Annual Report | 2012

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

DEVK Rückversicherungs- und Beteiligungs-Aktiengesellschaft

DEVK Allgemeine Versicherungs-Aktiengesellschaft

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

DEVK
VERSICHERUNGEN

Business progress 1948/49 to 2012

of Sach-/HUKR-, Krankenversicherungs- und Pensionsfondsbereich of DEVK Versicherungen

Year	Figures in € 000s						Premiums € millions
	Motor vehicles	Non-life[1]	Liability	Accident[2]	Legal protection	Health[3]	
1948/49	–	283	–	–	–	–	0,6
1954	–	450	242	37	–	–	1,7
1960	24	558	532	83	–	–	7,3
1965	196	629	651	94	–	–	23,6
1970	293	700	752	128	–	–	47,0
1975	509	819	913	201	–	–	130,8
1976	568	852	937	215	–	–	151,5
1977	625	882	947	231	–	–	182,3
1978	669	912	912	249	–	–	203,6
1979	699	948	926	276	–	–	233,6
1980	715	1,003	937	304	2	–	244,6
1981	710	1,052	954	306	65	–	262,0
1982	720	1,084	961	326	85	–	277,2
1983	740	1,135	969	340	101	–	298,6
1984	760	1,182	972	356	123	–	321,7
1985	782	1,227	992	369	141	–	351,7
1986	810	1,292	1,009	380	161	–	371,0
1987	845	1,370	1,019	394	183	–	404,7
1988	883	1,476	1,033	412	204	–	449,4
1989	923	1,569	1,049	434	223	–	488,6
1990	959	1,632	1,115	453	245	–	517,2
1991	1,269	1,740	1,183	490	278	–	592,9
1992	1,333	1,880	1,259	518	309	–	663,7
1993	1,437	1,988	1,314	547	346	–	753,2
1994	1,518	2,072	1,353	569	377	31	877,7
1995	1,635	2,155	1,388	585	403	158	953,3
1996	1,775	2,228	1,439	861	433	252	981,9
1997	1,872	2,289	1,467	879	457	362	1,019,3
1998	1,940	2,333	1,498	886	480	457	1,041,9
1999	1,971	2,370	1,514	880	504	515	1,065,1
2000	1,978	2,406	1,530	872	530	581	1,111,6
2001	2,013	2,435	1,535	864	550	630	1,158,2
2002	2,060	2,480	1,544	868	575	685	1,222,1
2003	2,107	2,527	1,554	877	596	717	1,273,1
2004	2,193	2,562	1,572	879	621	747	1,329,6
2005	2,235	2,586	1,584	889	650	777	1,349,1
2006	2,282	2,612	1,604	912	678	826	1,363,5
2007	2,293	2,636	1,616	950	702	885	1,383,6
2008	2,465	2,673	1,634	988	724	967	1,394,2
2009	2,617	2,730	1,658	1,022	754	1,041	1,566,2
2010	2,741	2,563	1,689	1,068	781	1,100	1,594,9
2011	2,755	2,584	1,715	1,105	800	1,150	1,679,8
2012	**2,748**	**2,596**	**1,732**	**1,127**	**814**	**1,190**	**1,794,1**

[1] Changed payment method since 2010

[2] Including motor vehicle/accident since 1996

[3] Number of tariff policyholders

Foreword

Dear Readers,

During 2012, the fifth year of the financial crisis, the German insurance industry as a whole registered around 2 % growth in premium receipts. In the life insurance segment (excluding pension funds), regular premium business was up 1.1 %, thus registering moderate growth for the second year in a row, while single premium business rose by 1.0 %. Meanwhile, non-life and accident insurance premium receipts were up 3.7 %, the strongest growth since 1994.

All in all, 2012 was a successful year for DEVK Versicherungen. Our new business premiums rose by 7.2 % to € 672 million, thus reaching the levels attained during the record year of 2009. At 3.7 %, DEVK's premium growth in the field of German primary insurance was well above the industry average. Thus we have gained further market share and reinforced our position in the German primary insurance sector.

DEVK Sach- und HUK-Versicherungsverein's **consolidated financial statements** make encouraging reading. As well as DEVK's German primary insurers, these also incorporate the results of our foreign subsidiaries, our active reinsurance operations and other Group companies. The Group's premium receipts rose by no less than 6.2 %. Aided by favourable weather conditions, in the non-life and accident insurance segment, the ratio of claims expenses and costs to premium receipts fell to 93.9 % (2011: 96.1 %).

As a result, before bonuses and rebates (premium refunds) and changes to the equalisation provision, the non-life and accident insurance underwriting result improved significantly to € 32.2 million (2011: € 17.8 million). After allocations to the premium refunds provision (€ 3.9 million, 2011: € 200,000) and to the equalisation provision (€ 29.1 million, 2011: € 4.6 million withdrawal), the non-life and accident insurance underwriting result registered a slight loss of € – 700,000 (2011: € 22.2 million).

The investment income for the non-technical account rose sharply in the wake of favourable stock market performance to € 177.5 million (2011: € 142.9 million). Based on the technical and non-technical result, the DEVK insurance Group recorded a profit from ordinary activities of € 121.0 million (2011: € 124.5 million). However, after eliminating the change in the equalisation provision, we registered a marked improvement over the 2011 figures, with profit up from € 120 million to € 150 million.

That places us squarely among the industry leaders. What is more, we keep our promises – and have been for over 125 years!

Friedrich W. Gieseler
Chairman of the Management Board DEVK Versicherungen

2012 financial year

Abbreviations

ABS	Asset-backed securities
AG	Aktiengesellschaft
AGG	German Anti-Discrimination Act
AktG	German Stock Corporations Act
AltZertG	German Pension Contracts Certification Act
a. ment.	Above-mentioned
ann.	Annually
a.o.	Among others
a.p.	As per
approx.	Approximately
a.s.i.	As specified in
BaFin	German Financial Supervisory Authority
BGH	German Federal Court of Justice
BilMoG	German Act on Modernisation of Accounting Regulations
BMF	German Federal Finance Ministry
bn	Billions
ca	Circa
CHF	Swiss francs
DAV	Association of German Actuaries
DAX	German Share Index
DCF	Discounted Cash Flow
DeckRV	Regulation concerning accounting principles for premium reserves
defin.	Definitive
Dr	Doctor
DRS	German Accounting Standards
ECB	European Central Bank
ECJ	European Court of Justice
EDP	Electronic data processing – IT
EEC	European Economic Community
e.g.	For example
EGHGB	Introductory Act to the German Commercial Code
EStG	German Income Tax Act
etc.	Et cetera
fem.	Female
f.o.a.	For own account (net of reinsurance – cf. Council Directive 91/674/EEC (Richtlinie 91/674/EWG)
GDV	German Insurance Association
GmbH	German private limited company
GwG	German Money-Laundering Act
HGB	German Commercial Code
i.c.w.	In conjunction with
IDW	Institute of Public Auditors in Germany
If nec.	If necessary
incl.	Including
i. ret.	In retirement
KonTraG	German Control and Transparency in Business Act
KWG	German Banking Act
LAG	German State Labour Court
m	Million(s)
m.	Male
max.	Maximum
mon.	Monthly
Mot. veh.	Motor vehicle
mut.	Mutual
No.	Number
NRW	North Rhine-Westphalia
n.v.	New version
OLG	German Higher Regional Court/Court of Appeal
o.o.	In our opinion
o.v.	Old version
p.a.	Per annum
Para.	Paragraph
PEP	Politically Exposed Person(s)
Prof.	Professor
p.s.g.	Pay scale group(s)
p.s.n.	Pay scale number
PublG	German Company Disclosure Act
RechVersV	German Regulation on Accounting in the Insurance Sector
reg. assoc.	Registered association (e.V.)
resp.	Respectively
Ret.	Retired
RPR	Reserve for premium refund
sent.	Sentence
VAG	German Insurance Undertakings Supervision Act
VVaG	Mutual insurance company
VVG	German Insurance Contracts Act
WpHG	German Securities Trading Act
WSG	German Act to Strengthen Competition in Statutory Health Insurance
ZZR	Additional interest reserve
€ 000s	Thousand(s)

Company bodies

Board of Members

Helmut Diener
Marktredwitz
Chairman of the Board of Members

Wilhelm Bahndorf
Obernburg am Main

Heinz Bodammer
Friedrichshafen

Peter Bolsinger
Linden

Jörgen Boße
Loddin

Steffen Bosecker
Bannewitz/OT Hänichen

Jürgen Brügmann
Essen

Holger Conrad
Zahna-Elster

Gabriele Dengler
Kaiserlautern

Rainer Deters
Holdorf
(from 1 July 2012)

Hans-Jürgen Dorneau
Oerlinghausen

Gerhard Ehrentraut
Thannhausen

Bernhard Elz
Worms

Rolf Frieling
Drensteinfurt

Heinz Fuhrmann
Neu-Anspach

Johann Gebhardt
Markt Erlbach

Franz-Josef Groß
Kindsbach

Claus-Dieter Haas
Ettlingen

Dieter Häfke
Duisburg

Rolf Hellmann
Lustadt

Frank Helms
Erfurt

Jörg Hensel
Hamm

Helmut Heutz
Erkelenz

Berthold Hillebrand
Kassel

Jürgen Hoffmann
Herten

Hans-Peter Hurth
Kornwestheim

Ralf Ingwersen
Hamburg

Jessica Irle
Frankfurt am Main

Manfred John
Stadtbergen

Klaus-Dieter Just
Forst (Lausitz)

Axel Kleich
Leipzig

Heinrich Klumpe
Wallenhorst
(until 1 June 2012)

Hanka Knoche
Idstein

Dr Siegfried Krause
Berlin

Axel Kroll
Langgöns

Günter Leckel
Bad Endorf

Manfred Leuthel
Nuremberg

Bernd Maderner
Niefern-Öschelbronn

Heidemarie Mähler
Erfurt
(until 31 July 2012)

Dr Ludwig Mandelartz
Aachen

Heinz-Werner Milde
Gronau

Hans-Joachim Möller
Aschersleben

Wolfgang Müller
Gau-Bischofsheim

Hans-Jürgen Otto
Brannenburg
(from 1 July 2012)

Marlies Pellny
Düsseldorf

Dieter Pielhop
Wietzen

Beate Rache
Neu Wulmstorf

Ernst Richardt
Ronshausen

Uwe Rosenberger
Hagen

Georg Sautmann
Greven

Hartmut Schaefer
Lutherstadt Eisleben

Klaus-Peter Schölzke
Görlitz

Alfred Schumann
Biebertal

Jens Schwarz
Chemnitz

Heino Seeger
Hausham

Martin Selig
Ulm

Peter Tröge
Engstingen

Richard Weisser
Puschendorf

Bernd Wernsdörfer
Würzburg

Thorsten Weske
Germersheim

Torsten Westphal
Berlin

Joachim Ziekau
Stendal

Supervisory Board

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

Günter Kirchheim
Essen
First Deputy Chairman Chairman
Chairman of the Deutsche Bahn AG i.R. Group Works Council

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

Dr Norbert Bensel
Berlin
(until 1 June 2012)

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

Doris Fohrn *
Wesseling
Deputy Chair of the Works Council, DEVK Versicherungen, Cologne Headquarters

Ralf Gajewski *
Berlin
Deputy Group Manager of KKC (Customer Service Centre) DEVK Versicherungen, Berlin Regional Management Unit

Dr Rüdiger Grube
Gechingen
CEO of Deutsche Bahn AG
CEO of DB Mobility Logistics AG

Horst Hartkorn
Hamburg
Member of the Works Council, S-Bahn Hamburg GmbH

Klaus-Dieter Hommel
Frankfurt am Main
Deputy Chairman of the Eisenbahn- und Verkehrsgewerkschaft (EVG) (Railway and Transport Union)

