

Company bodies

Supervisory Board

Alexander Kirchner

Runkel

Chairman

Chairman of the Eisenbahn- und
Verkehrsgewerkschaft (EVG)
(Railway and Transport Union)

Jürgen Thureau

Homburg

Deputy Chairman

Chairman of the Management Board
of Sparda-Bank West eG

Gerd Becht

Bad Homburg

Director of Compliance,
Data Protection and Law
Deutsche Bahn AG und
DB Mobility Logistics AG

Ruth Ebeler

Cologne

Deputy Chair of the Works
Council, DEVK Versicherungen,
Cologne Headquarters

Dr Klaus Eberhardt

Berlin

(until 31 December 2011)

Heinz Fuhrmann

Neu-Anspach

Member of the Management Board of the
Eisenbahn- und Verkehrsgewerkschaft (EVG)
(Railway and Transport Union)

Hans-Joerg Gittler

Kestert

CEO of the Management Board
of Bahn-BKK

Dr Johannes Ludewig

Alfter

Chairman of the National Regulatory
Control Council, Federal Chancellery

Helmut Petermann

Essen

Chairman of the General Works Council
of DEVK Versicherungen

Management Board

Friedrich Wilhelm Gieseler

Bergisch Gladbach

Chairman

Gottfried Rüßmann

Cologne

Bernd Zens

Königswinter

Management report

Commercial environment and general conditions

Overview

As a wholly owned subsidiary of DEVK Sach- und HUK-Versicherungsvereins a.G., DEVK Rückversicherungs- und Beteiligungs-AG performs two functions within the DEVK Sach- und HUK-Versicherung Group. Firstly, it functions as a reinsurer, underwriting both Group-internal and third-party business, and secondly, it serves as an intermediate holding company, managing the Group's other insurance companies as well as various other participating interests.

On the stock exchanges, 2011 was dominated by the eurozone debt crisis and fears that the economic slowdown would turn into full-blown worldwide recession. As a result, the majority of stock markets showed a clear downward trend, with the EuroStoxx50 share index, for instance, down 17.4 % by the end of the year at 2,316.55, while the DAX German share index was slightly stronger at 14.7 % down. Investors' deep-seated pessimism also led to higher risk premiums being demanded on many bonds – a trend not just affecting paper issued by the PIIGS countries. Meanwhile, the euro lost significant ground against many currencies.

All in all, then, we can report satisfactory business performance during the course of 2011.

Ratings

The ratings, commissioned by Standard & Poor's for the first time in 2008, are updated each year. As in 2008, 2009 and 2010, in 2011 DEVK Sach- und HUK-Versicherungsverein a.G., DEVK Allgemeine Versicherungs-AG, DEVK Allgemeine Lebensversicherungs-AG and DEVK Rückversicherungs- und Beteiligungs-AG were all once again assigned ratings of A+, and Standard & Poor's assesses our future outlook as "stable", thus confirming the very sound financial position enjoyed by DEVK companies generally.

The rating agency Fitch came to the same conclusion, with its 2011 second-time rating of the financial strength of DEVK's core companies also coming in at A+. The individual companies rated were DEVK Sach- und HUK-Versicherungsverein a.G., DEVK Rückversicherungs- und Beteiligungs-AG, DEVK Allgemeine Versicherungs-AG, DEVK Rechtsschutz-Versicherungs-AG, DEVK Krankenversicherungs-AG and the two life assurance companies DEVK Lebensversicherungsverein a.G. and DEVK Allgemeine Lebensversicherungs-AG. Their outlook too is rated as stable.

Market opportunities in the reinsurance sector

Thanks to the company's good ratings, its growth opportunities as a volume provider on the reinsurance market remain very good, because for many business partners such a rating is now a precondition for doing business. In our view, there remains a strong demand for a partner with a traditional market presence, especially one coming from the mutual insurance sector. This demand exists not only in Germany but also in most other European countries.

Reinsurance operations business trends

In 2011, booked gross premiums were up 7.3 % at € 252.8 million. Income from participating interests came to € 86.5 million (2010: € 80.6 million).

Earned premiums net of reinsurance totalled € 162.4 million (2010: € 146.0 million), and claims expenses net of reinsurance came to € 115.0 million (2010: € 105.9 million). The ratio of net claims expenses to earned net premiums thus amounted to 70.8 % (2010: 72.5 %), while the ratio of expenses on insurance operations net of reinsurance to earned premiums net of reinsurance was 25.4 % (2010: 26.3 %).

The netted-out 2011 underwriting result before changes to the equalisation provision came to € – 2.5 million (2010: € 800,000). After a € 9.4 million allocation to the equalisation provision (2010: € 2.5 million), the underwriting result net of reinsurance totalled € – 11.9 million (2010: € – 1.7 million).

Performance of the individual insurance classes

Our individual insurance segments, classes and types performed as follows:

Life assurance

The results for this segment derive almost exclusively from quota share reinsurance policies with DEVK Lebensversicherungsverein a.G. and DEVK Allgemeine Lebensversicherungs-AG. Booked gross premiums came to € 3.7 million. The underwriting result was a loss of € 11.1 million.

Accident insurance

Gross booked premium receipts amounted to € 26.7 million (2010: € 26.6 million), with an underwriting result net of reinsurance of € 4.6 million (2010: € 4.8 million).

Liability insurance

With gross booked premiums of € 2.7 million (2010: € 3.4 million), there was an underwriting loss of € 513,000. After the complete release of the equalisation provision (withdrawal of € 793,000), the underwriting result was € – 854,000.

Motor vehicle liability insurance

Gross booked motor vehicle liability insurance premium receipts totalled € 48.6 million (2010: € 47.4 million), while the underwriting result improved to € – 1.8 million (2010: € – 5.5 million).

Other motor vehicle insurance

Other motor vehicle insurance comprises our comprehensive and partial comprehensive motor insurance (third-party, fire and theft). Gross booked premiums totalled € 60.8 million (2010: € 58.1 million). The underwriting result came to € – 2.0 million (2010: € – 4.1 million).

