing or earnings position.

Outlook report

In FY 2009, we will book external reinsurance business synchronously for the first time. This means that external business from 2008 will feed through into the financial statements for 2009 along with the external business for 2009. This will lead to correspondingly large changes in several items in the technical account compared to the figures for last year. On balance, we therefore expect to generate a positive underwriting result for own account in 2009 as well.

We expect the market situation to remain difficult for investments in 2009 and 2010. The fallout from the global financial crisis is becoming increasingly evident in the real economy. However, we believe that current share prices already reflect these negative trends and the expectation of a severe recession broadly speaking. The government programmes initiated around the world to support economic growth could even prompt a turnaround in sentiment and cause the green shoots of a recovery to appear – as long as there is no withdrawal into protectionism.

For DEVK Rückversicherungs- und Beteiligungs-AG we expect to achieve less earnings from investment activities in 2009. Although we do assume that the write-down requirement will decrease, we will probably realise far fewer earnings in 2009 from the divestment of investments and as things stand the profit transfers from subsidiary companies will be lower than last year. Should there be a significant heightening of the economic crisis and a concomitant bank insolvency, which we do not currently expect, a greater drop in the investment income would be the likely outcome.

Our current estimates do not suggest to us that there will be any major one-off charges in the other results that could significantly impact the overall result. However, we do expect to incur somewhat higher expenses, which means that as things stand the other results will probably be down on last year.

On balance, and particularly in the light of the investment income trend, we expect the net profit before tax for 2009 to be less than last year.

Cologne, 15 April 2009

The Management Board

Gieseler **Rüßmann** **Umlandt** **Zens**

Notes to management report

Index of operated classes of businesses in the fiscal year under review

Business accepted in reinsurance

Life insurance

Casualty insurance
General accident insurance
Motor vehicle accident insurance
Travel accident insurance

Liability insurance
General liability insurance
Pecuniary damage liability insurance
Travellers' third party liability insurance

Motor vehicle liability insurance

Other motor vehicle insurance
Fully comprehensive motor insurance
Partial comprehensive (third-party, fire & theft) motor insurance

Legal expenses insurance

Fire and non-life property insurance
Fire insurance
Burglary insurance
Water damage insurance
Glass insurance
Windstorm insurance
Householders' comprehensive insurance
Houseowners' comprehensive insurance
Hailstorm insurance
Livestock insurance
Technical insurance
Extended coverage insurance
Travellers' baggage insurance
All risk insurance

Omnium insurance

Health insurance
Sickness daily allowance insurance
Hospital daily benefit insurance
Travel health insurance

Other insurance policies
Transport insurance
Credit and bail insurance
Breakdown service insurance
Loss of profits insurance
Exhibition risks insurance
Travel cancellation expenses insurance
Rent insurance

Financial statements

Balance sheet as of 31 December 2008

Assets	€	€	€	(Previous year € '000s)
A. Intangible assets				
			66,882	(33)
B. Investments				
I. Investments in affiliated companies and participations				
1. Shareholdings in affiliated companies	536,632,760			(520,983)
2. Lending to affiliated companies	10,575,000			(11,760)
3. Participations	51,918,918			(48,988)
		599,126,678		(581,731)
II. Other investments				
1. Equities, fund shares and other non-fixed-interest securities	152,402,174			(122,849)
2. Bearer bonds and other fixed-interest securities	60,112,485			(64,992)
3. Other lending	474,148,137			(482,290)
4. Deposits at credit institutions	–			(64,000)
5. Other investments	27,849,880			(27,535)
		714,512,676		(761,666)
III. Deposits retained on reinsured business		4,947,859		(4,617)
			1,318,587,213	(1,348,014)
C. Receivables				
I. Amounts receivable from reinsurance business		12,766,105		(8,414)
of which: from affiliated companies: € 230,006				(102)
II. Other receivables		104,392,715		(152,566)
of which:			**117,158,820**	(160,980)
from affiliated companies: € 101,901,376				(146,525)
D. Other assets				
– Tangible assets and inventories			**13,644**	(11)
E. Deferred income				
I. Deferred interest and rental income		15,131,888		(16,023)
II. Other pre-paid expenses		1,014,200		(1,166)
			16,146,088	(17,189)
Total assets			**1,451,972,647**	(1,526,227)