Hans Leister
Berlin
Head of the Center für Nahverkehrs- und Qualitätsmanagement (Local Transport and Quality Management Centre) of VBB Verkehrsverbund Berlin-Brandenburg GmbH (Berlin-Brandenburg Transport Association)
(from 1 June 2012)

Jürgen Putschkun *
Fellbach
Executive Officer
Motor Vehicle Operations and Sach/HU-Betrieb, Stuttgart Regional Management Unit

Dr Karl-Friedrich Rausch
Weiterstadt
Chairman of the DB Mobility Logistics AG Transport and Logistics Unit

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

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

Ulrich Weber
Krefeld
Deutsche Bahn AG Personnel Director
DB Mobility Logistics AG Personnel Director

* Employees' representatives

Management Board

Friedrich Wilhelm Gieseler
Bergisch Gladbach
Chairman

Engelbert Faßbender
Hürth

Gottfried Rüßmann
Cologne

Bernd Zens
Königswinter

Robert Etmans
Eppstein
Deputy Board Member

Advisory Board

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Heilbronn
– Honorary Chairman –
Former Chairman of the German Railway Workers Union

Hans-Jürgen Allerdissen
Bad Schwalbach
Senior Manager, DVA Deutsche Verkehrs-Assekuranz-Vermittlungs GmbH

Karl de Andrade-Huber
Frankfurt am Main
Deputy Regional Chairman of the German Train Drivers' Union, Frankfurt am Main

Kay Uwe Arnecke
Hamburg
Management Spokesman of S-Bahn Hamburg GmbH
Managing Director of Autokraft GmbH

Werner Bayreuther
Heroldsberg
Lawyer
Managing Director of the German Employers' and Business Association of Mobility and Transport Service Providers (e.V.), Berlin

Volker Hädrich
Erfurt
Deutsche Bahn AG Group Authorised Representative for the Free State of Thuringia

Michael Harting
Bornheim
Lawyer and Senior Civil Servant (≈ undersecretary)

Johannes Houben
Hückelhoven
Department Head at Eisenbahn- und Verkehrsgewerkschaft (EVG), Management Board Unit of Reiner Bieck

Dr Volker Kefer
Erlangen
Deutsche Bahn AG Director of Technology, System Network and Services
Deutsche Bahn AG Director of Infrastructure

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

Volker Köhler
Nuremberg
CEO of the Management Board of Sparda-Bank Nürnberg eG

Detlef Kramp
Cologne
Sports President of the German ACV Automobil-Club-Verkehr (Automobile Club Traffic)

Volker Krombholz
Neustrelitz
Deputy Regional Chairman of the German Train Drivers' Union, Northern Region

Armin Lauer
Rödermark
Managing Director of Vermögensverwaltung GmbH at Eisenbahn- und Verkehrsgewerkschaft (EVG)

Dr Kristian Loroch
Altenstadt
Department Head at Eisenbahn- und Verkehrsgewerkschaft (EVG)
Management Board Unit of the Chairman Alexander Kirchner

Ronald R. F. Lünser
Holzwickede
Managing Director and Rail Operations Manager of Abellio Rail NRW GmbH

Rolf Lutzke
Berlin
Head of Policy and International Affairs at Eisenbahn- und Verkehrsgewerkschaft (EVG)

Reiner Metz
Nideggen
Lawyer
Local Public Transport (ÖPNV) Director of the Association of German Transport Companies (VDV)

Heike Moll
Munich
Chairman of the General Works Council, DB Station & Service AG
Deputy Chairman of the Deutsche Bahn AG Group Works Council

Beate Müller
Heidelberg
Head of the Southern Office of the Federal Office for Railway Assets

Frank Nachtigall
Frankfurt an der Oder
Regioinal Chairman of the German Train Drivers' Union, Berlin-Sachsen-Brandenburg Region

Ottmar Netz
Hohenahr
Personnel Director, DB Vertrieb GmbH

Günther von Niebelschütz
Großen-Linden
Divisional President of the Federal Office for Railway Assets

Jürgen Niemann
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Personnel Director, DB Dienstleistungen GmbH

Ragnar Nordström
Berlin
CEO of Veolia Verkehr GmbH i.R.

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

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

Peter Rothe
Königs Wusterhausen
Head of Personnel Management, Regional Maintenance and Repair RB Ost MAB Ost/Südost DB Netz AG

Wolfgang Schilling
Bonn
Divisional President of the Federal Office for Railway Assets

Dirk Schlömer
Hennef
Department Head at Eisenbahn- und Verkehrsgewerkschaft (EVG)

Marco Spange
Nidderau
Federal Youth Officer of the German Train Drivers' Union

Rolf Stadié
Bochum
Director, Knappschaft-Bahn-See

Klaus Vögele
Ettenheim
Chairman of the General Works Council, Schenker AG

Udo Wagner
Föhren
Chairman of the Regional Management of DB Regio Region Südwest

Management report

Commercial environment and general conditions

Overview

DEVK Sach- und HUK-Versicherungsverein a.G. is a self-help organisation for railway workers that is recognised as a company welfare scheme by Deutsche Bahn and the Federal Office for Railway Assets (Bundeseisenbahnvermögen). It offers its members, who are predominantly railway workers and other transport sector employees, comprehensive bespoke, economically priced insurance cover.

Provisional figures indicate that non-life and accident insurance premiums grew by 3.7 % in 2012. That represents the strongest growth since 1994. Motor vehicle insurance made a major contribution to this growth. After a rise of 3.6 % in 2011, the 2012 figure was up an impressive 5.4 %. Provisional figures indicate that the combined ratio (the ratio of claims expenses and costs to premium receipts) fell from 97.9 % in 2011 to around 97 %. Thus our overall non-life and accident insurance sector remained profitable in 2012, and indeed is expected to register a marked improvement over the 2011 result of around € 1.1 billion.

The stock market's performance during 2012 was strongly influenced by the ECB's announcement that it would do "whatever it takes" to save the euro. This contributed to a positive trend on financial markets in the second half of the year, with almost all asset classes registering strong rises despite high levels of market volatility. The performance of Germany's DAX share index was particularly encouraging, with its year's end level of 7,612.39 points representing a 29.1 % rise, a figure which put it well ahead of the other major indices in Asia, Europe and the USA. For instance, the European EuroStoxx50 share index had reached 2,635.93 points by the end of the year, up just 14.1 % over the year as a whole, while money invested in Italian government bonds gained 28.5 %. Even ten-year German government bonds registered growth of 7.6 % over the course of the year.

Against this backdrop, we are pleased to be able to report that DEVK Sach- und HUK-Versicherungsverein a.G. registered satisfactory business results in 2012. Association members and policyholders participated in our business success in the form of allocations to the provision for premium refunds. In 2012 allocations took place in the accident and liability insurance segments.

Ratings

The ratings, commissioned by Standard & Poor's for the first time in 2008, are updated each year. As in the years 2008 to 2011, in 2012 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+. Standard & Poor's assesses our future outlook as "stable", thus confirming the very sound financial position enjoyed by DEVK companies generally.

Meanwhile, the rating agency Fitch came to the same conclusion, with its 2012 rating of the financial strength of DEVK's core companies remaining unaltered 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.

The ASSEKURATA Assekuranz rating agency once again gave outstanding ratings to DEVK Sach- und HUK-Versicherungsverein a.G. and DEVK Allgemeine Versicherungs-AG in February 2013, with both companies receiving the top mark of A++ (excellent) for the 13th time.

Customer satisfaction

In its latest ratings, the ASSEKURATA Assekuranz rating agency gave DEVK Sach- und HUK-Versicherungsverein a.G. a score of "very good" for customer orientation. This assessment was based, among other things, on a customer survey conducted in November 2011 that revealed very high levels of customer satisfaction. This assessment was confirmed by a variety of other studies. For instance, a survey conducted in 2012 by the Cologne firm MSR Consulting also revealed an overall customer satisfaction rating of "very good".

Taken together, these external ratings attest to the great competitive strength of our business.

Social responsibility

DEVK is aware of its social responsibility as a successful insurer. For many years, we have taken on an above-average number of trainees by industry comparison, in both back office and sales/marketing roles. Furthermore, prior to possible professional training at DEVK, every year at our headquarters alone we offer some 60 school-age young people spells of work experience that assist them in deciding what their future career paths might be. This gives young people a positive start to their working lives and helps them to integrate well into society.

In 2012 DEVK was once again singled out for special praise by Cologne Chamber of Commerce and Industry as a certified training company offering outstanding professional training.

Since 2005 DEVK has been involved at several locations in the Deutsche Bahn AG competition "Deutsche Bahn Trainees Against Hate and Violence". This initiative not only raises awareness of these issues among trainees but also brings them to wider public attention through a variety of specific activities.

DEVK's active social commitment is also reflected in a range of external assessments. For instance, alongside our good showing in the "Germany's Best Employer" competition, of particular note is the Arbeit Plus seal of approval awarded to us by the Evangelical Church in Germany on several occasions now for our socially aware and employment-oriented personnel policies.

At DEVK the opinion of our employees is important to us, which is why a survey of all personnel was conducted for the first time in 2012, investigating issues such as employee satisfaction. A total of 80 % of our workforce participated in the survey. We then staged over 200 workshops to devise improvements, and the company is now working on their implementation. In future these employee surveys are to be conducted every two years.

Personnel and sales staff numbers

Personnel are employed by DEVK Sach- und HUK-Versicherungsverein on the basis of joint contracts and service contracts whereby they also work for DEVK subsidiary companies. In cases where staff work for both DEVK Sach- und HUK-Versicherungsverein and DEVK Lebensversicherungsverein, this takes place within the ambit of dual employment contracts and, as such, no services are rendered between the two companies.

The company employed an average of 2,729 personnel internally in 2012, of whom 2,616 had their contracts of employment with DEVK Sach- und HUK-Versicherungsverein. These figures do not include any inactive employment contracts, while part-time employees are recorded as full-time equivalents on the basis of their working hours.

At the end of 2012, 2,168 self-employed personnel worked for DEVK (2011: 2,090), on top of which 588 field sales agents were directly employed by DEVK Sach- und HUK-Versicherungsverein (2011: 615). However, the entire field sales force also operates on behalf of the various other DEVK companies in line with general agency agreements entered into by DEVK Sach- und HUK-Versicherungsverein with the other DEVK companies.

Overall business trends

Year on year, gross premiums rose by 3.2 % to € 316.1 million. Earned premiums net of reinsurance totalled € 266.5 million (2011: € 257.8 million). Claims incurred net of reinsurance rose by 5.4 % to € 194.1 million, as a result of which their share of net earned premiums increased to 72.9 % (2011: 71.5 %). The ratio of expenses on insurance business net of reinsurance to earned premiums net of reinsurance was 27.3 % (2011: 26.6 %).

After allocations to the premium refunds provision totalling € 3.8 million (2011: € 100,000) and to the equalisation provision totalling € 300,000 (2011: € 600,000 withdrawal), the underwriting result net of reinsurance came to € – 6.0 million (2011: € 3.7 million).

The investment income was an improvement on 2011. This was chiefly due to lower write-downs as a result of the positive stock market performance.

Due to somewhat weaker "Other" income, the profit from normal business activities came to € 33.6 million (2011: € 36.7 million).

Net profit for the year was € 22.5 million (2011: € 24.6 million).

Performance of the individual insurance classes

The insurance classes in which DEVK Sach- und HUK-Versicherungsverein undertook direct insurance operations in 2012 are detailed in the notes to the management report. The following section outlines the performance of our individual insurance segments, classes and types.