Fire and non-life insurance

Total gross booked fire and non-life insurance premiums rose to € 99.3 million (2010: 88.8 million). In detail, our individual fire and non-life segments performed as follows:

Gross booked household contents insurance premiums amounted to € 10.8 million, slightly up on the 2010 figure of € 9.6 million. The underwriting result came to € 2.8 million (2010: € 2.5 million).

With premium receipts of € 36.2 million (2010: € 30.5 million), and after a € 3.1 million allocation to the equalisation provision (2010: € 300,000), our combined property insurance registered an underwriting profit of € 2.0 million (2010: € 1.6 million).

In the other classes of fire and non-life insurance, gross booked premiums totalled € 52.3 million (2010: € 48.7 million). After a € 10.8 million allocation to the equalisation provision (2010: € 900,000), the underwriting result was a loss of € 6.8 million (2010: € – 3.7 million).

Other insurance policies

With premium receipts of € 11.0 million (2010: € 11.4 million), the underwriting result after a € 1.5 million withdrawal from the equalisation provision (2010: € 2.1 million allocation) came to € 900,000 (2010: € 3.5 million).

Retrocession

Our company's outward reinsurance operations were divided among several external reinsurers. Our choice of reinsurers took their ratings into account.

Performance of our participating interests

Income from participating interests came to € 94.8 million (2010: € 86.3 million). This figure included income from profit transfer agreements with affiliated companies totalling € 90.7 million (2010: € 83.1 million). Set against this income are charges from a loss transfer amounting to € 8.4 million (2010: € 2.2 million).

Investments and net investment income

During the year under review, the investment portfolio increased by 7.8 % to € 1,527.3 million. At 40.8 %, "Investments in affiliated companies and participating interests" continue to constitute the largest item in the investment portfolio.

As expected, the 2011 investment result fell short of the 2010 level. This was due in part to minimal write-ups, but chiefly to increased write-downs on investments. The profit transfer from subsidiaries, which we had expected to fall last year, rose by € 7.6 million to € 90.7 million.

At € 115.7 million, total net investment income was only slightly down on the 2010 figure of € 120 million.

Operating result and appropriation of retained earnings

After an "Other" profit or loss result below the 2010 level, the profit from normal business activities came to € 77.4 million (2010: € 95.2 million).

There was no extraordinary result to report for 2011. In 2010, the application of the new provisions of the German Act on Modernisation of Accounting Regulations (BilMoG) led to an extraordinary result including net pension expenses of € 600,000.

After taxes, the net profit for the year amounted to € 36.0 million (2010: € 50.0 million).

The Management Board hereby proposes to the Annual General Meeting that the sum of € 15.0 million should be appropriated from the net retained earnings and paid as a dividend to DEVK Sach- und HUK-Versicherungsverein a.G., with the remaining € 21.0 million being allocated to "Other" retained earnings.

Affiliated companies and participating interests

The affiliated companies of 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 share capital of approx. € 307 million is fully paid up and is 100 % held by DEVK Deutsche Eisenbahn Versicherung Sach- und HUK-Versicherungsverein a.G. Betriebliche Sozialeinrichtung der Deutschen Bahn, Cologne.

There are control and profit transfer agreements with DEVK Allgemeine Versicherungs-AG, DEVK Rechtsschutz-Versicherungs-AG, DEVK Krankenversicherungs-AG, DEVK Vermögensvorsorge- und Beteiligungs-AG, DEVK Service GmbH, DEVK Web-GmbH and Outcome Unternehmensberatung GmbH, and there is a profit transfer agreement with DEVK Asset Management GmbH.

Details of our company's direct shareholdings in affiliated companies and participating interests are given in the notes.

Pursuant to section 312 AktG the Management Board is required to prepare a report on its relationships with affiliated companies. At the end of the report, the Management Board states that, in light of the circumstances of which it was aware at the time of undertaking legal transactions with affiliated companies, it received appropriate consideration for all such transactions. No action requiring reporting had to be taken in the 2011 financial year.

Organisational collaboration

Under a service contract concluded with DEVK Sach- und HUK-Versicherungsverein a.G., the Group provides us with services on our instructions, in particular in the fields of general administration, accounting, collections and disbursements, investments and investment management, personnel management and development, operational organisation, IT, controlling, auditing, law, taxation, sales, inventory management and processing claims and benefits.

Our company purchases or rents its own operating equipment and tools according to its requirements.

Opportunities and risks from 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 Insurance Supervision Act, we are hereby reporting the opportunities and risks presented by future developments.

A risk management system is employed within the DEVK Group to identify and assess risks at an early stage. The system is based on a risk-bearing capacity model that guarantees adequate coverage of all significant risks via the company's own funds. To control risks, DEVK has put in place a consistent system of limits whereby the limit capacity is portrayed in the form of risk ratios. The risk ratios break down the risk limits set by the risk strategy according to DEVK's most important organisational areas. On top of this, a comprehensive risk inventory is compiled every six months, in which risks are recorded and classified according to type with the aid of a questionnaire. Wherever possible, risks are quantified and the action necessary to manage the risks is recorded. This system enables us to react immediately and appropriately to developments that pose a risk to the Group. The system's effectiveness and suitability are monitored by the Internal Auditing unit.

DEVK's risk management organisation is both centralised and decentralised at one and the same time. By decentralised risk management, we mean the risk responsibility borne by individual departments. Thus, departmental and process managers are in charge of and responsible for risk management within their specific operational areas. Meanwhile, central risk management is the task of the independent risk controlling function, which is responsible for dealing with the cross-departmental risks and for the development and maintenance of the company-wide risk management system. It coordinates the company's risk management processes and supports those responsible for risk within individual departments.

The Risk Committee assesses the risk situation faced by individual companies and by the Group as a whole on the basis of the risk reports it receives, taking into account all discernible significant risks, as well as limit capacities and current risk drivers. Finally, a Management Board submission is prepared in which the results are reported to the Management Board members responsible for the various risk areas. The risk report and the risk control process (identification, analysis, evaluation, management and monitoring) are updated on a quarterly basis. Reports are submitted both to the Risk Committee and members of the Management Board.