Liabilities and shareholders' equity

	€	€	€	(Previous year € '000s)
A. Equity				
I. Subscribed capital		306,775,129		(306,775)
II. Capital reserve		193,747,061		(193,747)
III. Retained earnings				
– other retained earnings		254,218,268		(196,218)
IV. Unappropriated retained earnings		97,100,000		(68,000)
			851,840,458	(764,740)
B. Technical reserves				
I. Unearned premiums				
1. Gross amount	4,026,115			(5,551)
2. Of which deducted: Allotment for the insurance business ceded to reinsurance	196,266			(105)
		3,829,849		(5,446)
II. Actuarial reserve		–		(208,110)
III. Reserve for insurance claims not yet settled				
1. Gross amount	124,351,301			(117,890)
2. Of which deducted: Allotment for the insurance business ceded to reinsurance	52,189,970			(49,323)
		72,161,331		(68,567)
IV. Equalisation reserve and similar reserves		16,145,647		(16,659)
V. Other technical reserves				
1. Gross amount	942,180			(746)
2. Of which deducted: Allotment for the insurance business ceded to reinsurance	479,840			(264)
		462,340		(482)
			92,599,167	(299,264)
C. Other receivables				
I. Reserves for pensions and similar obligations		318,643,520		(314,750)
II. Tax provisions		80,652,724		(74,648)
III. Other reserves		5,870,644		(5,901)
			405,166,888	(395,299)
D. Deposits liabilities incurred from insurance business ceded to reinsurance				
			1,255,430	(923)
E. Other liabilities				
I. Reinsurance payable		32,534,702		(62,836)
of which:				
owed to affiliated companies: € 21,959,630				(28,916)
II. Liabilities owed to banks		50,500,000		(3)
III. Other liabilities		17,337,398		(2,087)
of which:			**100,372,100**	(64,926)
from taxes: € 1,182,171				(946)
owed to affiliated companies: € 12,007,157				(233)
F. Deferred income				
			738,604	(1,075)
Total liabilities			**1,451,972,647**	(1,526,227)

Profit and loss account

for the period from 1 January until 31 December 2008

Items	€	€	€	(Previous year € '000s)
I. Technical account				
1. Earned premiums for own account				
a) Booked gross premiums	171,329,988			(197,314)
b) Ceded reinsurance premiums	76,408,618			(77,919)
		94,921,370		(119,395)
c) Change in gross unearned premiums	1,525,188			(36)
d) Change in reinsurers' allotment of gross unearned premiums	90,751			(– 13)
		1,615,939		(23)
			96,537,309	(119,418)
2. Technical interest income for own account			**31,016**	(15)
3. Expenses for claims for own account				
a) Payments for insurance claims				
aa) Gross amount	115,427,968			(120,622)
bb) Reinsurers' allotment	52,731,156			(52,808)
		62,696,812		(67,814)
b) Change in reserve for insurance claims not yet settled				
aa) Gross amount	6,461,450			(15,364)
bb) Reinsurers' allotment	– 2,866,569			(– 4,253)
		3,594,881		(11,111)
			66,291,693	(78,925)
4. Change in other underwriting net reserves				
a) Net premium reserve		180,816		(– 14,312)
b) Other net underwriting reserves		– 41,868		(– 80)
			138,948	(– 14,392)
5. Expenses for insurance business for own account				
a) Gross expenses for insurance business		45,021,766		(47,160)
b) Of which deducted: Commissions and participations in earnings received from insurance business ceded to reinsurance		18,269,410		(18,956)
			26,752,356	(28,204)
6. Other underwriting expenses for own account			**636,251**	(8,388)
7. Sub-total			**3,026,973**	(– 10,476)
8. Change in equalisation reserve and similar reserves			**513,962**	(– 2,542)
9. Technical result for own account			**3,540,935**	(– 13,018)
Amount carried forward:			3,540,935	(– 13,018)