Accident insurance

This item comprises both general accident insurance and motor vehicle accident insurance. As of 31 December 2012, the total number of accident insurance policies stood at 261,783 (2011: 261,713). Gross premiums rose by € 300,000 to € 37.7 million, while the underwriting result fell, largely due to an allocation to the premium refunds provision, to € 2.7 million (2011: € 10.2 million).

Liability insurance

At the end of 2012, our liability insurance portfolio comprised 597,757 policies (2011: 600,297). This figure includes 87,234 employees' liability insurance policies, including railway workers' professional liability insurance. At € 34.1 million, 2012 gross premiums were virtually unchanged (2011: € 34.3 million). After allocations to the premium refunds provision totalling € 2.2 million and to the equalisation provision of € 2.1 million (2011: € 2.2 million), the underwriting result net of reinsurance fell to € 6.3 million (2011: € 9.0 million).

Motor vehicle liability insurance

As of 31 December 2012, our portfolio of motor vehicle liability insurance comprised 548,281 policies (2011: 546,747), plus 9,148 moped policies. Gross premiums rose by 4.2 % to € 88.3 million. After a € 1.6 million withdrawal from the equalisation provision (2011: € 4.0 million), the underwriting result came to € – 9.0 million (2011: € – 5.1 million).

Other motor vehicle insurance

Other motor vehicle insurance comprises our comprehensive and partial comprehensive motor insurance (third-party, fire and theft). The total number of risks covered at the end of the year was 452,805 (2011: 451,901), and we also managed 1,555 partial-coverage moped policies. Gross premium receipts rose by 4.0 % to € 67.1 million. As a result, the underwriting result came in at € – 9.0 million (2011: € – 11.6 million).

Fire and non-life insurance

At the end of 2012, our fire and non-life-insurance portfolio comprised a total of 892,742 policies (2011: 899,503). Gross premiums rose by 4.2 % to € 87.5 million. A total of € 200,000 was withdrawn from the equalisation provision (2011: € 1.2 million), and the underwriting result improved to € 3.1 million (2011: € 900,000).

In detail, our individual fire and non-life segments performed as follows:

Our household contents insurance portfolio at the end of 2012 comprised 435,783 policies (2011: 439,187). Gross premium receipts increased by 3.0 % to € 34.9 million, and at € 2.1 million the underwriting result was down on the 2011 figure of € 4.4 million.

Our building insurance portfolio increased to a total of 176,149 policies (2011: 174,235). Gross premiums rose strongly by 7.2 % to € 38.6 million. Due to a lower allocation to the equalisation provision € 400,000 (2011: € 1.2 million), the underwriting result net of reinsurance stood at € – 2.1 million, slightly better than the 2011 figure of € – 2.5 million.

In the other fire and non-life-insurance classes, our end-of-year portfolio comprised 280,810 policies (2011: 286,081). Premium receipts fell slightly to € 14.0 million (2011: € 14.1 million. After a € 500,000 withdrawal from the equalisation provision (2011: € 100,000), the underwriting result net of reinsurance improved to € 3.1 million (2011: € – 1.2 million).

Other insurance policies

"Other insurance policies" comprises the results of our cheque card, breakdown service and travel sickness insurance policies. Gross premium receipts rose by 0.6 % to € 1.4 million, while the underwriting result net of reinsurance came to € – 200,000 (2011: € 300,000).

Reinsurance

Our reinsurance business was distributed between several external reinsurers and our Group-internal reinsurer DEVK Rückversicherungs- und Beteiligungs-AG. Our choice of reinsurers took their ratings into account.

Investments and net investment income

As expected, a better investment result was achieved in 2012 than in 2011.

During 2012 our investment portfolio increased in value by 0.3 % to € 1,330.3 million (2011: € 1,326.4 million). There were no significant material changes in the composition of the investment portfolio.

At € 60.6 million, investment income was up on the 2011 figure of € 57.1 million. As in 2011, the figure included a € 15 million dividend payment from DEVK Rückversicherungs- und Beteiligungs-AG. Also included were € 6.7 million in profits from disposals of investments (2011: € 6.9 million) as well as € 3.6 million in write-ups (2011: € 900,000).

At € 13.9 million, investment expenses were significantly lower than in 2011 (€ 18.6 million). This was mainly due to lower write-down requirements (€ 10.1 million as against € 14.3 million in 2011) and reduced losses from investment disposals (€ 200,000 as against € 1.6 million in 2011).

On balance, our net investment income was up on the previous year's figure at € 46.6 million (2011: € 38.5 million).

Operating result and appropriation of retained earnings

Of the year's after-tax net profit of € 22.5 million (2011: € 24.6 million), € 4.5 million was allocated to the loss reserve pursuant to section 37 of the German Act on the Supervision of Insurance Undertakings (Versicherungsaufsichtsgesetz, VAG – Insurance Supervision Act from now on) and € 18.0 million to other retained earnings.

Affiliated companies and participating interests

DEVK Sach- und HUK-Versicherungsverein and DEVK Lebensversicherungsverein are not affiliated companies within the meaning of section 271 paragraph 2 HGB.

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

Delegation of functions and organisational cooperation

Under the existing general agency contracts with other DEVK insurance companies, our company has been assigned overall responsibility for all DEVK insurance brokerage operations and associated tasks.

The general operational areas of accountancy, collection, EDP, asset management, personnel, auditing and general administration are centrally organised for all DEVK companies. As regards the Group insurance companies, this also applies to the areas of portfolio management and claims management (excluding DEVK Rechtsschutz-Versicherungs-AG). However, each company has separate lease contracts and its own inventory and equipment based on its own needs.

Under the existing joint contracts and service contracts, we provide the necessary internal staff for the Group companies DEVK Rückversicherungs- und Beteiligungs-AG, DEVK Allgemeine Versicherungs-AG, DEVK Rechtsschutz-Versicherungs-AG, DEVK Kranenversicherungs-AG, DEVK Allgemeine Lebensversicherungs-AG, DEVK Pensionsfonds-AG, DEVK Vermögensvorsorge- und Beteiligungs-AG and DEVK Service GmbH, as well as various smaller Group companies.

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 German Act on the Supervision of Insurance Companies (VAG), 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 risk categories 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 (*Vorstandsvorlage*) 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 only underwrite straightforward, standardised business, while counteracting the risk of unusually high claims expenses attendant upon extraordinary loss events through a corresponding reinsurance policy.

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

We ensure that we maintain adequate technical reserves through the prudent valuation of claims already filed as well as establishing additional reserves to meet claims that are statistically likely but have not yet been filed on the balance sheet date, as well as for claims that will have to be reopened after the balance sheet date. In addition, equalisation reserves are established in accordance with the provisions of commercial law.

Investment risks

The risks stemming from investments comprise:

- the risk of unfavourable interest rates, 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 capital investments comply with the German Ordinance on the Investment of Restricted Assets of Insurance Undertakings (AnlV). 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, and have tended to reduce this ratio as compared with 2011. 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 eurozone crisis, 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 continue to 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, 5 % of the company's investments are in government bonds, 2 % in corporate bonds and 31 % in securities and deposits with banks and financial service providers. 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. This year, however, a capital write-up could be undertaken with respect to one of our hybrid investments.

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 € 9.2 million, and contain no hidden liabilities. The fixed-asset equities and equity funds show a positive valuation reserve of € 400,000, and likewise contain no hidden liabilities.

BaFin Circular 1/2004 (VA) requires us to subject our investment portfolio to a stress test, which we carried out on the balance sheet date of 31 December 2012, 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 € 14.3 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 or 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

As in previous years, we will again be able to make a premium refund in 2013. In our liability insurance portfolio, all policies held uncancelled throughout 2012 and remaining claim-free will receive a premium refund of 15 % provided the refund amount is € 5 or more.

During 2013 and 2014 we expect total premium receipts to rise by roughly two to three per cent, and before changes to the equalisation provisions we do not anticipate any major improvements in the 2013 and 2014 underwriting results.

On the financial markets, the positive performance of 2012 continued unabated in the first few weeks of the new year. The low interest policies of the major central banks remain in place, and the highly expansionary rescue policies adopted by central banks, involving massive (over)supply of liquidity to the capital markets, are keeping the yields on government bonds (artificially) low. As a result, virtually all forms of investment have become steadily more expensive, leading to rising demand for property and other real assets. Some of the countries directly affected by the eurozone crisis will suffer further economic contraction during 2013 due to the initial impact of restructuring measures. No inflationary tendencies can currently be discerned, but they cannot be ruled out in future, and the danger of bubbles forming in parts of the bond and real-estate markets is increasing.

Due to Germany's continuing dependency on its export industry, the economic situation in the USA and China has a key influence on our country's economic performance. In view of the signals emanating from those quarters, we see good chances of Germany being able to continue registering moderate growth in 2013.

The above scenario is based on the assumption that there will be no renewed deepening of the eurozone crisis, and that the countries affected will continue adhering to their policies of consolidation. However, it is expected that upcoming elections, for instance in Germany and Italy, will increase uncertainty. As a result, the recent sharp falls in the risk premiums offered on the affected countries' government bonds may be reversed, at least to some degree.

Due to an anticipated reduction in write-ups, during 2013 and 2014 we expect DEVK Sach- und HUK-Versicherungsverein a.G to register falling returns despite a growing investment portfolio.

In other respects, our current assessment of the prospects for 2013 and 2014 is that no major pressures are expected that could have a significant impact on the overall result.

All in all, during 2013 and 2014 we are expecting the results from ordinary activities to be somewhat weaker than the current level. However, this is dependent on turbulence on the capital markets remaining within reasonable bounds.

Cologne, 19 April 2013

The Management Board

Gieseler **Etmans** **Faßbender** **Rüßmann** **Zens**

Notes to the management report

List of insurance classes covered during the financial year

Accident insurance

General accident insurance
Motor vehicle accident insurance

Liability insurance

Motor vehicle liability insurance

Other motor vehicle insurance

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

Fire and non-life insurance

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

Other insurance policies

Breakdown service insurance
Cheque card insurance

Foreign travel sickness insurance

Financial statements

Balance sheet to 31 December 2012

Assets	€	€	€	(2011: € 000s)
A. Intangible assets				
I. Licenses, industrial property rights and similar rights and assets acquired for valuable consideration, as well as licenses in such rights and assets		9,275,635		(10,340)
II. Payments on account		2,105,196		(1,188)
			11,380,831	(11,528)
B. Investments				
I. Real estate and similar land rights, including buildings on third-party land		12,789,197		(15,463)
II. Investments in affiliated companies and participating interests				
1. Shares in affiliated companies	575,827,324			(573,277)
2. Participating interests	9,398,037			(6,696)
		585,225,361		(579,973)
III. Other financial investments				
1. Equities, fund units and other variable-yield securities	271,387,386			(257,877)
2. Bearer bonds and other fixed-interest securities	87,423,690			(78,021)
3. Mortgage loans and annuity claims	58,426,885			(62,812)
4. Other loans	293,512,874			(312,722)
5. Other investments	21,531,196			(19,552)
		732,282,031		(730,984)
			1,330,296,589	(1,326,420)
C. Receivables				
I. Receivables arising out of direct insurance operations:				
1. Policyholders	1,548,946			(1,807)
2. Intermediaries	21,084,295			(23,665)
		22,633,241		(25,472)
II. Receivables arising out of reinsurance operations, of which:		4,156,879		(4,559)
Affiliated companies: € 3,512,171				(3,819)
III. Other receivables,		199,581,200		(107,742)
of which:			**226,371,320**	(137,773)
Affiliated companies: € 140,342,685				(97,147)
D. Other assets				
I. Tangible assets and inventories		9,879,503		(11,535)
II. Cash at bank, cheques and cash in hand		23,160,166		(10,318)
III. Other assets		288,253		(304)
			33,327,922	(22,157)
E. Prepayments and accrued income				
I. Accrued interest and rent		8,178,156		(7,318)
II. Other prepayments and accrued income		2,803,017		(1,819)
			10,981,173	(9,137)
Total assets			**1,612,357,835**	(1,507,015)

I hereby confirm that the premium provision of € 9,013,722.84, recorded on the balance sheet under item B.III. of the liabilities and shareholders' equity, has been calculated in compliance with sections 341f and 341g of the German Commercial Code (HGB) as well as the Regulation issued pursuant to section 65 paragraph 1 of the Insurance Supervision Act.