Technical risks

Principal among the technical risks are the premium/claims risk and the reserves risk.

In line with suitable assumption guidelines, as a rule we take on standardised business, while counteracting the risk of unusually high claims expenses attendant upon extraordinary loss events through a corresponding retrocession policy.

To smooth our underwriting results equalisation provisions have been formed in compliance with the provisions of accounting law.

Investment risks

Die Risiken aus Kapitalanlagen umfassen:

The risks stemming from investments comprise:

- the risk of unfavourable interest rate, equity market or exchange rate movements (market price risks),
- counterparty risk (credit risk),
- the risk of strongly correlated risks that in turn increase counterparty risk (concentration risk),
- liquidity risk, i.e. the risk of not always being able to meet payment obligations.

Our investments comply with the investment principles concerning qualified assets laid down in section 121b in conjunction with section 54 paragraph 1 VAG. We counteract exchange/market price risk and interest rate risk by maintaining a balanced mix of investment types. Active portfolio management allows us to exploit opportunities arising from market movements to improve our results, while we limit credit risk and concentration risk by imposing very stringent rating requirements and continually monitoring the issuers we select, thus avoiding any potentially ruinous dependence on individual debtors. We ensure a continuous influx of liquidity by maintaining a portfolio of interest-bearing investments with a balanced maturity structure.

In light of the uncertain economic situation we actively managed our ratio of equity investments throughout the year, though with an overall downward tendency as compared with 2010. We have applied a value protection model to our equity investments in order to limit market risks. Should growing economic problems, such as a deepening of the euro-zone crisis or escalation in Iran, lead to a significant downturn, various courses of action are open to us.

The overall impact on us of the eurozone debt crisis remains manageable since the bulk of our capital investments are in German issuers with strong credit ratings. We have minimal investment exposure to the eurozone countries currently under the microscope, i.e. Portugal, Italy, Ireland, Greece and Spain. As regards issuer risks, as proportions of our total investments, 4 % of the company's investments are in government bonds, 1 % in corporate bonds and 42 % in securities and bank deposits. The bulk of our investments in banks are either covered by various statutory and private deposit protection schemes or involve interest-bearing securities that are protected in law by special guarantee funds. Possible capital write-downs of hybrid investments were largely accounted for in past years via value adjustments in the annual financial statements.

Our interest-bearing investments allocated to fixed assets in accordance with section 341b of the German Commercial Code (HGB) show a positive valuation reserve of € 2.9 million, a figure that includes € 5.3 million in hidden charges.

We have subjected our investment holdings to a stress test similar to the one applied to our non-life and casualty insurance. This was done to the balance sheet date of 31 December 2011, using the BaFin-specified modified stress test model from the German Insurance Association (GDV). All of the scenarios contained therein were passed successfully. The stress test determines whether an insurance undertaking would be in a position to meet its obligations towards its policyholders even if the capital markets underwent a protracted crisis. The stress test simulates a short-term adverse change on the capital markets and examines the impact on the insurance undertaking's balance sheet and accounts. The target horizon is the next balance sheet date. The stress test assumes the following scenarios: 1) a downturn on the equity markets while the bond market remains stable, 2) a downturn on the bond market while the equity market remains stable, 3) a simultaneous crash on the equity and bond markets and 4) a simultaneous crash on the equity and real-estate markets.

Operational opportunities and risks

Operational risks may stem from inadequate or failed operational processes, the breakdown of technical systems, external variables, employee-related incidents and changes in the legal framework. However, the main focus of the half-yearly risk inventory is on operational risks.

DEVK's operating procedures are based on internal guidelines. The risk of employee-related incidents is limited via regulations governing authorisation and powers of representation as well as wide-ranging automated backup for operating procedures, while the efficacy and functionality of in-house controls are monitored by the Internal Auditing unit.

Comprehensive access controls and preventive measures are in place in the IT field to ensure the security and integrity of programmes, data and ongoing operations, and links between internal and external networks are suitably protected by state-of-the-art systems.

Crisis management guidelines have been drawn up on the basis of a corporate emergency analysis. The guidelines set out goals and terms of reference for the prevention of emergencies and dealing with them should they arise.

Solvency

The premium index and claims index indicate that the company's own funds, proof of which must be furnished pursuant to section 53c of the German Insurance Supervision Act (VAG) in order to demonstrate our long-term ability to meet policy liabilities, provide a very high level of excess cover.

Cash flow

In the current financial year, the cash flow from investments, i.e. the funds required for the net investment volume, amounted to € 80.2 million (2010: € 96.5 million). The necessary funds were generated by the company's ongoing operations.

Summary of our risk status

Currently there are no discernible developments that could lead to a significant impairment of our company's net assets, financial position and results of operations.

Supplementary report

No occurrences or events took place after the reporting date that could significantly affect the company's future net assets, financial position or results of operations.

Outlook

We anticipate growing overall premium receipts during 2012 and 2013. Before changes to the equalisation provision, we are expecting the technical account for both years to register negative results. This is due to the performance of the life assurance segment, though the losses expected here in coming years should be offset or even surpassed by the profits of subsequent years.

Contrary to most experts' forecasts, thus far in 2012 the global economy has performed better than expected. Clearly a deep worldwide recession has not set in, and leading indicators in the USA, China and also Germany point to moderate economic growth. However, the countries directly affected by the eurozone crisis continue to show strongly recessionary tendencies. The predominant current view is that the countries concerned, with the exception of Greece and possibly Portugal, will in the long term be capable of overcoming the crisis. Of key importance here will be the avoidance of a domino effect leading to other European countries being dragged into the turmoil.

This basically good sentiment is also reflected in the positive performance of the world's stock markets during the first few weeks of 2012. However, this means that an economic recovery has already been priced in, so a continuation of the positive trend will be jeopardised not only by the persistent negative impact of the eurozone crisis, but also by political risks such as the Iran conflict. Against this backdrop we expect capital markets to remain highly volatile during 2012 and 2013.