Items	€	€	€	(Previous year € '000s)
Amount carried forward:			3,540,935	(– 13,018)
II. Non-technical account				
1. Investment income				
a) Income from participations	4,204,868			(1,592)
of which:				
from affiliated companies: € 364,100				(336)
b) Income from other investments	36,611,148			(39,440)
of which:				
from affiliated companies: € 589,313				(511)
c) c) Income from additions	564,945			(1,273)
d) Profits from the divestment of investments	65,790,376			(18,293)
e) Income from profit pool, profit transfer and profit transfer agreements	119,318,421			(140,284)
		226,489,758		(200,882)
2. Expenses for investments				
a) Expenses for the administration of investments, interest expenses and other expenses for the investments	198,088			(214)
b) Write-downs on investments	37,044,445			(14,712)
c) Losses from the divestment of investments	4,140,801			(6,333)
d) Expenses arising from loss transfer	2,417,283			(2,557)
		43,800,617		(23,816)
		182,689,141		(177,066)
3. Technical interest income		50,458		(35)
			182,638,683	(177,031)
4. Other income		4,214,487		(17,804)
5. Other expenses		23,390,928		(35,470)
			– 19,176,441	(– 17,666)
6. Profit on ordinary activities			**167,003,177**	(146,347)
7. Taxes on income				
a) Own	62,765,727			(80,230)
b) Tax allotment	7,136,594			(– 1,884)
		69,902,321		(78,346)
8. Other taxes		856		(1)
			69,903,177	(78,347)
9. Net profit for the year/unappropriated retained earnings			**97,100,000**	(68,000)

Annex

Accounting, evaluation and valuation methods

The **intangible assets** (IT software) were assessed at their procurement costs and subjected to scheduled depreciation.
Low-value assets, that were added to the collective items, were written off over a period of five years, starting with the year of their respective acquisition. These items were otherwise recorded in the year of their acquisition as operating expenses.

The **shareholdings in affiliated companies** and **participations** were reported at the procurement cost or the lower attributable value. The **lending to affiliated companies** was put at the nominal value.

The approach for the **equities, fund shares and other non-fixed interest securities**, for the **bearer bonds and for and for other fixed interest securities** was based on the purchase cost or the market price if lower. Investments allocated to the fixed assets in accordance with Section 341b Para. 2 of the German Commercial Code (HGB) were assessed in accordance with the modified principle of lowest cost or market value. Investments allocated to the current assets were evaluated in accordance with the strict principle of lowest cost or market value. If a depreciation was applied to a lower value in previous years, an addition was made if this asset could once again be assigned a higher value on the balance sheet date. The additions were made up to the level of the procurement cost or the market value if lower.

The balance sheet values of the **registered bonds, claims backed by borrowers' notes, loans** and **registered profit participation certificates** correspond to the nominal value. The **other lendings** are reported at their nominal values. The premium and discount were distributed throughout the term using deferrals and accruals.
Zero promissory note bonds were capitalised at their procurement costs plus the interest entitlement depending on the volume of capital and the interest agreement.

The **other investments** were partly valued at the procurement costs or at the nominal values.

The **deposits retained on reinsured business** were recorded on the balance sheet based on data supplied by the ceding companies.

The **amounts receivable from the reinsurance business** were arrived at based on the reinsurance contracts and were reported at their nominal values minus any necessary individual valuation adjustments.

