Company bodies

Supervisory Board

Norbert Hansen
Berlin
Chairman
(until 15 May 2009)

Alexander Kirchner
Runkel
Chairman
Chairman of TRANSNET Gewerkschaft
GdED (Union of German Railwaymen)
(as of 15 May 2009)

Dr rer. nat. Norbert Bensel
(Doctor of Science)
Berlin
Deputy Chairman

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

Dr rer. oec. Klaus Eberhardt
(Doctor of Economic Science)
Berlin
Chairman of the Management Board of
Sparda-Bank Berlin eG

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

Armin Keppel
Sankt Augustin
President (retired) of Bundeseisenbahnvermögen and the German Railway Office (EBA)

Dr rer. pol. Johannes Ludewig
(Doctor of Economic Science)
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 the Management Board of
Sparda-Bank Südwest eG (i.ret.)

Management Board

Friedrich Wilhelm Gieseler
Bergisch Gladbach
Chairman

Gottfried Rüßmann
Cologne

Hans-Otto Umlandt
Oesterdeichstrich

Bernd Zens
Königswinter

Management report

Commercial environment and general conditions

Overview

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

In 2009, the state support programmes introduced within the framework of the financial crisis led to an economic upturn and the start of economic recovery. This manifested itself on the global capital markets, the majority of which increased significantly in value. On the bond markets, the risk premiums on securities and investments tightened again. The DAX rose by 23.9 % over the course of the year and stood at 5,957.4 points at the close of the year.

Taking everything into consideration, it can be said that business performance in FY 2009 was satisfactory.

Ratings

The ratings commissioned from Standard & Poor's in 2008 were renewed in 2009. As in 2008, DEVK Sach- und HUK-Versicherungsverein a.G., DEVK Allgemeine Versicherungs-AG, DEVK Allgemeine Lebensversicherungs-AG and DEVK Rückversicherungs- und Beteiligungs-AG were given an "A+" rating. 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

Due to this positive rating, opportunities for growth as a capacity provider in the reinsurance market remain very good, as such a rating is now a prerequisite for doing business for many business partners. We believe that there is still strong demand for a partner with a traditional market footprint that also has its roots in the mutual insurance association sector. This demand exists not only in Germany, but also in most European countries.

Business performance in reinsurance

As announced, third-party reinsurance business was booked in the period in which it occurred for the first time in FY 2009. This means that the third-party business from 2008 has been included in 2009's annual financial statements with a delay and third-party business from 2009 has additionally been included in the period in which it occurred. In the technical account, this has led to correspondingly extensive changes in several items in comparison with the previous year's values. DEVK Rückversicherungs- und Beteiligungs-AG also further expanded its reinsurance business from outside the group in FY 2009. Booked gross premiums consequently increased by 54.1 % to € 264.0 m.

The earned premiums for own account came to € 180.8 m, (previous year € 96.5 m) while the expenses for insurance claims for own account amounted to € 132.8 m (previous year € 66.3 m). The ratio of net claims expenses to net earned premiums therefore amounted to 73.5 % (previous year 68.7 %). The ratio of expenses for the insurance business for own account to the earned premiums for own account stood at 27.3 % (previous year 27.7 %).

Due to high claims expenses, partly due to a series of natural disasters in 2008 and 2009, the underwriting result before changes to the equalisation reserve was € – 2.5 m (previous year € 3.0 m). Following a withdrawal from the equalisation reserve, the underwriting result for own account amounted to € – 0.8 m (previous year € 3.5 m).

Business performance in the individual lines of business

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

Casualty insurance

The gross booked premium income totalled € 26.3 m (previous year € 22.4 m). The underwriting result amounted to € 2.9 m (previous year € 2.2 m).

Liability insurance

Following an addition to the equalisation reserve (€ 496,000), booked gross premiums amounting to € 4.5 m (previous year € 0.7 m) resulted in an underwriting loss of € 240,000 (previous year € – 30,000).

Motor vehicle liability insurance

In motor vehicle liability insurance, booked gross premiums increased to € 46.1 m (previous year € 40.9 m). Following a € 4.0 m withdrawal from the equalisation reserve, the underwriting result amounted to € 1.2 m (previous year € – 46,000).