In light of the falling eurozone inflation rates and the extremely expansionary central bank policy, we expect limited potential for increasing yields at the long end of the yield curve. Indeed, it is far more likely that with a corresponding continuation of the positive trends, the yield premiums on both corporate and bank bonds from the weaker eurozone countries will tend to decrease. With falling demand for safe German bonds their yields could increase somewhat, but the overall interest level would remain unaltered or could even fall. No tendency towards increases in the extremely low base interest rates is currently discernible, either in the eurozone or the USA.

For DEVK Rückversicherungs- und Beteiligungs-AG, we expect the 2012 and 2013 investment results to reach or even surpass the level of 2011. However, this will require stable profit transfers from the subsidiaries.

In other respects, our current assessment of the prospects for 2012 and 2013 is that no major pressures are to be expected that could have a significant impact on the overall result.

All in all, we expect the 2012 and 2013 results from ordinary activities to either equal or exceed the previous year's level.

Cologne, 20 April 2012

The Management Board

Gieseler

Rußmann

Zens

Notes to the management report

List of insurance classes covered during the financial year

Reinsurance coverage provided

Life assurance

Health insurance

General accident insurance
Motor vehicle accident insurance
Travel accident insurance

Accident insurance

General accident insurance
Motor vehicle accident insurance
Travel accident insurance

Liability insurance

General liability insurance
Pecuniary loss liability insurance
Travel liability insurance

Motor vehicle liability insurance

Other motor vehicle insurance

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

Legal-expenses insurance

Fire and non-life insurance

Fire insurance
Burglary and theft insurance
Water damage insurance
Glass insurance
Windstorm insurance
Household contents insurance
Homeowners' building insurance
Hail insurance
Animal insurance
Engineering insurance
Extended coverage insurance
Travel baggage insurance
All-risk insurance

Goods-in-transit insurance

Other insurance policies

Transport insurance
Credit and bond insurance
Breakdown service insurance
Business interruption insurance
Exhibition insurance
Travel cancellation costs insurance

Financial statements

Balance sheet to 31 December 2011

Assets		€	€	€ (2010: € 000s)
A. Intangible assets				
I. Licences, industrial property rights and similar rights and assets acquired for valuable consideration, as well as licences in such rights and assets		240,756		(156)
II. Payments on account		<u>486</u>		(48)
			241,242	(204)
B. Investments				
I. Investments in affiliated undertakings and participating interests				
1. Shares in affiliated companies	572,708,136			(555,834)
2. Loans to affiliated companies	4,818,000			(8,009)
3. Participating interests	<u>46,221,046</u>			(45,829)
		623,747,182		(609,672)
II. Other financial investments				
1. Equities, fund units and other variable-yield securities	163,695,388			(161,282)
2. Bearer bonds and other fixed-interest securities	209,719,383			(142,305)
3. Other loans	444,009,408			(456,061)
4. Other investments	<u>25,173,439</u>			(33,047)
		842,597,618		(792,695)
III. Deposits with ceding companies		<u>60,975,993</u>		(13,859)
			1,527,320,793	(1,416,226)
C. Receivables				
I. Receivables arising out of direct insurance operations of which: Affiliated companies: € 296,225		13,151,474		(13,703)
II. Other receivables of which: Affiliated companies: € 164,867,138		<u>192,253,783</u>		(193)
			205,405,257	(158,305)
				(172,008)
				(129,737)
D. Other assets				
I. Tangible assets and inventories		127,855		(117)
II. Other assets		<u>6</u>		(-)
			127,861	(117)
E. Prepayments and accrued income				
I. Accrued interest and rent		16,280,867		(15,478)
II. Other prepayments and accrued income		<u>497,344</u>		(1,745)
			16,778,211	(17,223)
Total assets			1,749,873,364	(1,605,778)

Liabilities and shareholders' equity

	€	€	€ (2010: € 000s)
A. Capital and reserves			
I. Subscribed capital		306,775,129	(306,775)
II. Capital reserve		193,747,061	(193,747)
III. Retained earnings			
– Other retained earnings		416,266,246	(381,266)
IV. Unappropriated retained earnings		<u>36,000,000</u>	(50,000)
		952,788,436	(931,788)
B. Technical provisions			
I. Provision for unearned premiums			
1. Gross amount	6,366,802		(6,053)
2. of which:			
Reinsurance amount	<u>20,517</u>		(153)
		6,346,285	(5,900)
II. Premium reserve		51,537,980	(–)
III. Provision for claims outstanding			
1. Gross amount	187,966,977		(173,112)
2. of which:			
Reinsurance amount	<u>62,104,857</u>		(61,377)
		125,862,120	(111,735)
IV. Provision for bonuses and rebates		14,100	(–)
V. Equalisation provision and similar provisions		26,283,963	(16,895)
VI. Other technical provisions			
1. Gross amount	530,224		(822)
2. of which:			
Reinsurance amount	<u>146,915</u>		(414)
		383,309	(408)
		210,427,757	(134,938)
C. Provisions for other risks and charges			
I. Provisions for pensions and similar commitments		380,010,161	(366,555)
II. Provisions for taxation		66,740,560	(39,761)
III. Other provisions		<u>8,389,130</u>	(584)
		455,139,851	(406,900)
D. Deposits received from reinsurers			
			(–)
			(2,561)
E. Liabilities			
I. Liabilities arising out of reinsurance operations		38,507,766	(38,365)
of which:			
Affiliated companies: € 19,828,619			(25,625)
II. Amounts owed to banks		84,000,000	(85,009)
III. Other liabilities		<u>8,455,901</u>	(5,476)
including			(128,850)
Tax: € 1,182,171			(1,182)
Affiliated companies: € 3,420,248			(4)
		130,963,667	
F. Accruals and deferred income			
		<u>553,653</u>	(741)
Total liabilities		1,749,873,364	(1,605,778)

