Annual Report | 2008

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

DEVK Rückversicherungs- und Beteiligungs-
Aktiengesellschaft

DEVK Allgemeine Versicherungs-Aktiengesellschaft

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

DEVK
VERSICHERUNGEN

Business performance 1948/49 to 2008

in Sach-/HUKR- and health insurance division of DEVK Versicherungen

Year	Portlio (in ´000s.)						Premiums (in € m)
	Motor	Non-life	Liability	Accident[1)]	Legal expenses	Health[2)]	
1948/49	–	283	–	–	–	–	0.6
1954	–	450	242	37	–	–	1.7
1960	24	558	532	83	–	–	7.3
1965	196	629	651	94	–	–	23.6
1970	293	700	752	128	–	–	47.0
1975	509	819	913	201	–	–	130.8
1976	568	852	937	215	–	–	151.5
1977	625	882	947	231	–	–	182.3
1978	669	912	912	249	–	–	203.6
1979	699	948	926	276	–	–	233.6
1980	715	1,003	937	304	2	–	244.6
1981	710	1,052	954	306	65	–	262.0
1982	720	1,084	961	326	85	–	277.2
1983	740	1,135	969	340	101	–	298.6
1984	760	1,182	972	356	123	–	321.7
1985	782	1,227	992	369	141	–	351.7
1986	810	1,292	1,009	380	161	–	371.0
1987	845	1,370	1,019	394	183	–	404.7
1988	883	1,476	1,033	412	204	–	449.4
1989	923	1,569	1,049	434	223	–	488.6
1990	959	1,632	1,115	453	245	–	517.2
1991	1,269	1,740	1,183	490	278	–	592.9
1992	1,333	1,880	1,259	518	309	–	663.7
1993	1,437	1,988	1,314	547	346	–	753.2
1994	1,518	2,072	1,353	569	377	31	877.7
1995	1,635	2,155	1,388	585	403	158	953.3
1996	1,775	2,228	1,439	861	433	252	981.9
1997	1,872	2,289	1,467	879	457	362	1,019.3
1998	1,940	2,333	1,498	886	480	457	1,041.9
1999	1,971	2,370	1,514	880	504	515	1,065.1
2000	1,978	2,406	1,530	872	530	581	1,111.6
2001	2,013	2,435	1,535	864	550	630	1,158.2
2002	2,060	2,480	1,544	868	575	685	1,222.1
2003	2,107	2,527	1,554	877	596	717	1,273.1
2004	2,193	2,562	1,572	879	621	747	1,329.6
2005	2,235	2,586	1,584	889	650	777	1,349.1
2006	2,282	2,612	1,604	912	678	826	1,363.5
2007	2,293	2,636	1,616	950	702	885	1,383.6
2008	**2,465**	**2,673**	**1,634**	**988**	**724**	**967**	**1,394.2**

[1)] as of 1996 incl. motor – accident

[2)] No. of policyholders

Fiscal Year 2008

Abbreviations

AG	Aktiengesellschaft (German public limited company)
AGG	German Anti-Discrimination Act (AGG)
AktG	German Companies Act (AktG)
BaFin	German Financial Supervisory Authority (BaFin)
BGH	German Federal Court of Justice
BMF	German Federal Finance Minister
resp.	respectively
ca.	circa
DAV	Association of German Actuaries (DAV)
DAX	Deutscher Aktienindex (German stock market index)
Dr	Doctor
DRS	German accounting standards (DRS)
reg. assoc.	Registered association
IT	Information technology
EStG	German Income Tax Act (EStG)
EEC	European Economic Community
f.o.a.	For own account
GDV	German Insurance Association (GDV)
if nec.	if necessary
GmbH	German private limited company (GmbH)
HGB	German Commercial Code (HGB)
i.ret.	in retirement
a.s.i.	as specified in
i.c.w.	in conjunction with
IDW	Institute of German Public Accountants – (IDW)
incl.	including
ann.	annually
Mot.Veh.	Motor vehicle
KonTraG	German Control and Transparency in Business Act (KonTraG)
KWG	German Banking Act (KWG)
m.	male
defin.	definitive
max.	maximum
m	million(s)
mon.	monthly
mut.	Mutual
bn	billion(s)
No.	Number
NRW	North Rhine-Westphalia
Para.	Paragraph
p.a.	per annum
Prof	Professor
PublG	German Company Disclosure Act (PublG)
approx.	approximately
ret.	Retired
RechVersV	German Insurance Company Accounting Regulation (RechVersV)
RPR	Reserve for premium refund (RfB)
p.s.g.	Pay-scale group(s)
p.s.n.	Pay-scale number
’000.	Thousand
VAG	German Law on the Supervision of Insurance Undertakings (VAG)
VVaG	Mutual benefit society (VVaG)
VVG	German Insurance Contract Act (VVG)
fem.	female
WpHG	German Securities Trading Act (WpHG)
WSG	German Law for the Strengthening of Competition in Legal Health Insurance (WSG)
e.g.	Exempli gratia (for example)

Company bodies

Board of Members

Wilhelm Ackerschott
Weiterstadt

Reiner Bieck
Panketal

Heinz Bodammer
Friedrichshafen

Peter Bolsinger
Rosbach

Jürgen Boße
Kölpinsee

Hans Peter Conrath
Saarbrücken

Gabriele Dengler
Mainz

Helmut Diener
Marktredwitz

Hans Jürgen Dorneau
Oerlinghausen

Fritz Ehrecke
Menz

Gerhard Ehrentraut
Augsburg

Werner Elzenbeck
Schwabach

Johann Gebhardt
Markt Erlbach

Alfred Gerlach
Niederkassel

Claus-Dieter Haas
Ettlingen

Josef Hack
Welden

Dieter Häfke
Duisburg

Rolf Hellmann
Lustadt

Jörg Hensel
Hamm

Helmut Heutz
Erkelenz

Jürgen Hippler
Bad Nenndorf

Ralf Ingwersen
Hamburg

Rainer Kirchner
Blankenbach

Axel Kleich
Leipzig

Heinrich Klumpe
Wallenhorst

Hanka Knoche
Eppstein

Axel Kroll
Langgöns

Manfred Leuthel
Nuremberg

Bernd Lingemann
Bestwig

Karl-Heinz Lutz
Gau-Odernheim

Bernd Maderner
Niefern-Öschelbronn

Uwe-Jürgen Matthias
Bremervörde

Heinz-Werner Milde
Gronau (Leine)

Gerhard Miller
Neckarsulm

Dr med Helmut Müller
Münster

Wolfgang Müller
Gau-Bischofsheim

Prof Dr Eng Adolf Müller-Hellmann
Bergisch Gladbach

Marlies Pellny
Dusseldorf

Dieter Posner
Bernau

Johann Reis
Büchen

Christian Respondek
Münster

Ernst Richardt
Ronshausen

Uwe Rosenberger
Hagen

Johannes Schmitz
Steinfurt

Gerfried Scholtz
Frankfurt am Main

Jens Schwarz
Chemnitz

Albert Spiegl
Eichenau

Peter Tröge
Engstingen

Karl-Heinz Weber
Laichingen

Otto Wilhelm
Penzberg

Supervisory Board

Norbert Hansen
Berlin
Chairman
Member of Deutsch Bahn AG Management Board with responsibility for Personnel Unit
(until 30 May 2008)

Lothar Krauß
Rodenbach
Chairman
Managing director of Vermögensverwaltung GmbH der TRANSNET Gewerkschaft GdED
(as of 30 May 2008)

Günter Kirchheim
Essen
First Deputy Chairman
Chairman of Group Works Council
Deutsche Bahn AG
Chairman of European Works Council
Deutsche Bahn AG
Chairman of the General Works Council
DB Netz AG (Network)

Helmut Petermann *
Essen
Second Deputy Chairman
Chairman of the General Works Council
DEVK Versicherungen

Dr rer. nat. Norbert Bensel
(Doctor of Science)
Berlin
Management Board, Transport und Logistik
DB Mobility Logistics AG

Christian Bormann
Weimar
Chairman of Works Council
DB Netz AG, Wahlbetrieb Erfurt
Member of the General Works Council
DB Netz AG (Network)

Ruth Ebeler *
Cologne
Chairperson of Works Council
DEVK Versicherungen,
Headquarters Cologne
(until 30 May 2008)

Udo Fels *
Warendorf
Employed by DEVK Versicherungen (in law)

Doris Fohrn *
Wesseling
First Deputy Chairperson of Works Council for DEVK Versicherungen,
Cologne Headquarters
(as of 30 May 2008)

Ralf Gajewski *
Berlin
Deputy Group Head
Motor Vehicle Operations
DEVK Versicherungen,
Regional Management Unit in Berlin

Horst Hartkorn
Hamburg
Chairman of the Works Council
S-Bahn Hamburg GmbH

Marlies Helling
Frankfurt am Main
Managing Director of Human Resources Unit
DB Bahnbau GmbH in law (Rail Construction)

Klaus-Dieter Hommel
Frankfurt am Main
Federal Chairman of the GDBA (German Transport Trade Union)

Dr Hartmut Mehdorn
Berlin
CEO Deutsche Bahn AG
DB Mobility Logistics AG

Dr Karl-Friedrich Rausch
Weiterstadt
Member of the Management Board with responsibility for passenger transportation
DB Mobility Logistics AG

Margret Suckale
Hamburg
Member of the Management Board with responsibility for personnel and on-board services DB Mobility Logistics AG

Andrea Tesch *
Zittow
Deputy Group Head
Sach-/HU-Betrieb
DEVK Versicherungen,
Regional Management Unit, Schwerin

* Employees representative

Executive Board

Friedrich Wilhelm Gieseler
Bergisch Gladbach
Chairman

Engelbert Faßbender
Hürth
(as of 1 June 2008)

Michael Klass
Cologne

Gottfried Rüßmann
Cologne

Hans-Otto Umlandt
Oesterdeichstrich

Bernd Zens
Königswinter
(as of 1 June 2008)

Advisory Committee

Rudi Schäfer
Bergisch Gladbach
– Honorary Chairman –
Chairman of GdED (Union of German Railwaymen) (retired)

Kay Uwe Arnecke
Hamburg
Spokesman for the Management of S-Bahn Hamburg and Head of Northern Region DB-Bahn Stadtverkehr GmbH

Werner Bayreuther
Heroldsberg
Managing Director of German Employers' Association of Mobility and Transport Service Providers reg. assoc., Berlin

Michael Becker
Runkel
Locomotive operations inspector (i.ret.)

Jürgen Brügmann
Essen
Member of the National Executive Board of GDBA (German Transport Trade Union)

Prof Dr Rainer Freise
Friedrichsdorf
Member of the Management Board DVA Deutsche Verkehrs-Assekuranz-Vermittlungs-GmbH

Dr Volker Kefer
Erlangen
Chairman of Management Board DB Netz AG (Network)

Hans-Joachim Kernchen
Berlin
Regional Chairman of the GDL (Trade Union of German Railroad Engineers), Berlin-Sachsen-Brandenburg

Bernhard Kessel
Munich
Chairman of Partial General Works Council (Track) Veolia Verkehr GmbH

Armin Lauer
Rödermark
Managing Director of Vermögensverwaltung GmbH der TRANSNET Gewerkschaft GdED

Rolf Lutzke
Berlin
Executive Secretary of TRANSNET Gewerkschaft GdED (Union of German Railwaymen)

Reiner Metz
Nideggen
Attorney at law
Managing Director of Local Public Transport Unit of the Association of German Transport Undertakings (VDV) (reg. assoc.)

Heike Moll
Munich
Chairperson of the General Works Council DB Station & Service AG

Beate Müller
Heidelberg
Head of South-West Office of Bundeseisenbahnvermögens (Special authority administered by the German Federal Ministry of Transport)

Günther von Niebelschütz
Großen-Linden
Departmental President in Bundeseisenbahnvermögen

Ragnar Nordström
Berlin
CEO Veolia Verkehr GmbH

Ute Plambeck
Hamburg
Authorised Representative in the Group for the States of Hamburg and Schleswig-Holstein Deutsche Bahn AG

Alfred Possin
Berlin
Managing Director of Human Resources Unit DB Bahnbau GmbH (Rail Construction)

Bernhard Reinhart
Munich
Managing Director of Management Board ebm eisenbahner baugenossenschaft münchen-Hauptbahnhof eG

Thomas Renner
Karlsruhe
Chairman of Management Board Sparda-Bank Baden-Württemberg eG

Peter Rothe
Niederlehme
Head of Human Resources Unit DB Netz AG Neustrelitz/Schwerin

Wolfgang Schilling
Bonn
Departmental President in Bundeseisenbahnvermögen

Lutz Schreiber
Haste
Regional Chairman of the GDL (Trade Union of German Railroad Engineers), Northern Region

Olaf Schulz-Arimond
Dusseldorf
Deputy Regional Chairman of GDL (Trade Union of German Railroad Engineers) North Rhine-Westphalian region

Alfred Schumann
Biebertal
Regional Chairman of the GDL (Trade Union of German Railroad Engineers), Frankfurt am Main region

Ralf Skrzipietz
Mönchengladbach
Chairman of the Joint Works Council for Deutsche Bahn AG/DB Mobility Logistics AG

Rolf Stadié
Bochum
Management Member of Knappschaft

Klaus Vögele
Ettenheim
Chairman of General Works Council Schenker AG

Claus Weselsky
Frankfurt am Main
National Chairman of the GDL (Trade Union of German Railroad Engineers)

Franz-Georg Wolpert
Stuttgart
President of the German Automobile Club (ACV) Ministerial Council (retired)

Wolfgang Zell
Scharbeutz
Deputy Chairman of TRANSNET Gewerkschaft GdED (Union of German Railwaymen)

Ekhard Zinke
Flensburg
President of Federal Automotive Office

Management report

Commercial environment and general conditions

Overview

DEVK Sach- und HUK-Versicherungsverein a.G. is a self-help organisation for railwaymen and recognised as a commercial welfare institution by Deutsche Bahn and the Bundeseisenbahnvermögen. It offers its members, generally railwaymen and employees from the expanded transport unit, comprehensive, bespoke and economical insurance coverage.

As a property & casualty insurer with a high proportion of motor vehicle business, our Insurance Society was hit particularly hard by the ongoing and prolonged price war in the motor vehicle insurance business in 2008.

On the claims side, there was no loss event similar in magnitude to the violent Kyrill windstorm of 2007. Instead the windstorm "Emma", a series of storm and hail events, and the 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.

Despite this difficult business environment, it can be said that the business results for FY 2008 were satisfactory. This year too the society members and policyholders will benefit from the commercial success in the form of additions to the reserve for premium refund. On this occasion, additions were made to the liability, accident and householders' comprehensive insurance.

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.

This is now the tenth occasion that the ASSEKURATA Assekuranz rating agency has examined DEVK Sach- und HUK-Versicherungsverein a.G. and DEVK Allgemeine Versicherungs-AG. As in the nine previous years, both companies were awarded its highest rating "A++" (excellent).

Customer satisfaction

In its 2008 report the ASSEKURATA Assekuranz rating agency awarded DEVK Sach- und HUK-Versicherungsverein a.G. an "excellent" rating for its customer focus. Among other things, the basis for this assessment was a customer survey conducted in 2008, which suggested a very high degree of customer satisfaction.

This was also confirmed by an analysis conducted by TÜV Saarland and by the KUBUS insurance market study conducted by the independent Cologne-based consultancy company MSR Consulting in 2008. The KUBUS study proves that DEVK's customers are exceptionally satisfied with it in all respects. Based on client assessments, DEVK was rated as "outstanding" in the categories overall satisfaction and value for money. In addition, the product range and customer support quality was rated as "very good".

All of these external appraisals reflect our company's highly competitive position.

Social responsibility

Being a successful insurer, DEVK is aware of its social responsibility. For several years, it has been training an above-average number of trainees compared to the sector as a whole, both for internal services and for marketing. This gives young people a good start to their professional careers and permits them to integrate well within society.

In 2008, the training policy pursued by DEVK was awarded the German insurance industry's "Innoward", education prize. DEVK won this prize for its familiarisation programme for newly employed future trainees. DEVK even manages to provide prospects to young people, who have not found a vocational training position at their first attempt. As a co-operation partner in the "Chance Plus" project initiated by Deutsche Bahn AG, DEVK offers these applicants training positions and then the opportunity of an indentured vocational training position. This also applies to student trainees, who by performing well in a training position have become a candidate for a vocational training position.

DEVK is also taking a stance in the public debate about the increase in the number of violent crimes, particularly among young adults. Since 2005, DEVK trainees have formed several project teams and taken part in the competition hosted by Deutsche Bahn "Railway trainees against hate and violence" hosted by Deutsche Bahn.

DEVK's active social commitment is reflected in several external reviews. Besides the good performance in the competition "Germany's Best Employer", a particularly noteworthy achievement is the "Arbeit Plus" seal of approval, which the Evangelical Church in Germany (EKD) awarded to DEVK in 2007 for the second time for its social, and employment-oriented personnel policies.

Personnel and sales representative trends

Joint/service contracts mean that people employed by DEVK Sach- und HUK-Versicherungsverein also work for its subsidiary companies. If employees work for both DEVK Sach- und HUK-Versicherungsverein and for DEVK Lebensversicherungsverein, this takes place within the ambit of "dual employment contracts" (Doppelarbeitsverträge). As such there are no services conducted between the two companies.

On average in 2008, the company employed 2,675 people internally, of which 2,438 had their contracts of employment with DEVK Sach- und HUK-Versicherungsverein. This figure does not include inactive work contracts; part-time employees were converted into full-time equivalents according to their working hours.

At the end of the year, 2,032 freelance representatives were engaged on behalf of DEVK (previous year 1,981). Furthermore, there were 630 sales representatives directly employed by DEVK Sach- und HUK-Versicherungsverein (previous year 604). However, the entire salesforce is also active on behalf of the other DEVK companies. To this end, DEVK Sach- und HUK-Versicherungsverein has signed general agency agreements with the other DEVK companies.

Business performance in general

Booked gross premiums are down by 2.6 % to € 291.1 m. An expected decline in premiums in the hotly contested motor vehicle insurance business was compensated for by other divisions.

The earned premiums for own account amounted to € 247.9 m (previous year € 254.4 m. On a positive note, expenses for insurance claims for own account fell by 3.9 % to € 166.7 m. Their share of the net earned premiums therefore fell to 67.2 % (previous year 68.2 %). The ratio of expenses for the more-or-less unchanged from last year insurance business for own account, which was virtually unchanged when compared with the previous year, to the earned premiums for own account stood at 23.8 % (previous year 23.3 %).

As forecast last year, a much larger sum (€ 6.2 m) was withdrawn from the equalisation reserve than last year (€ 1.1 m). In conjunction with the low net claims expenses, the underwriting result for own account therefore improved to € 22.2 m (previous year € 12.3 m).

The investment income was substantially affected by the financial market crisis, which led to a much larger write-down requirement in our investments than last year. In return, the profits from the divestment of investments have increased, but on balance the net investment income did not reach the level achieved last year.

A € 1.3 m improvement in the non-technical result generated € 41.5 m (previous year € 46.3 m) for the profit on ordinary activities. Due to much-reduced tax expenditure of € 16.7 m, the net profit rose to € 24.8 m (previous year € 21.6 m).

Business performance in the individual insurance business units

The business units run by DEVK Sach und HUK-Versicherungsverein in business it concluded itself in 2008 are detailed in the annex to the management report. The following section describes the business performance in the individual insurance groups, units and types.

Casualty insurance

Under this item, we report both general casualty insurance and motor vehicle accident insurance. Particularly due to the latter, the number of policies in casualty insurance fell by 3,945 to 260,454. Gross premiums grew by € 2.7 m to € 36.0 m. Following an addition to the reserve for premium refunds of € 2.1 m (previous year € 2.5 m) the underwriting result improved to € 5.4 m (previous year € 1.1 m).

Liability insurance

The overall liability insurance portfolio encompassed 608,078 policies at the end of the year (previous year 612,010). This included 97,229 employee's liability insurance policies (incl. railwaymen professional liability insurance). At € 33.2 m, gross premiums in 2008 were 0.6 % down on last year. € 2.1 m was added to the reserve for premium refund (previous year € 2.0 m). The underwriting result for own account strongly improved to € 8.2 m (previous year € 1.2 m) because gross claims expenditure was lower.

Motor vehicle liability insurance

As at 31 December 2008, the motor vehicle liability insurance unit had 528,277 policies (previous year 522,890). In addition to this, there were 5,179 moped policies. Gross premiums fell by 6.9 % to € 83.1 m due to the continuing price war. The underwriting result for own account amounted to € 1.5 m (previous year € 6.8 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. At the end of the year, the number of risks had risen to 426,977 (previous year 418,896). Besides this, we counted 835 partial coverage insurance policies for mopeds. The gross premiums were 9.4 % lower at € 59.6 m. Following a withdrawal from the equalisation reserve of € 8.5 m, a sum of € 0.9 m (previous year € 2.0 m) was transferred to the underwriting result.

Fire and non-life insurance

The portfolio of fire and non-life insurance at the end of 2008 covered a total of 977,516 policies (previous year 976,446). Gross premiums increased by 2.2 % to € 77.9 m. The underwriting result increased to € 5.7 m (previous year € 1.0 m).