Other motor vehicle insurance

We pool the comprehensive and partial comprehensive motor insurance together under other motor vehicle insurance business. With premiums totalling € 55.5 m (previous year € 50.8 m) and a withdrawal from the equalisation reserve (€ 1.5 m), the underwriting result amounted to € – 2.1 m (previous year € 1.0 m).

Fire and non-life insurance

The fire and non-life insurance business booked gross premiums totalling € 115.9 m (previous year € 53.1 m). In detail, the performance in fire and non-life insurance breaks down as follows:

In householders' comprehensive insurance, the gross premiums of € 9.9 m exceeded last year's value (€ 7.9 m). The underwriting result amounted to € 2.2 m (previous year € 2.0 m).

With premium income of € 31.0 m (previous year € 23.6 m) and following an addition to the equalisation reserve (€ 2.9 m), we reported an underwriting profit of € 1.6 m (previous year € 0.9 m) for householders' comprehensive insurance.

In the other fire- and non-life lines of business, the booked gross premiums came to a total of € 75.0 m (previous year € 21.5 m). Following a withdrawal from the equalisation reserve (€ 1.0 m), underwriting reported a loss of € 0.6 m (previous year € – 1.0 m).

Other insurance policies

With premium income of € 13.6 m (previous year € 4.0 m), the underwriting result following an addition to the equalisation reserve (€ 1.4 m) was € – 5.0 m (previous year € 0.6 m). This loss chiefly stems from the fidelity and loss of profits due to fire insurance business.

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 € 84.3 m (previous year € 123.5 m). This included proceeds from profit transfer agreements with affiliated companies amounting to € 81.2 m (previous year € 119.3 m). These proceeds were set against expenses arising from a loss transfer of € 2.1m (previous year € 2.4 m).

Investment and net investment income

In the year under review, the investment portfolio remained virtually unchanged at € 1,317.3 m. Accounting for 45.4 %, the "investments in affiliated companies and participations" remain a large single item.

As anticipated, the investment area was unable to match the previous year's result in 2009, as particularly high profits were generated from the divestment of equity positions the year before. In total, the subsidiary companies' profit transfers were also lower than in the previous year. Following the previous year's high write-downs – due to the financial market crisis – the fact that write-down requirements were now significantly lower and it was possible to undertake additions had a positive impact.

In total, net investment income amounted to € 108.6 m (previous year € 182.7 m).

Operating result and allocation of retained earnings

After a better than expected other income result, profit on ordinary activities amounted to € 89.9 m (previous year € 167.0 m).

The net profit for the year after tax stands at € 54.9 m (previous year € 97.1 m) and is reported as unappropriated retained earnings.

The Management Board proposes to the General Meeting that € 15.0 m from the unappropriated retained earnings be paid as a dividend to DEVK Sach- und HUK-Versicherungsverein a.G. and that the remaining € 39.9 m be 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 completely 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 Service GmbH and DEVK Web-GmbH. A profit transfer agreement exists with DEVK Asset Management 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 took place in FY 2009.

Organisational 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 Sec. 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. This is based on a risk-bearing capacity concept, which guarantees the adequate coverage of all significant risks via the company's own funds. DEVK has installed a consistent system of limits to confine risks. The limit capacity is portrayed in the form of risk ratios. The risk ratios break the risk limits set in the risk strategy down to DEVK's most important organisational areas. A comprehensive risk inventory is additionally compiled 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 risks 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. Central risk management is undertaken by the independent risk controlling function. This 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 those responsible for risks in the specialist units.

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 are reported to the risk committee and the members of the Management Board in question. The risk report and the risk control process (identification, analysis, evaluation, management and monitoring) are updated quarterly. The risk committee and the Members of the Management Board are the recipients of the reports.

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),
- the risk of extensively correlated risks, which increases the risk of default (concentration 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 of Section 121b in combination with Section 54 Para. 1 of the German Act on the Supervision of Insurance Companies (VAG) regarding 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 impact our results positively. Furthermore, we limit the reliability risk and the concentration risk by adopting very stringent rating requirements and by continually monitoring the issuers we select, resulting in the absence of potentially ruinous dependencies on individual debtors. A permanent influx of liquidity is ensured by endowing the investments in debt instruments with a balanced maturity structure. If the economic recovery achieved as a result of state support programmes and expansive central bank policies fails to lead to a viable upswing due to the now tense state financial situation, there is a risk of returning to a recessionary scenario with extensively deflationary trends and correspondingly negative effects on the capital markets. Equity exposure is therefore at a moderate level. The equity investments are subjected to a portfolio insurance concept that limits share price risks. Should extreme inflation or deflation arise as a result of the economic trend, action options are in place.