Profit and loss account

for the period from 1 January to 31 December 2011

Items	€	€	€ (2010: € 000s)
1. Earned premiums, net of reinsurance			
a) Gross premiums written	252,843,756		(235,601)
b) Outward reinsurance premiums	<u>90,028,064</u>	162,815,692	(88,623)
c) Change in the gross provision for unearned premiums	- 313,525		(146,978)
d) Change in the provision for unearned premiums, reinsurers' share	<u>- 132,575</u>	<u>- 446,100</u>	(- 989)
		162,369,592	(145,989)
2. Allocated investment return transferred from the non-technical account, net of reinsurance		2,168,222	(47)
3. Claims incurred, net of reinsurance			
a) Claims paid			
aa) Gross amount	163,593,852		(146,771)
bb) Reinsurers' share	<u>62,714,487</u>	100,879,365	(57,530)
b) Change in the provision for claims outstanding			(89,241)
aa) Gross amount	14,855,475		(20,602)
bb) Reinsurers' share	<u>- 727,893</u>	<u>14,127,582</u>	(- 3,928)
		115,006,947	(16,674)
4. Changes in other technical provisions, net of reinsurance			(105,915)
a) Premium reserve, net of reinsurance		1,244,333	(-)
b) Other technical provisions, net of reinsurance		<u>24,903</u>	(- 29)
		1,269,236	(- 29)
5. Bonuses and rebates, net of reinsurance		14,100	(-)
6. Net operating expenses			
a) Gross operating expenses		62,112,906	(58,971)
b) of which: Reinsurance commissions and profit participation		<u>20,951,300</u>	(20,537)
		41,161,606	(38,434)
7. Other technical charges, net of reinsurance		12,138,355	(835)
8. Subtotal		- 2,513,958	(823)
9. Change in the equalisation provision and similar provisions		- 9,388,608	(- 2,510)
10. Technical result, net of reinsurance		- 11,902,566	(- 1,687)
Balance carried forward:		- 11,902,566	(- 1,687)

Items

	€	€	€ (2010: € 000s)
Balance carried forward:			- 11,902,566 (- 1,687)
II. Non-technical account			
1. Investment income			
a) Income from participating interests	4,117,512		(3,201)
of which:			
from affiliated companies: € 1.775.500			(1,190)
b) Income from other investments	40,849,789		(33,526)
of which:			
from affiliated companies: € 965.137			(333)
c) Write-ups on investments	1,875,953		(7,139)
d) Gains on the realisation of investments	7,692,699		(4,344)
e) Income from a profit pooling, profit transfer or partial profit transfer agreement	<u>90,721,983</u>		(83,082)
		145,257,936	(131,292)
2. Investment charges			
a) Investment management charges, interest expenses and other charges on capital investments	869,378		(278)
b) Write-downs on investments	18,059,232		(7,636)
c) Losses on the realisation of investments	2,260,270		(1,163)
d) Charges from loss transfer	<u>8,412,271</u>		(2,175)
		29,601,151	(11,252)
		115,656,785	(120,040)
3. Allocated investment return transferred to the non-life insurance technical account	<u>2,221,730</u>		(91)
		113,435,055	(119,949)
4. Other income	13,479,971		(14,181)
5. Other charges	<u>37,585,142</u>		(37,288)
		- 24,105,171	(- 23,107)
6. Profit from normal business activity			77,427,318 (95,155)
7. Extraordinary income		-	(21,469)
8. Extraordinary expenses		-	(22,088)
9. Extraordinary result			- (- 619)
10. Taxes on extraordinary profit or loss			
- Own	41,425,911		(44,535)
11. Other taxes	<u>1,407</u>		(1)
		41,427,318	(44,536)
12. Net profit for the year/Net retained earnings		36,000,000	(50,000)

Notes to the accounts

Accounting and valuation methods

The **intangible assets** (IT software) are recognised at their costs of acquisition and, with the exception of advance payments, subjected to scheduled depreciation.

Low-value assets are either assigned to a pool of such assets, in which case they are depreciated over a five-year period, beginning from the year of acquisition, or they are recorded as operating expenses in their year of acquisition.

Shares in affiliated companies and **participating interests** are shown either at their costs of acquisition or at the lower of cost and market. **Loans to affiliated companies** are recognised at their nominal values.

Shares, fund units and other variable-yield securities, bearer bonds and other fixed-interest securities are shown at the lower of their costs of acquisition or market prices. Investments assigned to the fixed assets pursuant to section 341b paragraph 2 HGB are valued according to the diluted lower value principle. Investments assigned to the current assets were valued according to the strict lower value principle. Where a write-down to a lower value took place in previous years, a corresponding write-up subsequently took place if this asset could then be assigned a higher value on the balance sheet date. Said write-ups were to the lower of cost or market.

Registered bonds are recognised at their nominal values. Premium and discount points are distributed over the term of the loans via deferrals and accruals.

Notes receivable, loans and **other loans** are recognised at their amortised cost plus or minus the cumulative amortisation of the difference between the cost of acquisition and the redemption amounts, applying the effective interest method.

Zero notes receivable are capitalised at their costs of acquisition plus the interest entitlement as determined on the basis of the capital volume and the interest agreement.

Other investments are recognised either at their costs of acquisition or their nominal values.

Deposits with ceding companies are recorded using the details provided by the ceding companies.

Receivables from reinsurance operations are based on the reinsurance contracts and are recognised at their nominal values less necessary individual value adjustments.

Other receivables and **other assets** not constituting operating or office equipment are recognised at their nominal values. Operating or office equipment is shown at its cost of acquisition or production as reduced by scheduled depreciation. Depreciation is calculated according to the straight-line method.

Low-value assets are either assigned to a pool of such assets, in which case they are depreciated over a five-year period, beginning from the year of acquisition, or they are recorded as operating expenses in their year of acquisition.

Interest claims not yet due were recorded at their nominal values under **“Prepayments and accrued income”**.