In detail, the performance in the fire and non-life property insurance business breaks down as follows:

At the end of the year, the portfolio of houseowners' comprehensive insurance covered 448,487 policies (previous year 453,359). Gross premiums increased by 1.4 % to € 32.1 m. € 1.0 m was added to the reserve for premium refund (previous year € 4.8 m). The underwriting result amounted to € 5.9 m (previous year € 1.0 m).

The accident insurance portfolio grew to 165,637 policies (previous year 164,695). Gross premiums increased by 9.4 % to € 29.7 m. Following an addition of € 0.9 m to the equalisation reserve (previous year withdrawal of € 0.7 m), the underwriting result for own account stood at – € 1.2 m in line with the figure for last year (– € 1.2 m).

At the end of the year the portfolio in the other lines of fire and non-life insurance contained 363,392 policies (previous year 358,392). The premium income amounted to € 16.1 m (previous year € 17.4 m). The underwriting result for own account is reported as € 1.0 m (previous year € 1.2 m).

Other insurance policies

The results for cheque card, breakdown service and travel health insurance are pooled together under other insurance business. Gross premiums increased by 19.7 % to € 1.2 m. Underwriting generated a profit of € 0.5 m (previous year € 0.01 m).

Reinsurance

The business ceded to reinsurance was distributed between several external reinsurers and our group's own reinsurer, DEVK Rückversicherungs- und Beteiligungs-AG. Our selection of the reinsurers took account of their ratings.

Investment and net investment income

In the year under review, the investment portfolio increased by 4.0 % to € 1,338.9 m (previous year € 1,287.2 m). There were no significantly material changes in the composition of the investment portfolio.

The income from investments at € 63.8 m was higher than in the preceding year (€ 57.4 m). Like last year, it includes a dividend payment from DEVK Rückversicherungs- und Beteiligungs-AG amounting to € 10.0 m. Besides this, earnings were realised from the divestment of investments worth € 15.5 m (previous year € 11.2 m) and proceeds from additions worth € 0.4 m (previous year € 0.6 m).

At € 36.4 m investment expenses were far higher than last year (€ 14.0 m). This was due to a larger write-down requirement (€ 32.9 m after € 8.9 m last year). The losses arising from the divestment of investments fell to € 1.6 m (last year € 3.0 m).

On balance, the net investment income is down on last year at € 27.4 m (previous year € 43.4 m).

Operating result and allocation of retained earnings

The net profit for the year after tax of € 24.8 m (previous year € 21.6 m) was added to the other retained earnings.

Affiliated companies, participations

DEVK Sach- und HUK-Versicherungsverein and DEVK Lebensversicherungsverein are not affiliated companies as defined by Section 271 Para. 2 of the German Commercial Code (HGB).

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

Functional delegation, organisational cooperation

As a result of the general agency agreements signed with the other DEVK insurance companies, our company assumes uniform responsibility for the insurance brokerage operations and the associated duties for DEVK.

The general operational areas of accountancy, collection, IT, asset management, personnel, auditing and general administration are centrally organised for all DEVK companies. With regard to the group's insurance companies, this also applies to the areas of portfolio management and claims management (excl. DEVK Rechtsschutz-Versicherungs-AG). However, according to its usage, our company has separate leasing agreements and has its own inventory and work equipment.

In accordance with the joint/service contracts, we provide the group companies DEVK Rückversicherungs- und Beteiligungs-AG, DEVK Allgemeine Versicherungs-AG, DEVK Rechtsschutz-Versicherungs-AG, DEVK Krankenversicherungs-AG, DEVK Allgemeine Lebensversicherungs-AG, DEVK Pensionsfonds-AG, DEVK Vermögensvorsorge- und Beteiligungs-AG and DEVK Service GmbH as well as several smaller group companies, with the necessary internal staff.

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 evaluation 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 reinsurance policy.

Our planning and management instruments permit us to identify undesirable, or hazardous operational, portfolio and claims trends at an early stage and take action to counteract them if required.

We adequately size our underwriting reserves by cautiously evaluating the losses already reported, and by accruing additional reserves for losses that are statistically likely, but that on the balance sheet date have not yet been reported and for losses that will have to be re-opened after the balance sheet date. In addition, equalisation reserves are accrued in accordance with the calculations stipulated by 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.

In the area of investments, we have observed the German Ordinance on the Investment of Restricted Assets of Insurance Undertakings (AnlV). The equity market and interest rate risks are counteracted 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. Furthermore, 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 and bond markets, a small amount of hidden liabilities have to be booked on the fixed assets dedicated to investments.

In accordance with the BaFin Circular 1/2004 (VA), we have to subject our portfolio of investments 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 be in a position to meet the obligations it has entered into with regard to its policyholders 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 undertakings' 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 investments, i.e., the funds required for the net investment volume, came to € 70.5 m. The funds required for this were largely generated from the company's ongoing operations (€ 56.9 m). Uncommitted funds amounting to € 13.6 m were invested.

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

We will give our members and policyholders a share of the satisfactory business performance in 2008 and transact a premium refund in 2009. In liability insurance, a premium refund of 30 % will be paid for all policies held throughout 2008 that have not been cancelled and that have remained claims-free, as long as the refund amount is at least € 5.

The fierce competition in the motor vehicle insurance business means that overall premium income will fall in 2009. At the same time, we assume that expenses for claims and costs will increase. For this reason, we expect the underwriting result for own account to be lower.

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 to a great extent 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.

Because we assume there will be a lower level of write-downs we expect the investment results for DEVK Sach- und HUK-Versicherungsverein to tend to be better in 2009. The situation would be different if there were to be a significant heightening of the economic crisis and a bank were to become insolvent as a result. This is not a scenario we currently expect to see.

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 generate less income, which means that as things stand the other results will probably be down on last year.

Taking everything into consideration, we expect a net profit for 2009 in line with that achieved in FY 2008.

The consequences of the price competition in the motor vehicle insurance business will also make themselves felt in 2010. A further drop in the technical result cannot be ruled out.

Cologne, 15 April 2009

The Management Board

Gieseler **Faßbender** **Klass** **Rüßmann** **Umlandt** **Zens**

Notes to the management report

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

Casualty insurance

General accident insurance
Motor vehicle accident insurance

Liability insurance

Motor vehicle liability insurance

Other motor vehicle insurance

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

Fire and non-life property insurance

Fire insurance
Burglary insurance
Water damage insurance
Glass insurance
Windstorm insurance
Householders' comprehensive insurance
Houseowners' comprehensive insurance
Technical insurance
Universal caravan insurance
Extended coverage insurance
Travellers' baggage insurance
All risk insurance

Other insurance policies

Transport insurance
Breakdown service insurance
Cheque card insurance

Travel health insurance

Financial statements

Balance sheet as of 31 December 2008

Assets	€	€	€	(Previous year € '000s)
A. Intangible assets				
			3,841,045	(3,490)
B. Investments				
I. Real estate and similar land rights, including buildings on third-party land		17,515,959		(18,200)
II. Investments in affiliated companies and participations				
1. Shareholdings in affiliated companies	542,402,086			(506,854)
2. Participations	7,456,779			(7,456)
		549,858,865		(514,310)
III. Other investments				
1. Equities, fund shares, and other non-fixed-interest securities	307,554,711			(308,450)
2. Bearer bonds and other fixed-interest securities	18,394,836			(14,587)
3. Mortgage loans	99,320,074			(106,013)
4. Other lending	334,042,955			(314,553)
5. Other investments	12,245,548			(11,126)
		771,558,124		(754,729)
			1,338,932,948	(1,287,239)
C. Receivables				
I. Receivables from insurance business concluded by the company itself:				
1. Policyholders	1,208,209			(1,787)
2. Insurance brokers	24,461,423			(19,528)
		25,669,632		(21,315)
II. Amounts receivable from reinsurance business		6,879,871		(5,284)
of which: Owed by affiliated companies: € 4,051,187				(2,982)
III. Other receivables		40,247,036		(31,748)
			72,796,539	(58,347)
of which: Owed by affiliated companies: € 33,756,263				(28,213)
D. Other assets				
I. Tangible assets and inventories		6,373,382		(5,184)
II. Cash at banks in current accounts, cheques and cash assets		18,071,716		(31,646)
III. Other assets		148,090		(798)
			24,593,188	(37,628)
E. Deferred income				
I. Deferred interest and rental income		7,604,244		(6,133)
II. Other pre-paid expenses		2,132,255		(1,810)
			9,736,499	(7,943)
Total assets			**1,449,900,219**	(1,394,647)

It is confirmed that the premium reserve amounting to € 5,583,690.79 accrued in the balance sheet under the items B.III. of the liabilities have been calculated in compliance with Sections 341f and 341g of the German Commercial Code (HGB) and based on Section 65 Para. 1 of the decreed statutory ordinance "Law on the Supervision of Insurance Undertakings (VAG)".

Cologne, 14 April 2009 **Responsible actuary | Dr Siegberg**

I herewith certify that, pursuant to Section 73 of the German Law on the Supervision of Insurance Undertakings (VAG), the assets detailed in the index of guarantee assets are properly invested and guaranteed in accordance with the statutory and supervisory authority requirements.

Cologne, 14 April 2009 **Trustee | Thommes**

Liabilities and shareholders' equity

	€	€	€	(Previous year € '000s)
A. Equity				
– Retained earnings				
1. Loss reserve in acc. with Section 37 of the German Act on the Supervision of Insurance Companies (VAG)		151,521,407		(151,521)
2. other retained earnings		655,957,234		(631,192)
			807,478,641	(782,713)
B. Technical reserves				
I. Unearned premiums				
1. Gross amount	59,413			(62)
2. Of which deducted: Allotment for the insurance business ceded to reinsurance	4,319			(3)
		55,094		(59)
II. Actuarial reserve		20,730		(26)
III. Reserve for insurance claims not yet settled				
1. Gross amount	434,210,684			(444,085)
2. Of which deducted: Allotment for the insurance business ceded to reinsurance	138,701,330			(148,398)
		295,509,354		(295,687)
IV. Reserve for performance-related and non-performance-related premium refunds		30,212,904		(29,954)
V. Equalisation reserve and similar reserves		51,540,920		(57,775)
VI. Other technical reserves				
1. Gross amount	1,638,026			(1,563)
2. Of which deducted: Allotment for the insurance business ceded to reinsurance	376,059			(134)
		1,261,967		(1,429)
			378,600,969	(384,930)
C. Other receivables				
I. Tax provisions		27,696,047		(38,629)
II. Other reserves		27,095,199		(34,118)
			54,791,246	(72,747)
D. Deposits liabilities incurred from insurance business ceded to reinsurance				
			62,552,288	(63,261)
E. Other liabilities				
I. Liabilities from insurance business concluded by the company itself with respect to				
1. Policyholders	24,383,451			(27,824)
2. Insurance brokers	385,182			(412)
		24,768,633		(28,236)
II. Reinsurance payable		270,256		(466)
of which:				
owed to affiliated companies: € 139,357				(196)
III. Other liabilities		121,112,569		(61,974)
of which:			**146,151,458**	(90,676)
from taxes: € 7,075,005				(11,723)
as part of social security programme: € 4,179				(3)
owed to affiliated companies: € 29,080,622				(12,321)
F. Deferred income				
			325,617	(320)
Total liabilities			~~**1,449,900,219**~~	(1,394,647)

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	291,078,486			(298,978)
b) Ceded reinsurance premiums	43,250,851			(44,630)
		247,827,635		(254,348)
c) Change in gross unearned premiums	2,845			(5)
d) Change in reinsurers' allotment of gross unearned premiums	675			(–)
		3,520		(5)
			247,831,155	(254,353)
2. Technical interest income for own account			**– 194,333**	(– 231)
3. Other underwriting expenses for own account			**125,097**	(95)
4. Expenses for claims for own account				
a) Payments for insurance claims				
aa) Gross amount	200,754,925			(200,174)
bb) Reinsurers' allotment	33,915,931			(40,042)
		166,838,994		(160,132)
b) Change in reserve for insurance claims not yet settled				
aa) Gross amount	– 9,874,683			(16,741)
bb) Reinsurers' allotment	9,697,366			(– 3,478)
		– 177,317		(13,263)
			166,661,677	(173,395)
5. Change in other underwriting net reserves				
a) Net premium reserve		5,706		(4)
b) Other net underwriting reserves		135,380		(– 100)
			141,086	(–96)
6. Expenses for performance-related and non-performance-related premium refunds for own account			**5,299,787**	(9,336)
7. Expenses for insurance business for own account				
a) Gross expenses for insurance business		68,109,195		(68,548)
b) Of which deducted: Commissions and participations in earnings received from insurance business ceded to reinsurance		9,080,956		(9,252)
			59,028,239	(59,296)
8. Other underwriting expenses for own account			**904,262**	(889)
9. Sub-total			**16,009,040**	(11,205)
10. Change in equalisation reserve and similar reserves			**6,234,062**	(1,065)
11. Technical result for own account			**22,243,102**	(12,270)
Amount carried forward:			22,243,102	(12,270)

Items	€	€	€	€	(Previous year € '000s)
Amount carried forward:				22,243,102	(12,270)
II. Non-technical account					
1. Investment income					
a) Income from participations,		10,224,600			(10,210)
of which:					
from affiliated companies: € 10,215,000					(10,200)
b) Income from other investments					
aa) Income from real estate and similar land					
rights including buildings on third-party land	2,352,505				(2,238)
bb) Income from other investments	35,341,576				(33,175)
of which:		37,694,081			(35,413)
from affiliated companies: € 66					(–)
c) Income from additions		352,084			(568)
d) Profits from the divestment of investments		15,491,137			(11,236)
			63,761,902		(57,427)
2. Expenses for investments					
a) Expenses for the administration of investments, interest expenses, and other expenses for the investments		1,916,773			(2,077)
b) Write-downs on investments		32,882,866			(8,942)
c) Losses from the divestment of investments		1,609,438			(3,030)
			36,409,077		(14,049)
			27,352,825		(43,377)
3. Technical interest income			1,091,353		(1,111)
				26,261,472	(42,266)
4. Other income			291,483,334		(269,342)
5. Other expenses			298,473,907		(277,594)
				– 6,990,573	(– 8,252)
6. Profit on ordinary activities				**41,514,001**	(46,284)
7. Taxes on income					
a) Own		23,022,905			(22,410)
b) Allocation passed on		– 6,672,235			(1,819)
			16,350,670		(24,229)
8. Other taxes			398,331		(485)
				16,749,001	(24,714)
9. Net profit for the year				**24,765,000**	(21,570)
10. Allocations to retained earnings					
– into other retained earnings				**24,765,000**	(21,570)
11. Unappropriated retained earnings				**–**	(–)

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 **land, land rights and buildings, including buildings on third-party land** were subject to scheduled depreciation using the purchase and manufacturing costs.

The **shareholdings in affiliated companies** and **participations** were reported at the procurement cost or the lower attributable value.

The approach for the **equities, fund shares and other non-fixed interest securities**, for the **bearer bonds 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 **mortgage loans** have been reported at their nominal values minus an individual valuation adjustment for the inherent default risk. The discount was included under deferred income and received depending on the term.

The balance sheet values of the **registered bonds, claims backed by borrowers' notes and loans** 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 their procurement costs or lower market values or at the nominal values.

The **receivables from insurance business** the company itself concluded are reported in the balance sheet at nominal values minus individual valuation adjustments and a lump-sum write-down for the inherent default risk.

The **amounts receivable from the reinsurance business** were arrived at based on the reinsurance contracts and were reported at their nominal values.

The **other receivables** were valued at their nominal values.

The **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 were written off completely in the year of their acquisition.
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 acquistion as operating expenses.

Besides advance payments for future periods, interest entitlements not yet due were mainly reported under **prepaid expenses**.

The assessment of the **technical reserves** was performed in accordance with the following principles:
The **unearned premiums** were to be charged in the moped insurance for the months January and February of the following year. The premium allotments for these two months were calculated from the premiums booked as unearned premiums on a monthly basis according to the insurance policy terms. The NRW Finance Minister’s decree from 30 April 1974 was taken into account in the calculation of the unearned premiums. For other insurance business, unearned premiums did not have to be reported because in this area the insurance year matches the calendar year.

The **premium reserve** to be accrued in the child’s accident insurance business in the event of a claim was calculated individually in accordance with the prospective method and took account of the implicit applied costs. The mortality table DAV 2006 HUR, 4.0 %, was used as a basis. Insurance claims for which a reserve was to be accrued for the first time in the period 31 December 2000 to 31 December 2003 were evaluated using an accounting rate of return of 3.25 %. In the case of insurance claims, for which a reserve was to be accrued for the first time between 31 December 2004 and 31 December 2006, an accounting rate of return of 2.75 % was used. For all other later cases, an accounting rate of return of 2.25 % was used as a basis.

The **reserve for insurance claims not yet settled** was determined individually for each claim. A reserve was accrued for unknown IBNR losses in accordance with blanket criteria. Amounts for claims settlement were taken account of in the reserve.

The calculation of the **bonds premium reserve** observed the requirements laid down in Sections 341f and 341g of the German Commercial Code (HGB). The calculation is based on the mortality table DAV 2006 HUR. 4.0 % was used as an accounting rate of return; however, for insurance claims for which a reserve was to be accrued for the first time in the period from 31 December 2000 to 31 December 2003 the accounting rate of return was 3.25 %. In the case of insurance claims, for which a reserve was to be accrued for the first time between 31 December 2004 and 31 December 2006, an accounting rate of return of 2.75 % was used. For all other later cases, an accounting rate of return of 2.25 % was used as a basis.
The reinsurers’ allotment was calculated in accordance with the contractual agreements.
As a result of decisions taken by the Management Board and the Supervisory Board, the **allocation to the reserve for performance-related premium refunds** took account of tax legislation.

The **reserve for non-performance related premium refunds** was accrued using contractual agreements with the policyholders as a basis.

The **equalisation reserve** was calculated in accordance with the Annex to Section 29 of the German Insurance Company Accounting Regulation (RechVersV).

The **other underwriting reserves** include unused premiums from dormant motor vehicle insurance policies, the reserve relinquished by "Verkehrsopferhilfe e.V. (VOH – Traffic Accident Victim Assistance, registered association)" for traffic accident victims, a reserve for premium refunds for premium claims and a reserve for premiums already received and for premium liabilities and anticipated lapses stemming from reinsurance contracts. These reserves were estimated or calculated as well as possible based on corresponding mathematical models, or if necessary based on past values.

The **other provisions** were accrued in accordance with the following principles: With the exception of the reserve accrued for semi-retirement to part-time working liabilities, the **tax provisions** and **other reserves** are sized according to the probable requirement and were set at the level that a commercial assessment suggested would be necessary.

The **reserve for semi-retirement to part-time working liabilities** was proportionally accrued with an accounting rate of return of 5.5 %. The level of the reserve took account of the likelihood of semi-retirement to part-time working benefits being claimed. Morbidity and mortality rates were applied across the board.

The **deposits liabilities from insurance business ceded to reinsurance** result from a reinsurance agreement on the coverage of claims and pension coverage provisions and are evaluated using the present value.

The **liabilities stemming from insurance business concluded by the company itself** and the **other liabilities** were assessed using 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 mortgages, borrowers' notes, registered bonds as well as mortgage interest and rents received in advance 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.

The **technical interest income for own account** was calculated using 4.0 %, 3.25 %, 2.75 % and 2.25 % from the respected arithmetic mean of the initial and final amounts for the gross pension coverage provisions for the accident, liability, motor vehicle liability and motor vehicle accident insurance business.

Performance of asset items A., B.I. to III. 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	3,490	962	–	–	–	611	3,841
4. Total A.	3,490	962	–	–	–	611	3,841
B.I. Real estate and similar land rights, including buildings on third-party land							
	18,200	–	–	–	–	684	17,516
B.II. Investments in affiliated companies and participations							
1. Shareholdings in affiliated companies	506,854	35,575	–	27	–	–	542,402
2. Participations	7,456	387	–	386	–	–	7,457
3. Total B.II.	514,310	35,962	–	413	–	–	549,859
B.III. Other investments							
1. Equities, fund shares and other non-fixed interest securities	308,450	97,266	–	74,530	352	23,983	307,555
2. Bearer bonds and other fixed-interest securities	14,587	12,815	–	1,900	–	7,107	18,395
3. Mortgage loan	106,013	2,792	–	8,700	–	785	99,320
4. Other lending							
a) Bearer bonds	113,500	20,000	–	6,000	–	–	127,500
b) Borrowers' notes and loans	193,497	5,489	–	–	–	–	198,986
c) other lending	7,556	–	–	–	–	–	7,556
5. Other investments	11,126	1,443	–	–	–	323	12,246
6. Total B.III.	754,729	139,805	–	91,130	352	32,198	771,558
Total	**1,290,729**	**176,729**	**–**	**91,543**	**352**	**33,493**	**1,342,774**

Explanatory notes on balance sheet

Re: Asset items B.