Cologne, 18 April 2013 **The Actuary in Charge | Dr Siegberg**

Pursuant to section 73 of the German Insurance Supervision Act (VAG), I hereby attest that the assets detailed in the list of coverage assets are properly invested and secured in accordance with statutory and supervisory authority requirements.

Cologne, 18 April 2013 **The Trustee | Thommes**

Liabilities and shareholders' equity

	€	€	€	(2011: € 000s)
A. Capital and reserves				
– Retained earnings				
1. Loss reserve pursuant to section 37 of the Insurance Supervision Act		157,666,441		(153,166)
2. Other retained earnings		767,864,200		(749,864)
			925,530,641	(903,030)
B. Technical provisions				
I. Provision for unearned premiums				
1. Gross amount	98,659			(103)
2. of which: Reinsurance amount	5,881			(1)
		92,778		(102)
II. Premium reserve		8,501		(11)
III. Provision for claims outstanding				
1. Gross amount	450,011,685			(441,444)
2. of which: Reinsurance amount	130,461,243			(130,176)
		319,550,442		(311,268)
IV. Provision for bonuses and rebates		16,322,778		(16,854)
V. Equalisation provision and similar provisions		24,663,199		(24,345)
VI. Other technical provisions				
1. Gross amount	1,461,809			(1,824)
2. of which: Reinsurance amount	119,944			(128)
		1,341,865		(1,696)
			361,979,563	(354,276)
C. Provisions for other risks and charges				
I. Provisions for taxation		27,955,494		(29,771)
II. Other provisions		38,286,649		(32,584)
			66,242,143	(62,355)
D. Deposits received from reinsurers				
			59,129,391	(58,822)
E. Liabilities				
I. Liabilities arising out of direct insurance operations				
1. Policyholders	21,963,687			(27,860)
2. Intermediaries	455,816			(772)
		22,419,503		(28,632)
II. Liabilities arising out of reinsurance operations		1,087,830		(2,639)
of which: Affiliated companies: € 462,171				(409)
III. Other liabilities		175,848,633		(97,113)
			199,355,966	(128,384)
of which: Tax: € 7,042,024				(7,150)
Affiliated companies: € 150,283,902				(61,690)
F. Accruals and deferred income				
			120,131	(148)
Total liabilities			**1,612,357,835**	(1,507,015)

Profit and loss account

for the period from 1 January to 31 December 2012

Items	€	€	€	(2011: € 000s)
I. Technical account				
1. Earned premiums, net of reinsurance				
a) Gross premiums written	316,108,504			(306,333)
b) Outward reinsurance premiums	49,642,219			(48,548)
		266,466,285		(257,785)
c) Change in the gross provision for unearned premiums	4,105			(4)
d) Change in the provision for unearned premiums, reinsurers' share	5,090			(– 6)
		9,195		(– 2)
			266,475,480	(257,783)
2. Allocated investment return transferred from the non-technical account, net of reinsurance			**21,125**	(– 104)
3. Other technical income, net of reinsurance			**143,715**	(144)
4. Claims incurred, net of reinsurance				
a) Claims paid				
aa) Gross amount	216,732,376			(221,087)
bb) Reinsurers' share	30,884,963			(32,755)
		185,847,413		(188,332)
b) Change in the provision for claims outstanding				
aa) Gross amount	8,567,880			(– 9,317)
bb) Reinsurers' share	– 285,441			(5,235)
		8,282,439		(– 4,082)
			194,129,852	(184,250)
5. Changes in other technical provisions, net of reinsurance				
a) Premium reserve, net of reinsurance		2,671		(2)
b) Other technical provisions, net of reinsurance		344,082		(– 117)
			346,753	(– 115)
6. Bonuses and rebates, net of reinsurance			**3,832,964**	(127)
7. Net operating expenses				
a) Gross operating expenses		82,919,775		(78,233)
b) of which: Reinsurance commissions and profit participation		10,102,419		(9,624)
			72,817,356	(68,609)
8. Other technical charges, net of reinsurance			**1,908,083**	(1,607)
9. Subtotal			**– 5,701,182**	(3,115)
10. Change in the equalisation provision and similar provisions			**– 318,246**	(617)
11. Technical result, net of reinsurance			**– 6,019,428**	(3,732)
Balance carried forward:			– 6,019,428	(3,732)

Items	€	€	€	€	(2011: € 000s)
Balance carried forward:				– 6,019,428	(3,732)
II. Non-technical account					
1. Investment income					
a) Income from participating interests		16,017,056			(15,720)
of which: from affiliated companies: € 15,465,000					(15,465)
b) Income from other investments					
aa) Income from real estate, similar land rights and buildings, including buildings on third-party land	2,296,163				(2,288)
bb) Income from other investments	31,874,653				(31,275)
		34,170,815			(33,563)
c) Write-ups on investments		3,649,801			(885)
d) Gains on the realisation of investments		6,742,294			(6,920)
			60,579,966		(57,088)
2. Investment charges					
a) Investment management charges, interest expenses and other charges on capital investments		3,622,434			(2,701)
b) Write-downs on investments		10,147,749			(14,297)
c) Losses on the disposal of investments		173,590			(1,557)
			13,943,773		(18,555)
			46,636,193		(38,533)
3. Allocated investment return transferred from the non-technical account			1,099,369		(1,103)
				45,536,824	(37,430)
4. Other income			349,702,262		(341,583)
5. Other charges			355,591,431		(346,086)
				– 5,889,169	(– 4,503)
6. Profit from normal business activity				**33,628,227**	(36,659)
7. Taxes on income			10,463,379		(11,283)
8. Other taxes			664,848		(776)
				11,128,227	(12,059)
9. Net profit for the year				**22,500,000**	(24,600)
10. Allocation to retained earnings					
a) in the loss reserve pursuant to section 37 of the Insurance Supervision Act			4,500,000		(1,645)
b) in other retained earnings			18,000,000		(22,955)
				22,500,000	(24,600)
11. Net retained profit				**–**	(–)

Notes to the accounts

Accounting and valuation methods

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.

Land, land rights and buildings including buildings on third-party land are recorded at their costs of acquisition or production and subjected to scheduled depreciation.

Shares in affiliated companies and participating interests are shown either at their costs of acquisition or at the lower of cost or market value.

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 value.

Mortgage loans and annuity claims are recognised at their costs of acquisition less an individual value adjustment for the potential default risks. The cumulative amortisation is recognised as revenue over the mortgage term.

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 were 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 at the lower of cost or market value.

Receivables from direct insurance operations are capitalised at their nominal values less individual value adjustments plus a general write-down to cover the potential default risk.

Receivables from reinsurance operations are based on the reinsurance contracts and are recognised at their nominal values.

Other receivables are shown at their nominal values.

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 was calculated according to the straight-line method. Low-value assets were written off in the year of acquisition. Low-value assets were 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:
For moped insurance, a **provision for unearned premiums** was calculated for January and February of the following year. The premium shares assignable to these two months are calculated, depending on the insurance policy terms, as unearned premium provisions from the premiums booked each month. When calculating the unearned premium provisions, we complied with the regulation laid down by the Finance Minister of North Rhine-Westphalia on 30 April 1974. Provisions for unearned premiums did not have to be set up with respect to other classes of insurance since the policy year and calendar year are identical in these cases.

The **premium reserve** required for the child accident insurance was calculated individually according to the prospective method, taking implicit recognised costs duly into account on the basis of the DAV 2006 HUR, 4 % mortality tables. An assumed rate of interest of 3.25 % was applied with respect to claims for which provisions first had to be established during the period from 31 December 2000 to 31 December 2003, as against a technical rate of 2.75 % with respect to claims for which provisions first had to be established during the period from 31 December 2004 to 31 December 2006, 2.25 % with respect to claims for which provisions first had to be established between 31 December 2007 and 31 December 2011, and 1.75 % for all later claims.

The **provision for claims outstanding**is calculated individually for each claim. A provision for IBNR losses is established according to general blanket criteria. The provision includes amounts designated for claims settlement.

The **pensions premium reserve** was calculated in accordance with section 341f and 341g HGB on the basis of the DAV 2006 HUR mortality table, applying an assumed interest rate of 4.0 %. In the case of claims for which provisions first had to be established during the period from 31 December 2000 to 31 December 2003, the assumed interest rate applied was 3.25 %, as against a technical rate of 2.75 % with respect to claims for which provisions first had to be established during the period from 31 December 2004 to 31 December 2006, 2.25 % with respect to claims for which provisions first had to be established between 31 December 2007 and 31 December 2011, and 1.75 % for all later claims.
The reinsurance amount was calculated in accordance with the contractual agreements in this respect.

The allocation to the **provision for bonuses** was made on the basis of Executive Board and Supervisory Board decisions that took tax regulations duly into account.

The **provision for rebates** was established on the basis of contractual agreements with policyholders.

The **equalisation provision** was calculated in accordance with the annex to section 29 of the German Regulation on Accounting in the Insurance Sector (RechVersV).

The **other technical provisions** include unused amounts from dormant motor insurance policies, the provision for road traffic victims ceded by Verkehrsopferhilfe e.V. (the Road Accident Victims Aid Association), a cancellation provision for premium claims, a provision for premiums already received and for premium obligations, and also cancellation provisions for reinsurance contracts. These provisions are either estimated or as far as possible calculated on the basis of mathematical models, based on past figures where applicable.

The **other provisions** are formed on the following basis:
The **tax provisions** and **other provisions** (with the exception of the provision for partial retirement benefit obligations and anniversary payments) are calculated according to anticipated needs and set at the levels necessary to the best of our commercial judgement. Pursuant to section 253 paragraph 2 HGB, **other provisions** with a residual term of more than one year are discounted at an average market interest rate corresponding to their residual terms.

The provision for **partial retirement benefit obligations** is calculated according to the projected unit credit method. Biometric calculation principles were not applied. Discounting was done at the average market interest rate published by Deutsche Bundesbank, to wit 3.95 % (2011: 4.09 %), as arrived at assuming a residual term of three years (cf. section 253 paragraph 2 sentence 1 HGB). The financing age on expiry corresponds with the contractual age on expiry. The rate of pay increase was set at 1.95 % per annum.

The **anniversary payments provision** was also 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, to wit 5.05 % (2011: 5.14 %), as arrived at assuming a residual term of three years (cf. section 253 paragraph 2 sentence 2 HGB). The financing age on expiry corresponds with the age at which an anniversary payment becomes due. The rate of pay increase (including career trend) was set at 2.1 % p.a.

The **deposits received from reinsurers** result from a reinsurance agreement to cover claims and pensions provisions, valued at the compliance amounts.

Liabilities arising out of direct insurance operations and **other liabilities** are valued at the compliance amounts.

Liabilities arising out of reinsurance operations result from the reinsurance contracts and are recognised at their compliance amounts.

Accruals and deferred income comprise the discount points on registered bonds and advance rent receipts.

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

The **allocated investment return for own account** was set at 4.0 %, 3.25 %, 2.75 %, 2.25 % or 1.75 % of the respective arithmetical means of the initial and final amounts in the gross pension coverage provisions for accident, liability, motor vehicle liability and motor vehicle accident insurance.