On the whole, the effects of the financial crisis have remained manageable, as we have consciously avoided structured products with loan risks (asset backed securities, collateralised debt obligations, collateralised loan obligations) issued in 2007 and 2008. The ABS in our direct portfolio are essentially European ABS with top ratings. Our investment is focussed on German issuers with high creditworthiness, precluding Anglo-Saxon banks from causing any exposure. Investment commitment in the countries currently in the public eye – Portugal, Italy, Ireland, Greece and Spain – is minimal. In terms of issuer risks in ratio to total investments, 0.6 % of the company's interest-bearing investments are in corporate bonds and 42.6 % in bank securities. For the most part, investments in banks are subject to the various legal and private deposit insurance systems or involve interest-bearing securities with special guarantee funds by force of law. Any capital write-downs in the case of hybrid investments have been taken into account via value adjustments in the annual financial statements.

On balance, interest-bearing investments in fixed assets in accordance with Section 341b of the German Commercial Code (HGB) reveal a positive valuation reserve of € 0.6 m. These do not contain any hidden liabilities. Fixed asset equities reveal a negative valuation reserve of € – 0.2 m. These contain hidden liabilities of € 0.3 m.

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 2009 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 programmes, data and ongoing operations. The link between internal and external networks is accordingly protected by state-of-the-art systems.

Based on a corporate contingency analysis, a contingency management guideline describing emergency prevention objectives and boundary conditions plus measures for overcoming these was drawn up.

Solvency

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 financial year, the cash flow from investment activities, i.e., the funds required for the net investment volume, came to € 4.1 m (previous year € 6.7 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, no developments or events that will significantly affect the company's future situation with regard to its assets, financial standing or earnings position took place.

Outlook report

Following the special effect in 2009, delayed booking of third-party reinsurance business in 2008 and booking of third-party reinsurance business in the period in which it occurred in 2009, booked gross premiums will decline in 2010 – despite further expansion of third-party business. Due to this very same reason, it is highly likely that claims expenses and costs will also be lower. On balance, we therefore expect a slight improvement in the underwriting result for own account before changes to the equalisation reserve in 2010 in comparison with 2009.

We anticipate the following capital market trend: In line with economic research institutions, we only anticipate moderate economic growth in 2010 and 2011. This may lead to dashed expectations in certain industries, causing us to predict a sideways trend on the equity market on balance in 2010 – albeit with not inconsiderable, sharp swings.

On the interest markets, we foresee initial restrictive measures on the part of the central banks over the course of the year (limitation of the very generous liquidity supply, initial interest increases – presumably not until H2). Whilst these will impact on money market rates, we believe that they will barely lead to significant increases in interest at the far end of the interest curve. Should an economic upswing stabilise in 2011, this may lead to rising interest.

We anticipate a lower investment result for DEVK Rückversicherungs- und Beteiligungs-AG in 2010, as we are assuming lower addition requirements and because the subsidiary companies' profit transfers are likely to be lower on the whole than the previous year as things stand. A different situation would arise if the significant state economic programmes fail to result in a viable upswing. Interest at the far end would then be more likely to decline still further, and renewed, significant share price falls are then likely on the equity markets.

Our current estimates do not suggest to us that there will be any major one-off strains in the other results that could significantly impact the overall result.

At present, we are considering transferring part of the pension provisions from our company to DEVK Pensionsfonds-AG.

On balance, we expect 2010's profit on ordinary activities to be down on the previous year, particularly due to the net investment income trend.