Investments

We have allocated investments that are to be permanently held in the investment portfolio to the fixed assets in accordance with Section 341 b 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. Real estate and similar land rights, including buildings on third-party land	17,515,959	28,535,000
B.II. Investments in affiliated companies and participations		
1. Shareholdings in affiliated companies	542,402,086	1,345,590,640
2. Participations	7,456,779	7,273,007
B.III. Other investments		
1. Equities, fund shares and other non-fixed-interest securities	307,554,711	321,337,941
2. Bearer bonds and other fixed-interest securities	18,394,836	18,783,228
3. Mortgage loans	99,320,074	103,247,441
4. Other lending		
a) Registered bonds	127,500,000	128,364,910
b) Borrowers' notes and loans	198,986,495	185,585,957
c) Other lending	7,556,460	2,928,294
5. Other investments	12,245,548	8,075,039
Total	**1,338,932,948**	**2,149,721,457**
of which: Investments assessed at procurement costs	917,689,414	1,736,570,364
of which: Investments in fixed assets in accordance with Section 341b Para. 2 of the German Commercial Code (HGB)	111,236,806	112,983,708

The valuation reserves contain hidden liabilities amounting to € 32.36 m. These are accounted for by properties, shareholdings in affiliated companies, participations, shares, bearer bonds, mortgage interest and rents, 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 land valuation was determined in principle in accordance with the income approach to valuation. All of the real estate properties present on 31 December 2008 have been re-valued as per this date. These hidden liabilities are paid off using scheduled depreciation in the subsequent periods.

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

The valuation of the lien on real estate was performed using the latest interest curve and took account of the reliability and property risk.

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	33,450	33,416
Participations	4,950	3,625
Securities in fixed assets	8,887	8,665
Other lending	22,119	12,805

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	3,980	454	562	Barone-Adesi
Other Liabilities	Short-call options	2,800	182	–	Black-Scholes
Promissory note bonds	Pre-emptions	5,000	–	– 38	Bloomberg/own calculations based on market data

Re: Asset items B.I.

Real estate and similar land rights, including buildings on third-party land
Real estate properties in the book value of € 2,203,209 are chiefly used by DEVK Sach- und HUK-Versicherungsverein a.G. and the other companies belonging to the DEVK Group. The area used by the DEVK Group is calculated in m² for each property by subtracting the area used by third parties from the total area.

Re: Asset items B.II.

Investments in affiliated companies and participations

	Subscribed capital €	Share-holding as %	Shareholding broken down as %	Shareholders' equity €	Net profit for last fiscal year €
DEVK Rückversicherungs- und Beteiligungs-AG, Cologne	306,775,129	100.00	100.00	851,840,458	97,100,000
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	65.00	57.65	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 Sigma GmbH, Cologne	25,000	100.00	100.00	24,275	– 725
DEVK Unterstützungskasse GmbH, Cologne (formerly DEVK Eta GmbH)	25,000	100.00	100.00	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	59.61	113,276	– 339,958
Ceyoniq Technology GmbH, Bielefeld	1,000,000	66.67	59.61	891,123	1,163,603
eSlidez GmbH, Bielefeld	25,000	55.00	32.30	38,620	– 7,925
Hotelbetriebsgesellschaft Sonnenhof mbH, Cologne	375,000	100.00	51.00	356,023	–
HYBIL B.V., Venlo	400,000	90.00	85.10	45,868,357	1,299,855
JUPITER VIER GmbH, Cologne	25,000	100.00	100.00	3,241,549	– 201,654
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.III.

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) and cooperative shares.

Re: Asset items E.II.

Other prepaid expenses

Premium stemming from borrowers' notes and loans, registered profit participation certificates, bearer bonds and silent partnerships	€ 642,263
Prepayments for future benefits	€ 1,489,992
	€ 2,132,255

Re: Liabilities A.–.

Retained earnings

Other retained earnings

Status on 31.12.2007	€ 631,192,234
Addition	€ 24,765,000
Status on 31.12.2008	**€ 655,957,234**

Re: Liabilities B.

Technical reserves

Figures in € '000s	Gross reserve Total		of which: Reserve for insurance claims not yet settled		of which: Equalisation reserve and similar reserves	
Insurance business	Fiscal year	Previous year	Fiscal year	Previous year	Fiscal year	Previous year
Accident	58,691	60,437	56,173	55,060	–	–
Liability	61,293	62,773	50,005	54,182	2,139	1,508
Motor vehicle liability	323,409	327,672	297,390	301,272	24,959	25,356
Other motor vehicle	36,112	44,055	11,572	11,022	15,511	24,012
Fire and non-life	37,949	38,034	18,893	22,317	8,881	6,636
of which:						
Fire	2,264	3,223	1,755	2,994	509	229
Householders' comprehensive	14,210	14,429	5,104	5,470	–	–
Combined property	12,299	11,461	7,916	7,846	4,373	3,500
Other non-life	8,121	8,921	4,118	6,007	3,999	2,907
Other	229	495	178	232	51	263
Total	**517,683**	533,466	**434,211**	444,085	**51,541**	57,775

Re: Liabilities B.IV.

Reserve for performance-related and non-performance-related premium refunds

a) performance-related

Status on 31.12.2007	€ 29,927,290
Withdrawal	€ 4,896,305
Addition	€ 5,041,719
Status on 31.12.2008	**€ 30,072,704**

b) non-performance-related

Status on 31.12.2007	€ 27,200
Withdrawal	€ 63,387
Addition	€ 176,387
Status on 31.12.2008	**€ 140,200**

Re: Liabilities F.

Deferred income

Mortgage loans, registered bonds and borrowers' notes and loans	€ 315,271
Rent paid in advance	€ 10,346
	€ 325,617

Explanatory notes on consolidated income statement

Insurance business concluded by the company itself

Fiscal year in € '000s	booked gross premiums	earned gross premiums	earned net premiums	Gross expenses for Insurance claims	Gross expenses for Insurance operations	Reinsurance balance	Underwr. result for own acc.
Accident	36,007	36,007	27,672	13,906	10,260	– 4,411	5,392
Liability	33,170	33,170	32,260	7,763	12,756	– 1,774	8,194
Motor vehicle liability	83,119	83,122	76,819	68,704	10,583	– 2,411	1,538
Other motor vehicle	59,597	59,597	43,365	59,738	9,210	1,560	929
Fire and non-life	77,937	77,937	66,715	40,062	25,174	– 2,781	5,698
of which:							
Fire	673	673	479	– 101	387	– 293	– 238
Householders' comprehensive	32,137	32,137	31,713	13,530	10,894	– 368	5,878
Combined property	29,720	29,720	20,632	20,794	8,028	– 818	– 1,197
Other non-life	15,407	15,407	13,891	5,839	5,865	– 1,302	1,255
Other	1,248	1,248	1,000	707	126	– 134	492
Total	**291,078**	**291,081**	**247,831**	**190,880**	**68,109**	**– 9,951**	**22,243**

Previous year in € '000s	booked gross premiums	earned gross premiums	earned net premiums	Gross expenses for Insurance claims	Gross expenses for Insurance operations	Reinsurance balance	Underwr. result for own acc.
Accident	33,270	33,270	25,701	19,226	10,896	438	1,146
Liability	33,357	33,357	32,432	15,073	12,913	– 1,130	1,197
Motor vehicle liability	89,238	89,242	82,244	74,039	10,219	1,973	6,833
Other motor vehicle	65,793	65,794	47,929	54,312	9,121	– 2,275	2,042
Fire and non-life	76,277	76,277	65,241	53,547	25,301	9,333	1,043
of which:							
Fire	1,145	1,145	825	2,781	481	1,668	– 186
Householders' comprehensive	31,692	31,692	31,203	13,855	11,200	– 279	1,049
Combined property	27,155	27,155	18,916	26,475	7,605	5,300	– 1,242
Other non-life	16,285	16,285	14,297	10,436	6,015	2,644	1,422
Other	1,043	1,043	806	717	98	– 198	9
Total	298,978	298,983	254,353	216,914	68,548	8,141	12,270

In the entire insurance business, gross expenses for the insurance business were distributed as follows:

Acquisition costs	€ 36,226,580
Administration costs	€ 31,882,615

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	18,008	18,257
2. Other remuneration for insurance representatives as defined in Section 92 of the German Commercial Code (HGB)	1,706	1,853
3. Wages and salaries	162,881	150,919
4. Social security contributions and costs for social insurance	26,517	25,172
5. Retirement pension costs	3,584	13,933
Total	**212,696**	210,134

The pension provision for the employees of DEVK Sach- und HUK-Versicherungsverein a.G. is reported on the balance sheet of DEVK Rückversicherungs- und Beteiligungs-AG. The wages and salaries, social security contributions and costs for social insurance and the pension provision addition, with the exception of the interest addition, are charged to DEVK Sach-und HUK-Versicherungsverein a.G. The personnel expenses for the employees provided to the subsidiary companies by way of the joint contract are settled according to the costs-by-cause principle.

In the year under review, the remuneration for the Management Board amounted to € 718,517. The superannuation of the Management Board ex-members and surviving dependents came to € 1,071,389. For this category of persons, a pension provision of € 10,669,564 was reported by DEVK Rückversicherungs-und Beteiligungs-AG on 31 December 2008. The Supervisory Board remuneration came to € 339,326. The Advisory Committee remuneration totalled € 79,360.

Other information

Contingencies and other financial liabilities

In order to lend support to Hypo Real Estate (HRE), the German government ratified a rescue package in October 2008, to which both the Bundesbank and the German financial industry have contributed. Our association has also declared its readiness to participate in the rescue package. The financial institutions in the consortium behind this rescue package committed themselves within the framework of a counter-guarantee to participate in a potential availment on the part of the government arising from the guarantee for the Bundesbank's liquidity line. Of the total amount for this counter-guarantee of € 8.5 bn our association accounts for € 2.1 m jointly (and not severally). We have assumed the liability shares amounting to a total of € 0.5 m for our subsidiary companies DEVK Krankenversicherungs-AG and DEVK Rechtsschutz-Versicherungs-AG.

On the balance sheet date, the company had financial liabilities amounting to € 6.8 m stemming from open short options, € 92.0 m from multi-tranche promissory note bonds and € 5.0 m from open pre-emptions.

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 € 16.0 m. This included liabilities owed to affiliated companies worth € 3.6 m.

The joint and several liability stemming from the pension liabilities booked to DEVK Rückversicherungs- und Beteiligungs-AG resulted in pension obligations amounting to € 318.6 m.

General information

No. of insurance policies concluded by the company itself with a term of at least one year	Fiscal year	Previous year
Accident	260,454	264,399
Liability	608,078	612,010
Motor vehicle liability	528,277	522,890
Other motor vehicle	426,977	418,896
Fire and non-life	977,516	976,446
of which:		
Fire	2,507	2,655
Householders' comprehensive	448,487	453,359
Combined property	165,637	164,695
Other non-life	360,885	355,737
Other	554	649
Total	**2,801,856**	2,795,290

In terms of membership the composition of the Management Board, the Supervisory Board and Advisory Committee is detailed before the management report.

In the year under review, the average number of employees, excluding inactive work contracts and after the conversion of part-time employees to full-time equivalents came to 3,060. This figure is made up of 60 executives and 3,000 employees.

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

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 **Faßbender** **Klass** **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 Deutsche Eisenbahn Versicherung Sach- und HUK-Versicherungsverein a.G. Betriebliche Sozialeinrichtung der Deutschen Bahn**, Cologne, for the fiscal year from 1 January to 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))

Dr Ellenbürger	**Beerlage**
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.

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

Krauß
Chairman

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

Company bodies

Supervisory Board

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

Dr jur Peter Scharpf
Esslingen
Deputy Chairman
Chairman of Management Board of the Association of Sparda Banks (registered association in law)
(deceased on 8 February 2009)

Heinzotto Kievernagel
Rösrath
Employee
DEVK Versicherungen (in law)

Helmut Lind
Kaufering
CEO Sparda-Bank Munich eG

Helmut Petermann
Essen
Chairman of the
General Works Council
DEVK Versicherungen

Dr Karl-Friedrich Rausch
Weiterstadt
Member of the Management Board with responsibility for Passenger Transportation Unit DB Mobility Logistics AG

Regina Rusch-Ziemba
Hamburg
Deputy Chairman of TRANSNET Gewerkschaft GdED (Union of German Railwaymen)

Manfred Schell
Hofheim am Taunus
Deputy National Chairman of GDL
(Trade Union of German Railroad Engineers)

Manfred Schumacher
Pulheim
Employee
DEVK Versicherungen (in law)

Executive Board

Friedrich Wilhelm Gieseler
Bergisch Gladbach
Chairman

Engelbert Faßbender
Hürth

Hans-Otto Umlandt
Oesterdeichstrich

Advisory Committee

Rudi Schäfer
Bergisch Gladbach
– Honorary Chairman –
Chairman of the Union of German
Railwaymen (GdED – TRANSNET) (retired)

Jürgen Büchy
Liederbach
Chairman of Management for
DB Vertrieb GmbH

Dr Lutz Bücken
Berlin
Executive Manager of Integrated Systems
Unit Deutsche Bahn AG

Robert Etmans
Eppstein
Member of the Management Board with
responsibility for personnel and on-board
services DB Fernverkehr AG

Dirk Flege
Glienicke-Nordbahn
Managing Director of Allianz pro Schiene e.V.

Dr rer pol (Doctor of Economic Sciences)
Christoph Franz
Zurich
Chief Executive Officer
Swiss International Air Lines Ltd.

Gottfried Geisel
Wiesbaden
Regional Head of TRANSNET
Gewerkschaft GdED (Union of German
Railwaymen)

Wilfried Geitz
Burgwald
Managing Director/Employee Relations
Director of DB Stadtverkehr GmbH

Götz Grauert
Oberhausen
Chairman of the German Association of
Railway Newsagents – registered association
(VDB e.V.)

Helmut Jeck
Ludwigshafen
Chairman of the Association of
German Railway Technical Schools (VDEF)
Branch Office

Günther Köhnke
Rotenburg
Regional Head of Financial and Controlling
Unit DB Regio AG
Managing Director of Regional Railway
Finance Unit Schleswig-Holstein GmbH

Rolf G. Lübke
Frankfurt am Main
CEO DB Fuhrpark Service GmbH

Wilfried Messner
Wolfenbüttel
Long-term timetable/Infrastructure
capacity I.NVE3
(Chairman of the German Association of
German Railway Managers – BFBahnen e.V.)

Egbert Meyer-Lovis
Hamburg
Head of Internal Communications for
Transport and Logistics Unit Division of
Deutsche Bahn AG

Silvia Müller
Berlin
Managing Director of Fonds Sozial
Sicherung und Wertguthabenfonds

Prof Dr Ing Eng Adolf Müller-Hellmann
Bergisch Gladbach
Managing Director
Presidium of the German Association of
Transport Companies (registered assoc.)
(VDV) in law

Roger Paeth
Burgwedel
Head of Personnel - Deutsche Bahn AG,
Group Personnel Services

Peter Rahm
Crailsheim
Chairman of the General Works Council
DB Systel GmbH

Lars Scheidler
Berlin
Regional Head of TRANSNET
Gewerkschaft GdED (Union of German
Railwaymen)

Hartmut Schönmeyer
Kaufbeuren
Staff Captain
Luftwaffe Chairman in the Federal Board of
Association of German Armed Services
(DBwV)

Thomas Schuetz
Minden
Managing Director/Employee Relations
Director
DB Sicherheit GmbH

Andreas Springer
Berlin
Managing Director (ACZ)
DB Zeitarbeit GmbH

Andreas Sturmowski
Kleinmachnow
Chairman of Management Board of
Berliner Verkehrsbetriebe (Berlin Transport
Businesses)

Bernd Sülz
Berlin
Managing Director of Human Resources Unit
DB Fahrzeuginstandhaltung GmbH

Manfred Wiese
Stuttgart
Chairman of the Union
of German Railway Station Businesses
(UDBB)

Margarete Zavoral
Bad Laasphe
Divisional Head of TRANSNET
Gewerkschaft GdED (Union of German
Railwaymen)

Management report

Commercial environment and general conditions

Overview

As a property & casualty insurer with a high proportion of motor vehicle business, DEVK Allgemeine Versicherungs-AG was hit particularly hard by the prolonged price war in the motor vehicle insurance business in 2008.

On the claims side, there was no loss event similar in magnitude to the violent Kyrill windstorm of 2007. Instead the windstorm "Emma", a series of storm and hail events, and the 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.

However, taking everything into consideration, it can once again 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.

This is now the tenth occasion that the ASSEKURATA Assekuranz rating agency has examined DEVK Sach- und HUK-Versicherungsverein a.G. and DEVK Allgemeine Versicherungs-AG. As in the nine previous years, both companies were awarded its highest rating "A++" (excellent).

Customer satisfaction

The ASSEKURATA Assekuranz rating agency awarded DEVK Allgemeine Versicherungs-AG an "excellent" customer focus rating in its 2008 report. Among other things, the basis for this assessment was a customer survey conducted in 2008, which suggested a very high degree of customer satisfaction.

This was also confirmed by an analysis conducted by TÜV Saarland and by the KUBUS insurance market study conducted by the independent Cologne-based consultancy company MSR Consulting in 2008. The KUBUS study proves that DEVK's customers are exceptionally satisfied with it in all respects. Based on client assessments, DEVK was rated as "outstanding" in the categories overall satisfaction and value for money. In addition, the product range and customer support quality was rated as "very good".

All of these external appraisals reflect our company's highly competitive position.

Business performance in general

Gross premiums generated by DEVK Allgemeine Versicherungs-AG in business it concluded itself rose by 1.8 % to € 850.3 m due to considerable portfolio growth. Together with the business taken on in reinsurance, whose premium volume amounted to € 9.8 m, the premium growth totalled 1.6 %.

The overall earned premiums for own account increased over the course of the fiscal year by 1.5 % to € 729.4 m. The expenses for insurance claims for own account increased by 6.6 % to € 536.6 m. Their share of net earned premiums therefore came to 73.6 % (previous year 70.0 %). Expenses for insurance business for own account have also risen. At 22.3 % their share of net earned premiums was one percentage point higher than last year.

As expected, underwriting reported a much lower net profit before additions to equalisation reserves (€ 28.7 m) than last year (€ 61.9 m). Following a withdrawal from the equalisation reserve amounting to € 12.7 m (previous year € 6.3 m) the underwriting result for own account stood at € 41.4 m (previous year € 68.2 m).

The investment income was substantially affected by the financial market crisis, which led to a much larger write-down requirement in our investments than last year. In return, our profits from the divestment of investments have increased strongly, and the net investment income therefore exceeded the figure for the previous year.

After a remaining non-technical result that was down on a year ago, an amount of € 111.2 m (previous year € 131.9 m) was added to the profit on ordinary activities. After tax, € 110.5 m (previous year € 130.7 m) was available for the purposes of profit transfer.

Business performance in the individual insurance business units

The insurance business units run by DEVK Allgemeine Versicherungs-AG in 2008 are detailed in the notes to the management report. The following section first illustrates the business performance in the individual insurance business units, sectors and types for the business the company concluded itself. At the end of this section, we briefly examine the business taken on in reinsurance.

Casualty insurance

We pool general accident insurance and motor vehicle accident insurance in the Casualty unit. The accident insurance portfolio grew strongly to 727,435 policies (previous year 686,010). Gross premiums at € 73.3 m were 5.0 % up on 2007. The underwriting result amounted to € 5.7 m (previous year € 6.3 m).

Liability insurance

The overall liability insurance portfolio grew to 1,025,925 policies (previous year 1,004,411) by the end of the year. Aided by growth in the portfolio, gross premiums increased by 1.1 % to € 70.3 m. Following the accrual of an equalisation reserve amounting to € 15.8 m the underwriting result for own account came to € 3.0 m (previous year € 17.4 m).

Motor vehicle liability insurance

At the end of the year, the company had accrued 1,687,132 policies (previous 1,551,448). In addition there were 243,567 moped policies. The growth in portfolio has compensated for the repercussions from the price war and the re-classifications in less expensive no-claims bonus categories. Gross premiums were 0.1 % up on last year at € 342.9 m. The virtually constant premium income was set against higher net expenses for claims and insurance operations. Following an addition to the equalisation reserve amounting to € 2.9 m (previous year € 2.8 m withdrawal) the underwriting result for own account stood at € 12.8 m (previous year € 21.7 m).

Other motor vehicle insurance

The number of risks rose in "other motor vehicle insurance", in which we look at fully comprehensive motor insurance and partial comprehensive (third-party, fire & theft) motor insurance, to 1,317,822 (previous year 1,183,240). In addition, the portfolio included 56,943 partial comprehensive (third-party, fire & theft) motor insurance policies for mopeds. Gross premiums (including moped policies) increased by 0.3 % to € 199.5 m. € 28.9 m was withdrawn from the equalisation reserve (previous year € 5.5 m). Underwriting generated a profit of € 8.2 m (previous year € 14.1 m).

Fire and non-life insurance

The portfolio of fire and non-life insurance at the end of 2008 encompassed a total of 1,693,399 policies (previous year 1,657,878). Gross premiums increased by 5.5 % to € 157.5 m. Following a withdrawal from the equalisation reserve of € 3.6 m (previous year € 0.3 m) the underwriting result improved to € 20.0 m (previous year € 12.7 m).

In detail, the performance in fire and non-life insurance breaks down as follows:

The portfolio of household contents policies rose to 822,392 (previous year 810,834). Gross premiums increased from € 72.8 m to € 74.1 m (+ 1.8 %). In particular, due to a withdrawal from the equalisation reserve (previous year addition to equalisation reserve), the underwriting result has improved to € 18.8 m (previous year € 13.7 m).