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 4 HGB, we are not recognising any deferred tax asset.

Changes to Asset Items A., B.I. to III. during the 2012 financial year

Assets	Balance sheet value 2011 € 000s	Additions € 000s	Transfers € 000s	Disposals € 000s	Write-ups € 000s	Write-downs € 000s	Balance sheet 2012 € 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	10,340	536	388	–	–	1,988	9,276
2. Payments on account	1,188	1,315	– 388	11	–	–	2,104
3. Total A.	11,528	1,851	–	11	–	1,988	11,380
B.I. Real estate and similar land rights, including buildings on third-party land							
	15,463	–	–	2,010	–	664	12,789
B.II. Investments in affiliated companies and participating interests							
1. Shares in affiliated companies	573,277	2,550	–	–	–	–	575,827
2. Participating interests	6,696	4,286	–	381	–	1,203	9,398
3. Total B.II.	579,973	6,836	–	381	–	1,203	585,225
B.III. Other investments							
1. Shares, investment fund units and other variable-yield securities	257,877	43,381	–	25,564	3,650	7,957	271,387
2. Bearer bonds and other fixed-interest securities	78,021	12,901	–	3,498	–	–	87,424
3. Mortgage loans and annuity claims	62,812	2,445	–	6,649	–	180	58,428
4. Other loans							
a) Registered bonds	102,500	7,000	–	27,500	–	–	82,000
b) Notes receivable and loans	202,623	5,590	–	4,287	–	–	203,926
c) Other loans	7,599	–	–	12	–	–	7,587
5. Other investments	19,552	2,521	–	397	–	145	21,531
6. Total B.III.	730,984	73,838	–	67,907	3,650	8,282	732,283
Total	**1,337,948**	**82,525**	**–**	**70,309**	**3,650**	**12,137**	**1,341,677**

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 2012, our investments had the following book and current values:

Investments		Book value €	Current value €
B.I.	Real estate and similar land rights, including buildings on third-party land	12,789,197	26,110,000
B.II.	Investments in affiliated companies and participating interests		
	1. Shares in affiliated companies	575,827,324	1,494,011,674
	2. Participating interests	9,398,037	10,451,089
B.III.	Other financial investments		
	1. Equities, fund units and other variable-yield securities	271,387,386	299,860,268
	2. Bearer bonds and other fixed-interest securities	87,423,690	101,511,450
	3. Mortgage loans and annuity claims	58,426,885	66,017,480
	4. Other loans		
	a) Registered bonds	82,000,000	97,069,622
	b) Notes receivable and loans	203,926,250	218,128,804
	c) Other loans	7,586,624	7,667,233
	5. Other investments	21,531,196	24,040,486
Total		**1,330,296,589**	**2,344,868,106**
of which: Investments valued at costs of acquisition		1,248,296,589	2,247,798,484
of which: Investments in fixed assets pursuant to section 341b paragraph 2 HGB		176,197,125	185,826,558

The revaluation reserves include hidden liabilities totalling € 4.6 million. These relate to real estate, mortgage loans, notes receivable and loans, other loans, silent participating interests 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.

Real estate is valued according to the gross rental method. All real estate held on 31 December 2012 was revalued with effect from that date.

The current value of shares in affiliated companies and participating interests is calculated either on the basis of gross rental values, at market prices or book value equals market value. The participating interests in DEVK Jupiter Vier GmbH and Ictus GmbH were recognised at their book values.

Both dividend-bearing securities and fixed-interest securities capitalised at their costs of acquisition are valued using the year's-end market prices. Pursuant to section 56 RechVersV, the current values of the registered bonds, notes receivable and loans were calculated at normal market conditions on the basis of the yield curve. The current value of the zero notes payable and other investments was calculated on the basis of the year's-end prices reported by an independent financial enterprise.

Lien on real estate was valued using the most up-to-date yield curve, while taking default and property risk duly into account.

The current values of the other loans and silent participating interests within the meaning of the German Banking Act (KWG) (equity surrogates) were calculated on the basis of the discounted cash flow method in line with the current euro swap curve plus a risk premium, which take into account the anticipated future payment streams in light of debtor-specific assumptions.

The market values of investments denominated in foreign currencies were calculated on the basis of the mean year's-end exchange rates.

Details of financial instruments within the meaning of section 285 paragraph 18 HGB that are capitalised at their fair value

	Book value € 000s	Fair value € 000s
Mortgage loans	914	875
Other loans	77,247	73,038

We have refrained from making any write-downs in accordance with section 253 paragraph 2 sentence 4 HGB as we either intend to hold various securities until maturity or we are assuming that any fall in value is only temporary.

Details of derivative financial instruments and forward purchases in accordance with section 285 paragraph 19 HGB

	Type	Nominal volume € 000s	Book value premium € 000s	Fair value of premium € 000s
Other liabilities	Short put options	3,357	253	45
	Forward purchase in CHF	25,149	–	– 271

Valuation methods

Short put options:	European options	Black-Scholes
	American options	Barone-Adesi
Forward purchase in CHF:	Present value method	

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	3,077	134,661	5,382	
Bond funds	278	25,400	504	
Mixed funds	1,185	27,454	604	
Real-estate funds	2,232	50,289	760	once a month up to € 50,000 or quarterly pro rata with sales of real estate or provided sufficient notification is given

Re Assets B.I.

Real estate and similar land rights, including buildings on third-party land
Real estate to a book value of € 1,786,350 is predominantly used by DEVK Sach- und HUK-Versicherungsverein a.G. and other DEVK Group companies. The proportion of each property used by the DEVK Group in square metres is calculated by deducting the area used by third parties from the overall area.

Re Assets B.II.

Investments in affiliated companies and participating interests

	Subscribed capital €	% share	Checked % share	Equity €	Results from previous financial year €
DEVK Rückversicherungs- und Beteiligungs-AG, Cologne	306,775,129	100.00	100.00	975,788,436	38,000,000
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	11,105,291	–
DEVK Allgemeine Lebensversicherungs-AG, Cologne	7,158,086	100.00	51.00	82,880,301	–
DEVK Pensionsfonds-AG, Cologne	5,000,000	100.00	51.00	10,253,766	320,000
DEVK Vermögensvorsorge- und Beteiligungs-AG, Cologne	20,000,000	51.00	51.00	128,000,000	–
DEVK Alpha GmbH, Cologne	25,000	100.00	51.00	26,172	101
DEVK Asset Management GmbH, Cologne	750,000	100.00	100.00	750,000	–
DEVK Beta GmbH, Cologne	25,000	100.00	100.00	34,447	204
DEVK Gamma GmbH, Cologne	25,000	100.00	100.00	24,834	9,047
DEVK Omega GmbH, Cologne	25,000	100.00	100.00	24,262	6
DEVK Private Equity GmbH, Cologne	10,000,000	65.00	57.65	157,104,169	6,258,059
DEVK Saturn GmbH, Cologne	25,000	100.00	100.00	24,107	5
DEVK Service GmbH, Cologne	260,000	74.00	74.00	1,470,379	–
DEVK Unterstützungskasse GmbH, Cologne	25,000	100.00	51.00	25,533	345
DEVK Versorgungskasse GmbH, Cologne	25,000	100.00	51.00	24,046	426
DEVK Web-GmbH, Cologne	25,000	100.00	100.00	25,000	–
DEVK Zeta GmbH, Cologne	25,000	100.00	51.00	586,325	– 2,155,271
DEVK Zeus Vermögensverwaltungs-AG, Cologne	50,000	100.00	100.00	50,897	305
Assistance Service GmbH, Coesfeld	52,000	100.00	100.00	2,442,973 *	– 650,395
German Assistance Versicherung AG, Coesfeld	1,462,500	100.00	100.00	2,479,614	150,013
Hotelbetriebsgesellschaft SONNENHOF mbH, Cologne	375,000	100.00	51.00	356,023	–
HYBIL B.V., Venlo	400,000	90.00	85.10	52,757,611	4,199,825
Ictus GmbH, Cologne	5,000,000	75.00	65.20	25,434,708	592,622
JUPITER VIER GmbH, Cologne	25,000	100.00	100.00	4,051,169	252,563
KASSOS Beteiligungs- und Verwaltungs-GmbH, Cologne	25,000	100.00	100.00	32,305	– 403
Lieb' Assur S.A.R.L., Nîmes	250,000	100.00	100.00	283,478	18,342
OUTCOME Unternehmensberatung GmbH, Aachen	525,000	100.00	100.00	1,892,837 *	121,561
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	15,800,820	264,455
Terra Estate GmbH Co. KG, Landolfshausen	1,500,000	24.38	24.38	20,031,434	– 99,756
Terra Management GmbH, Landolfshausen	25,000	25.00	25.00	24,672	1,250
	CHF			CHF	CHF
ECHO Rückversicherungs-AG, Zurich	50,000,000	100.00	100.00	64,152,704	1,274,148

* 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.III.

Other investments

Other loans exclusively comprise registered participation certificates.

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

Re Liabilities A.–.

Retained earnings

1. Loss reserve pursuant to section 37 of the Insurance Supervision Act

31.12.2011	€ 153,166,441
Allocation	€ 4,500,000
31.12.2012	**€ 157,666,441**

2. Other retained income

31.12.2011	€ 749,864,200
Allocation	€ 18,000,000
31.12.2012	**€ 767,864,200**

Re Liabilities B.

Technical provisions

Figures in € 000s	Total gross provision Total		of which: Provision for claims outstanding		of which: Equalisation provision and similar provisions	
Insurance class	2012	2011	2012	2011	2012	2011
Accident	67,295	59,896	64,987	59,083	–	–
Liability	50,168	49,961	35,643	39,690	10,331	8,275
Motor vehicle liability	318,300	311,290	317,370	308,754	–	1,578
Other motor vehicle	20,322	20,749	11,276	11,635	–	–
Fire and non-life	36,217	42,425	20,521	22,073	14,332	14,492
of which:						
Fire	586	2,021	317	2,021	269	–
Household contents	7,015	10,965	5,933	5,626	–	–
Homeowners' building	19,584	19,659	10,400	10,623	8,941	8,556
Other non-life	9,032	9,780	3,871	3,803	5,122	5,936
Other	265	259	215	209	–	–
Total	**492,567**	484,580	**450,012**	441,444	**24,663**	24,345

Re Liabilities B.IV.

Provision for bonuses and rebates

a) Bonuses

31.12.2011	€ 16,603,526
Withdrawal	€ 4,272,671
Allocation	€ 3,717,923
31.12.2012	**€ 16,048,778**

b) Rebates

31.12.2011	€ 250,000
Withdrawal	€ 91,041
Allocation	€ 115,041
31.12.2012	**€ 274,000**

Re Liabilities F.