The **other receivables** and **other assets** were evaluated at their nominal values unless they were part of the operational and office equipment. The operational and office equipment was reported in the balance sheet at purchase cost or manufacturing cost and subject to scheduled depreciation. The levels of depreciation were calculated using the linear method. Low-value assets, that were added to the collective items, were written off over a period of five years, starting with the year of their respective acquisition. These items were otherwise recorded in the year of their acquisition as operating expenses.

Interest entitlements not yet due were mainly reported at their nominal values under **prepaid expenses**.

The assessment of the **technical reserves** was performed in accordance with the following principles:
The **unearned premiums** were recorded on the balance sheet based on the contracts with the first insurer. The NRW Finance Minister's decree from 29 May 1974 was taken into account in the calculation of the unearned premiums. The calculations for the unearned premiums attributable to the reinsurers were correspondingly modelled on the contracts with the reinsurers.

The **premium reserve** was reported on the balance sheet in line with the reinsurance contracts, based on data supplied by the ceding companies.

The gross amounts for the **reserve for insurance claims not yet settled** were recorded on the balance sheet, based on data supplied by the ceding companies. The reinsurers' allotment was calculated in accordance with the contractual agreements.

The **equalisation reserve** was calculated in accordance with the Annex to Section 29 of the German Insurance Company Accounting Regulation (RechVersV). The **reserves similar to the equalisation reserve** for terror risks taken over were accrued in compliance with Section 30 Para. 2a of the German Insurance Company Accounting Regulation (RechVersV).

The **other underwriting reserves** contain non-contributory contracts for small amounts from the life insurance business and were reported on the balance sheet based on data supplied by the ceding companies.

The **other provisions** were accrued in accordance with the following principles: The **pension liabilities** for ongoing pensions and for the non-lapsable pension entitlements of retired employees were, with only a few exceptions, evaluated with an accounting rate of return of 4.0 %. The pension liabilities for retirees covered by the 1983 Pension Plan and for members of the Management Board were assessed using a figure of 4.5 %. The remaining pension liabilities were calculated based on an accounting rate of return of 6.0 %.

The **tax provisions** und **other reserves** are sized according to the probable requirement and were set at the level that a commercial assessment suggested would be necessary.

The **deposits retained from insurance business ceded to reinsurance** were reported based on the repayment amounts.

The **accounts payable from the reinsurance business** were arrived at based on the reinsurance contracts and were reported at their repayment amounts.

The discount stemming from borrowers' notes, registered bonds and loans was applied under **deferred income**.

The **currency conversion** of items denominated in foreign currencies was done at the exchange rate on the closing date or at the average exchange rate for the acquisitions and in line with the principle of the lowest cost or market value.

The **technical interest income for own account** was reported on the balance sheet on the basis of data supplied by the ceding companies. The reinsurers' allotment was calculated in accordance with the contractual agreements.

The **reinsurance contracts** with external companies were technically entered in the balance sheet with a delay of 12 months.

Performance of asset items A., B.I. to II. in FY 2008

Assets	Balance sheet values Previous year € '000s	Allocations € '000s	Re-allocations € '000s	Disposals € '000s	Additions € '000s	Write-downs € '000s	Balance sheet values Fiscal year € '000s
A. Intangible assets							
1. Expenses for the initiation and expansion of the operational business in accordance with Section 269 Para. 1 Sentence 1 of the German Commercial Code (HGB)	–	–	–	–	–	–	–
2. Goodwill acquired in return for payment	–	–	–	–	–	–	–
3. Other intangible assets	33	54	–	–	–	20	67
4. Total A.	33	54	–	–	–	20	67
B.I. Investments in affiliated companies and participations							
1. Shareholdings in affiliated companies	520,983	15,150	–	–	500	–	536,633
2. Lending to affiliated companies	11,760	–	–	1,185	–	–	10,575
3. Participations	48,988	4,236	–	1,305	–	–	51,919
4. Total B.I.	581,731	19,386	–	2,490	500	–	599,127
B.II. Other investments							
1. Equities, fund shares and other non-fixed interest securities	122,849	160,407	–	99,777	16	31,093	152,402
2. Bearer bonds and other fixed-interest securities							
3. Mortgage loans	64,992	5,376	–	6,691	49	3,614	60,112
4. Other lending							
a) Bearer bonds	135,000	–	–	10,000	–	–	125,000
b) Borrowers' notes and loans	285,290	1,858	–	–	–	–	287,148
c) Other lending	62,000	–	–	–	–	–	62,000
4. Deposits at credit institutions	64,000	–	–	64,000	–	–	–
5. Other investments	27,535	2,885	–	232	–	2,338	27,850
6. Total B.II.	761,666	170,526	–	180,700	65	37,045	714,512
Total	**1,343,430**	**189,966**	**–**	**183,190**	**565**	**37,065**	**1,313,706**