Technical provisions are calculated by application of the following principles:

Provisions for unearned premiums are recognised on the basis of the contracts with the primary insurers. When calculating the unearned premium provisions, we complied with the regulation laid down by the Finance Minister of North Rhine-Westphalia on 29 May 1974. The provision for unearned premiums attributable to the reinsurers is calculated on the basis of the contracts with the reinsurers.

The **premium reserve** was recorded in accordance with the reinsurance policies, using the details provided by the ceding companies.

The gross amount for the **provisions for claims outstanding** from direct insurance operations are recorded on the basis of the details provided by the ceding companies. The reinsurance amount was calculated in accordance with the contractual agreements in this respect.

The **contractually agreed portions of provisions for bonuses** were taken over from the primary insurers.

The **equalisation provision** was calculated in accordance with the annex to section 29 of the German Regulation on Accounting in the Insurance Sector (RechVersV). **Provisions similar to the equalisation provision** for insurance against terrorist risks were formed in accordance with section 30 paragraph 2a RechVersV.

The **other technical provisions** include a cancellation provision for premium claims. They were recognised on the basis of details provided by the ceding companies.

The **other provisions** are formed on the following basis:

The **pension provision** was calculated according to the projected unit credit method, on the basis of Professor Klaus Heubeck's 2005G actuarial tables. Discounting was done at the average market interest rate published by Deutsche Bundesbank, as arrived at assuming a residual term of 15 years (cf. section 253 paragraph 2 sentence 2 HGB).

The financing age on expiry is 62.

The assumed rate of pay increase was set at 1.95 % p.a., and the rate of pension increase at 1.7 % p.a.

The **tax provisions** and **other provisions**, calculated according to anticipated needs, were formed for the current financial year and set at the levels necessary to the best of our commercial judgement.

Deposits received from reinsurers were recognised at their repayment amounts.

Liabilities arising from reinsurance operations are based on the reinsurance contracts and are recognised at the compliance amount.

Amounts owed to banks are recognised at their repayment amounts.

Other creditors are valued at their compliance amounts.

Accruals and deferred income include the discount points on registered bonds.

Items in foreign currency are converted into euros on the balance sheet date at the median foreign currency exchange rate.

The **allocated investment return transferred from the non-technical account, net of reinsurance**, was recorded on the basis of the details provided by the ceding company. The reinsurance amount was calculated in accordance with the contractual agreements in this respect.

Calculations reveal deferred tax due to tax relief resulting from differences between accounting valuations and valuations for tax purposes. These are expected to diminish in future financial years. However, in exercise of our option under section 274 paragraph 1 HGB, we are not recognising any deferred tax asset.

Changes to Asset Items A., B.I. to II. during the 2011 financial year

Assets							
	Balance sheet value 2010 € 000s	Additions € 000s	Transfers € 000s	Disposals € 000s	Write-ups € 000s	Write-downs € 000s	Balance sheet 2011 € 000s
A. Intangible assets							
1. Licences, industrial property rights and similar rights and assets acquired for valuable consideration, as well as licences in such rights and assets	156	62	70	–	–	47	241
2. Payments on account	48	23	– 70	–	–	–	1
3. Total A.	204	85	–	–	–	47	242
B.I. Investments in affiliated companies and participating interests							
1. Shares in affiliated undertakings	555,834	23,654	–	1,714	–	5,066	572,708
2. Loans to affiliated companies	8,009	1,916	–	5,107	–	–	4,818
3. Participating interests	45,829	556	–	–	–	164	46,221
4. Total B.I.	609,672	26,126	–	6,821	–	5,230	623,747
B.II. Other investments							
1. Shares, investment fund units and other variable-yield securities	161,282	63,533	–	48,410	104	12,814	163,695
2. Bearer bonds and other fixed-interest securities	142,305	90,040	–	23,391	765	–	209,719
3. Other loans							
a) Registered bonds	115,500	–	–	–	–	–	115,500
b) Notes receivable and loans	283,727	13,597	–	25,327	–	–	271,997
c) Other loans	56,834	2,137	–	2,459	–	–	56,512
4. Other investments	33,047	2,800	–	11,664	1,008	17	25,174
5. Total B.II.	792,695	172,107	–	111,251	1,877	12,831	842,597
Total	1,402,571	198,318	–	118,072	1,877	18,108	1,466,586

Notes to the balance sheet

Re Assets B.

Investments

Pursuant to section 341b paragraph 2 HGB, we have assigned investments for long-term retention in the investment portfolio. As of 31 December 2011, our investments had the following book and current values:

Investments		
	Book value €	Current value €
B.I. Investments in affiliated companies and participating interests		
1. Shares in affiliated companies	572,708,137	1,215,285,938
2. Loans to affiliated companies	4,818,000	4,480,544
3. Participating interests	46,221,046	47,100,816
B.II. Other financial investments		
1. Equities, fund units and other variable-yield securities	163,695,388	190,490,897
2. Bearer bonds and other fixed-interest securities	209,719,383	217,170,393
3. Other loans		
a) Registered bonds	115,500,000	125,823,487
b) Notes receivable and loans	271,997,412	282,090,808
c) Other loans	56,511,996	47,574,929
4. Other investments	25,173,439	28,804,344
Total	1,466,344,801	2,158,822,156
of which: Investments valued at costs of acquisition	1,350,844,801	2,032,998,669
of which: Investments in fixed assets pursuant to section 341b paragraph 2 HGB	148,374,423	151,302,853

The revaluation reserves include hidden liabilities totalling € 22.6 million. These relate to participating interests, bearer bonds, registered bonds, notes receivable and loans, other loans, zero bonds and securities capitalised at their nominal values pursuant to section 341c HGB.

Depending on the investment type, a variety of different methods were used to calculate the current values.

The current value of shares in affiliated companies held by DEVK Allgemeine Versicherungs-AG, DEVK Rechtsschutz-Versicherungs-AG, DEVK Krankenversicherungs-AG, DEVK Vermögensvorsorge- und Beteiligungs-AG, DEVK Asset Management GmbH, DEVK Service GmbH and SADA Assurances S.A. is calculated on the basis of gross rental values. Hybil B.V. was carried at its market value. Other shares are recognised at their book values.