Accruals and deferred income

Discount points on registered bonds	€ 115,908
Advance rental receipts	€ 4,223
	€ 120,131

Notes to the profit and loss account

Direct insurance operations

2012, € 000s	Booked premiums gross	Gross premiums earned	Net premiums earned	Gross expenses on Insurance claims	Gross expenses on Insurance operations	Reinsurance balance	Underwriting result, net of reinsurance
Accident	37,652	37,652	29,125	19,273	12,599	– 1,807	2,743
Liability	34,103	34,103	33,369	7,403	14,811	– 1,335	6,301
Motor vehicle liability	88,275	88,279	80,084	86,767	12,346	484	– 8,954
Other motor vehicle	67,102	67,102	49,135	65,244	10,404	– 531	– 9,032
Fire and non-life	87,529	87,529	73,620	45,535	32,401	– 4,984	3,102
of which:							
Fire	965	965	552	– 1,629	393	– 340	1,527
Household contents	34,923	34,923	34,195	16,881	14,223	– 686	2,085
Homeowners' building	38,584	38,584	27,425	25,375	11,509	– 2,841	– 2,065
Other non-life	13,057	13,057	11,448	4,908	6,276	– 1,117	1,555
Other	1,448	1,448	1,142	1,078	359	– 191	– 179
Total	**316,109**	**316,113**	**266,475**	**225,300**	**82,920**	**– 8,364**	**– 6,019**

2011, € 000s	Booked premiums gross	Gross premiums earned	Net premiums earned	Gross expenses on Insurance claims	Gross expenses on Insurance operations	Reinsurance balance	Underwriting result, net of reinsurance
Accident	37,363	37,363	28,984	12,076	11,754	– 3,437	10,234
Liability	34,303	34,303	33,352	7,463	14,074	– 1,539	9,008
Motor vehicle liability	84,741	84,744	76,794	75,817	11,956	– 6,002	– 5,051
Other motor vehicle	64,504	64,505	46,933	67,354	10,184	1,373	– 11,594
Fire and non-life	83,982	83,982	70,589	48,169	30,130	– 1,644	854
of which:							
Fire	686	686	429	1,874	475	– 230	– 1,278
Household contents	33,893	33,893	33,132	15,186	12,802	– 579	4,429
Homeowners' building	35,980	35,980	25,814	25,399	10,686	– 93	– 2,469
Other non-life	13,423	13,423	11,214	5,710	6,167	– 742	172
Other	1,440	1,440	1,131	891	134	– 160	281
Total	306,333	306,337	257,783	211,770	78,232	– 11,409	3,732

The gross overall expenses on all insurance operations were as follows:

Acquisition costs	€ 41,912,558
Administration costs	€ 41,007,217

Insurance agents' commission and other remuneration, personnel expenses	2012, € 000s	2011, € 000s
1. Insurance agents' commission of all types within the meaning of section 92 HGB for direct insurance operations	27,507	24,920
2. Other insurance agents' remuneration within the meaning of section 92 HGB	1,451	1,206
3. Wages and salaries	185,316	183,396
4. Social-security contributions and social-insurance costs	31,876	25,358
5. Retirement pension costs	15,520	10,204
Total	**261,670**	245,084

The pension provision for DEVK Sach- und HUK-Versicherungsverein a.G. employees is shown on the balance sheet of DEVK Rückversicherungs- und Beteiligungs-AG. The wages and salaries, social-security contributions and social-insurance costs and the allocation to the pension provision, with the exception of the interest allocation, are charged to DEVK Sach- und HUK-Versicherungsverein a.G. The personnel expenses for employees seconded to subsidiary companies under the Cooperative Agreement are allocated according to the costs-by-cause principle.

During the year under review, Management Board remuneration totalled € 636,918. The retirement pensions of former Management Board members and their surviving dependants totalled € 942,357. On 31 December 2012, DEVK Rückversicherungs- und Beteiligungs-AG capitalised a pension provision of € 10,484,784. The Supervisory Board remuneration totalled € 384,214 and Advisory Board remuneration came to € 68,747.

Other information

Contingencies and other financial obligations

On the balance sheet date, there were financial obligations totalling € 3.4 million from open short options and € 30.0 million from multi-tranche notes payable. The payment obligations in relation to approved mortgage loans not yet paid out totalled € 5.8 million.

At the end of the year, other financial obligations arising from real-estate holdings, fund units, shares in affiliated companies and participating interests totalled € 20.2 million. This includes obligations towards affiliated companies amounting to € 4.9 million.

Under an assumption of debt agreement, the pension provisions for all employees in the DEVK Group have been assigned to DEVK Rückversicherungs- und Beteiligungs-AG in return for the transfer of corresponding investments, thereby bundling all of the DEVK Group's pension commitments with a single risk bearer and improving the protection in place for employees' pension rights.
The joint and several liability for the pension commitments capitalised on the DEVK Rückversicherungs- und Beteiligungs-AG balance sheet has given rise to benefit obligations totalling € 340.2 million.

General information

Number of insurance contracts concluded directly by the Group with a term of at least one year		
	2012	2011
Accident	261,783	261,713
Liability	597,757	600,297
Motor vehicle liability	548,281	546,747
Other motor vehicle	452,805	451,901
Fire and non-life	892,742	899,503
of which:		
Fire	2,264	2,201
Household contents	435,783	439,187
Homeowners' building	176,149	174,235
Other non-life	278,546	283,880
Other	490	527
Total	**2,753,858**	2,760,688

Lists of the members of the Management Board, Supervisory Board and Advisory Board are given prior to the Management Report.

During the year under review, the average number of employees, disregarding inactive employment contracts and after converting part-time employees to full-time equivalents, came to 3,204, made up of 71 executives and 3,133 salaried employees.

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

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

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

Cologne, 19 April 2013

The Management Board

Gieseler **Etmans** **Faßbender** **Rüßmann** **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 Deutsche Eisenbahn Versicherung Sach- und HUK-Versicherungsverein a.G. Betriebliche Sozialeinrichtung der Deutschen Bahn**, Cologne, for the financial year from 1 January to 31 December 2012. 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, 26 April 2013

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr Ellenbürger	**Dr Hübner**
Auditor	Auditor

Supervisory Board report

During 2012, 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 2012 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. Accordingly, the Supervisory Board hereby approves the 2012 financial statements, which are thus duly adopted.

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

Cologne, 17 May 2013

The Supervisory Board

Kirchner
Chairman

Company bodies

Supervisory Board

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

Jürgen Thurau
Homberg
Deputy Chairman
Chairman of the Management Board of Sparda-Bank West eG

Gerd Becht
Bad Homburg
Director of Compliance, Data Protection and Legal Affairs at Deutsche Bahn AG and DB Mobility Logistics AG

Ruth Ebeler
Cologne
Deputy Chair of the Works Council, DEVK Versicherungen, Cologne Headquarters (until 16 May 2012)

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 (until 16 May 2012)

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-Versicherungsverein 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.

The stock market's performance during 2012 was strongly influenced by the ECB's announcement that it would do "whatever it takes" to save the euro. This contributed to a positive trend on financial markets in the second half of the year, with almost all asset classes registering strong rises despite high levels of market volatility. The performance of Germany's DAX share index was particularly encouraging, with its year's end level of 7,612.39 points representing a 29.1 % rise, a figure which put it well ahead of the other major indices in Asia, Europe and the USA. For instance, the European EuroStoxx50 share index had reached 2,635.93 points by the end of the year, up just 14.1 % over the year as a whole, while money invested in Italian government bonds gained 28.5 %. Even ten-year German government bonds registered growth of 7.6 % over the course of the year.

All in all, then, we can report satisfactory business performance during the course of 2012.

Ratings

The ratings, commissioned by Standard & Poor's for the first time in 2008, are updated each year. As in the years 2008 to 2011, in 2012 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+. Standard & Poor's assesses our future outlook as "stable", thus confirming the very sound financial position enjoyed by DEVK companies generally.

Meanwhile, the rating agency Fitch came to the same conclusion, with its 2012 rating of the financial strength of DEVK's core companies remaining unaltered 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 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 2012 booked gross premiums were up 14.9 % at € 290.6 million. Income from participating interests came to € 107.0 million (2011: € 86.5 million).

Earned premiums net of reinsurance totalled € 184.8 million (2011: € 162.4 million), and claims expenses net of reinsurance came to € 126.0 million (2011: € 115.0 million). The ratio of net claims expenses to earned net premiums thus fell to 68.2 % (2011: 70.8 %), while the ratio of expenses on insurance operations net of reinsurance to earned premiums net of reinsurance improved to 23.6 % (2011: 25.4 %).

The netted-out 2012 underwriting result before changes to the equalisation provision came to € – 31.3 million (2011: € – 2.5 million). After a € 22.5 million allocation to the premium refunds provision (2011: € 9.4 million), the underwriting result net of reinsurance was € – 53.8 million (2011: € – 11.9 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 reinsurance contracts with DEVK Lebensversicherungsverein a.G. and DEVK Allgemeine Lebensversicherungs-AG. Booked gross premiums came to € 12.1 million (2011: € 3.7 million). The underwriting result was a loss of € 46.9 million (2011: € – 11.1 million).

Accident insurance

Gross booked premium receipts amounted to € 31.3 million (2011: € 26.7 million), with an underwriting result net of reinsurance of € 2.0 million (2011: € 4.6 million).

Liability insurance

With gross booked premiums of € 2.4 million (2011: € 2.7 million), there was an underwriting loss of € 4.5 million (2011: € – 500,000).

Motor vehicle liability insurance

Gross motor vehicle liability insurance receipts totalled € 49.7 million (2011: € 48.6 million). After the formation of a € 1.5 million equalisation provision, the underwriting result came to € – 1.8 million (2011: € – 1.8 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 increased to € 65.5 million (2011: € 60.8 million). Despite a € 600,000 allocation to the equalisation provision, the underwriting result improved to € 1.2 million (2011: € – 2.0 million).

Fire and non-life insurance

Total gross booked fire and non-life insurance premiums rose to € 117.4 million (2011: € 99.3 million). In detail, our individual fire and non-life segments performed as follows:

Gross household contents insurance premiums amounted to € 16.3 million, well up on the 2011 figure of € 10.8 million. The underwriting result came to € 3.6 million (2011: € 2.8 million).

With premium receipts of € 42.1 million (2011: € 36.2 million), and after a € 1.9 million allocation to the equalisation provision (2011: € 3.1 million), our combined property insurance registered an underwriting profit of € 4.4 million (2011: € 2.0 million).

In the other classes of fire and non-life insurance, gross booked premiums totalled € 59.0 million (2011: € 52.3 million). After a very large € 17.7 million allocation to the equalisation provision (2011: € 10.8 million), the underwriting result was a loss of € 12.6 million (2011: € – 6.8 million).

Other insurance policies

With premium receipts of € 12.1 million (2011: € 10.8 million), despite a € 900,000 allocation to the equalisation provision (2011: € 1.5 million withdrawal), the underwriting result stood at € 700,000, only slightly below the 2011 figure of € 1.1 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 € 108.0 million (2011: € 94.8 million). This figure included income from profit transfer agreements with affiliated companies totalling € 103.6 million (2011: € 90.7 million). Set against this income are charges from a loss transfer amounting to € 300,000 (2011: € 8.4 million).

Investments and net investment income

During the year under review, the investment portfolio increased by 16.0 % to € 1,772.4 million. At 35.6 %, "investments in affiliated companies and participating interests" continue to constitute the largest item in the investment portfolio.

Total net investment income improved markedly from the 2011 figure, up 40 % at € 161.9 million (2011: € 115.7 million). This was due to higher profit transfers from subsidiaries, various write-ups and, on the expenses side, lower write-downs on investments and reduced loss transfer costs.

Operating result and appropriation of retained earnings

Taking into account other profits or losses at around the 2011 level, the profit from ordinary activities stood at € 81.0 million (2011: € 77.4 million).

The after-tax net profit for the year of € 38.0 million (2011: € 36.0 million) is shown as net retained earnings.

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 € 23.0 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 approximately € 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 2012 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 German Act on the Supervision of Insurance Companies (VAG), 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 risk categories 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 (Vorstandsvorlage) 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 in compliance with the provisions of accounting law are formed.

Investment risks

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.

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, and have tended to reduce this ratio as compared with 2011. We have applied a value protection model to our equity investments in order to limit market risks. Should growing economic problems 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 continue to 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, 7 % of the company's investments are in government bonds, 1 % in corporate bonds and 40 % in securities and deposits with banks and other financial service providers. 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 € 23.8 million, a figure that includes € 200,000 in hidden charges.