Explanatory notes on balance sheet

Re: Asset items B.

Investments

To a modest extent, we have allocated investments that are to be permanently held in the investment portfolio to the fixed assets in accordance with Section 341b Para. 2 of the German Commercial Code (HGB). As at 31 December 2008, these investments have the following book and present values:

Investments

	Book value €	Present value €
B.I. Investments in affiliated companies and participations		
1. Shareholdings in affiliated companies	536,632,760	1,127,819,739
2. Lending to affiliated companies	10,575,000	10,353,602
3. Participations	51,918,918	51,851,493
B.II. Other investments		
1. Equities, fund shares and other non-fixed-interest securities	152,402,174	177,324,426
2. Bearer bonds and other fixed-interest securities	60,112,485	60,361,735
3. Other lending		
a) Registered bonds	125,000,000	122,604,775
b) Borrowers' notes and loans	287,148,137	286,223,148
c) Other lending	62,000,000	40,803,655
4. Deposits at credit institutions	–	–
5. Other investments	27,849,880	25,732,896
Total	**1,313,639,354**	**1,903,075,469**
of which: Investments assessed at procurement costs	841,018,516	1,446,046,336
of which: Investments in fixed assets in accordance with Section 341b Para. 2 of the German Commercial Code (HGB)	16,446,303	12,890,955

The valuation reserves contain hidden liabilities amounting to € 54.1 m. These are accounted for by shareholdings in affiliated companies, lending to affiliated companies, participations, shares, zero-bonds and securities reported at their nominal values in accordance with Section 341c of the German Commercial Code (HGB).

Different valuation methods were applied to determine the present value depending on the respective type of investment.

The calculation of the present value for shareholdings in affiliated companies is performed based on income values for DEVK Allgemeine Versicherungs-AG, DEVK Rechtsschutz-Versicherungs-AG, DEVK Krankenversicherungs-AG, DEVK Vermögensvorsorge- und Beteiligungs-AG and DEVK Service GmbH. The book value was used to calculate the other allotments.

The present values of the participations largely correspond to the book values.

Both dividend-bearing instruments and fixed-interest securities reported on the balance sheet at their procurement costs were also valued using the market prices valid at the end of the year. The present values for the remaining loans were determined in accordance with Section 56 of the German Insurance Company Accounting Regulation (RechVersV) based on the yield curve at market terms. The present values of the zero promissory note bonds and other investments were calculated using the year-end prices published by each of the issuing banks.
For investments denominated in foreign currencies, the corresponding exchange rate at the end of the year was incorporated in the calculation of the present value.

Information about financial instruments as defined by Section 285 No. 19 of the German Commercial Code (HGB), which were recorded in the balance sheet using their attributable present value

	Book value € '000s	Present value to be attributed € '000s
Shareholdings in affiliated companies	20,000	16,600
Participations	46,168	42,500
Securities in fixed assets	16,446	12,891
Other lending	31,646	20,314

The company refrained from performing write-downs in accordance with Section 253 Para. 2 Sentence 3 of the German Commercial Code (HGB) because it intends to hold various securities until they mature or because it is assumed that any loss in value is merely temporary in nature.