By the end of the year, the portfolio of combined property insurance policies had grown to 305,389 (previous year 299,626). Gross premiums increased strongly from € 58.4 m (previous year € 52.9 m). This corresponds to a growth of 10.3 %. The underwriting result for own account amounted to – € 2.9 m, which was in line with last year (– € 2.9 m).

As per 31 December 2008, the portfolio in other sectors of the fire and non-life insurance business encompassed 565,618 policies (previous year 547,418). This growth primarily resulted from natural hazard insurance. Premium income has increased by 6.4 % to € 25.0 m. The underwriting result for own account amounted to € 4.1 m (previous year € 1.9 m).

Other insurance policies

The other insurance business is mainly composed of the results from breakdown service insurance. In total, this business generated premium income worth € 6.8 m (previous year € 5.4 m). The underwriting result for own account showed a loss of € 0.9 m (previous year – € 0.8 m).

Insurance business taken on in reinsurance

The business taken on in reinsurance is composed almost entirely of transfers within the group in the motor vehicle and building insurance business. With a premium volume amounting to € 9.8 m, the underwriting result for own account came to – € 7.4 m.

Reinsurance

The business recorded under reinsurance was distributed between several external reinsurers and our group's own reinsurer, DEVK Rückversicherungs- und Beteiligungs-AG. The process used to select the external reinsurers took account of their ratings.

Investments and net investment income

In the year under review, the investment portfolio increased to € 1,638.9 m (previous year € 1,680.5 m). There have been no major changes in the composition of the investments.

The investment income amounted to € 122.5 m (previous year € 93.3 m). Besides the ongoing income, earnings were generated from the divestment of investments worth € 40.4 m (previous year € 13.0 m) and proceeds from additions worth € 0.03 m (previous year € 0.9 m).

Investment expenses were markedly up on last year (€ 44.1 m vs. € 23.1 m last year) due to increased write-downs.

On balance, net investment income improved to € 78.3 m vs. € 70.2 m last year.

Operating result and allocation of retained earnings

The net profit after tax of € 110.5 m (previous year € 130.7 m) was transferred to DEVK Rückversicherungs- und Beteiligungs-AG because of the control and profit pooling agreement signed in 2002.

Affiliated companies, participations

Companies affiliated to DEVK Allgemeine Versicherungs-AG are

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

and its direct and indirect subsidiaries.

The capital stock of DEVK Allgemeine Versicherungs-AG amounts to € 194.3 m and is fully paid in. It is 100 % held by DEVK Rückversicherungs- und Beteiligungs-AG, with which there is a control and profit pooling agreement.

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

Functional delegation, organisational cooperation

As a result of a general agency agreement, DEVK Sach und HUK-Versicherungsverein a.G. takes responsibility for insurance brokerage and the associated duties.

The general operational areas of accountancy, collection, IT, asset management, personnel, auditing and general administration are centrally organised for all DEVK companies. In addition, our portfolio management and claims management units have been merged with those of Sach- und HUK-Versicherungsvereins a.G.

In accordance with the joint contract, DEVK Sach- und HUK-Versicherungsverein a.G. provides us with the necessary internal services personnel.

According to its usage, our company has separate leasing agreements and has its own inventory and own work equipment.

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 reinsurance policy.

Our planning and management instruments permit us to identify undesirable, or hazardous operational, portfolio and claims trends at an early stage and take action to counteract them if required.

We adequately size our underwriting reserves by cautiously evaluating the losses already reported, and by accruing additional reserves for losses that are statistically likely, but that on the balance sheet date have not yet been reported and for losses that will have to be re-opened after the balance sheet date. In addition, equalisation reserves are accrued in accordance with the calculations stipulated by 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.

In the area of investments, we have observed the German Ordinance on the Investment of Restricted Assets of Insurance Undertakings (AnlV). 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. Furthermore, 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 and bond markets, hidden liabilities have to be booked on the fixed assets dedicated to investments.

In accordance with the BaFin Circular 1/2004 (VA), we have to subject our portfolio of investments 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 be in a position to meet the obligations it has entered into with regard to its policyholders 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 permanently) provide 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 € 6.5 m (previous year € 86.8 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

Despite the fierce competition in the motor insurance business, we expect the overall premium to increase due to respectable portfolio growth. At the same time, we assume that the claims and costs expenses will increase faster than the growth in premiums. It is therefore likely that our company will generate a lower underwriting result before adjustments to equalisation reserves. This decrease will probably be at least partially offset by a withdrawal from the equalisation reserve.

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 the green shoots of a recovery to appear, as long as there is no withdrawal into protectionism.

For DEVK Allgemeine Versicherungs-AG we expect to achieve less earnings from investment activities in 2009. Although we assume the write-down requirement will be reduced, we expect to generate far less proceeds from the divestment of investments in 2009. 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. As things stand, the other income item will probably be down on last year.

Taking everything into consideration, we forecast that the profit transfer to DEVK Rückversicherungs- und Beteiligungs-AG will be a high double-digit million figure.

The consequences of the price competition in the motor vehicle insurance business will also make themselves felt in 2010. A further drop in the underwriting result cannot be ruled out.

Cologne, 15 April 2009

The Management Board

Gieseler **Faßbender** **Umlandt**

Notes to the management report

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

Self-generated business

Casualty insurance
General accident insurance
Motor vehicle accident insurance

Liability insurance

Motor vehicle liability insurance

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

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

Other insurance policies
Credit and bail insurance
Cheque card insurance
Breakdown service insurance

Travel health insurance

Business accepted in reinsurance

Casualty insurance

Liability insurance

Motor vehicle liability insurance

Other motor vehicle insurance

Legal expenses insurance

Fire and non-life property insurance
Fire insurance
Householders' comprehensive insurance
Houseowners' comprehensive insurance
Hailstorm insurance

Health insurance

Other insurance policies
Transport insurance

Financial statements

Balance sheet as of 31 December 2008

Assets	€	€	€	(Previous year € '000s)
A. Intangible assets				
			8,530,208	(8,495)
B. Investments				
I. Real estate and similar land rights, including buildings on third-party land		4,265,605		(4,466)
II. Investments in affiliated companies and participations				
1. Shareholdings in affiliated companies	16,832,383			(10,607)
2. Participations	57,220,403			(51,506)
		74,052,786		(62,113)
III. Other investments				
1. Equities, fund shares and other non-fixed-interest securities	307,553,121			(322,358)
2. Bearer bonds and other fixed-interest securities	80,330,402			(41,661)
3. Mortgage loans	240,656,857			(263,408)
4. Other lending	894,983,765			(950,960)
5. Deposits at credit institutions	1,753,260			(–)
6. Other investments	35,254,307			(35,580)
		1,560,531,712		(1,613,967)
			1,638,850,103	(1,680,546)
C. Receivables				
I. Receivables from insurance business concluded by the company itself:				
1. Policyholders	9,989,166			(10,900)
2. Insurance brokers	254,250			(251)
		10,243,416		(11,151)
II. Amounts receivable from reinsurance business		21,995,450		(20,418)
of which: Owed by affiliated companies: € 17,067,949				(13,938)
III. Other receivables		84,123,791		(69,814)
			116,362,657	(101,383)
of which: Owed by affiliated companies: € 52,377,088				(22,666)
D. Other assets				
I. Tangible assets and inventories		4,207,192		(4,079)
II. Cash at banks in current accounts, cheques and cash assets		320,404		(149)
III. Other assets		414		(3)
			4,528,010	(4,231)
E. Deferred income				
I. Deferred interest and rental income		29,157,428		(27,290)
II. Other pre-paid expenses		1,264,775		(1,917)
			30,422,203	(29,207)
Total assets			**1,798,693,181**	(1,823,862)

It is confirmed that the premium reserve amounting to € 6,415,300.84 accrued in the balance sheet under the items B.III. of the liabilities have been calculated in compliance with Sections 341f and 341g of the German Commercial Code (HGB) and based on Section 65 Para. 1 of the decreed statutory ordinance "Law on the Supervision of Insurance Undertakings (VAG)".

Cologne, 14 April 2009 **Responsible actuary | Dr Siegberg**

I herewith certify that, pursuant to Section 73 of the German Law on the Supervision of Insurance Undertakings (VAG), the assets detailed in the index of guarantee assets are properly invested and guaranteed in accordance with the statutory and supervisory authority requirements.

Cologne, 14 April 2009 **Trustee | Thommes**

Liabilities and shareholders' equity

	€	€	€	(Previous year € '000s)
A. Equity				
I. Subscribed capital		194,290,915		(194,291)
II. Capital reserve		70,302,634		(70,303)
III. Retained earnings				
1. Statutory reserve	383,469			(383)
2. Other retained earnings	47,193,776			(47,194)
		47,577,245		(47,577)
			312,170,794	(312,171)
B. Technical reserves				
I. Unearned premiums				
1. Gross amount	5,529,353			(4,443)
2. Of which deducted: Allotment for the insurance business ceded to reinsurance	450,114			(256)
		5,079,239		(4,187)
II. Actuarial reserve		66,579		(81)
III. Reserve for insurance claims not yet settled				
1. Gross amount	1,254,552,054			(1,234,973)
2. Of which deducted: Allotment for the insurance business ceded to reinsurance	307,404,813			(306,330)
		947,147,241		(928,643)
IV. Reserve for performance-related and non-performance-related premium refunds		14,593,340		(14,615)
V. Equalisation reserve and similar reserves		184,419,118		(197,108)
VI. Other technical reserves				
1. Gross amount	6,191,947			(6,199)
2. Of which deducted: Allotment for the insurance business ceded to reinsurance	566,121			(551)
		5,625,826		(5,648)
			1,156,931,343	(1,150,282)
C. Other receivables				
I. Reserves for pensions and similar obligations		5,458,562		(5,492)
II. Tax provisions		12,461,009		(13,059)
III. Other reserves		4,593,207		(5,234)
			22,512,778	(23,785)
D. Deposits liabilities incurred from insurance business ceded to reinsurance				
			105,846,295	(110,616)
E. Other liabilities				
I. Liabilities from insurance business concluded by the company itself with respect to				
1. Policyholders	92,416,505			(80,454)
2. Insurance brokers	44,113			(12)
		92,460,618		(80,466)
II. Reinsurance payable		2,170,148		(583)
of which: owed to affiliated companies: € 421,907				(431)
III. Other liabilities		103,759,141		(142,837)
			198,389,907	(223,886)
of which: from taxes: € 5,808,770				(5,253)
owed to affiliated companies: € 94,110,025				(131,132)
F. Deferred income				
			2,842,064	(3,122)
Total liabilities			**1,798,693,181**	(1,823,862)

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	860,071,272			(846,756)
b) Ceded reinsurance premiums	129,751,511			(127,601)
		730,319,761		(719,155)
c) Change in gross unearned premiums	– 1,086,178			(– 215)
d) Change in reinsurers' allotment of gross unearned premiums	193,920			(31)
		– 892,258		(– 184)
			729,427,503	(718,971)
2. Technical interest income for own account			**5,622**	(4)
3. Other underwriting expenses for own account			**861,149**	(1,056)
4. Expenses for claims for own account				
a) Payments for insurance claims				
aa) Gross amount	615,049,132			(572,032)
bb) Reinsurers' allotment	96,955,799			(100,733)
		518,093,333		(471,299)
b) Change in reserve for insurance claims not yet settled				
aa) Gross amount	19,578,748			(30,916)
bb) Reinsurers' allotment	– 1,075,172			(1,006)
		18,503,576		(31,922)
			536,596,909	(503,221)
5. Change in other underwriting net reserves				
a) Net premium reserve		14,220		(11)
b) Other net underwriting reserves		– 101,147		(– 175)
			– 86,927	(– 164)
6. Expenses for performance-related and non-performance-related premium refunds for own account			**39,241**	(– 188)
7. Expenses for insurance business for own account				
a) Gross expenses for insurance business		186,876,089		(176,403)
b) Of which deducted: Commissions and participations in earnings received from insurance business ceded to reinsurance		23,860,255		(23,238)
			163,015,834	(153,165)
8. Other underwriting expenses for own account			**1,883,496**	(1,781)
9. Sub-total			**28,671,867**	(61,888)
10. Change in equalisation reserve and similar reserves			**12,688,333**	(6,286)
11. Technical result for own account			**41,360,200**	(68,174)
Amount carried forward:			41,360,200	(68,174)

Items	€	€	€	€	(Previous year € '000s)
Amount carried forward:				41,360,200	(68,174)
II. Non-technical account					
1. Investment income					
a) Income from participations,		2,728,018			(2,371)
of which:					
from affiliated companies: € 441,896					(400)
b) Income from other investments					
aa) Income from real estate and similar land rights including buildings on third-party land	288,541				(276)
bb) Income from other investments	79,016,670				(76,802)
		79,305,211			(77,078)
c) Income from additions		34,471			(873)
d) Profits from the divestment of investments		40,395,293			(12,990)
			122,462,993		(93,312)
2. Expenses for investments					
a) Expenses for the administration of investments, interest expenses, and other expenses for the investments		1,617,836			(3,049)
b) Write-downs on investments		37,677,011			(13,081)
c) Losses from the divestment of investments		4,819,212			(6,998)
			44,114,059		(23,128)
			78,348,934		(70,184)
3. Technical interest income			1,789,917		(1,742)
				76,559,017	(68,442)
4. Other income			6,618,671		(8,358)
5. Other expenses			13,331,847		(13,095)
				– 6,713,176	(– 4,737)
6. Profit on ordinary activities				**111,206,041**	(131,879)
7. Taxes on income			– 294,627		(453)
8. Other taxes			1,037,101		(751)
				742,474	(1,204)
9. Earnings transferred as a result of a profit pool, a profit transfer agreement or partial profit transfer agreement				**110,463,567**	(130,675)
10. Net profit for the year				**–**	(–)

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 **land, land rights and buildings, including buildings on third-party land** were subject to scheduled depreciation using the purchase and manufacturing costs.

The **shareholdings in affiliated companies** and **participations** were reported at the procurement cost.

The approach for the **equities, fund shares and other non-fixed interest securities**, for the **bearer bonds 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 **mortgage loans** have been reported at their nominal values minus an individual valuation adjustment to take account of the inherent default risk. The discount was included under deferred income and received depending on the term.

The balance sheet values of the **registered bonds, claims backed by borrowers' notes and loans** 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 **receivables from insurance business** the company itself concluded are reported in the balance sheet at nominal values minus individual valuation adjustments and a lump-sum write-down for the inherent default risk.

The **amounts receivable from the reinsurance business** were arrived at based on the reinsurance contracts and were reported at their nominal values.

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.

Besides advance payments for future periods, interest entitlements not yet due were mainly reported under **prepaid expenses**.

The assessment of the **technical reserves** was performed in accordance with the following principles:
The **unearned premiums** were to be charged in the moped insurance for the months January and February of the following year. The premium allotments for these two months were calculated from the premiums booked as unearned premiums on a monthly basis according to the insurance policy terms. In the credit insurance business, the unearned premiums were calculated on an individual basis, and took account of when they technically started as well as the term of the insurance contract. The NRW Finance Minister's decree from 30 April 1974 was taken into account in the calculation of the unearned premiums in insurance business the company concluded itself. For other insurance business, unearned premiums did not have to be reported because in this area the insurance year matches the calendar year. The gross reserves for the insurance business taken over into reinsurance were accrued in accordance with the duties of the primary insurer.

The **premium reserve** to be accrued in the child's accident insurance business in the event of a claim was calculated individually in accordance with the prospective method and took account of the implicit applied costs. The mortality table DAV 2007 HUR, 4.0 %, was used as a basis. Insurance claims for which a reserve was to be accrued for the first time in the period 31 December 2000 to 31 December 2003 were evaluated using an accounting rate of return of 3.25 %. In the case of insurance claims, for which a reserve was to be accrued for the first time between 31 December 2004 and 31 December 2006, an accounting rate of return of 2.75 % was used. For all other later cases, an accounting rate of return of 2.25 % was used as a basis.

The gross amounts for the **reserve for insurance claims not yet settled** in insurance business concluded by the company itself were in principle calculated individually for each claim. A reserve was accrued for unknown IBNR losses in accordance with blanket criteria. The accrual of reserves took account of amounts for the settlement of claims. The gross reserves for the insurance business taken over into reinsurance were accrued in accordance with the duties of the primary insurer.

The calculation of the **bonds premium reserve** observed the requirements laid down in Sections 341f and 341g of the German Commercial Code (HGB). The calculation is based on the mortality table DAV 2007 HUR. 4.0 % was used as an accounting rate of return for the period prior to 31 December 2000. However, for insurance claims for which a

reserve was to be accrued for the first time in the period from 31 December 2000 to 31 December 2003 the accounting rate of return was 3.25 %.
In the case of insurance claims, for which a reserve was to be accrued for the first time between 31 December 2004 and 31 December 2006, an accounting rate of return of 2.75 % was used. For all other later cases, an accounting rate of return of 2.25 % was used as a basis. The reinsurers' allotment was calculated in accordance with the contractual agreements.

As a result of decisions taken by the Management Board and the Supervisory Board, the **allocation to the reserve for performance-related premium refunds** took account of tax legislation.

The **reserve for non-performance related premium refunds** was accrued using contractual agreements with the policyholders as a basis.

The **equalisation reserve and similar reserves** was calculated in accordance with the Annex to Section 29 of the German Insurance Company Accounting Regulation (RechVersV).

The **other underwriting reserves** include unused premiums from dormant motor vehicle insurance policies, the reserve relinquished by "Verkehrsopferhilfe e.V. (VOH - Traffic Accident Victim Assistance, registered association)" for traffic accident victims, a reserve for premium refunds for premium claims and a reserve for premiums already received and for premium liabilities and anticipated lapses stemming from reinsurance contracts. These reserves were estimated or calculated as well as possible based on corresponding mathematical models, or if necessary based on past values.

The **other provisions** were accrued in accordance with the following principles: The discount value of the **pension liabilities** was calculated in accordance with Section 6a of the German Income Tax Act (EStG) in line with actuarial methods based on the 2005G Guideline Tables compiled by Prof Dr Klaus Heubeck. An accounting rate of return of 4.5 % was applied for the benefit candidates, and an accounting rate of return of 4.0 % was applied for the old-age beneficiaries.

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 liabilities from insurance business ceded to reinsurance** result from a reinsurance agreement on the coverage of claims and pension coverage provisions and are evaluated using the present value.

The **liabilities stemming from insurance business concluded by the company itself** and the **other liabilities** were assessed using 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 mortgages, borrowers' notes, registered bonds as well as mortgage interest and rents received in advance 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.

The **technical interest income for own account** was calculated using 4.0 %, 3.25 %, 2.75 % and 2.25 % from the respected arithmetic mean of the initial and final amounts for the gross pension coverage provisions for the accident, liability, motor vehicle liability and motor vehicle accident insurance business.

Performance of asset items A., B.I. to III. 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	8,495	1,441	–	–	–	1,406	8,530
4. Total A.	8,495	1,441	–	–	–	1,406	8,530
B.I. Real estate and similar land rights, including buildings on third-party land							
	4,466	–	–	–	–	201	4,265
B.II. Investments in affiliated companies and participations							
1. Shareholdings in affiliated companies	10,607	6,225	–	–	–	–	16,832
2. Participations	51,506	7,626	–	1,911	–	–	57,221
3. Total B.II.	62,113	13,851	–	1,911	–	–	74,053
B.III. Other investments							
1. Equities, fund shares and other non-fixed interest securities	322,358	87,223	–	69,077	34	32,985	307,553
2. Bearer bonds and other fixed-interest securities							
3. Mortgage loans	41,661	40,663	–	1,811	–	182	80,331
4. Other lending							
a) Bearer bonds	263,408	5,290	–	25,077	–	2,964	240,657
b) Borrowers' notes and loans	330,000	27,000	–	70,000	–	–	287,000
c) Other lending	489,094	12,136	–	22,556	–	–	478,674
5. Deposits at credit	131,866	–	–	2,556	–	–	129,310
institutions	–	5,045	–	–	–	3,292	1,753
6. Other investments	35,580	1,443	–	423	–	1,346	35,254
7. Total B.III.	1,613,967	178,800	–	191,500	34	40,769	1,560,532
Total	**1,689,041**	**194,092**	**–**	**193,411**	**34**	**42,376**	**1,647,380**

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. Real estate and similar land rights, including buildings on third-party land	4,265,605	5,405,000
B.II. Investments in affiliated companies and participations		
1. Shareholdings in affiliated companies	16,832,383	25,322,866
2. Participations	57,220,403	61,174,993
B.III. Other investments		
1. Equities, fund shares and other non-fixed-interest securities	307,553,121	315,629,484
2. Bearer bonds and other fixed-interest securities	80,330,402	74,137,018
3. Mortgage loans	240,656,857	248,688,393
4. Other lending		
a) Registered bonds	287,000,000	285,754,829
b) Borrowers' notes and loans	478,673,907	459,925,351
c) Other lending	129,309,858	105,419,110
5. Deposits at credit institutions	1,753,260	1,753,260
6. Other investments	35,254,307	27,445,870
Total	**1,638,850,103**	**1,610,656,175**
of which: Investments assessed at procurement costs	512,047,127	512,664,008
of which: Investments in fixed assets in accordance with Section 341b Para. 2 of the German Commercial Code (HGB)	183,663,232	180,120,351

The valuation reserves contain hidden liabilities amounting to € 92.48 m. These are accounted for by shareholdings in affiliated companies, participations, shares, bearer bonds, mortgage interest and rents, 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 land valuation was determined in principle in accordance with the income approach to valuation. All of the real estate properties present on 31 December 2008 have been re-valued as per this date.