We have subjected our investment holdings to a stress test similar to the one applied to our non-life and accident insurance, which we carried out on the balance sheet date of 31 December 2012, 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 clients 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 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 € 121.3 million (2011: € 80.2 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 or 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 2013 and 2014. 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.

On the financial markets, the positive performance of 2012 continued unabated in the first few weeks of the new year. The low interest policies of the most important central banks remain in place, and the highly expansionary rescue policies adopted by central banks, involving massive (over)supply of liquidity to the capital markets, are keeping the yields on government bonds (artificially) low. As a result, virtually all forms of investment have become steadily more expensive, leading to rising demand for property and other real assets. Some of the countries directly affected by the eurozone crisis will suffer further economic contraction during 2013 due to the initial impact of restructuring measures. No inflationary tendencies can currently be discerned, but they cannot be ruled out in future, and the danger of bubbles forming in parts of the bond and real-estate markets is increasing.

Due to Germany's continuing dependency on its export industry, the economic situation in the USA and China has a key influence on our country's economic performance. In view of the signals emanating from those quarters, we see good chances of Germany being able to continue registering moderate growth in 2013.

The above scenario is based on the assumption that there will be no renewed deepening of the eurozone crisis, and that the countries affected will continue adhering to their policies of consolidation. However, it is expected that upcoming elections, for instance in Germany and Italy, will increase uncertainty. As a result, the recent sharp falls in the risk premiums offered on the affected countries' government bonds may be reversed, at least to some degree.

Due to low interest rates we are expecting a slight fall in the investment results registered by DEVK Rückversicherungs- und Beteiligungs-AG during 2013 and 2014. However, this is dependent upon stable financial markets and profit transfers from our subsidiaries remaining at around the previous year's level.

In other respects, our current assessment of the prospects for 2013 and 2014 is that no major pressures are expected that could have a significant impact on the overall result.

All in all, we expect the 2013 and 2014 results from ordinary activities to be somewhat weaker than the current level.

Cologne, 19 April 2013

The Management Board

Gieseler **Rüßmann** **Zens**

Notes to the management report

List of insurance classes covered during the financial year

Reinsurance coverage provided

Life assurance

Health insurance
Daily benefits insurance
Hospital daily benefits insurance
Travel health 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 2012

Assets	€	€	€	(2011: € 000s)
A. Intangible assets				
I. Licenses, industrial property rights and similar rights and assets acquired for valuable consideration, as well as licenses in such rights and assets		232,270		(241)
II. Payments on account		32,576		(1)
			264,846	(242)
B. Investments				
I. Investments in affiliated companies and participating interests				
1. Shares in affiliated companies	583,658,136			(572,708)
2. Loans to affiliated companies	4,282,000			(4,818)
3. Participating interests	43,563,479			(46,221)
		631,503,615		(623,747)
II. Other financial investments				
1. Equities, fund units and other variable-yield securities	206,237,224			(163,695)
2. Bearer bonds and other fixed-interest securities	239,159,983			(209,719)
3. Other loans	436,392,073			(444,009)
4. Deposits with banks	45,000,000			(–)
5. Other investments	29,588,885			(25,174)
		956,378,165		(842,597)
III. Deposits with ceding companies		184,558,544		(60,976)
			1,772,440,324	(1,527,320)
C. Receivables				
I. Receivables arising out of reinsurance operations,		16,440,788		(13,151)
of which:				
Affiliated companies: € 282,066				(296)
II. Other receivables,		216,851,275		(192,254)
of which:			**233,292,063**	(205,405)
Affiliated companies: € 186,853,460				(164,867)
D. Other assets				
– Tangible assets and inventories			**127,907**	(128)
E. Prepayments and accrued income				
I. Accrued interest and rent		17,702,442		(16,281)
II. Other prepayments and accrued income		420,334		(497)
			18,122,776	(16,778)
Total assets			**2,024,247,916**	(1,749,873)

Liabilities and shareholders' equity

	€	€	€	(2011: € 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		437,266,246		(416,266)
IV. Net retained earnings		38,000,000		(36,000)
			975,788,436	(952,788)
B. Technical provisions				
I. Provision for unearned premiums				
1. Gross amount	10,317,439			(6,367)
2. of which: Reinsurance amount	117,392			(21)
		10,200,047		(6,346)
II. Premium reserve		173,817,384		(51,538)
III. Provision for claims outstanding				
1. Gross amount	212,307,190			(187,967)
2. of which: Reinsurance amount	66,802,952			(62,105)
		145,504,238		(125,862)
IV. Provision for bonuses and rebates		–		(14)
V. Equalisation provision and similar provisions		48,783,117		(26,284)
VI. Other technical provisions				
1. Gross amount	477,908			(530)
2. of which: Reinsurance amount	237,876			(147)
		240,032		(383)
			378,544,818	(210,427)
C. Provisions for other risks and charges				
I. Provisions for pensions and similar commitments		399,353,863		(380,010)
II. Provisions for taxation		169,772,528		(66,741)
III. Other provisions		9,886,775		(8,389)
			579,013,166	(455,140)
D. Deposits received from reinsurers				
			1,500,000	(–)
E. Other liabilities				
I. Receivables arising out of reinsurance operations		83,860,574		(38,508)
of which: Affiliated companies: € 39,971,717				(19,829)
II. Amounts owed to banks		–		(84,000)
III. Other liabilities		5,062,645		(8,456)
of which:			**88,923,219**	(130,964)
Tax: € 1,182,171				(1,182)
Affiliated companies: € 215,692				(3,420)
F. Accruals and deferred income				
			478,277	(554)
Total liabilities			**2,024,247,916**	(1,749,873)

Profit and loss account

for the period from 1 January to 31 December 2012

Items	€	€	€	(2011: € 000s)
I. Technical account				
1. Earned premiums, net of reinsurance				
a) Gross premiums written	290,567,633			(252,844)
b) Outward reinsurance premiums	101,933,191			(90,028)
		188,634,442		(162,816)
c) Change in the gross provision for unearned premiums	– 3,950,636			(– 313)
d) Change in the provision for unearned premiums, reinsurers' share	96,875			(– 133)
		– 3,853,761		(– 446)
			184,780,681	(162,370)
2. Allocated investment return transferred from the non-technical account, net of reinsurance			**6,737,890**	(2,168)
3. Other technical income, net of reinsurance			**14,100**	(–)
4. Claims incurred, net of reinsurance				
a) Claims paid				
aa) Gross amount	165,712,964			(163,594)
bb) Reinsurers' share	59,394,129			(62,715)
		106,318,835		(100,879)
b) Change in the provision for claims outstanding				
aa) Gross amount	24,340,213			(14,856)
bb) Reinsurers' share	– 4,698,095			(– 728)
		19,642,118		(14,128)
			125,960,953	(115,007)
5. Changes in other technical provisions, net of reinsurance				
a) Premium reserve, net of reinsurance		– 5,370,131		(1,244)
b) Other technical provisions, net of reinsurance		143,276		(25)
			– 5,226,855	(1,269)
6. Bonuses and rebates, net of reinsurance			**–**	(14)
7. Net operating expenses				
a) Gross operating expenses		67,958,355		(62,113)
b) of which: Reinsurance commissions and profit participation		24,308,347		(20,951)
			43,650,008	(41,162)
8. Other technical charges, net of reinsurance			**48,036,969**	(12,138)
9. Subtotal			**– 31,342,114**	(– 2,514)
10. Change in the equalisation provision and similar provisions			**– 22,499,154**	(– 9,389)
11. Technical result, net of reinsurance			**– 53,841,268**	(– 11,903)
Balance carried forward:			– 53,841,268	(– 11,903)

Items	€	€	€	(2011: € 000s)
Balance carried forward:			– 53,841,268	(– 11,903)
II. Non-technical account				
1. Investment income				
a) Income from participating interests	4,474,663			(4,117)
of which:				
from affiliated companies: € 2,107,000				(1,776)
b) Income from other investments	53,853,312			(40,850)
of which:				
from affiliated companies: € 3,203,421				(965)
c) Write-ups on investments	9,957,586			(1,876)
d) Gains on the realisation of investments	2,494,586			(7,693)
e) Income from a profit pooling, profit transfer or partial profit transfer agreement	103,562,186			(90,722)
		174,342,333		(145,258)
2. Investment charges				
a) Investment management charges, interest expenses and other charges on capital investments	2,307,236			(870)
b) Write-downs on investments	9,757,445			(18,059)
c) Losses on the realisation of investments	96,293			(2,260)
d) Charges from loss transfer	294,065			(8,412)
		12,455,039		(29,601)
		161,887,294		(115,657)
3. Allocated investment return transferred from the non-technical account		6,737,890		(2,222)
			155,149,404	(113,435)
4. Other income		17,054,004		(13,480)
5. Other charges		37,340,327		(37,585)
			– 20,286,323	(– 24,105)
6. Profit from normal business activity			**81,021,813**	(77,427)
7. Taxes on income		43,020,122		(41,426)
8. Other taxes		1,691		(1)
			43,021,813	(41,427)
9. Net profit for the year/Net retained earnings			**38,000,000**	(36,000)

Notes to the accounts

Accounting and valuation methods

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 or market value. **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 value.

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 were 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 was 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 amounts for the **provisions for claims outstanding** were 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, to wit 5.05 % (2011: 5.14 %), as arrived at assuming a residual term of three 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 are 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 2012 financial year

Assets	Balance sheet value 2011 € 000s	Additions € 000s	Transfers € 000s	Disposals € 000s	Write-ups € 000s	Write-downs € 000s	Balance sheet 2012 € 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	241	45	–	–	–	54	232
2. Payments on account	1	32	–	–	–	–	33
3. Total A.	242	77	–	–	–	54	265
B.I. Investments in affiliated companies and participating interests							
1. Shares in affiliated companies	572,708	13,450	–	–	–	2,500	583,658
2. Loans to affiliated companies	4,818	400	–	936	–	–	4,282
3. Participating interests	46,221	13	–	–	–	2,670	43,564
4. Total B.I.	623,747	13,863	–	936	–	5,170	631,504
B.II. Other investments							
1. Shares, investment fund units and other variable-yield securities	163,695	57,810	–	17,778	6,212	3,702	206,237
2. Bearer bonds and other fixed-interest securities	209,719	29,463	–	–	–	22	239,160
3. Other loans							
a) Registered bonds	115,500	–	–	–	–	–	115,500
b) Notes receivable and loans	271,997	10,817	–	20,188	–	–	262,626
c) Other loans	56,512	380	–	326	1,700	–	58,266
4. Deposits with banks	–	45,000	–	–	–	–	45,000
5. Other investments	25,174	3,982	–	749	2,045	863	29,589
6. Total B.II.	842,597	147,452	–	39,041	9,957	4,587	956,378
Total	**1,466,586**	**161,392**	**–**	**39,977**	**9,957**	**9,811**	**1,588,147**

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 2012, 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	583,658,136	1,230,629,553
	2. Loans to affiliated companies	4,282,000	4,471,232
	3. Participating interests	43,563,479	45,678,082
B.II.	Other financial investments		
	1. Equities, fund units and other variable-yield securities	206,237,224	238,183,634
	2. Bearer bonds and other fixed-interest securities	239,159,983	268,923,515
	3. Other loans		
	a) Registered bonds	115,500,000	133,413,444
	b) Notes receivable and loans	262,626,436	290,808,368
	c) Other loans	58,265,637	57,956,389
	4. Deposits with banks	45,000,000	45,000,000
	5. Other investments	29,588,885	33,195,765
Total		**1,587,881,780**	**2,348,259,982**
of which: Investments valued at costs of acquisition		1,427,381,780	2,169,846,538
of which: Investments in fixed assets pursuant to section 341b paragraph 2 HGB		177,872,723	201,680,361

The revaluation reserves include hidden liabilities totalling € 3.3 million.
These relate to bearer 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.