Information about derivative financial instruments and pre-emptions in accordance with Section 285 No. 18 of the German Commercial Code (HGB)

	Type	Nominal scope € '000s	Book value of premiums € '000s	Value to be attributed for premiums € '000s	Valuation method
Other liabilities	Short-put options	4,308	385	628	Barone-Adesi
Other liabilities	Short-call options	8,250	402	10	Black-Scholes
Promissory note bonds	Pre-emptions	15,000	–	– 205	Bloomberg/own calculations based on market data

Re: Asset items B.I.

Investments in affiliated companies and participations

	Subscribed capital €	Share-holding as %	Shareholding broken down as %	Shareholders' equity €	Net profit for last fiscal year €
DEVK Allgemeine Versicherungs-AG, Cologne	194,290,915	100.00	100.00	312,170,794	–
DEVK Rechtsschutz-Versicherungs-AG, Cologne	17,895,216	100.00	100.00	26,563,459	–
DEVK Krankenversicherungs-AG, Cologne	4,601,627	100.00	100.00	5,537,291	–
DEVK Allgemeine Lebensversicherungs-AG, Cologne	7,158,086	100.00	51.00	51,880,301	–
DEVK Pensionsfonds-AG, Cologne	4,000,000	100.00	51.00	8,523,766	50,000
DEVK Vermögensvorsorge- und Beteiligungs-AG, Cologne	20,000,000	51.00	51.00	97,000,000	–
DEVK Alpha GmbH, Cologne	25,000	100.00	51.00	26,393	372
DEVK Asset Management GmbH, Cologne	100,000	100.00	100.00	100,000	–
DEVK Beta GmbH, Cologne	25,000	100.00	100.00	34,396	898
DEVK Gamma GmbH, Cologne	25,000	100.00	100.00	25,681	361
DEVK Iota GmbH, Cologne	25,000	100.00	51.00	24,275	– 725
DEVK Omega GmbH, Cologne	25,000	100.00	100.00	24,274	– 726
DEVK Private Equity GmbH, Cologne	10,000,000	55.00	47.65	90,735,563	5,974,008
DEVK Saturn GmbH, Cologne	25,000	100.00	100.00	24,274	– 726
DEVK Service GmbH, Cologne	260,000	74.00	74.00	1,470,379	–
DEVK Unterstützungskasse GmbH, Cologne (formerly DEVK Eta GmbH)	25,000	100.00	51.00	24,269	– 1,082
DEVK Web GmbH, Cologne	25,000	100.00	100.00	25,000	–
DEVK Zeta GmbH, Cologne	25,000	100.00	51.00	270,107	–
DEVK Zeus Vermögensverwaltungs-AG, Cologne	50,000	100.00	100.00	50,591	591
Ceyoniq Sales & Services GmbH Süd, Nuremberg	100,000	100.00	57.94	113,276	– 339,958
Ceyoniq Technology GmbH, Bielefeld	1,000,000	66.67	57.94	891,123	1,163,603
eSlidez GmbH, Bielefeld	25,000	55.00	29.30	38,620	– 7,925
Hotelbetriebsgesellschaft Sonnenhof mbH, Cologne	375,000	100.00	51.00	356,023	–
HYBIL B.V., Venlo	400,000	80.00	75.10	45,868,357	1,299,855
KASSOS Beteiligungs- und Verwaltungs-GmbH, Cologne (Fiscal year 2006)	25,000	100.00	100.00	1,833,095	44,724
Lieb' Assur S.A.R.L., Nîmes	250,000	100.00	100.00	379,800	14,896
Monega Kapitalanlagegesellschaft mbH, Cologne	5,200,000	45.00	45.00	6,762,841	1,562,841
OUTCOME Unternehmensberatung GmbH, Aachen	525,000	80.00	80.00	409,814	– 489,942
Reisebüro Frenzen GmbH, Cologne	25,000	52.00	52.00	370,362	114,797
SADA Assurances S.A., Nîmes	18,216,840	100.00	100.00	11,506,513	50,947
	CHF	as %	as %	CHF	CHF
ECHO Rückversicherungs-AG, Zurich	20,000,000	100.00	100.00	50,000,000	–

In accordance with Section 285 No. 11 of the German Commercial Code (HGB) only investments in affiliated companies and participations with a shareholding of at least 20.00 % are taken into consideration here.