The calculation of the present value for shareholdings in affiliated companies and participations was partially based on income values or book value equals market value.

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 valuation of the lien on real estate was performed using the latest interest curve and took account of the reliability and property risk.

The present values for the remaining loans and silent partnerships 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 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	4,000	3,320
Participations	7,425	5,438
Securities in fixed assets	172,489	152,412
Other lending	40,591	25,740

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	4,155	478	554	Barone-Adesi
Promissory note bonds	Pre-emptions	40,000	–	978	Bloomberg/own calculations based on market data

Re: Asset items B.II.

Investments in affiliated companies and participations

	Subscribed capital €	Share-holding as %	Shareholding broken down as %	Shareholders' equity €	Net profit for last fiscal year €
DEVK Omega GmbH, Cologne	25,000	100,00	100,00	24,274	– 726
DEVK Private Equity GmbH, Cologne	10,000,000	20,00	20,00	90,735,563	5,974,008
KASSOS Beteiligungs- und Verwaltungs-GmbH, Cologne (Fiscal year 2006)	25,000	100,00	100,00	1,833,095	44,724

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.III.

Other investments

The **other lendings** item contains only registered profit participation certificates.
The **other investments** are mainly composed of silent partnerships as defined in the German Banking Act (KWG), participation certificates and fund units.

Re: Asset items E.II.

Other prepaid expenses

Premium for borrowers' notes and loans,	€ 1,251,223
costs paid in advance	€ 13,552
	€ 1,264,775

Re: Liabilities A.I.

Subscribed capital

The subscribed capital worth € 194,290,915 is composed of 380,000 registered no par value shares.

Re: Liabilities B.

Technical reserves

Figures in € '000s	Gross reserve Total		of which: Reserve for unsettled insurance claims		of which: Equalisation reserve and similar reserves	
Insurance business	Fiscal year	Previous year	Fiscal year	Previous year	Fiscal year	Previous year
Accident	98,830	90,005	98,205	89,401	–	–
Liability	95,860	83,302	79,969	83,247	15,835	–
Motor vehicle liability	1,150,714	1,121,721	1,005,244	992,469	124,599	122,212
Other motor vehicle	72,960	112,265	33,079	30,683	36,999	65,558
Fire and non-life	44,649	48,951	36,984	37,999	5,717	9,337
of which:						
Fire	1,083	769	1,081	339	–	428
Householders' comprehensive	15,844	19,911	11,209	12,412	4,598	7,412
Combined property	22,161	21,832	21,111	20,621	–	–
Other non-life	5,561	6,439	3,583	4,627	1,119	1,497
Other	2,339	1,174	1,071	1,174	1,269	–
Total	**1,465,352**	1,457,418	**1,254,552**	1,234,973	**184,419**	197,107

Re: Liabilities B.IV.

Reserve for performance-related and non-performance-related premium refunds

a) performance-related	
Status on 31.12.2008	**€ 14,491,040**
b) non-performance-related	
Status on 31.12.2007	€ 137,400
Withdrawal	€ 74,341
Liquidation	€ 36,000
Addition	€ 75,241
Status on 31.12.2008	**€ 102,300**

Re: Liabilities F.

Deferred income

Mortgage loans registered bonds,	
borrowers' notes and loans	€ 2,837,566
and other lending rent paid in advance	€ 4,498
	€ 2,842,064

Explanatory notes on consolidated income statement

Insurance business concluded by the company itself and taken over into reinsurance

Fiscal year in € '000s	booked gross premiums	earned gross premiums	earned net premiums	Gross expenses for Insurance claims	Gross expenses for Insurance operations	Reinsurance balance	Underwr. result for own acc.
Accident	73,372	73,372	56,053	30,507	32,290	– 4,976	5,728
Liability	70,329	70,329	68,399	23,582	26,217	– 1,681	3,023
Motor vehicle liability	344,848	344,375	302,107	285,801	41,597	– 2,575	12,209
Other motor vehicle	201,825	201,679	162,346	197,894	31,801	7,301	8,093
Fire and non-life	162,842	162,375	134,620	90,188	54,654	– 5,056	14,371
of which:							
Fire	1,146	1,146	828	2,073	498	68	– 1,020
Householders' comprehensive	74,069	74,069	65,890	28,757	25,618	– 3,071	18,432
Combined property	63,609	63,698	46,347	49,776	19,476	– 1,128	– 7,327
Other non-life	24,018	23,462	21,555	9,582	9,062	– 925	4,286
Other	6,855	6,855	5,902	6,656	317	– 679	– 2,064
Total	**860,071**	**858,985**	**729,427**	**634,628**	**186,876**	**– 7,666**	**41,360**

Previous year in € '000s	booked gross premiums	earned gross premiums	earned net premiums	Gross expenses for Insurance claims	Gross expenses for Insurance operations	Reinsurance balance	Underwr. result for own acc.
Accident	69,840	69,840	53,535	26,596	31,118	– 5,981	6,265
Liability	69,615	69,615	67,672	27,091	26,102	998	17,431
Motor vehicle liability	344,855	344,596	300,747	288,198	37,346	– 731	20,917
Other motor vehicle	201,769	201,804	163,267	159,555	28,739	– 5,270	13,410
Fire and non-life	155,257	155,266	129,237	95,993	52,874	7,036	11,009
of which:							
Fire	1,119	1,119	812	237	488	– 187	– 81
Householders' comprehensive	72,776	72,776	64,580	29,415	25,510	– 2,615	13,702
Combined property	58,837	59,123	43,645	55,217	18,122	10,074	– 4,617
Other non-life	22,525	22,248	20,200	11,124	8,754	– 236	2,005
Other	5,420	5,420	4,512	5,515	224	– 656	– 858
Total	846,756	846,541	718,970	602,948	176,403	– 4,604	68,174

In the entire insurance business, gross expenses for the insurance business were distributed as follows:

Acquisition costs	€ 125,269,180
Administration costs	€ 61,606,909

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	101,048	96,139
2. Other remuneration for insurance representatives as defined in Section 92 of the German Commercial Code (HGB)	–	–
3. Wages and salaries	243	482
4. Social security contributions and costs for social insurance	–	–
5. Retirement pension costs	185	314
Total	**101,476**	96,925

The pension provision for the employees provided by way of the joint contract is accrued on the balance sheet of DEVK Rückversicherungs und Beteiligungs-AG. The pension provision addition, with the exception of the interest addition, is charged to DEVK Allgemeine Versicherungs-AG.

In the year under review, the Management Board remuneration amounted to € 257,873. The superannuation of the Management Board ex-members and surviving dependents came to € 410,153. For this category of persons, a pension provision of € 4,865,316 was reported on the balance sheet on 31 December 2008. The remuneration of the Supervisory Board amounted to € 204,382. The Advisory Committee remuneration amounted to € 62,147.

Other information

Contingencies and other financial liabilities

In order to lend support to Hypo Real Estate (HRE), the German government ratified a rescue package in October 2008, to which both the Bundesbank and the German financial industry have contributed. Our company has also declared its readiness to participate in the rescue package. The financial institutions in the consortium behind this rescue package committed themselves within the framework of a counter-guarantee to participate in a potential availment on the part of the government arising from the guarantee for the Bundesbank's liquidity line. Of the total amount for this counterguarantee of € 8.5 bn our association accounts for € 2.9 m jointly (and not severally).

On the balance sheet date, the company had financial liabilities amounting to € 4.2 m stemming from open short options, € 117.0 m from multi-tranche promissory note bonds and € 40.0 m from open pre-emptions.

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 € 25.5 m.

General information

No. of insurance policies concluded by the company itself with a term of at least one year	Fiscal year	Previous year
Accident	727,435	686,010
Liability	1,025,925	1,004,411
Motor vehicle liability	1,687,132	1,551,448
Other motor vehicle	1,317,822	1,183,240
Fire and non-life	1,693,399	1,657,878
of which:		
Fire	4,775	5,024
Householders' comprehensive	822,392	810,834
Combined property	305,389	299,626
Other non-life	560,843	542,394
Other	1,245	1,132
Total	**6,452,958**	6,084,119

In terms of membership the composition of the Management Board, the Supervisory Board and Advisory Committee is detailed before the management report.

Our company does not have any personnel of its own.

As at the balance sheet date, DEVK Rückversicherungs- und Beteiligungs-AG, Cologne, owns a 100 % shareholding 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 **Faßbender** **Umlandt**

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 Allgemeine Versicherungs-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 Asso-ciation 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, 21 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.

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, 14 May 2009

The Supervisory Board

Hansen
Chairman

Group management report

Commercial environment and general conditions

Group structure

At the head of the Group is DEVK Sach- und HUK-Versicherungsverein a.G. This mutual insurance society is a self-help organisation for railwaymen and recognised as a commercial welfare institution by Deutsche Bahn and the Bundeseisenbahnvermögen. It offers its members, generally railwaymen and employees from the expanded transport unit, comprehensive, bespoke and economical insurance coverage.

Located beneath DEVK Sach- und HUK-Versicherungsverein a.G. in the organisation is a 100 % subsidiary company called DEVK Rückversicherungs-und Beteiligungs-AG. This German public limited company (AG) acts as a reinsurer and as an intermediate holding company that controls the DEVK insurance companies that are active on the general private client market and other participations. The insurance companies active in Germany are: DEVK Allgemeine Versicherungs-AG, DEVK Rechtsschutz-Versicherungs-AG, DEVK Krankenversicherungs-AG and DEVK Allgemeine Lebensversicherungs-AG. In France, DEVK conducts its property and casualty insurance business via SADA Assurances S.A.

The group of companies consolidated for the FY 2008 financial statements has not changed compared to the previous year. Details about the group of consolidated companies can be found in the explanatory notes to the consolidated financial statement.

The classes of business conducted by the group companies are described in an annex to the management report.

The DEVK Sach- und HUK-Group and the DEVK Lebensversicherungs-Group largely share a joint organisation and administration system. Furthermore, there are general agency agreements in force.

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.

This is now the tenth occasion that the ASSEKURATA Assekuranz rating agency has examined DEVK Sach- und HUK-Versicherungsverein a.G. and DEVK Allgemeine Versicherungs-AG. As in the nine previous years, both companies were awarded its highest rating “A++” (excellent). DEVK Allgemeine Lebensversicherungs-AG did similarly well in its third follow-up rating by ASSEKURATA. In the quality rating "A+" (very good), it even achieved the highest rating "excellent" in one of five sub-categories. All three companies also did particularly well in the tri-annual customer survey. The very high degree of its customers' satisfaction with DEVK showed in the results.

This was also confirmed by an analysis conducted by TÜV Saarland and by the KUBUS insurance market study conducted by the independent Cologne-based consultancy company MSR Consulting in 2008. This study proves that DEVK's customers are exceptionally satisfied with it in all respects. Based on client assessments, DEVK was rated as "outstanding" in the categories overall satisfaction and value for money. In addition, the product range and customer support quality were rated as "very good".

All these studies provide exceptional evidence of our group's competitiveness.

Social responsibility

Being a successful insurer, DEVK is aware of its social responsibility. For several years, it has been training an above-average number of trainees compared to the sector as a whole, both for internal services and for marketing. This gives young people a good start to their professional careers and permits them to integrate well within society.

In 2008, the training policy pursued by DEVK was awarded the German insurance industry's "Innoward", education prize. DEVK won this prize for its familiarisation programme for newly employed future trainees. DEVK even manages to provide prospects to young people, who have not found a vocational training position at their first attempt. As a co-operation partner in the "Chance Plus" project initiated by Deutsche Bahn AG, DEVK offers these applicants training positions and then the opportunity of an indentured vocational training position. This also applies to student trainees, who by performing well in a training position have become a candidate for a vocational training position.

DEVK is taking a stance in the public debate about the increase in the number of violent crimes, particularly among young adults. Since 2005, DEVK trainees have formed several project teams and taken part in the competition hosted by Deutsche Bahn "Railway trainees against hate and violence".

DEVK's active social commitment is reflected in several external reviews. Besides the good performance in the competition "Germany's Best Employer", a particularly noteworthy achievement is the "Arbeit Plus" seal of approval, which the Evangelical Church in Germany (EKD) awarded to DEVK in 2007 for the second time for its social, and employment-oriented personnel policies.

Market overview

The preliminary findings from the German Insurance Association (GDV) suggest that property and casualty insurance will register a slight rise (+ 0.2 %) in booked gross premium income. The combined ratio fell to around 95 % (previous year 95.7 %). The earnings situation in the property and casualty insurance sector has therefore somewhat improved.

Price competition remained intense in the motor vehicle insurance business. Following a 2.0 % drop in premiums in 2007, the decrease in 2008 amounted to a further 2.0 %. The combined ratio has increased to 102 % (previous year 98.1 %).

In the other classes of private client business, the comprehensive householders' insurance business positively generated a growth in premiums of 7.0 %.

Aided by the last incentive increment of the "Riester pension plan" coming into effect, the German life insurance sector grew modestly in 2008. At + 0.8 %, the growth in premiums was somewhat higher than in the previous year (+ 0.6 %). Pension funds and pension trusts did not generate any growth momentum. A premiums decrease of 7.0 % was registered in this business.

In the private health insurance business (health insurance and statutory long-term care insurance), the slowdown in the growth trend has continued. A 2.9 % increase in premiums was reported for 2008.

Business performance

Business performance in general

The separate reports give detailed information about the commercial situation and business performance of the companies consolidated in the group financial statements.

The booked gross premiums increased by 1.4 % to € 1,762.6 m. The earned premiums for own account increased over the course of the fiscal year by 1.7 % to € 1,651.1 m. The expenses for claims and insured events for own account increased by 5.2 % to € 1,035.6 m. Their share of net earned premiums therefore amounted to 62.7 % (previous year 60.6 %). The ratio of expenses for the insurance business for own account to the earned premiums for own account stood at 20.7 % (previous year 19.7 %).

Following a withdrawal from the equalisation reserve in the property and casualty insurance business amounting to € 19.5 m (previous year € 5.5 m), the consolidated profit and loss account registered an underwriting and pension fund technical result for own account of € 80.0 m (previous year € 90.5 m). The net investment income was somewhat less than that generated last year. The remaining non-technical result was better than in the previous year. The profit on ordinary activities amounted to € 203.8 m (previous year € 219.6 m). Due to a much-reduced tax expenditure, the net profit rose to € 111.8 m (previous year € 105.0 m).

Following the allocation of € 24.8 m (previous year € 21.9 m) to the retained earnings and after the deduction of minorities amounting to € 5.7 m (previous year € 10.4 m), the unappropriated retained earnings came to € 81.3 m (previous year € 72.7 m).

Business performance in P&C insurance

The following section illustrates the business performance in the individual insurance classes, sectors and types for self-generated business. This description does not include our French subsidiary, SADA Assurances S.A., Nîmes.

Casualty insurance

In this section, we report on both general casualty insurance and motor vehicle accident insurance. The portfolio increased strongly by 37,480 policies or 3.9 %. As a result, the portfolio covered a total of 987,889 policies at the end of the year. Gross premiums increased by 6.1 % to € 109.4 m. The underwriting result improved greatly to € 11.1 m (previous year € 7.4 m).

Liability insurance

The overall liability insurance portfolio increased by 1.1 % and covered 1,634,003 policies at the end of the year. The growth in the portfolio led to an increase in gross premiums of 0.5 % to € 103.5 m. Following an addition to the equalisation reserve amounting to € 16.5 m (previous year € 1.0 m), the underwriting result fell to € 11.2 m (previous year € 18.6 m).

Motor vehicle liability insurance

At the end of the year, the company had 2,215,409 (previous year 2,074,338) motor vehicle liability insurance policies in force. In addition to this there were 248,746 moped policies. Gross premium income fell, in part due to the price war, but also on account of the reclassifications in less expensive no-claims bonus categories. At € 426.0 m, it was down on last year (€ 431.6 m). The motor vehicle liability insurance has once again reported a profit. Following an addition to the equalisation reserve amounting to € 2.5 m (previous year € 2.9 m withdrawal), the underwriting result fell to € 14.3 m (previous year € 28.5 m).

Other motor vehicle insurance

We pool the comprehensive motor own damage insurance and partial motor own damage insurance together under other motor vehicle insurance business. At the end of the year, the number of policies stood at 1,744,799 (previous year 1,602,136). In addition to this, there were also 57,778 partial coverage policies for mopeds. The intense price competition has caused premium income to decrease here too. It is down by 2.1 % to € 259.1 m. Following a withdrawal from the equalisation reserve of € 37.4 m (previous year € 7.4 m), the underwriting result stood at € 9.1 m (previous year € 16.1 m).

Fire and non-life insurance

In the fire and non-life property insurance business, the portfolio covered a total of 2,670,915 policies (previous year 2,634,324). Gross premiums increased by 4.4 % to € 235.4 m. The underwriting result rose to € 25.7 m 13.7 m (previous year €).

In detail, the performance in the fire and non-life property insurance business breaks down as follows:

At the end of the year, the portfolio of houseowners' comprehensive insurance covered 1,270,879 policies (previous year 1,264,193). Gross premiums increased by 1.7 % to € 106.2 m. The underwriting result improved to € 24.7 m (previous year € 14.7 m).

The portfolio of comprehensive building insurance policies was increased to 471,026 (previous year 464,321). The gross premiums came to € 88.1 m. Compared to the income generated in the previous year of € 80.1 m, this represents an increase of 10.0 %. Following an addition of € 0.9 m to the equalisation reserve (previous year withdrawal of € 0.8 m), the underwriting result stood at – € 4.1 m, in line with the figure for last year (– € 4.2 m).

In the other classes of non-life insurance, the portfolio of policies increased, chiefly due to an increase of 23,200 policies generated in natural hazard insurance, and grew to 929,010. In the year under review, gross premiums amounted to € 41.1 m (+ 0.4 %). The underwriting result amounted to € 5.1 m (previous year € 3.2 m).

Legal expenses insurance

The division is run by DEVK Rechtsschutz-Versicherungs-AG. The portfolio increased by 3.2 % in 2008 to cover 724,173 policies. On account of this growth in the portfolio and a premium adjustment performed at the start of the year, gross premiums rose by 6.8 % to € 95.6 m. The net claims expenses and the expenses for insurance business for own account have increased less. For this reason, the underwriting result before changes to the equalisation reserve improved to – € 1.5 m (previous year – € 3.7 m). Following a withdrawal from the equalisation reserve of € 0.1 m (previous year € 1.0 m), the underwriting result stood at – € 1.4 m (previous year – € 2.7 m).

Other insurance policies

In essence, the results from breakdown service insurance and travel health insurance are pooled together under other insurance policies. With premiums amounting to € 8.1 m (previous year € 6.4 m) the company generated an underwriting result of – € 0.4 m (previous year – € 0.8 m).

Business performance in life insurance

The institution responsible for the group's life insurance business is DEVK Allgemeine Lebensversicherungs-AG. As per 31 December 2008, the portfolio covered 681,779 policies (+ 3.1 %). Gross premiums increased by 7.5 % to € 368.4 m. This means that DEVK Allgemeine Lebensversicherungs-AG has been able to expand its market share. The net rate of return on the investments came to 3.3 % (previous year 4.9 %). The addition to the reserve for premium refunds was less than in the previous year.

Business performance in health insurance

DEVK Krankenversicherungs-AG has been responsible for this class of insurance since 1 July 1994. At the end of the fiscal year, the portfolio amounted to € 3.1 m (previous year € 2.7 m) in terms of monthly premiums written. Before consolidation, the gross booked premium income stood at € 35.1 m, which was 14.1 % up on the previous year (€ 30.8 m). In 2008, the addition to the reserve for premium refunds decreased by € 3.6 m to € 2.4 m.

Business performance in pension fund business

DEVK Pensionsfonds-AG offers defined contribution plans with a guaranteed minimum level of benefit within the scope laid down by Section 3, Subsection 63 of the German Income Tax Act (EStG) and transfers by pension funds within the scope laid down by Section 3, Subsection of the 66 of the German Income Tax Act (EStG). In particular, the company incorporates Deutsche Bahn AG's company pension fund.

The entire new business in 2008 amounted to 4,583 pension relationships (previous year 28,630). The portfolio covers 112,998 pension relationships with future entitlements (previous year 109,266) and 219 ongoing pensions (previous year 149).

The booked premiums amounted to € 47.0 m (previous year € 53.3 m).

Business performance in reinsurance

In essence, the group's reinsurance business is run by DEVK Rückversicherungs- und Beteiligungs-AG. The opportunities for growth as a capacity provider on the reinsurance market have markedly improved as a result of Standard & Poor's assigning the company'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. However, we also intend to be active in the reinsurance business outside Europe. To this end, we founded Echo Rückversicherungs-AG in Switzerland in December 2008.