Cologne, 16 April 2010

The Management Board

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

Notes to management report

Index of operated classes of businesses in the financial 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
House owners' comprehensive insurance
Hailstorm insurance
Animal insurance
Engeneering 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 fidelity 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 2009

Assets	€	€	€	(Previous year € '000s)
A. Intangible assets				
			95,790	(67)
B. Investments				
I. Investments in affiliated companies and participations				
1. Shareholdings in affiliated companies	541,289,360			(536,633)
2. Lending to affiliated companies	9,952,000			(10,575)
3. Participations	46,697,331			(51,919)
		597,938,691		(599,127)
II. Other investments				
1. Equities, fund shares and other non-fixed-interest securities	135,787,718			(152,402)
2. Bearer bonds and other fixed-interest securities	75,457,004			(60,112)
3. Other lending	471,393,117			(474,148)
4. Other investments	25,881,474			(27,850)
		708,519,313		(714,512)
III. Deposits retained on reinsured business		10,864,746		(4,948)
			1,317,322,750	(1,318,587)
C. Receivables				
I. Amounts receivable from reinsurance business, of which:		12,464,336		(12,766)
Owed by affiliated companies: € 550,313				(230)
II. Other receivables		159,833,825		(104,393)
of which:			**172,298,161**	(117,159)
Owed by affiliated companies: € 142,842,255				(101,901)
D. Other assets				
– Tangible assets and inventories			**51,509**	(14)
E. Deferred income				
I. Deferred interest and rental income		13,808,134		(15,132)
II. Other prepaid expenses		931,821		(1,014)
			14,739,955	(16,146)
Total assets			**1,504,508,165**	(1,451,973)

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		341,318,268		(254,218)
IV. Unappropriated retained earnings		54,947,978		(97,100)
			896,788,436	(851,840)
B. Technical reserves				
I. Unearned premiums				
1. Gross amount	5,065,018			(4,026)
2. Of which deducted: Allotment for the insurance business ceded to reinsurance	153,296			(196)
		4,911,722		(3,830)
II. Reserve for insurance claims not yet settled				
1. Gross amount	152,509,750			(124,351)
2. Of which deducted: Allotment for the insurance business ceded to reinsurance	57,449,311			(52,190)
		95,060,439		(72,161)
III. Equalisation reserve and similar reserves		14,384,943		(16,146)
IV. Other technical reserves				
1. Gross amount	764,888			(942)
2. Of which deducted: Allotment for the insurance business ceded to reinsurance	385,317			(480)
		379,571		(462)
			114,736,675	(92,599)
C. Other reserves				
I. Reserves for pensions and similar obligations		331,695,347		(318,644)
II. Tax provisions		30,786,342		(80,653)
III. Other reserves		5,884,290		(5,870)
			368,365,979	(405,167)
D. Deposit liabilities incurred from insurance business ceded to reinsurance				
			1,952,069	(1,256)
E. Other liabilities				
I. Amounts receivable from reinsurance business, of which:		29,075,020		(32,535)
Owed to affiliated companies: € 15,115,660				(21,960)
II. Liabilities owed to banks		–		(50,500)
III. Other liabilities		93,163,694		(17,337)
of which:			**122,238,714**	(100,372)
From taxes: € 1,129,847				(1,182)
Owed to affiliated companies: € 88,223,770				(12,007)
F. Deferred income				
			426,292	(739)
Total liabilities			**1,504,508,165**	(1,451,973)

Profit and loss account

for the period from 1 January until 31 December 2009

Items	€	€	€	(Previous year € '000s)
I. Technical account				
1. Earned premiums for own account				
a) Booked gross premiums	263,992,294			(171,330)
b) Ceded reinsurance premiums	82,116,665			(76,409)
		181,875,629		(94,921)
c) Change in gross unearned premiums	– 1,038,903			(1,525)
d) Change in reinsurers' allotment of gross unearned premiums	– 42,971			(91)
		– 1,081,874		(1,616)
			180,793,755	(96,537)
2. Technical interest income for own account			**33,691**	(31)
3. Expenses for claims for own account				
a) Payments for insurance claims				
aa) Gross amount	161,348,382			(115,428)
bb) Reinsurers' allotment	51,449,383			(52,731)
		109,898,999		(62,697)
b) Change in reserve for insurance claims not yet settled				
aa) Gross amount	28,158,449			(6,461)
bb) Reinsurers' allotment	– 5,259,341			(– 2,866)
		22,899,108		(3,595)
			132,798,107	(66,292)
4. Change in other net underwriting reserves				
a) Net actuarial reserve		–		(181)
b) Other net underwriting reserves		82.770		(– 42)
			82,770	(139)
5. Expenses for insurance business for own account				
a) Gross expenses for insurance business		69.017.626		(45.021)
b) Of which deducted: Commissions and participations in earnings received from insurance business ceded to reinsurance		19,583,958		(18,269)
			49,433,668	(26,752)
6. Other underwriting expenses for own account			**1,226,129**	(636)
7. Sub-total			**– 2,547,688**	(3,027)
8. Change in equalisation reserve and similar reserves			**1,760,704**	(514)
9. Technical result for own account			**– 786,984**	(3,541)
Amount carried forward:			– 786,984	(3,541)