Re: Asset items B.II.

Other investments

The **other lendings** item contains only registered profit participation certificates.
The **other investments item** pertains to fund units and silent partnerships as defined by the German Banking Act (KWG).

Re: Asset items E.II.

Other prepaid expenses

Premium stemming from registered bonds , borrowers' notes, loans and registered profit participation certificates	**€ 1,014,200**

Re: Liabilities A.I.

Subscribed capital

The subscribed capital worth € 306,775,129 is composed of 120 m registered no par value shares.

Re: Liabilities A.III

Retained earnings

Other retained earnings	
Status on 31.12.2007	€ 196,218,268
Addition	€ 58,000,000
Status on 31.12.2008	**€ 254,218,268**

Re: Liabilities F.

Deferred income

Discount stemming from registered bonds and borrowers' notes and loans	**€ 738,604**

Explanatory notes on consolidated income statement

Explanatory notes on Insurance business taken on in reinsurance	Fiscal year € '000s	Previous year € '000s
Booked gross premiums		
– Property/casualty	172,685	166,967
– Life	– 1,355	30,347
Total	**171,330**	197,314

Commissions and other remuneration for insurance representatives, personnel expenses	Fiscal year € '000s	Previous year € '000s
1. All types of commission for insurance representatives as defined in Section 92 of the German Commercial Code (HGB) for insurance business concluded by the company itself	–	–
2. Other remuneration for insurance representatives as defined in Section 92 of the German Commercial Code (HGB)	–	–
3. Wages and salaries	400	383
4. Social security contributions and costs for social insurance	–	–
5. Retirement pension costs	5	296
Total	**405**	679

The personnel expenses also include the risk allotment from the pension provision addition if they were accrued for employees provided to us by way of the service contract.

In the year under review, the remuneration for the Management Board amounted to € 295,769. The superannuation of the Management Board ex-members and surviving dependents came to € 279,987 . For this category of persons, a pension provision of € 2,354,672 was reported on the balance sheet on 31 December 2008. The Supervisory Board remuneration came to € 197.502.

Other information

Other financial obligations

The remaining payment liabilities stemming from real estate holdings, shareholdings in affiliated companies and participations at the end of the year amounted to a total of € 47.8 m. This included liabilities owed to affiliated companies worth € 5.4 m.

On the balance sheet date, the company had financial liabilities amounting to € 12.6 m stemming from open short options, € 76.0 m from multi-tranche promissory note bonds, both in the portfolio and already sold and € 15.0 m from open pre-emptions.

General information

The compositions of the Management Board, the Supervisory Board and the Advisory Committee are detailed before the management report.

Our company does not have any personnel of its own.

Credit default swaps are used to hedge credit risks. The nominal values used as a basis amount to € 30.0 m. At the closing date, the attributable value for the premiums stands at € 536,021. The valuation is based on the JP Morgan model. The valuation using this model is based on the implicit default probabilities from the par credit spreads. The CDS level (spread to swap curve) serves as basis for the valuation.

At the balance sheet date, DEVK Deutsche Eisenbahn Versicherung Sach- und HUK-Versicherungsverein a.G. Betriebliche Sozialeinrichtung der Deutschen Bahn, Cologne, has a 100 % holding in our company.

In accordance with the legal requirements, the annual financial statements are published in Germany's Electronic Federal Gazette.