The unconsolidiated premium income of DEVK Rückversicherungs- und Beteiligungs-AG, which stemmed from business both inside and outside the group, fell to € 171.3 m (previous year € 197.3 m) due to reduced income in the life insurance business. A net income of € 3.5 m (previous year – € 13.0 m) was reported in the underwriting result for own account following a withdrawal from the equalisation reserve totalling € 0.5 m (previous year € 2.5 m addition).

DEVK Allgemeine Versicherungs-AG wrote reinsurance business with a premium volume of € 9.8 m. This was almost entirely comprised of transfers within the group in motor and building insurance.

DEVK Krankenversicherungs-AG has, to a lesser extent, transacted transfers within the group in travel health insurance.

Financial position and assets/investments and net investment income

In the year under review, the group's investment volume increased to € 6,630.8 m (previous year € 6,361.0 m).

At € 467.1 m the income from investments was markedly up on last year (€ 392.9 m) due to a marked increase in the profits from the divestment of investments. Besides the ongoing income, earnings were realised from the divestment of investments worth € 130.3 m (previous year € 64.9 m) and proceeds from additions worth € 0.8 m (previous year € 3.0 m).

The expenses for investments have also increased strongly, i.e., from € 80.1 m last year to currently € 204.1 m. This was chiefly due to a larger write-down requirement stemming from the financial crisis (€ 179.5 m after € 48.2 m last year). The losses arising from the divestment of investments fell to € 15.7 m (previous year € 20.3 m).

On balance, the net investment income fell from € 312.9 m in the previous year to currently € 262.9 m.

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 evaluation 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.

In the following section, we describe our risk situation based on the German Accounting Standard No. 5-20 (DRS 5-20).

Operational risks

In the **property insurance business**, specific operational risks include the premiums/claims risk and the reserves risk.

To this end, we initially examine the balance sheet claims ratio for own account for the past ten years.

Balance sheet claims ratio for own account

Year	as %	Year	as %
1999	76.6	2004	64.1
2000	75.7	2005	63.8
2001	71.9	2006	63.7
2002	74.5	2007	63.2
2003	65.1	2008	64.8

From 2003 onwards, DEVK Allgemeine Lebensversicherungs-AG was included in the calculation of the claims ratio. This is also the reason for the relatively low values from this time on. Otherwise, there is only a small range of fluctuation in the 10-year period under review. Among other things, this is because our compliance with suitable underwriting guidelines means that we generally only underwrite straightforward, standardised business. When handling policies with a particular level of insurance coverage, we limit our risk exposure by means of co-insurance or reinsurance contracts.

We size our technical reserves by cautiously evaluating the losses already reported, and by accruing additional reserves for losses that are statistically likely, but that on the balance sheet date have not yet been reported and for losses that will have to be re-opened after the balance sheet date. Sufficient account is therefore taken of the reserves risk. This is also shown by the settlement results of the past ten years.

Settlement results as % of original provision

Year	as %	Year	as %
1999	13.0	2004	13.6
2000	9.4	2005	10.7
2001	9.9	2006	9.4
2002	10.9	2007	11.2
2003	11.4	2008	11.0

Our equalisation reserves represent a further safety cushion and contribute to a smoothing of the technical results. As at 31 December 2008, this reserve had a volume of € 252.5 m (previous year € 272.0 m).

In the **health insurance business** we counteract the operational risks through the use of detailed recommended working practices and ongoing training schemes for our employees. In addition, the company has planning and management tools that permit it to identify undesirable developments in the areas of marketing, portfolio and claims at an early stage and intervene to prevent them if required. Careful product development and ongoing actuarial trend analyses ensure that the accounting principles applied are suitable and include adequate safety margins. Furthermore, the general insurance conditions for all policies include a premium adjustment clause, which means that insurance plan premiums can be adjusted to take account of a change in the claims expenses. In addition, undesired major fluctuations in the risk result are prevented by means of suitable reinsurance contracts. The underwriting policy and the reinsurance concept together give the company an opportunity to generate further steady growth.

The interest rate risk to which the company is exposed in the health insurance business is that the accounting rate of return used as a basis at the time the contract is concluded may be pitted against lower market rates of return for an extended period of time. In 2008, the net rate of return generated by DEVK Krankenversicherungs-AG was still 47 basis points above the accounting rate of return of 3.5 % despite the unfavourable business environment caused by the financial crisis. Since we assume that the investment income will tend to be better in 2009, we also expect the safety margin for the accounting rate of return to remain.

The operational risks to which the company is exposed in the **life insurance business** are the biometric risk, the cancellation risk and the interest guarantee risk.

The probability tables we use for new business are considered to be adequate by the German Financial Supervisory Authority (BaFin) and the German Actuarial Association (DAV). In the opinion of the responsible actuary, the probability tables used in the portfolio include adequate safety margins, with the exception of some tables for pension and (supplementary) occupational disability insurance. In recent years, additional contributions from the actuarial reserve were added to the portfolios of pension and (supplementary) occupational disability insurance policies detailed above, which means there is an adequate level of security here too.

Corresponding accounting principles are not used in the insurance plan calculations to take account of the cancellation risk in the life insurance business. However, even a much higher cancellation rate than seen in recent years would have only marginally affected our net profit for the year.

The interest rate guarantee risk to which the company is exposed in the life insurance business is that the guaranteed minimum annual rate of return at the time the contract is concluded may be pitted against lower market rates of return for an extended period of time. Due to the capital market crisis, the net rate of return generated by DEVK Allgemeine Lebensversicherungs-AG in 2008 was close to 0.2 % below the average accounting rate of return for its life insurance portfolio. However, it is important to note that higher investment results have been generated throughout the past few years (in some cases substantially), so that adequate reserves are available. However, we assume that the capital markets will perform more steadily in 2009, so that as things stand, a sufficient safety margin will again continue to be available here. Should there be a significant heightening of the economic crisis, there is a risk that capital market rates of return will remain below the guaranteed interest rate in the long run. To a limited extent, precautions have been taken to deal with this eventuality; we have secured a rate of return that is above the average accounting rate of return.

Careful product development and ongoing actuarial trend analyses ensure that the accounting principles applied are suitable and include adequate safety margins. In addition, undesired major fluctuations in our risk result are prevented by means of a suitable reinsurance policy. Furthermore, additional potential to smooth and stabilise the result stems from the unallocated portions of the reserve for premium refund.

DEVK Rückversicherungs- und Beteiligungs-AG writes **reinsurance business** from DEVK-companies as well as from outside companies. In line with appropriate underwriting guidelines, we generally only underwrite 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.

Risks stemming from the defaulting of receivables from the insurance business

The risks stemming from the defaulting of receivables from the insurance business come about in the primary insurance business as a result of receivables owed by insurance companies and insurance brokers. They come about in the reinsurance business as a result of receivables owed by ceding companies and retrocessionaries.

During the period under review (the past three years), our due receivables from the insurance business on average amounted to 4.7 % of the booked gross premiums. On average, 2.9 % of these receivables had to be written off. In terms of the booked gross premiums, the average default rate for the past three years came to 0.1 %. The default rate is therefore a minor issue for our group.

At the balance sheet date, receivables from the insurance business with a term of more than 90 days amounted to € 32.2 m (previous year € 25.7 m).

At the end of the year, the amounts receivable from reinsurers came to € 18.9 m. The table below gives an overview of the amounts receivable and the ratings of our reinsurance partners:

Rating category	Amounts receivable
	€ m
AAA	0.91
AA	1.68
AA –	1.20
A +	2.82
A	0.09
Api	1.63
A –	3.56
BBBpi	0.38
BBpi	0.06
no rating	6.59

Of the amounts receivable from partners without a rating, € 5.44 m was owed by reputable brokers. The risk carriers are reinsurers with a high level of creditworthiness.

Pension fund technical risks

In a pension fund, these are essentially the biometric risk and the interest rate guarantee risk (minimum benefit).

The biometric risk is that the accounting principles applied in the pension plans (e.g. morbidity rates) change over time.

In the opinion of the responsible actuary, the probability tables we use include adequate safety margins. Through careful product development and ongoing actuarial analyses, we ensure that the accounting principles applied are suitable and include adequate safety margins.

The interest rate guarantee risk is that an extreme flattening of interest curves might mean that the minimum benefit anchored in the pension plans could no longer be funded. At present, there are still adequate safety margins in this regard. We assume that the capital markets will perform more steadily in 2009, so that as things stand, a sufficient safety margin will again continue to be available here.

Investment risks

The investment risks include market, creditworthiness and liquidity risks.

Our investments have observed the German Ordinance on the Investment of Restricted Assets of Insurance Undertakings (AnlV). Furthermore, our investments are the product of a considered investment strategy that is approved by our Supervisory Board. This specifies both the asset allocation and a creditworthiness matrix for our investments in interest-bearing instruments. As a result of active portfolio management, we are able to utilise opportunities arising from market movements to positively impact our group’s results.

The asset liability management we have established ensures that the current and future liabilities can be met at all times.

Interest-bearing position

As per 31 December 2008, the group's interest bearing position amounted to € 5.1 bn. Bearer instruments (incl. the pure pension funds) worth a total of € 649 m are at risk of write-downs if interest rates rise. We have allocated € 315.5 m of these bearer instruments to the fixed assets because it is intended to hold them until they mature, and because the price fluctuations are considered to be temporary in nature. Should the second assessment prove to be inaccurate, we will apply the necessary write-downs in a timely fashion. As at 31 December 2008, the investments contain hidden liabilities amounting to € 13.6 m. A change in the rate of return of +/– 1 % leads to a change in valuation of close to – € 303 m and € 350 m respectively. This does not include the loans issued as part of building finance projects (€ 659 m).

The information about the impact of a 1 % interest rate rise does not in any way give a realistic indication of the potential effect upon our earnings situation. This is because (all things being equal) the remaining policy period of the portfolio reduces within the space of a year. As a result, the cited change in value tends to decrease. In addition, the major part of our interest-bearing instruments is invested in registered securities, in which such an increase in the rate of return does not lead to write-downs because they are recorded in the balance sheet at their nominal values. Exceptions to this are losses in value due to deteriorations in creditworthiness, which in the case of the respective issuers currently come about as a result of the economic crisis. To a modest extent, investments held by the DEVK Sach- und HUK-Group are also affected by this.

Besides the building finance projects, our interest-bearing investments are chiefly in mortgage bonds und promissory note bonds. Furthermore, we have also invested, to a modest extent, in corporate bonds and asset backed securities (ABS). The proportion of corporate bonds in the direct holdings to the overall investments stands at roughly 1.5 %. The proportion of ABS investments in the direct holdings to the overall investments amounts to 3.1 % and stems without exception from the issue vintages 2005 through to 2007. We monitor all of these investments continuously. Since our ABS portfolio contains neither sub-prime exposure nor credit card receivables, to date we have not been affected by deteriorations in creditworthiness or defaulting and we assume that this will also remain the case in future. However, the current situation means that in this area of the market investors are not adopting a discriminating approach either with regard to the dissimilar underlyings, the specific design of the individual transactions or issues, or individual levels of creditworthiness (regardless of the official rating). The same currently applies to corporate bonds. Here too, in the course of the current crisis the risk premiums have risen far above the appropriate level, in our view. We therefore intend to utilise the (in our view) considerable risk premiums being applied to make selective acquisitions.

Our interest-bearing investments have the following rating distribution:

AA or above	60.2 %
A	32.2 %
BBB	6.8 %
BB (and below)	0.8 %

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.

Equity investments

Our equity investments have a EUROSTOXX 50 bias, which means that a change in this index is also more or less exactly reflected in the change in the value of our portfolio. A market change of 20 % changes the value of our equity portfolio by € 174.8 m. In our opinion, a heightening of the economic crisis affecting the bond market would once again negatively impact the equity market. This is why the equity funds are fairly moderately invested – despite the fact that share performance is expected to be better than last year. The equity investments are subject to a portfolio insurance concept that limits share price risks.

Real estate properties

As per the balance sheet date, funds worth € 351.2 m were invested in real estate properties. Scheduled depreciation amounting to around € 1.7 m p.a. is applied to the direct holdings, which are worth € 66.2 m. For some years, the direct holdings have chiefly consisted of real estate properties in the portfolio, some of which have considerable hidden reserves. As a result, there are no perceivable risks here at the moment.

Operational opportunities and risks

On 1 January 2009, the coming into force of the German Law for the Strengthening of Competition in Legal Health Insurance (GKV-WSG) will bring considerable change in the area of comprehensive health insurance. Particularly noteworthy is the introduction of the transfer value if the insurance company is changed. Hitherto changing the company led to the accrued aging reserve lapsing into the insured base. In future, however, a statutorily defined proportion of this reserve may be transferred to the new company. This has led to radically different working procedures both in actuarial and administrative practice as well as in marketing.

The successful introduction of the co-operation with statutory health insurance funds (GKVs) continues to offer great potential for new customer relationships. The members of these health insurance funds can be offered bespoke products at especially favourable conditions.

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 group solvability is calculated in accordance with Section 9 of the Adjusted Solvency Regulation based on the consolidated financial statements. The company's own funds (which are to be certified in accordance with Section 53c of the German Act on the Supervision of Insurance Companies (VAG) to ensure the liabilities under the insurance contracts can be met at all times) came to € 1.056,7 m (previous year € 955.1 m). As a result, the necessary solvency margin of € 266.3 m (previous year € 259.1 m) was significantly exceeded.

Cash flow

In the current fiscal year, the cash flow from investments, i.e., the funds required for the net investment volume, came to € 369.4 m. The funds required for this were in essence generated from the company's ongoing operations (€ 330.4 m) and from additions of liquidity (€ 23.1 m).

Summary of risk situation

At this point in time, we cannot perceive any development that could lead to a considerable impairment of our company's assets and liabilities, financial position or earnings situation and therefore put the group's continued existence at risk.

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

We expect the group's property and casualty insurance business to generate a considerable increase in premium income. This is first and foremost due to a change in the booking of reinsurance business from outside the group by DEVK Rückversicherungs- und Beteiligungs-AG. The external reinsurance business will be booked synchronously for the first time in FY 2009 in this unit. This means that external business from 2008 will feed through with a delay into the financial statements for 2009 along with the external business for 2009. However, even without this effect, we expect to see premiums increase due a respectable growth in the size of the portfolio despite the highly competitive situation in the motor vehicle insurance business. At the same time, we currently assume that claims and cost expenses will increase disproportionately. It is therefore likely that our group will generate a lower technical result before adjustments to equalisation reserves. This decrease will probably be at least partially offset by a withdrawal from the equalisation reserve. The consequences of the price competition in the motor vehicle insurance business will also make themselves felt in 2010. A further drop in the technical result cannot be ruled out.

We assume that both the size of the portfolio of legal expenses insurance and the premium income will grow faster than the industry average in FY 2009 as well. Additional income resulting from premium adjustments in the insurance policy portfolio will not be incurred in 2009. In view of the extremely competitive tariffs and products, we also assume that DEVK Rechtsschutz-Versicherungs-AG will generate steady growth in the years to come. Projects that have been planned and already introduced to optimise our customer support services and further rationalise our work will aid the positive development of the company. Depending on how the industry claims trend develops, the latest trustee enquiry into premium adjustment means that a lowering of premiums in the insurance portfolio as of 2010 cannot be ruled out. However, even if this were to occur, we do not foresee the development of the company suffering any ill effects in the long run.

The population's need for private retirement provision continues to rise. This is also indicated by the rising number of pension and Riester insurance policies that are being taken out. This trend will continue to give the German life insurance industry good opportunities to generate sales in future. With its range of products, DEVK Allgemeine Lebensversicherungs-AG is in a good position to meet the challenges of the market. Besides the traditional pension insurance products and the DEVK supplementary pensions, we specifically see additional potential to generate new business in the area of company pension schemes and with the unit-linked pension insurance policies launched at the start of the year. We assume that the premium income figure for 2009 will be up y-o-y. We also expect to see a similar trend in 2010. In particular, we expect the growth in ongoing premium income (with an essentially unchanged high level of one-off premiums) to remain above market rates. We assume the portfolio will remain in line with recent years in terms of the number of policies and the sum insured for the next two years.

The requirement for company pension remains high. Pension funds will therefore continue to offer good opportunities to generate sales in future. At this point in time, it is impossible to assess the extent to which a recession will specifically impact the area of deferred compensation. For 2009, we assume that DEVK Pensionsfonds-AG will be able to continue the new business trend achieved in 2008. Deferred compensation and the conversion of profit participations or Deutsche Bahn AG collective pay increases into pension commitments will play a key role here. However, taking everything into consideration, we expect DEVK Pensionsfonds-AG to enjoy a satisfactory earnings situation.

The demand for insurance policies that supplement the statutory health insurance plan continues unabated. DEVK Krankenversicherungs-AG will expand its range of products in this area during 2009 and the years thereafter as planned so that it is in a very good position to meet the challenges of the market. The business performance during Q1 suggests that the volume of new business will be in line with that of last year. For 2009, we once again expect to see marked growth in premium income; indeed we expect it to be significantly above the sector average. Due to newly introduced sales incentives, we expect this trend to also continue in the years to come. At this point in time, it is impossible to foresee the extent to which a recession will impact the demand for health insurance coverage.

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 along as there is no withdrawal into protectionism. We expect the major conglomerates to generate, if anything, increasing results in 2009, because we assume that there will be fewer write-downs. In individual cases, this trend could be neutralised by the elimination of opposing items (less profits from the divestment of investments). The situation would be different if there were to be a significant heightening of the economic crisis and a bank were to become insolvent as a result. This is not a scenario we currently expect to see.

Cologne, 15 April 2009

The Management Board

Gieseler **Faßbender** **Klass** **Rüßmann** **Umlandt** **Zens**

Notes to the management report

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

Self-generated business

Life insurance

Health insurance

Casualty insurance
General accident insurance
Motor vehicle accident insurance

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
Technical insurance
Universal caravan insurance
Extended coverage insurance
Travellers' baggage insurance
All risk insurance

Other insurance policies
Transport insurance
Credit and bail insurance
Breakdown service insurance
Cheque card insurance

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

Pension fund business

Consolidated financial statements

Consolidated balance sheet as of 31 December 2008

Assets	€	€	€	(Previous year € '000s)
A. Intangible assets				
			12,381,331	(10,067)
B. Investments				
I. Real estate and similar land rights, including buildings on third-party land		104,877,213		(106,270)
II. Investments in affiliated companies and participations				
1. Shareholdings in affiliated companies	33,964,467			(441)
2. Shareholdings in affiliated companies	3,058,310			(2,976)
3. Participations	248,056,870			(214,163)
4. Loans to companies, in which participations are held	11,763,970			(10,283)
		296,843,617		(227,863)
III. Other investments				
1. Equities, fund shares and other non-fixed-interest securities	1,199,496,979			(1,163,876)
2. Bearer bonds and other fixed-interest securities	503,664,951			(339,216)
3. Mortgage loans	638,194,888			(637,968)
4. Other lending	3,764,651,308			(3,699,819)
5. Deposits at credit institutions	5,242,196			(67,313)
6. Other investments	115,519,956			(116,037)
		6,226,770,278		(6,024,229)
IV. Deposits retained on reinsured business		2,280,137		(2,614)
			6,630,771,245	(6,360,976)
C. Investments for the account and risk of life insurance policyholders				
			8,394,961	(10,096)
D. Assets for the account and risk of employees and employers				
– Investments for the account and risk of employees and employers			**49,610,938**	(60,866)
E. Receivables				
I. Receivables from insurance business concluded by the company itself:				
1. Policyholders	46,439,672			(46,670)
2. Insurance brokers	27,983,219			(23,761)
3. Mutual insurance society – statutory long-term care – German Association of Private Insurance Companies (GPV)	536			(1)
		74,423,427		(70,432)
II. Liabilities stemming from the pension fund business with respect to: – employers and people entitled to a pension		2,845		(–)
III. Reinsurance receivable		18,918,966		(17,876)
IV. Other receivables		83,542,163		(75,405)
of which:			**176,887,401**	(163,713)
Owed by affiliated companies: € 702				(21)
Companies in which participations are held: € 2,164,869				(842)
Amount carried forward:			6,878,045,876	(6,605,718)

Liabilities and shareholders' equity

	€	€	€	(Previous year € '000s)
A. Equity				
I. Retained earnings				
1. Loss reserve in acc. with Section 37 of the German Act on the Supervision of Insurance Companies (VAG)	151,521,407			(151,522)
2. Other retained earnings	802,388,137			(713,165)
		953,909,544		(864,687)
reduced to take account of active difference in accordance with Section 309 of the German Commercial Code (HGB): – €				(11)
II. Profit carried forward		15,216,749		(6,765)
III. Unappropriated retained earnings		81,331,601		(72,728)
IV. Difference resulting from consolidation of funds		130,954		(131)
V. Other shareholders' shareholdings		81,951,753		(72,277)
			1,132,540,601	(1,016,588)
B. Technical reserves				
I. Unearned premiums				
1. Gross amount	38,511,275			(41,752)
2. Of which deducted: Allotment for the insurance business ceded to reinsurance	369,059			(497)
		38,142,216		(41,255)
II. Actuarial reserve		2,204,665,023		(2,098,296)
III. Reserve for insurance claims not yet settled				
1. Gross amount	1,903,452,022			(1,888,380)
2. Of which deducted: Allotment for the insurance business ceded to reinsurance	404,518,880			(421,094)
		1,498,933,142		(1,467,286)
IV. Reserve for performance-related and non-performance-related premium refunds				
1. Performance-related	268,487,630			(301,283)
2. Non-performance-related	964,887			(1,118)
		269,452,517		(302,401)
V. Equalisation reserve and similar reserves		252,455,685		(272,000)
VI. Other technical reserves				
1. Gross amount	8,502,979			(8,209)
2. Of which deducted: Allotment for the insurance business ceded to reinsurance	1,040,318			(558)
		7,462,661		(7,651)
			4,271,111,244	(4,188,889)
C. Technical reserves in life insurance business, in as far as the investment risk is borne by the policyholders				
– Actuarial reserve			**8,394,961**	(10,096)
D. Pension fund technical reserves				
I. Actuarial reserve		87,185,871		(60,283)
II. Reserves for unadjusted outstanding insurance claims		192,220		(61)
III. Reserves for performance-related and non-performance-related premium refunds		1,229,443		(766)
			88,607,534	(61,110)
E. Pension fund technical reserves in accordance with the assets for the account and risk of employees and employers				
– Actuarial reserve			**49,610,938**	(60,866)
Amount carried forward:			5,550,265,278	(5,337,549)