Items	€	€	€	(Previous year € '000s)
Amount carried forward:			– 786,984	(3,541)
II. Non-technical account				
1. Income from investments				
a) Income from participations of which:	3,067,943			(4,205)
From affiliated companies: € 532,000				(364)
b) Income from other investments of which:	33,924,649			(36,611)
From affiliated companies: € 327,488				(589)
c) Income from additions	11,086,568			(565)
d) Profits from the divestment of investments	4,735,869			(65,790)
e) Income from profit pool, profit transfer and partial profit transfer agreements	81,246,170			(119,318)
		134,061,199		(226,489)
2. Expenses for investments				
a) Expenses for the administration of investments, interest expenses, and other expenses for the investments	306,728			(198)
b) Write-downs on investments	22,320,548			(37,044)
c) Losses from the divestment of investments	738,407			(4,141)
d) Expenses stemming from loss transfer	2,123,700			(2,417)
		25,489,383		(43,800)
		108,571,816		(182,689)
3. Technical interest income		61,671		(50)
			108,510,145	(182,639)
4. Other income		12,673,909		(4,214)
5. Other expenses		30,449,078		(23,391)
			– 17,775,169	(– 19,177)
6. Profit on ordinary activities			**89,947,992**	(167,003)
7. Taxes on income				
a) Own	35,565,531			(62,766)
b) Tax allotment	– 566,270			(7,136)
		34,999,261		(69,902)
8. Other taxes		753		(1)
			35,000,014	(69,903)
9. Net profit for the year/unappropriated retained earnings			**54,947,978**	(97,100)

Notes

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 acquisition in each case. These items were otherwise recorded in the year of their acquisition recorded as operating expenses in the year of their acquisition.

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 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 had been applied to a lower value in previous years, an addition was made if this asset could be assigned a higher value once again 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 acquisition in each case. These items were otherwise recorded as operating expenses in the year of their acquisition.

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

The assessment of the **technical reserves** was done in accordance with the following principles:
Reinsurance contracts with external companies were entered simultaneously in the balance sheet in the financial year for the first time. If no settlements were available for this, the reserves were estimated on the basis of past values and timely information from ceding companies. The estimated values contain adequate safety margins. The reinsurer's allotment of reserves was determined on the basis of contractual agreements.

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 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. 2 of the German Insurance Company Accounting Regulation (RechVersV).

The **other underwriting reserves** contain a reserve for premium refunds for premium claims 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-forfeitable 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 **other liabilities** were valued 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.

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.

Performance of asset items A., B.I. to II. in FY 2009

Assets	Balance sheet values Previous year € '000s	Allocations € '000s	Re-allocations € '000s	Disposals € '000s	Additions € '000s	Write-downs € '000s	Balance sheet values Financial 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 German Commercial Code (HGB)	–	–	–	–	–	–	–
2. Goodwill acquired in return for payment	–	–	–	–	–	–	–
3. Other intangible assets	67	59	–	–	–	30	96
4. Total A.	67	59	–	–	–	30	96
B.I. Investments in affiliated companies and participations							
1. Shareholdings in affiliated companies	536,633	10,907	–	–	–	6,250	541,290
2. Lending to affiliated companies	10,575	655	–	1,278	–	–	9,952
3. Participations	51,919	1,875	–	–	–	7,097	46,697
4. Total B.I.	599,127	13,437	–	1,278	–	13,347	597,939
B.II. Other investments							
1. Equities, fund shares and other non-fixed-interest securities	152,402	23,210	–	45,116	6,748	1,456	135,788
2. Bearer bonds and other fixed-interest securities	60,112	34,706	–	23,580	4,250	31	75,457
3. Other lending							
a) Registered bonds	125,000	10,000	–	–	–	–	135,000
b) Borrowers' notes and loans	287,148	26,265	–	35,820	–	–	277,593
c) Other lending	62,000	–	–	–	–	3,200	58,800
4. Other investments	27,850	2,450	–	221	89	4,287	25,881
5. Total B.II.	714,512	96,631	–	104,737	11,087	8,974	708,519
Total	**1,313,706**	**110,127**	**–**	**106,015**	**11,087**	**22,351**	**1,306,554**