Our company is exempt from the obligation to prepare a consolidated financial statement and a group management report.

The name and domicile of the parent company that prepares the exempting consolidated financial statement, within which the company has been integrated, is:

DEVK Deutsche Eisenbahn Versicherung
Sach- und HUK-Versicherungsverein a.G.
Betriebliche Sozialeinrichtung der Deutschen Bahn
Zentrale, Riehler Straße 190, D-50735 Cologne

The consolidated financial statements are published on the home page of DEVK under www.devk.de and in Germany's Electronic Federal Gazette.

Cologne, 15 April 2009

The Management Board

Gieseler **Rüßmann** **Umlandt** **Zens**

Independent auditor's report

We have audited the financial statements, comprising the balance sheet, the profit and loss account and the notes, including the accounting systems and the management report prepared by **DEVK Rückversicherungs- und Beteiligungs-Aktiengesellschaft**, Cologne, for the fiscal year from 1 January to Wednesday 31 December 2008. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial Law and the supplementary bye-laws in the company's articles of association are the responsibility of the company's Management Board. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Section 317 of the German Commercial Code (HGB) and the generally accepted standards in Germany for the audit of financial statements promulgated by the Institute of German Public Accountants (Institut der Wirtschaftsprüfer – IDW). These standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements and the management report, in accordance with German principles of proper accounting, are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal control system relating to the accounting system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily by examining sample data within the framework of the audit. This audit also appraises the applied accounting principles and the Management Board's significant estimates and evaluates the overall presentation of the annual 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, the information revealed by the audit indicates that the annual financial statements meet the statutory requirements and the supplementary bye-laws of the company's Articles of Association and present a true and fair view of the company's assets and liabilities, along with its financial position and earnings situation, determined in accordance with generally accepted accounting principles. The management report is consistent with the annual financial statements, presents a satisfactory impression of the company's situation and adequately depicts the opportunities and risks arising from future developments.

Cologne, 22 April 2009

KPMG AG
Wirtschaftsprüfungsgesellschaft (auditing company)
(formerly
KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft (German public limited company)
Wirtschaftsprüfungsgesellschaft (auditing company))

Beerlage	**Offizier**
German Chartered	German Chartered
Public Accountant	Public Accountant

Supervisory Board report

During FY 2008, the Supervisory Board has constantly monitored the management of the company by the Management Board based on written and verbal reporting and has been briefed on the company's commercial performance, corporate policy and earnings situation in a number of meetings.

KPMG Deutsche Treuhand-Gesellschaft, Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, which was appointed as the certified public accounting company in line with the statutory requirements, has audited the annual financial statements and management report prepared by the Management Board for 2008. This audit has not found any irregularities and the audit certificate has been granted without reservation. The Supervisory Board agrees with the findings of the audit report.

The audit of the annual financial statements and the management report by the Supervisory Board also did not find any irregularities. The Supervisory Board sanctions and approves the financial statements for 2008.

We were provided with and examined the report on the relationships to affiliated companies prepared by the Management Board and the audit report prepared by KPMG AG, Wirtschaftsprüfungsgesellschaft (auditing company). The auditor has granted the following audit certificate for the report prepared by the Management Board on the relationships to affiliated companies:

"Based on the results of our statutory audit and our judgment we confirm that
1. the actual information contained in the report is correct
2. and the company's compensation with respect to the legal transactions detailed in the report was not inappropriately high."

We concur with this assessment and have no objections to the statements made by the Management Board at the end of the report about the relationships to affiliated companies.

The Supervisory Board concurs with the Management Board's proposal regarding the use of the unappropriated retained earnings for 2008 and recommends the General Meeting to adopt a corresponding resolution.

The Supervisory Board would like to express its thanks and recognition to the Management Board and all of the company's employees for all their work.

Cologne, 15 May 2009

The Supervisory Board

Hansen
Chairman