In the great majority of cases, the current values of participating interests correspond to the book values.

Details of units or shareholdings in domestic investment funds in accordance with section 285 paragraph 26 HGB

Investment goal	Dividends € 000s	Current value € 000s	Hidden reserves/ hidden charges € 000s	Limitation on daily redemption
Equity funds*	3,056	96,882	–	
Bond funds	43	15,524	668	
Real-estate funds	985	17,284	865	once a month up to € 50,000 or quarterly only pro rata with sales of real estate

* Reason why we have refrained from a write-down pursuant to section 253 paragraph 3 HGB:

The LEA special fund is an equity fund that tracks indices, in particular the EuroStoxx50 and DAX30. In 2011 both these indices fell in value, with the EuroStoxx50 performing worse than the DAX, chiefly because southern European shares performed significantly worse than German ones.

The bulk of the falls during 2011 occurred during a few weeks in August. Despite a significantly reduced investment grade, the fund lost value during 2011.

Capital market movements throughout 2011 took on panic-like proportions, clearly founded on fears of the collapse of the euro followed by a deep worldwide recession. However, stock market movements during the first quarter of 2012 have shown that these fears were exaggerated. Despite continuing uncertainty over Greece's future, the eurozone, excluding a few southern countries, appears to be facing an economic blip rather than a severe recession. The lead indicators have changed many times, as confirmed by the upward stock market movement. When analysing various individual securities, we came up with valuations well above their 2011 closing prices. Accordingly, at individual security level there is notable value recovery potential, and in view of this we regard it as reasonable to refrain from writing down the securities funds in our fixed assets.

Re Assets B.I.

Investments in affiliated companies and participating interests

	Subscribed capital €	% share	Checked % share	Equity €	Results from previous financial year €
DEVK Allgemeine Versicherungs-AG, Cologne	194,290,915	100.00	100.00	312,170,794	–
DEVK Rechtsschutz-Versicherungs- AG, Cologne	21,000,000	100.00	100.00	32,563,459	–
DEVK Krankenversicherungs-AG, Cologne	8,000,000	100.00	100.00	10,980,291	–
DEVK Allgemeine Lebensversicherungs-AG, Cologne	7,158,086	100.00	51.00	72,880,301	6,000,000
DEVK Pensionsfonds-AG, Cologne	5,000,000	100.00	51.00	9,933,766	220,000
DEVK Vermögensvorsorge- und Beteiligungs-AG, Cologne	20,000,000	51.00	51.00	118,000,000	–
DEVK Alpha GmbH, Cologne	25,000	100.00	51.00	26,071	– 53
DEVK Asset Management GmbH, Cologne	750,000	100.00	100.00	750,000	–
DEVK Beta GmbH, Cologne	25,000	100.00	100.00	34,243	14
DEVK Gamma GmbH, Cologne	25,000	100.00	100.00	15,787	– 10,942
DEVK Omega GmbH, Cologne	25,000	100.00	100.00	24,341	– 4
DEVK Private Equity GmbH, Cologne	10,000,000	55.00	47.65	138,546,110	5,366,250
DEVK Saturn GmbH, Cologne	25,000	100.00	100.00	24,187	– 2
DEVK Service GmbH, Cologne	260,000	74.00	74.00	1,470,379	–
DEVK Unterstützungskasse GmbH, Cologne	25,000	100.00	51.00	25,189	341
DEVK Versorgungskasse GmbH, Cologne	25,000	100.00	51.00	23,620	50
DEVK Web-GmbH, Cologne	25,000	100.00	100.00	25,000	–
DEVK Zeta GmbH, Cologne	25,000	100.00	51.00	586,325	280,672
DEVK Zeus Vermögensverwaltungs-AG, Cologne	50,000	100.00	100.00	50,592	26
Assistance Service GmbH, Coesfeld	52,000	100.00	100.00	1,617,895 *	– 1,130,289
German Assistance Versicherung AG, Coesfeld	1,462,500	100.00	100.00	2,287,997	– 211,310
Hotelbetriebsgesellschaft SONNENHOF mbH, Cologne	375,000	100.00	51.00	356,023	–
HYBIL B.V., Venlo	400,000	80.00	75.10	50,947,787	3,745,145
Ictus GmbH, Cologne	5,000,000	60.00	50.20	19,842,086	– 157,914
KASSOS Beteiligungs- und Verwaltungs-GmbH, Cologne	25,000	100.00	100.00	32,709	– 3,366
Lieb' Assur S.A.R.L., Nîmes	250,000	100.00	100.00	265,136	– 540
Monega Kapitalanlagegesellschaft mbH, Cologne	5,200,000	45.00	45.00	7,028,495	1,826,350
OUTCOME Unternehmensberatung GmbH, Aachen	525,000	80.00	80.00	2,014,397 *	–
Reisebüro Frenzen GmbH, Cologne	25,000	52.00	52.00	409,610	154,910
SADA Assurances S.A., Nîmes	24,721,000	100.00	100.00	15,635,186	1,351,489
	CHF			CHF	CHF
ECHO Rückversicherungs-AG, Zurich	50,000,000	100.00	100.00	62,878,556	– 2,707,606

* Shortfall not covered by capital contribution

Pursuant to section 285 paragraph 11 HGB, only investments in affiliated companies and participating interests involving holdings of at least 20 % have been included here.

Re Assets B.II.

Other investments

Other loans exclusively comprise registered participation certificates.

Other investments comprise fund units and silent partnerships within the meaning of KWG.

Re Assets E.II.

Other prepayments and accrued income

Premium on registered bonds	€ 442,158
Advance payments for future services	€ 55,186
	<hr/>
	€ 497,344

Re Liabilities A.I.

Subscribed capital

The subscribed capital totalling € 306,775,129 is divided into 120 million registered no par value shares.

Re Liabilities A.III.

Retained earnings

Other retained earnings	
31.12.2010	€ 381,266,246
Allocation	€ 35,000,000
31.12.2011	<hr/>
	€ 416,266,246

Re Liabilities F.