Assets	€	€	(Previous year € '000s)
Amount carried forward:		6,878,045,876	(6,605,718)
F. Other assets			
I. Tangible assets and inventories	15,265,276		(14,360)
II. Cash at banks in current accounts, cheques and cash assets	22,525,660		(38,398)
III. Other assets	184,755		(846)
		37,975,691	(53,604)
G. Deferred income			
I. Deferred interest and rental income	112,468,733		(104,664)
II. Other pre-paid expenses	5,646,862		(6,167)
		118,115,595	(110,831)
Total assets		**7,034,137,162**	(6,770,153)

Liabilities and shareholders' equity

	€	€	€	(Previous year € '000s)
Amount carried forward:			5,550,265,278	(5,337,549)
F. Other reserves				
I. Provisions for pensions and similar obligations		332,113,999		(328,850)
II. Tax provisions		128,198,556		(130,831)
III. Other reserves		41,951,887		(51,802)
			502,264,442	(511,483)
G. Deposits liabilities incurred from insurance business ceded to reinsurance				
			168,342,834	(174,397)
H. Other liabilities				
I. Liabilities from insurance business concluded by the company itself with respect to				
1. Policyholders	577,434,194			(557,687)
2. Insurance brokers	2,248,027			(1,620)
		579,682,221		(559,307)
II. Liabilities from the pension fund business with respect to				
1. Employers	60,073			(58)
2. People entitled to a pension	12,843			(2)
		72,916		(60)
III. Reinsurance payable		12,791,255		(34,581)
IV. Liabilities owed to banks		86,582,184		(67,596)
V. Other liabilities		120,456,495		(74,008)
of which:			**799,585,071**	(735,552)
from taxes: € 16,700,236				(20,027)
as part of social security programme: € 563,861				(617)
owed to companies, in which participations are held € 3,523				(281)
I. Deferred income				
			13,679,537	(11,172)
Total liabilities			**7,034,137,162**	(6,770,153)

Consolidated profit and loss account

for the period from 1 January until 31 December 2008

Items	€	€	€	(Previous year € '000s)
I. Technical account for the property and casualty insurance business				
1. Earned premiums for own account				
a) Booked gross premiums	1,312,947,999			(1,311,784)
b) Ceded reinsurance premiums	113,345,238			(117,654)
		1,199,602,761		(1,194,130)
c) Change in gross unearned premiums	533,666			(3,226)
d) Change in reinsurers' allotment of gross unearned premiums	– 127,893			(– 345)
		405,773		(2,881)
			1,200,008,534	(1,197,011)
2. Technical interest income for own account			**– 157,696**	(– 212)
3. Other underwriting expenses for own account			**1,357,571**	(1,657)
4. Expenses for claims for own account				
a) Payments for insurance claims				
aa) Gross amount	925,101,794			(889,549)
bb) Reinsurers' allotment	92,343,180			(108,040)
		832,758,614		(781,509)
b) Change in reserve for insurance claims not yet settled				
aa) Gross amount	14,793,578			(62,218)
bb) Reinsurers' allotment	16,326,973			(– 495)
		31,120,551		(61,723)
			863,879,165	(843,232)
5. Change in other underwriting net reserves				
a) Net premium reserve		200,742		(– 3,751)
b) Other net underwriting reserves		– 15,188		(– 359)
			185,554	(– 4,110)
6. Expenses for performance-related and non-performance-related premium refunds for own account			**5,339,028**	(9,148)
7. Expenses for insurance business for own account				
a) Gross expenses for insurance business		297,479,090		(285,287)
b) Of which deducted: Commissions and participations in earnings received from insurance business ceded to reinsurance		18,480,241		(19,422)
			278,998,849	(265,865)
8. Other underwriting expenses for own account			**4,028,487**	(6,949)
9. Sub-total			**49,148,434**	(69,152)
10. Change in equalisation reserve and similar reserves			**19,544,484**	(5,513)
11. Technical result for own account in the property and casualty insurance business			**68,692,918**	(74,665)

Items	€	€	€	(Previous year € '000s)
II. Technical account for life and health insurance business				
1. Earned premiums for own account				
a) Booked gross premiums	402,634,134			(372,672)
b) Ceded reinsurance premiums	1,395,142			(1,109)
		401,238,992		(371,563)
c) Increase/decrease in net premiums carried over		2,818,569		(1,788)
			404,057,561	(373,351)
2. Premiums from the gross reserve for premium refunds			**6,284,873**	(3,635)
3. Investment income				
a) Income from participations		3,577,462		(2,418)
b) Income from other investments		136,581,760		(128,260)
c) Income from additions		305,271		(134)
d) Profits from the divestment of investments		5,106,469		(17,683)
			145,570,962	(148,495)
4. Non-realised gains from investments			**30,067**	(494)
5. Other underwriting income for own account			**1,541,420**	(275)
6. Expenses for claims for own account				
a) Payments for insurance claims				
aa) Gross amount	170,523,144			(138,641)
bb) Reinsurers' allotment	212,650			(793)
		170,310,494		(137,848)
b) Change in reserve for insurance claims not yet settled				
aa) Gross amount	279,116			(3,116)
bb) Reinsurers' allotment	247,775			(58)
		526,891		(3,174)
			170,837,385	(141,022)
7. Change in other underwriting net reserves				
a) Actuarial reserve		– 203,228,520		(– 197,911)
b) Other net underwriting reserves		– 12,720		(– 2)
			– 203,241,240	(– 197,913)
8. Expenses for performance-related and non-performance-related premium refunds for own account			**36,477,815**	(76,655)
9. Expenses for insurance business for own account				
a) Acquisition costs	52,466,027			(44,111)
b) Administration costs	7,837,262			(7,323)
c) Of which deducted:		60,303,289		(51,434)
Commissions and participations in earnings received from insurance business ceded to reinsurance		99,767		(315)
			60,203,522	(51,119)
10. Expenses for investments				
a) Expenses for the administration of investments, interest expenses, and other expenses for the investments		2,173,539		(2,628)
b) Write-downs on investments		51,045,742		(12,358)
c) Losses from the divestment of investments		4,686,664		(3,288)
			57,905,945	(18,274)
11. Non-realised losses from investments			**3,399,255**	(92)
12. Other underwriting expenses for own account			**14,529,086**	(24,766)
13. Technical result for own account in the life and health insurance business			**10,890,635**	(16,409)

Items	€	€	(Previous year € '000s)
III. Pension fund technical account			
1. Earned premiums – Booked premiums		**47,026,407**	(53,278)
2. Premiums from the reserve for premium refunds		**727,667**	(9)
3. Investment income a) Income from other investments – Income from other investments	5,608,807		(2,289)
b) Profits from the divestment of investments	71,663		(135)
		5,680,470	(2,424)
4. Non-realised gains from investments		**74,753**	(3,343)
5. Other pension fund technical income		**2,845**	(1)
6. Expenses for pension claims a) Payments for pension claims	758,227		(350)
b) Change in reserve for unadjusted outstanding pension claims	130,956		(37)
		889,183	(387)
7. Change in the other pension fund technical reserves – Actuarial reserve		**– 15,648,619**	(– 55,679)
8. Expenses for performance-related and non-performance-related premium refunds		**1,191,325**	(767)
9. Expenses for pension fund operations a) Acquisition costs	800,937		(1,557)
b) Administration costs	1,361,607		(1,169)
		2,162,544	(2,726)
10. Expenses for investments a) Expenses for the administration of investments, interest expenses, and other expenses for the investments	17,465		(17)
b) Write-downs on investments	–		(8)
c) Losses from the divestment of investments	391,361		(46)
		408,826	(71)
11. Non-realised losses from investments		**32,801,037**	(23)
12. Other pension fund technical expenses		**9,185**	(19)
13. Pension fund technical result		**401,423**	(– 617)

Items	€	€	€	(Previous year € '000s)
IV. Non-technical account				
1. Insurance and pension fund technical result for own account				
a) in the property and casualty insurance business		68,692,918		(74,665)
b) in the life and health insurance business		10,890,635		(16,409)
c) in the pension fund business		401,423		(– 617)
			79,984,976	(90,457)
2. Income from investments, in as far as not detailed under II 3 or III 3				
a) Income from interests in affiliated companies	773,896			(686)
b) Income from participations	20,018,312			(22,658)
of which: from affiliated companies: € 53,496				(36)
c) Income from other investments	169,413,260			(168,750)
d) Income from additions	455,795			(2,860)
e) Profits from the divestment of investments	125,147,923			(47,063)
		315,809,186		(242,017)
3. Expenses for investments, in as far as not detailed under II 10 or III 10				
a) Expenses for the administration of investments, interest expenses, and other expenses for the investments	6,680,303			(8,926)
b) Write-downs on investments	128,483,410			(35,835)
c) Losses from the divestment of investments	10,665,175			(16,980)
		145,828,888		(61,741)
		169,980,298		(180,276)
4. Technical interest income		2,931,728		(2,888)
			167,048,570	(177,388)
5. Other income		62,580,698		(62,190)
6. Other expenses		105,861,192		(110,476)
			– 43,280,494	(– 48,286)
7. Profit on ordinary activities			**203,753,052**	(219,559)
8. Taxes on income		89,789,119		(113,123)
9. Other taxes		2,130,321		(1,431)
			91,919,440	(114,554)
10. Net profit for the year			**111,833,612**	(105,005)
11. Allocations to retained earnings – into other retained earnings			**24,785,000**	(21,879)
12. Profit/loss applicable to minority shareholders			**5,717,011**	(10,398)
13. Unappropriated retained earnings			**81,331,601**	(72,728)

Cash flow statement

Cash flow statement as of 31 December 2008

Items	Fiscal year € '000.	Previous year € '000.
Net profit/loss for the year before extraordinary items	111,834	105,005
Change in technical reserves, net	96,764	327,498
Deposits with ceding companies and deposits received from	– 5,721	– 9,206
retrocessionaries as well as the amounts receivable and payable	– 22,832	1,673
Change in other receivables and liabilities	54,669	– 75,855
Profit/loss from the divestment of investments	– 114,583	– 44,567
Change in other balance sheet items	– 13,473	70,637
Other off-balance expenses and income along with adjustment of the net profit for the year	223,737	47,720
Payments and proceeds from extraordinary items	–	–
Cash flow from ongoing business activities	**330,395**	**422,905**
Proceeds from the sale of consolidated companies and other business units	21,462	47,338
Payments from the acquisition of consolidated companies and other business units	– 92,836	– 108,695
Proceeds from the sale and the maturing of other investments	1,197,771	1,147,304
Payments from the acquisition of other investments	– 1,463,937	– 1,510,506
Proceeds from the sale of investments of unit-linked life insurance unit	447	170
Payments from the acquisition of investments of unit-linked life insurance unit	– 23,586	– 24,591
Other proceeds	336	710
Other payments	– 9,061	– 8,981
Cash flow from investment activities	**– 369,404**	**– 457,251**
Proceeds from additions of equity	9,350	5,978
Payments to company owners and minority partners	–	–
Dividend payments	– 5,234	– 4,482
Payments and proceeds from other financing activities	19,021	27,079
Cash flow from financing activities	**23,137**	**28,575**
On-balance changes in the financing fund	– 15,872	– 5,771
Changes to financing fund relating to exchange rates, group of consolidated companies and valuation in the financing funds	–	47
Financing fund at the start of the review period *	38,398	44,122
Financing fund at the end of the review period *	**22,526**	**38,398**

* The financing fund includes the funds reported under the balance sheet item "cash at banks in current accounts, cheques and cash assets".

The cash flow statement was prepared in accordance with the regulations of the German Accounting Standards DRS 2 and 2-20 "Stating cash flows for insurance companies". In accordance with the recommendation of the German Accounting Standard for Insurance Companies, the indirect method of presentation was applied.
The total interest paid during the period under review amounts to € 82,472.

Statement of shareholders’ equity

Development of shareholders’ equity

Statement of shareholders’ equity

	Parent company				Minority partners				Group equity
	Generated Group equity	Accumulated other consolidated result		equity acc. to Group balance sheet	Minority capital	Accumulated other consolidated result		equity	
		Adjustment items from foreign currency	other neutral trans-actions			Adjustment items from foreign currency	other neutral trans-actions		
	€ ’000s	€ ’000s	€ ’000s	€ ’000s	€ ’000s	€ ’000s	€ ’000s	€ ’000s	€ ’000s
Status on 31.12.2006	**986,440**	**–**	**– 139,000**	**847,440**	**61,885**	**–**	**–**	**61,885**	**909,325**
Issuing of shares	–	–	–	–	5,978	–	–	5,978	5,978
Paid dividends	–	–	–	–	– 5,182	–	–	– 5,182	– 5,182
Change in the group of consolidated companies	–	–	1,497	1,497	1,687	–	– – 2,489	1,687	3,184
Other changes	–	–	766	766	–	–	–	– 2,489	– 1,723
Consolidated net profit for the year	94,607	–	–	94,607	10,398	–	–	10,398	105,005
Status on 31.12.2007	**1,081,047**	**–**	**– 136,737**	**944,310**	**74,766**	**–**	**– 2,489**	**72,277**	**1,016,587**
Issuing of shares	–	–	–	–	9,350	–	–	9,350	9,350
Paid dividends	–	–	–	–	– 5,234	–	–	– 5,234	– 5,234
Change in the group of consolidated companies	–	–	–	–	–	–	–	–	–
Other changes	–	–	162	162	–	–	– 158	– 158	4
Consolidated net profit for the year	106,117	–	–	106,117	5,717	–	–	5,717	111,834
Status on 31.12.2008	**1,187,164**	**–**	**– 136,575**	**1,050,589**	**84,599**	**–**	**– 2,647**	**81,952**	**1,132,541**

Explanatory notes to the consolidated financial statement

Group companies

These subsidiary companies were included in the exempting consolidating financial statement of DEVK Sach- und HUK-Versicherungsverein a.G., Cologne:

- DEVK Rückversicherungs- und Beteiligungs-AG, Cologne, 100 %
- DEVK Allgemeine Versicherungs-AG, Cologne, 100 %
- DEVK Rechtsschutz-Versicherungs-AG, Cologne, 100 %
- DEVK Krankenversicherungs-AG, Cologne, 100 %
- DEVK Allgemeine Lebensversicherungs-AG, Cologne, 100 %
- DEVK Pensionsfonds-AG, Cologne, 100 %
- DEVK Vermögensvorsorge- und Beteiligungs-AG, Cologne, 51%
- DEVK Alpha GmbH, Cologne, 100 %
- DEVK Asset Management Gesellschaft mbH, Cologne, 100 %
- DEVK Beta GmbH, Cologne, 100 %
- DEVK Private Equity GmbH, Cologne, 65 %
- DEVK Service GmbH, Cologne, 74 %
- DEVK Unterstützungskasse GmbH, Cologne, 100 %
- DEVK Web-GmbH, Cologne, 100 %
- DEVK Zeta GmbH, Cologne, 100 %
- DEVK Zeus Vermögensverwaltungs-AG, Cologne, 100 %
- Ceyoniq Sales & Services GmbH Süd, Bielefeld, 100 %
- Ceyoniq Technology GmbH, Bielefeld, 66.67 %
- Hotelbetriebsgesellschaft Sonnenhof mbH, Cologne, 100 %
- HYBIL B.V., Venlo, 90 %
- JUPITER VIER GmbH, Cologne, 100 %
- OUTCOME Unternehmensberatung GmbH, Aachen, 80 %
- SADA Assurances S.A., Nîmes, 100 %.

In accordance with Section 296, Para. 2, Sentence 2 of the German Commercial Code (HGB) the subsidiary companies:

- DEVK Gamma GmbH, Cologne, 100 %
- DEVK Iota GmbH, Cologne, 100 %
- DEVK Omega GmbH, Cologne, 100 %
- DEVK Saturn GmbH, Cologne, 100 %
- DEVK Sigma GmbH, Cologne, 100 %
- Echo Rückversicherungs-AG, Zurich, 100 % (business operations initiated in FY 2009)
- KASSOS Beteiligungs- und Verwaltungs-GmbH, Cologne, 100 %
- Lieb´ Assur S.A.R.L., Nîmes, 100 %
- Reisebüro Frenzen GmbH, Cologne, 52 %

were not included within the consolidated financial statements because of their minor importance to the assets and liabilities, financial position and earnings situation of the group. Even if taken together, they are still of minor importance in accordance with Section 296 Para. 2 Sentence 2 of the German Commercial Code (HGB).

In accordance with Section 312 of the German Commercial Code (HGB), the 45 % shareholding in Monega Kapitalanlagegesellschaft mbH, Cologne, was included in the consolidated financial statements as an affiliated company at equity. The valuations at the time of acquisition were calculated using book value methods.

The 32.30 % participation in eSlidez GmbH, Bielefeld, (formerly DEVK Lambda GmbH, Cologne, 100 %) was not included at equity in the consolidated financial statement due to its minor importance.

Changes to the group of consolidated companies

The group of consolidated companies remained unchanged in the fiscal year.

Consolidation principles

The consolidated financial statements were prepared in accordance with the regulations laid down in Sections 341i and 341j of the German Commercial Code (HGB) in conjunction with Sections 290 onwards of the German Commercial Code (HGB) and Sections 58 onwards of the German Insurance Company Accounting Regulation (RechVersV).

The capital consolidation was performed in line with the book value method laid down in Section 301 Para. 1 No. 1 of the German Commercial Code (HGB). First consolidations were applied at the time of purchase or on the first occasion of inclusion. The resulting net positive differences were openly offset against the other retained earnings in accordance with Section 309 Para. 1 Sentence 3 of the German Commercial Code (HGB). Net negative differences were reported in the consolidated balance sheet under correspondingly designated items.

Receivables and liabilities for the companies included in the consolidated financial statements were consolidated. Income and expenses from the cost accounting and from reinsurance relationships within the group were balanced out. Inter-company profits were eliminated.

Accounting, evaluation and valuation methods

The consolidated financial statements were based on the audited and unaudited individual financial statements and single-entity financial statements restated to comply with uniform group accounting policies ("HBII"). With one exception, these were prepared in accordance with uniform accounting and valuation regulations. If the valuation methods within the group match those of the parent company, we refer to the information provided in the separate financial statements of the parent company. The annual financial statements prepared in accordance with national accounting regulations for the foreign subsidiary companies were brought into line with German accounting regulations before their inclusion in the consolidated financial statements. At the same time, valuations based on regulations that specifically apply to insurance companies remain unaltered.

The layouts of the consolidated balance sheet and the consolidated profit and loss account conform to the financial statement forms 1 and 4 of the German Insurance Company Accounting Regulation (RechVersV) and are supplemented with some group-specific items.

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

The **loans and prepayments on certificates of insurance** have been reported at their nominal values.

The **deposits at credit institutions** were stated at their nominal values.

The **investments for the account and risk of life insurance policyholders**, for which an investment fund is to be created in accordance with Section 54b of the German Act on the Supervision of Insurance Companies (VAG) are assessed at their present values.

The **assets for the account and risk of employees and employers** were assessed in accordance with Section 341 Para. 4 Sentence 2 of the German Commercial Code (HGB) at their present values and reported under a specific item. Due to the provisions in the pension plans, the value was reported in line with the obligation in the pension fund in the event of a pension claim.

The **liabilities stemming from the pension fund business** have been reported at their nominal values.

The assessment of the **technical reserves** was performed in accordance with the following principles:
The **unearned premiums** for the self-generated insurance business were individually calculated for each insurance policy and took account of when they technically started, and observed the fiscal provisions specified in the NRW Finance Minister's written communication from 30 April 1974. The calculations for the unearned premiums attributable to the reinsurers were correspondingly modelled on the contracts with the reinsurers.

The **actuarial reserve** in the life insurance business was determined for every contract and took account of when they each technically started, both individually and in accordance with actuarial principles defined by the prospective method. For the portfolio of existing policies, as defined in Section 11c of the German Act on the Supervision of Insurance Companies (VAG) and Article 16 Section 2 of the Third EEC Implementation Law (Drittes Durchführungsgesetz/EWG) amending the VAG, the fundamentals and accounting principles underlying the calculation were in line with the approved business plans. For the portfolio of new policies, they were in line with Section 341f of the German Commercial Code (HGB) and in accordance with Section 65 of the German Act on the Supervision of Insurance Companies (VAG) and the associated Mathematical Provisions Ordinance (Deckungsrückstellungsverordnung – DeckRV). The actuarial reserve for the insurance business ceded to reinsurance was also calculated individually in accordance with the reinsurance contracts, and took account of when each policy technically started.