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 341b Para. 2 of the German Commercial Code (HGB). As at 31 December 2009, 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	541,289,360	1,140,120,448
2. Lending to affiliated companies	9,952,000	10,333,908
3. Participations	46,697,331	50,092,726
B.II. Other investments		
1. Equities, fund shares and other non-fixed-interest securities	135,787,718	165,888,814
2. Bearer bonds and other fixed-interest securities	75,457,004	77,772,450
3. Other lending		
a) Registered bonds	135,000,000	137,477,966
b) Borrowers' notes and loans	277,593,117	280,802,530
c) Other lending	58,800,000	44,584,750
4. Other investments	25,881,474	24,048,738
Total	**1,306,458,004**	**1,931,122,330**
of which: Investments assessed at procurement costs	840,525,334	1,469,041,792
of which: Investments in fixed assets in accordance with Section 341b Para. 2 of the German Commercial Code (HGB).	25,955,193	26,354,455

The valuation reserves contain hidden liabilities amounting to € 25.5 m. These are accounted for by 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, der DEVK Rechtsschutz-Versicherungs-AG, DEVK Krankenversicherungs-AG, DEVK Vermögensvorsorge- und Beteiligungs-AG and DEVK Service GmbH. The book value was primarily used to calculate the other allotments.

The calculation of the present value was partially based on income values, the market price 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 present values for the investments reported at nominal value (registered securities) 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.

The present values for the remaining loans and silent partnerships as defined in the German Banking Act (KWG) (surrogate forms of capital) were determined on the basis of a DCF method based on the current EURO swap curve and a risk premium. In this, consideration was given to anticipated, future payment flows observing debtor-specific assumptions.

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
Participations	10,200	9,996
Securities in fixed assets	8,016	7,716
Other lending	32,884	26,713

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	Attributable value for premium € '000s
Other liabilities	Short-put options	3,100	157	64
Other liabilities	Short-call options	1,300	325	–
Promissory note bonds	Pre-emptions	75,000	–	4,027

Valuation method

Short-put options:	European options	Black-Scholes
	American options	Barone-Adesi
Short-call options:	European options	Black-Scholes
	American options	Barone-Adesi
Pre-emptions:	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 financial 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	6,000,000	100.00	100.00	6,980,291	–
DEVK Allgemeine Lebensversicherungs-AG, Cologne	7,158,086	100.00	51.00	56,880,301	–
DEVK Pensionsfonds-AG, Cologne	4,000,000	100.00	51.00	8,593,766	70,000
DEVK Vermögensvorsorge- und Beteiligungs-AG, Cologne	20,000,000	51.00	51.00	107,000,000	–
DEVK Alpha GmbH, Cologne	25,000	100.00	51.00	26,222	– 170
DEVK Asset Management GmbH, Cologne	100,000	100.00	100.00	100,000	–
DEVK Beta GmbH, Cologne	25,000	100.00	100.00	34,266	– 129
DEVK Gamma GmbH, Cologne	25,000	100.00	100.00	25,509	– 172
DEVK Iota GmbH, Cologne	25,000	100.00	51.00	24,347	72
DEVK Omega GmbH, Cologne	25,000	100.00	100.00	24,346	72
DEVK Private Equity GmbH, Cologne	10,000,000	55.00	47.65	105,020,476	– 3,515,086
DEVK Saturn GmbH, Cologne	25,000	100.00	100.00	24,346	72
DEVK Service GmbH, Cologne	260,000	74.00	74.00	3,110,379	–
DEVK Unterstützungskasse GmbH, Cologne	25,000	100.00	51.00	24,452	183
DEVK Web-GmbH, Cologne	25,000	100.00	100.00	25,000	–
DEVK Zeta GmbH, Cologne	25,000	100.00	51.00	305,652	35,546
DEVK Zeus Vermögensverwaltungs-AG, Cologne	50,000	100.00	100.00	50,477	– 114
Assistance Services GmbH, Schöneiche	51,129	100.00	79.17	156,935	89,905
Ceyoniq Sales & Services GmbH Süd, Nuremberg	100,000	100.00	57.94	84,801	28,474
Ceyoniq Technology GmbH, Bielefeld	1,000,000	66.67	57.94	1,066,924	175,800
eSlidez GmbH, Bielefeld	25,000	55.00	32.30	40,993	2,372
German Assistance Versicherung AG, Coesfeld	1,462,500	100.00	79.17	2,527,778	– 995,522
Hands on Media GmbH, Bielefeld	25,000	100.00	59.61	26,512	1,512
Hotelbetriebsgesellschaft SONNENHOF mbH, Cologne	375,000	100.00	51.00	356,023	–
HYBIL B.V., Venlo	400,000	80.00	75.10	46,313,982	984,349
KASSOS Beteiligungs- und Verwaltungs-GmbH, Cologne (Financial year 2008)	25,000	100.00	100.00	3,429,672	188,122
Lieb' Assur S.A.R.L., Nîmes	250,000	100.00	100.00	375,997	– 3,803
Monega Kapitalanlagegesellschaft mbH, Cologne	5,200,000	45.00	45.00	6,658,560	1,458,560
O. I. L. Vertriebs GmbH, Coesfeld	102,258	100.00	79.17	19,203	– 108,837
OUTCOME Unternehmensberatung GmbH, Aachen	525,000	80.00	80.00	11,884	– 396,535
Reisebüro Frenzen GmbH, Cologne	25,000	52.00	52.00	355,578	85,216
SADA Assurances S.A., Nîmes	18,216,840	100.00	100.00	11,071,088	– 435,237