Accruals and deferred income

Discount points on registered bonds	€ 553,653
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Notes to the profit and loss account

Notes on outward reinsurance operations

	2011, € 000s	2010, € 000s
Gross booked premiums		
– Non-life/casualty	249,134	235,601
– Life	3,710	–
Total	252,844	235,601

Insurance agents' commission and other remuneration, personnel expenses

	2011, € 000s	2010, € 000s
1. Insurance agents' commission of all types within the meaning of section 92 HGB for direct insurance operations	–	–
2. Other insurance agents' remuneration within the meaning of section 92 HGB	–	–
3. Wages and salaries	305	317
4. Social-security contributions and social-insurance costs	–	–
5. Retirement pension costs	130	117
Total	435	434

During the year under review, Management Board remuneration totalled € 319,212. The retirement pensions of former Management Board members and their surviving dependants totalled € 160,592. As of 31 December 2011, a pension provision of € 2,191,418 was recognised for this group of people. The Supervisory Board remuneration totalled € 197,603.

Other information

Parent company guarantee

Our company undertakes at all times to provide Assistance Services GmbH and OUT-COME Unternehmensberatung GmbH with sufficient funds to enable them to duly meet their obligations.

Other financial obligations

At the end of the year, other financial obligations arising from real-estate holdings, fund units, shares in affiliated companies and participating interests totalled € 19.5 million. This includes obligations towards affiliated companies amounting to € 8.9 million.

On the balance sheet date, there were financial obligations totalling € 3.2 million from open short options and € 9.0 million from multi-tranche notes payable.

General information

Lists of the members of the Management Board and Supervisory Board are given prior to the management report.

Our company does not itself employ any personnel.

On the balance sheet date, our company was 100 % held by DEVK Deutsche Eisenbahn Versicherung Sach- und HUK-Versicherungsverein a.G. Betriebliche Sozialeinrichtung der Deutschen Bahn, Cologne, who have disclosed, pursuant to section 20 paragraph 4 AktG, that they hold the majority of the voting rights.

As required by law the annual financial statements are published in Germany's Electronic Federal Gazette.

Pursuant to section 285 paragraph 17 HGB, details of the auditors' fees are given in the consolidated notes.

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

Name and domicile of the parent company that draws up the consolidated financial statements whereby the company is thus exempted and in which it is included:

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

The consolidated financial statements are published on the website of DEVK at www.devk.de, as well as in the Electronic Federal Gazette.

Cologne, 20 April 2012

The Management Board

Gieseler

Rußmann

Zens

Audit certificate

We have audited the annual financial statements, comprising the balance sheet, income statement and notes, as well as the accounting and management report of **DEVK Rückversicherungs- und Beteiligungs-Aktiengesellschaft**, Cologne, for the financial year from 1 January to 31 December 2011. The accounting and the preparation of the annual financial statements and management report in accordance with German commercial regulations and the supplementary provisions of the articles of association are the responsibility of the company's Management Board. Our remit is to express an opinion on the annual financial statements, accounting and management report on the basis of our audit.

We conducted our audit pursuant to section 317 of the German Commercial Code (HGB) and the generally accepted standards for auditing financial statements promulgated by the German Institute of Auditors (IDW), which require us to plan and perform the audit in such a way that misstatements materially affecting the presentation of assets, finances and earnings in the annual financial statements in accordance with the German principles of proper accounting and in the management report are detected with reasonable certainty. Knowledge of the company's business activities, the economic and legal circumstances, and expectations concerning possible errors are taken into account when determining the audit activities. The effectiveness of the internal auditing system and the accuracy of the evidence supporting the information contained in the accounting, annual financial statements and management report are predominantly tested on the basis of random sampling. The audit includes an evaluation of the accounting principles applied and the principal estimates made by the Executive Board, as well as an appraisal of the overall view conveyed by the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any objections.

In our opinion, based on the findings of our audit, subject to the above-mentioned reservation, the annual financial statements comply with the legal regulations, and convey an accurate and fair view of the company's assets, finances and earnings in keeping with generally accepted accounting principles. Furthermore, the management report is in conformity with the annual financial statements, provides an accurate description of the company's overall position, and accurately sets out the risks and opportunities inherent in future developments.

Cologne, 27 April 2012

KPMG AG Wirtschaftsprüfungsgesellschaft

Mehren
Auditor

Offizier
Auditor

Supervisory Board report

During 2011, the Supervisory Board regularly monitored the Management Board's leadership on the basis of written and verbal reporting, as well as being briefed on the company's commercial performance, corporate policies and financial position at various meetings.

KPMG AG Wirtschaftsprüfungsgesellschaft, having been appointed as auditors in line with statutory requirements, duly audited the 2011 annual financial statements and management report prepared by the Management Board. Their audit did not reveal any irregularities and an unqualified audit certificate was granted. The Supervisory Board has duly acknowledged and agrees with the audit findings.

The Supervisory Board's own audit of the annual financial statements and management report likewise revealed no irregularities, and accordingly the Supervisory Board hereby approves the 2011 financial statements, which are thus duly adopted.

We have been furnished with and have studied the report prepared by the Management Board on relationships with affiliated companies and also the audit report on this prepared by KPMG AG Wirtschaftsprüfungsgesellschaft. The auditor has issued the following audit certificate of the Management Board's report on relationships with affiliated companies:

"After our statutory audit and evaluation we hereby confirm that

1. the factual details in the report are correct and
2. the payments made by the company in connection with the legal transactions discussed in the report were not excessive."

We share this judgement and do not have any objections to the Management Board's statement at the end of the report concerning relationships with affiliated companies.

The Supervisory Board agrees with the Management Board's proposal concerning the appropriation of the 2011 net retained earnings and hereby recommends that the Annual General Meeting frames a corresponding resolution.

The Supervisory Board would like to thank the Management Board and employees for all their hard work and commitment.

Cologne, 16 May 2012

The Supervisory Board

Kirchner

Chairman