The actuarial reserve took special account of the future costs incurred as a result of single-premium policies, premium-exempted contracts and policies with plan-related premium exemptions. The resulting reserve for management expenses was allocated to the actuarial reserve. In principle, the actuarial reserve was calculated taking account of the implicit applied costs.
The actuarial reserve for the bonus pensions was calculated in accordance with the same principles, but using the accounting principles (rate of return, mortality) that applied at the time the pensions started. All pension insurance plans that are based on a 1987 R table or older, have in the past been converted to DAV 1994 R, 4.0 %. An adjustment was applied to the actuarial reserve to take account of all pension insurance plans not based on the mortality table DAV 2004 R and bring it into line with the table DAV 2004 R – B 20.

The following mortality tables were applied for insurance policies with an assurance character, according to the policy generation: DAV 1994 T, mortality table 1986, mortality table 1960/62 and mortality table 1924/26. Insurance policies with a survival character are based on the mortality table DAV 1994 R 80 %, DAV 1994 R and DAV 2004 R.

The tables DAV 1997 I, DAV 1997 TI and DAV 1997 RI, the 1990 association tables (incl. reactivation probabilities and morbidity-mortality rates) or the tables in accordance with the research conducted by eleven American companies from the years 1935 – 1939 were applied as a basis for the occupational disability risk – according to the policy generation. For the 2003 policy generation, the table DAV 1997 I was applied on a company-specific basis and addressed (or differentiated between) three professional groups. For the supplementary occupational disability insurance policies, the actuarial reserve has been brought into line with the tables DAV 1997 I, DAV 1997 TI and DAV 1997 RI. The table DAV 1997 I was applied on a company-specific basis and addressed (or differentiated between) three professional groups.

According to the policy generation, accounting principles derived from the tables DAV 1997 I, DAV 1997 TI and DAV 1997 RI (or the tables DAV 1998 E, DAV 1998 TE or DAV 1998 RE) were applied for the occupational disability risk. The actuarial reserve was also brought into line with the tables DAV 1998 E, DAV 1998 TE and DAV 1998 RE for the supplementary occupational disability insurance policies, which were calculated based on an accounting rate of return of 4.0 %. According to the policy generation, accounting principles derived from the Guideline Tables 1983 and 1998 compiled by Prof Dr Klaus Heubeck or modified accounting principles in accordance with DAV 1997 I were applied as a basis for the occupational invalidity risk.

According to the policy generation, the applied accounting rate of return was 4.0 %, 3.5 %, 3.25 %, 3.0 %, 2.75 % or 2.25 %. For insurance policies with ongoing premium payments, one-off acquisition costs were taken into account in line with the zillmerisation method. For the portfolio of existing policies, the respective zillmerisation rates have been set in line with the business plan. For the portfolio of new policies, the zillmerisation rates were a maximum of 3.5 % of the insured sum or 4.0 % of the total premiums.

According to the policy generation, a distribution of the acquisition costs was applied over ten years or five years or over the entire accumulation period for capitalisations with ongoing premium payments. For insurance policies whose coverage commences as of 2008, the calculation of the surrender value is based on a distribution of the acquisition cost over five years. For insurance policies with special rates whose coverage commences as of 2008 the acquisition costs are in principle distributed over the entire premium payment term.

The actuarial reserve for life insurance policies, in which the investment risk is borne by the policyholders, was calculated individually for each policy in accordance with the retrospective method. The calculation was performed in accordance with Section 341f of the German Commercial Code (HGB) and Section 65 of the German Act on the Supervision of Insurance Companies (VAG) and the associated Mathematical Provisions Ordinance (Deckungsrückstellungsverordnung – DeckRV). In principle, the actuarial reserve was calculated taking account of the implicit applied costs. The acquisition costs are distributed over three, and as of 2008 over five years.

Additional funds were accrued in the actuarial reserve for contracts with zillmerisation that fall within the remit of the German Federal Court of Justice ruling of 12 October 2005.

The terminal bonus fund was calculated individually for every contract and took account of when they each technically started. For the portfolio of existing policies, the calculation of the terminal bonus fund was performed in accordance with principles defined in the business plan. For the portfolio of new policies the terminal bonus fund was calculated in accordance with Section 28 Para. 7 of the German Insurance Company Accounting Regulation (RechVersV). In accordance with Section 28 Para. 7, the discount rate is 4.0 % p.a.

For insurance policies with a savings component, a minimum participation in the valuation reserves has been introduced as of 1 January 2008. It is financed via a fund in the reserve for premium refund, which is accrued like the terminal bonus fund. This discount rate is also 4.0 % p.a.

The gross amounts for the **reserve for unadjusted insurance claims** were calculated on a case-by-case basis for the insurance claims incurred by the balance sheet date and known to have been incurred by the portfolio determination date. Based on past experience, the insurance claims incurred by the balance sheet date, but only known to have been incurred after the portfolio determination date, are taken into consideration with a premium defined in the business plan. The policy surrenders, reimbursements and withdrawal remuneration not yet settled include the repayments known to have been incurred by the portfolio determination date and defined in the business plan for the reporting year which had not been paid out by the balance sheet date. Amounts for claims settlement expenses were taken account of in the reserve. The proportion of the insurance business ceded to reinsurance was assessed in line with the contractual terms. Furthermore, funds have been set aside in consideration of the claims likely to be incurred for the re-adjustment of cancelled contracts that fall within the remit of the German Federal Court of Justice ruling of 12 October 2005.

The accrual of the **reserve for performance-related and non-performance-related premium refunds** in the life insurance business was performed in accordance with the Articles of Association, the provisions defined in the business plan and the statutory requirements.

The **actuarial reserve** in the pension fund business was calculated for every contract and took account of when they each technically started in accordance with actuarial principles. The calculation was performed in accordance with the regulations laid down in Section 341f of the German Commercial Code (HGB) and Section 116 of the German Act on the Supervision of Insurance Companies (VAG) and the associated Mathematical Provisions Ordinance (Deckungsrückstellungsverordnung – DeckRV). In principle, the actuarial reserve was calculated taking account of the implicit applied costs. The actuarial reserve for the account and risk of employees and employers was determined in accordance with the retrospective method. The rest of the actuarial reserve was calculated in accordance with the prospective method. The minimum actuarial reserve (pension fund guarantees) including the actuarial reserve for ongoing pensions was speculatively calculated based on an accounting rate of return of 2.25 %. Modified generation guideline tables (2005G) compiled by Prof Dr Klaus Heubeck were applied.

The amounts for the **reserve for unadjusted pension claims** were calculated on a case-by-case basis for the pension claims incurred by the balance sheet date and known to have been incurred by the portfolio determination date. The pension claims incurred by the balance sheet date, but only known to have been incurred after the portfolio determination date, were estimated based on past experience. Terminated pension fund contracts and pension relationships that had not yet been settled were also taken into consideration.The reserve also includes amounts for claims settlement expenses.

The accrual of the **reserve for premium refunds** was performed in accordance with the Articles of Association, the statutory regulations and the provisions regarding profit participation in the pension plans.

The **other reserves** item includes the partial value of the pension liabilities, which was applied in accordance with Section 6a of the German Income Tax Act (EStG) in line with actuarial methods based on the 2005G Guideline Tables compiled by Prof Dr Klaus Heubeck. An accounting rate of return of 4.5 % was applied for the benefit candidates, and an accounting rate of return of 4.0 % was applied for the old-age beneficiaries.

The **liabilities from the pension fund business** were assessed using the refund amounts and have a remaining policy period of up to one year for the full amount.

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.

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	1,188	–	–	–	–	124	1,064
3. Other intangible assets	8,879	4,732	–	182	–	2,112	11,317
4. Total A.	10,067	4,732	–	182	–	2,236	12,381
B.I. Real estate and similar land rights, including buildings on third-party land							
	106,270	1,172	–	–	–	2,565	104,877
B.II. Investments in affiliated companies and participations							
1. Shareholdings in affiliated companies	441	33,550	–	27	–	–	33,964
2. Shareholdings in associated companies	2,976	27	–	12	67	–	3,058
3. Participations	214,163	59,259	–	21,423	–	3,942	248,057
4. Loans to companies, in which participations are held	10,283	2,964	–	873	–	610	11,764
5. Total B.II.	227,863	95,800	–	22,335	67	4,552	296,843
Total	**344,200**	**101,704**	**–**	**22,517**	**67**	**9,353**	**414,101**

Explanatory notes on the consolidated balance sheet

Re: Asset items B.

Investments

The valuation reserves contain hidden liabilities amounting von € 318.5 m. These are accounted for by properties, shareholdings in affiliated companies, participations, shares, bearer bonds, mortgage interest and rents, zero-bonds and securities reported at their nominal values in accordance with Section 341c of the German Commercial Code (HGB).

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	65,450	59,976
Participations	103,160	94,112
Securities in fixed assets	547,691	504,350
Other lending	156,365	101,721

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	21,703	2,230	2,828	Barone-Adesi
Other Liabilities	Short-call options	11,050	585	10	Black-Scholes
Promissory note bonds	Pre-emptions	169,080	–	4,360	Bloomberg/own calculations based on market data

Re: Asset items B.I.

Real estate and similar land rights, including buildings on third-party land
The balance sheet value of the real estate properties owned by the DEVK-Group and used for its operations amounts to € 13,243,123.

Re: Asset items B.III.

Other investments

Other lending

The **other lending** breaks down as follows:	Fiscal year € '000s	Previous year € '000s
a) Registered bonds	1,535,725	1,503,679
b) Borrowers' notes and loans	1,825,383	1,785,672
c) Loans and prepayments on certificates of insurance	20,500	19,582
d) Other lending	383,043	390,886
Total	**3,764,651**	3,699,819

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) and cooperative shares.

Re: Asset items C.

Investments for the account and risk of life insurance policyholders

	Share units No. of	Balance sheet value € '000s
Monega Short Track	217.45	10,981
Monega Euro-Bond	11,591.37	625,006
Monega Ertrag	18,749.40	1,030,467
Monega Balance III	9,089.73	432,853
Monega World	26,578.81	509,782
Monega Innovation	3,012.99	61,465
Monega Germany	13,192.62	502,771
Monega Euro-Land	32,259.44	899,716
Monega Chance	87,017.71	1,808,228
Monega Wachstum	73,136.23	2,513,692
Total		**8,394,961**

Re: Asset items D.

Investments for the account and risk of employees and employers	Share units No. of	Balance sheet value € '000s
Monega Euro-Bond	31,182.38	1,681,354
Monega Euro-Land	1,718,522.20	47,929,584
Total		**49,610,938**

Re: Asset items E.I.

Receivables from self-generated life insurance business

The receivables with respect to policyholders consist of:

a) Claims due	€ 8,478,931
b) Claims not yet due	€ 18,961,960
	€ 27,440,891

Re: Asset items G.II.

Other prepaid expenses

Premium from registered bonds, borrowers' notes and loans, registered profit participation certificates and silent partnerships as defined in the German Banking Act (KWG)	€ 3,230,430
Prepayments for future benefits	€ 2,416,432
	€ 5,646,862

Re: Liabilities B.III.

Reserve for insurance claims not yet settled

In accordance with the principle of cautious valuation, a gain arose from the settlement of the reserve for insurance claims not yet settled taken over from the previous year.

Re: Liabilities B.IV.

Reserve for performance-related and non-performance-related premium refunds in the life insurance business

Status on 31.12.2007	€ 226,052,310
Addition	€ 36,202,627
Withdrawal	€ 63,871,475
Status on 31.12.2008	**€ 198,383,462**

€ **58.0 m** of this reserve has been set (but not allocated) for ongoing profit participations. € 3.7 m of this reserve has been set (but not allocated) for terminal bonuses due and € 0.3 m of this reserve has been set (but not allocated) for the minimum participation in the valuation reserves. In addition, € 62.4 m is assigned to the terminal bonus fund. At the same time, the terminal bonus fund includes funds worth € 5.8 m that are assigned for the minimum participation in the valuation reserves.

The direct credit declared for 2008 was financed as a special withdrawal from the reserve for premium refunds.

Re: Liabilities H.I.

Liabilities resulting from self-generated business

Liabilities from self-generated life insurance business with respect to policyholders for	
– credited profit participations	€ 451,032,877
– other liabilities	€ 4,784,031
	€ 455,816,908

Re: Liabilities I.

Deferred income

Discount stemming from mortgage loans, registered bonds, borrowers' notes and loans, registered profit participation certificates and silent partnerships as defined in the German Banking Act (KWG)	€ 13,085,260
Mortgage interest and rents received in advance	€ 44,197
Other pre-paid expenses	€ 550,080
	€ 13,679,537

Explanatory notes to the consolidated profit and loss account

Booked gross premiums in € '000s

	Fiscal year					Prev. year
	Property/ casualty	Life	Health	Pensions fund	Total	Total
1. Self-generated insurance business						
In Germany	1,235,689	368,419	34,215	47,026	1,685,349	1,648,121
In other EEA countries	45,788	–	–	–	45,788	50,400
Total for 1.	1,281,477	368,419	34,215	47,026	1,731,137	1,698,521
2. Insurance business taken over into reinsurance						
	31,471	–	–	–	31,471	39,214
Total	**1,312,948**	**368,419**	**34,215**	**47,026**	**1,762,608**	1,737,735

In the overall insurance business, gross expenses for the insurance business broke down as follows:

Acquisition costs	€ 246,940,755
Administration costs	€ 113,004,168

Re: Items II.3.b)

Income from other investments

aa) Income from real estate and similar land rights including buildings on third-party land	€ 2,749,202
bb) Income from other investments	€ 133,832,558
	€ 136,581,760

Re: Items IV.2.c)

Income from other investments

aa) Income from real estate and similar land rights including buildings on third-party land	€ 3,113,955
bb) Income from other investments	€ 166,299,305
	€ 169,413,260

Personnel costs

The personnel costs totalled € 221,604,470. This figure also includes the expenses for the risk allotment from the pension provision addition.

In the year under review, the remuneration for the Management Board amounted to € 1,873,456. The superannuation of the Management Board ex-members and surviving dependents came to € 1,769,635. For this category of persons, a pension provision of € 19,177,338 was reported by DEVK Rückversicherungs-und Beteiligungs-AG on 31 December 2008. The Supervisory Board remuneration came to € 635,100. The Advisory Committee remuneration totalled € 119,217.

Other information

Contingencies and other financial liabilities

In order to lend to lend support to Hypo Real Estate (HRE), the German government ratified a rescue package in October 2008, to which both the Bundesbank and the German financial industry have contributed. Our association has also declared its readiness to participate in the rescue package. The financial institutions in the consortium behind this rescue package committed themselves within the framework of a counter-guarantee to participate in a potential availment on the part of the government arising from the guarantee for the Bundesbank's liquidity line. Of the total amount for this counter-guarantee of € 8.5 bn our group accounts for € 12.8 m jointly (and not severally).

The remaining payment liabilities stem from real estate holdings, fund shares and participations and at the end of the year amounted to € 111.2 m .

On the balance sheet date, the company had financial liabilities amounting to € 32.8 m stemming from open short options, € 473.0 m from multi-tranche promissory note bonds and € 169.0 m from open pre-emptions.

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.

Due to the statutory regulations in the Sections 124 onwards of the German Act on the Supervision of Insurance Companies (VAG), the life insurance companies are obliged to be members of an insurance fund. Based on the German Insurance Fund Financing Ordinance, the insurance fund levies annual contributions of not more than 0.2 % of the total net technical reserves, until it has accrued guarantee assets equivalent to 1 % of the total net technical reserves. For the company, the future payment obligation amounts to a maximum of € 365,387. The insurance fund can also levy one-off contributions amounting to a further 1 % of the net technical reserves, which corresponds to a payment obligation of not more than € 2,373,020.

Due to the statutory regulations in the Sections 124ff onwards of the German Act on the Supervision of Insurance Companies (VAG), the health insurance companies are obliged to be members of an insurance fund. Following the assumption of insurance contracts to fulfil its purpose, the insurance fund levies one-off contributions amounting to a maximum of 2 % of the total net technical reserves. Accordingly, there is a payment obligation of € 144,929 for 2009.

General information
In the fiscal year, no loans were made to members of the Management Board or the Supervisory Board.

In the year under review, the average number of employees, excluding inactive work contracts and after the conversion of part-time employees to full-time equivalents came to 3,535. This figure is made up of 105 executives, 3,365 employees and 65 manual staff.

Cologne, 15 April 2009

The Management Board

Gieseler **Faßbender** **Klass** **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 Deutsche Eisenbahn Versicherung Sach- und HUK-Versicherungsverein a.G. Betriebliche Sozialeinrichtung der Deutschen Bahn**, Cologne, for the fiscal year from 1 January to Wedndesday 31 December 2008. The preparation of the consolidated financial statements and the group management report in accordance with German commercial law is the responsibility of the company's Management Board. We have been engaged to assess the consolidated financial statements and the group management report on the basis of the audit as performed by us.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the German Commercial Code (HGB) and the generally accepted standards in Germany for the auditing 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 earnings situation in the consolidated financial statements and the group 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 group and evaluations of possible misstatements are taken into account in the determination of audit procedures. During the audit, the effectiveness of the internal accounting-related control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are verified primarily by examining sample data. The audit appraises the financial statements for the companies included in the consolidated financial statements, the accruals and deferrals for the group of consolidated companies, the applied principles of accounting and consolidation and the Management Board's significant estimates and evaluates the overall presentation of the annual financial statements and the group management report. 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 consolidated financial statements meet the statutory requirements and present a true and fair view of the group's assets and liabilities, along with its financial position and earnings situation, determined in accordance with generally accepted accounting principles. The group management report is consistent with the consolidated financial statements, presents a satisfactory impression of the group'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))

Dr Ellenbürger	**Beerlage**
German Chartered	German Chartered
Public Accountant	Public Accountant

Supervisory board report

During FY 2008, the Supervisory Board has been briefed on the group's commercial performance, net assets position and earnings situation by the Management Board of the parent company in a number of meetings.

KPMG Deutsche Treuhand-Gesellschaft, Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, (since 1 October 2008 KPMG AG Wirtschaftsprüfungsgesellschaft – auditing company) which was appointed as the certified public accounting company in line with the statutory requirements, has audited the consolidated financial statements and group management report for 2008. This audit has not found any irregularities. The audit certificate has been granted without reservation. The Supervisory Board agrees with the findings of the audit report.

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

The Supervisory Board would like to express its thanks and recognition to the management boards of for the group's companies and their employees for all their work.

Cologne, 15 May 2009

The Supervisory Board

Krauß
Chairman

DEVK Headquarters, Cologne

50735 Cologne, Riehler Straße 190

(with the Central Department and its Heads)

Human Resources
Roger Halleck

Central Services
Paul Epper

Marketing and Sales Representative Organisation
Olaf Nohren

Marketing and Direct Sales
Michael Knaup

Sparda-Bank Sales
Hans-Joachim Nagel

Life
Reinhard Post

Company Pensions
Birgit Großmann

Sach/HUK Operations
Thomas Doll

Accounting Department
Lothar Diehl

Central Applications, Partner Data/Collection/
Disbursement/Monega
Rainer Knittel

KKC Management
Jürgen Dürscheid

Investments
Joachim Gallus

Sach/HUK Non-life
Dr Helmut Hauser

Auditing
Gerd Stubbe

Information Processing and Telecommunications
Klaus Dresbach

Project Portfolio Management/Operational Organisation
Thomas Remmel

Corporate Planning and Controlling
Elmar Kaube

Reinsurance
Wolfgang Jöbkes

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(with the Members of the Management Team)

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Volker Allgeyer/Dirk Strempel

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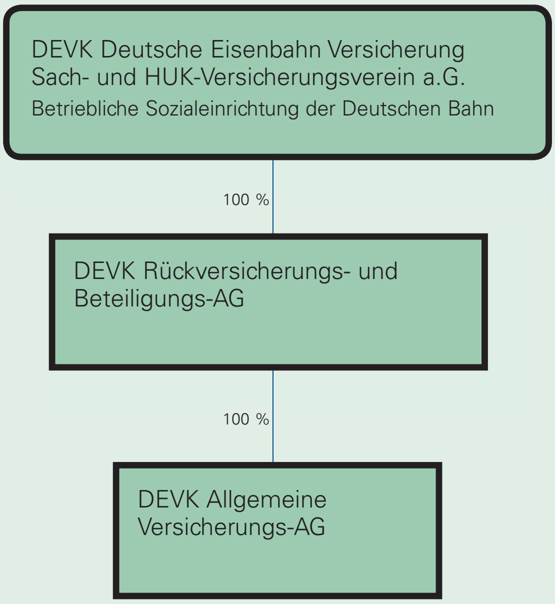
Heinz Kuhnen/Manfred Scheifers

– Status on 1 April 2009 –

Organigramm of DEVK Versicherungen



Blocks with a bold border indicate insurance companies and pension funds located in Germany.

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