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 lending** 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	**€ 931,821**

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 31.12.2008	€ 254,218,268
Addition	€ 87,100,000
Status on 31.12.2009	**€ 341,318,268**

Re: Liabilities F.

Deferred income

Discount stemming from registered bonds and loans	**€ 426,292**

Explanatory notes on profit and loss account

Explanatory notes on insurance business taken on in reinsurance	Financial year € '000s	Previous year € '000s
Booked gross premiums		
– Property/casualty	263,992	172,685
– Life	–	– 1,355
Total	**263,992**	171,330

Commissions and other remuneration for insurance representatives, personnel expenses	Financial 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 German Commercial Code (HGB)	–	–
3. Wages and salaries	302	400
4. Social security contributions and costs for social insurance	–	–
5. Retirement pension costs	143	5
Total	**445**	405

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 Management Board remuneration amounted to € 308,683. The superannuation of the former Management Board members and dependants came to € 154,269. For this category of persons, a pension provision of € 2,438,810 was reported on the balance sheet on 31 December 2009. The Supervisory Board remuneration came to € 205,454.

Other information

Other financial liabilities

The remaining payment liabilities stemming from real estate holdings, private equity funds, fund shares, shareholdings in affiliated companies and participations at the end of the year amounted to a total of € 38.2 m. This included liabilities owed to affiliated companies worth € 2.2 m.

On the balance sheet date, the company had financial liabilities amounting to € 4.4 m stemming from open short options, € 52.0 m from multi-tranche promissory note bonds and € 75.0 m from open pre-emptions.

General information

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

Our company does not have any personnel of its own.

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.

Information concerning the auditor's fees is contained in the explanatory notes to the consolidated financial statement in accordance with Section 285 No. 17 of the German Commercial Code (HGB, new version).

Our company is exempt from the obligation to prepare a consolidated financial statement and 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
Headquarters, 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, 16 April 2010

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 financial year from 1 January to 31 December 2009. The maintenance of the books of records and the preparation of the annual financial statements and management report in accordance with German commercial law and the supplementary by-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 by-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 2010

KPMG AG Wirtschaftsprüfungsgesellschaft

Mehren	**Offizier**
German Chartered	German Chartered
Public Accountant	Public Accountant

Supervisory Board report

During FY 2009, 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 AG 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 2009. 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 2009.

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. 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 judgement we confirm that
1. the actual information contained in the report is correct and
2. 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 2009 and recommends that the General Meeting 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, 12 May 2010

Supervisory Board

Kirchner
Chairman