Both dividend-bearing securities and fixed-interest securities capitalised at their costs of acquisition are valued using the year-end market prices. Pursuant to section 56 RechVersV, the current values of the registered bonds, notes receivable and loans were calcu-

lated at normal market conditions on the basis of the yield curve. The current value of the zero notes payable was calculated on the basis of the year-end prices reported by an independent financial enterprise.
The current values of the other loans and silent participating interests within the meaning of the German Banking Act (KWG) (equity surrogates) were calculated on the basis of the discounted cash flow method in line with the current euro swap curve plus a risk premium, which take into account the anticipated future payment streams in light of debtor-specific assumptions.

The market values of investments denominated in foreign currencies were calculated on the basis of the year's-end exchange rates.

Details of financial instruments within the meaning of section 285 paragraph 18 HGB that are capitalised at their fair value

	Book value € 000s	Fair value € 000s
Fixed-asset securities	14,063	13,885
Other loans	92,376	89,227

We have refrained from making any write-downs in accordance with section 253 paragraph 3 sentence 4 HGB as we either intend to hold various securities until maturity or we are assuming that any fall in value is only temporary.

Details of derivative financial instruments and forward purchases in accordance with section 285 paragraph 19 HGB

	Type	Volume € 000s	Premium € 000s	Value of premium € 000s
Other liabilities	Short put options	7,310	297	103
	Forward purchase in CHF	25,149	–	– 271

Valuation methods

Short put options:	European options	Black-Scholes
	American options	Barone-Adesi
Forward purchase in CHF:	Present value method	

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	8,887	117,490	325	
Bond funds	86	26,199	1,680	
Real-estate funds	910	17,073	1,140	once a month up to € 50,000 or quarterly only pro rata with sales of real estate

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	11,105,291	–
DEVK Allgemeine Lebensversicherungs-AG, Cologne	7,158,086	100.00	51.00	82,880,301	–
DEVK Pensionsfonds-AG, Cologne	5,000,000	100.00	51.00	10,253,766	320,000
DEVK Vermögensvorsorge- und Beteiligungs-AG, Cologne	20,000,000	51.00	51.00	128,000,000	–
DEVK Alpha GmbH, Cologne	25,000	100.00	51.00	26,172	101
DEVK Asset Management GmbH, Cologne	750,000	100.00	100.00	750,000	–
DEVK Beta GmbH, Cologne	25,000	100.00	100.00	34,447	204
DEVK Gamma GmbH, Cologne	25,000	100.00	100.00	24,834	9,047
DEVK Omega GmbH, Cologne	25,000	100.00	100.00	24,262	6
DEVK Private Equity GmbH, Cologne	10,000,000	55.00	47.65	157,104,169	6,258,059
DEVK Saturn GmbH, Cologne	25,000	100.00	100.00	24,107	5
DEVK Service GmbH, Cologne	260,000	74.00	74.00	1,470,379	–
DEVK Unterstützungskasse GmbH, Cologne	25,000	100.00	51.00	25,533	345
DEVK Versorgungskasse GmbH, Cologne	25,000	100.00	51.00	24,046	426
DEVK Web-GmbH, Cologne	25,000	100.00	100.00	25,000	–
DEVK Zeta GmbH, Cologne	25,000	100.00	51.00	586,325	–
DEVK Zeus Vermögensverwaltungs-AG, Cologne	50,000	100.00	100.00	50,897	305
Assistance Service GmbH, Coesfeld	52,000	100.00	100.00	2,442,973 *	– 650,395
German Assistance Versicherung AG, Coesfeld	1,462,500	100.00	100.00	2,479,614	150,013
Hotelbetriebsgesellschaft SONNENHOF mbH, Cologne	375,000	100.00	51.00	356,023	–
HYBIL B.V., Venlo	400,000	80.00	75.10	52,747,611	4,199,825
Ictus GmbH, Cologne	5,000,000	60.00	50.20	25,434,708	592,622
KASSOS Beteiligungs- und Verwaltungs-GmbH, Cologne	25,000	100.00	100.00	32,305	– 403
Lieb' Assur S.A.R.L., Nîmes	250,000	100.00	100.00	283,478	18,342
Monega Kapitalanlagegesellschaft mbH, Cologne	5,200,000	45.00	45.00	6,575,239	1,371,743
OUTCOME Unternehmensberatung GmbH, Aachen	525,000	100.00	100.00	1,892,837 *	121,561
Reisebüro Frenzen GmbH, Cologne (2011 financial year)	25,000	52.00	52.00	409,610	154,910
SADA Assurances S.A., Nîmes	24,721,000	100.00	100.00	15,800,820	264,455
	CHF			CHF	CHF
ECHO Rückversicherungs-AG, Zurich	50,000,000	100.00	100.00	64,152,704	1,274,148

* 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	€ 341,370
Advance payments for future services	€ 78,964
	€ 420,334

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

31.12.2011	€ 416,266,246
Allocation	€ 21,000,000
31.12.2012	**€ 437,266,246**

Re Liabilities F.

Accruals and deferred income

Discount points on registered bonds	**€ 478,277**

Notes to the profit and loss account

Reinsurance coverage provided

	2012, € 000s	2011, € 000s
Gross booked premiums		
– Life	12,124	3,710
– Non-life/accident	278,444	249,134
Total	**290,568**	252,844

Insurance agents' commission and other remuneration, personnel expenses

	2012, € 000s	2011, € 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	306	305
4. Social-security contributions and social-insurance costs	–	–
5. Retirement pension costs	134	130
Total	**440**	435

During the year under review, Management Board remuneration totalled € 322,751. The retirement pensions of former Management Board members and their surviving dependants totalled € 165,219. As of 31 December 2012, a pension provision of € 2,175,615 was capitalised for this group of people. The Supervisory Board remuneration totalled € 172,694.

Other information

Parent company guarantee

Our company undertakes at all times to provide Assistance Services GmbH and OUTCOME 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 € 12.4 million. This includes obligations towards affiliated companies amounting to € 5.5 million.

On the balance sheet date, we had outstanding financial obligations totalling € 7.3 million from open short options.

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 % owned 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 a 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 exempted 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, Germany

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

Cologne, 19 April 2013

The Management Board

Gieseler **Rüßmann** **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 2012. 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, 26 April 2013

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr. Hübner	**Offizier**
Auditor	Auditor

Supervisory Board report

During 2012, 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 2012 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. Accordingly, the Supervisory Board hereby approves the 2012 financial statements, which are thus duly adopted.

The Supervisory Board agrees with the Management Board's proposal concerning the appropriation of the 2012 net retained earnings and hereby recommends that the Annual General Meeting frames a corresponding resolution.

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

Cologne, 17 May 2013

The Supervisory Board

Kirchner
Chairman

Company bodies

Supervisory Board

Wolfgang Zell
Neustadt in Holstein
Chairman
Federal Director of the Eisenbahn- und Verkehrsgewerkschaft (EVG) (Railway and Transport Union)

Helmut Lind
Munich
Deputy Chairman
CEO of Sparda-Bank München eG

Ralf Gajewski
Berlin
Deputy Group Manager of KKC (Customer Service Centre) DEVK Versicherungen, Regional Management Unit Berlin

Helmut Petermann
Essen
Chairman of the General Works Council, DEVK Versicherungen

Dr Karl-Friedrich Rausch
Weiterstadt
Transport and Logistics Director DB Mobility Logistics AG

Regina Rusch-Ziemba
Hamburg
Deputy Chair of the Railway (Railway and Transport Union)

Manfred Schell
Aachen
Honorary Federal Chairman of the German Train Drivers' Union

Andrea Tesch
Zittow
Deputy Group Manager of Sach/HU-Betrieb and Head of SHU Unit, DEVK Versicherungen, Schwerin Regional Management Unit

Ekhard Zinke
Flensburg
President of the Federal Motor Transport Authority

Management Board

Friedrich Wilhelm Gieseler
Bergisch Gladbach
Chairman

Engelbert Faßbender
Hürth

Bernd Zens
Königswinter

Advisory Board

Rudi Schäfer
Heilbronn
– Honorary Chairman –
Former Chairman of the German Railway Workers Union

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

Gottfried Geisel
Wiesbaden
Departmental Manager at the Railway and Transport Union (EVG)
Management Board Unit
Klaus-Dieter Hommel

Helmut Jeck
Ludwigshafen
Chairman of the Association of German Railway Technical Colleges, Association Branch Office

Günther Köhnke
Rotenburg
Regional Manager of Finance and Controlling DB Regio AG
Managing Director of Finances, Regionalbahn
Schleswig-Holstein GmbH

Wilhelm Lindenberg
Hanover
Operations and Personnel Director, üstra Hannoversche Verkehrsbetriebe AG

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

Wilfried Messner
Wolfenbüttel
Chairman of the Federal Association of German Railway Managers (registered association) (BF Bahnen)

Egbert Meyer-Lovis
Hamburg
Communications Manager for Hamburg, Schleswig-Holstein, Lower Saxony and Bremen Regional Communications Office
DB Mobility Logistics AG

Silvia Müller
Berlin
Director of Fonds soziale Sicherung and Wertguthabenfonds (Social Security and Credit Funds)

Dr Sigrid Nikutta
Berlin
CEO of BVG
Berliner Verkehrsbetriebe

Ulrich Nölkenbockhoff
Nordkirchen
Chairman of the Special Staff Council for the President of the Federal Office for Railway Assets

Roger Paeth
Burgwedel
Group Personnel Services and Personnel Director, Deutsche Bahn AG

Peter Rahm
Crailsheim
Chairman of the General Works Council, DB Kommunikationstechnik GmbH

Karlheinz Reindl
Baldham
CEO of the UDBB (German Union of Railway Station Businesses)

Marion Rövekamp
Munich
Personnel Director, DB Regio AG
Head of Personnel Passenger Transport
DB Mobility Logistics AG

Lars Scheidler
Berlin
Departmental Manager at the Railway and Transport Union (EVG)

Andreas Springer
Berlin
Personnel and Operations Director, DB Station & Service AG

Bernd Sülz
Berlin
Personnel Director,
DB Fahrzeuginstandhaltung GmbH

Hans-Otto Umlandt
Oesterdeichstrich
Personnel Director, DB Netz AG
Personnel Infrastructure Manager
Deutsche Bahn AG

Oliver Wolff
Düsseldorf
Managing Director and Managing Board Member, Association of German Transport Companies (VDV)

Margarete Zavoral
Sulzbach
CEO of the Railway Social Work Foundation
CEO of the Railway Orphanage Foundation

Management report

Commercial environment and general conditions

Overview

As a non-life and accident insurer with a high proportion of motor insurance, DEVK Allgemeine Versicherungs-AG (DEVK-G) is particularly sensitive to developments in this segment. We are therefore pleased to be able to report an improvement in revenues in the motor vehicle insurance segment once again this year. Due to industry-wide premium adjustment, German motor vehicle insurance registered premium growth of 5.4 %. Despite this, however, the underwriting result for this segment remained negative.

The stock market's performance during 2012 was strongly influenced by the ECB's announcement that it would do "whatever it takes" to save the euro. This contributed to a positive trend on financial markets in the second half of the year, with almost all asset classes registering strong rises despite high levels of market volatility. The performance of Germany's DAX share index was particularly encouraging, with its year's end level of 7,612.39 points representing a 29.1 % rise, a figure which put it well ahead of the other major indices in Asia, Europe and the USA. For instance, the European EuroStoxx50 share index had reached 2,635.93 points by the end of the year, up just 14.1 % over the year as a whole, while money invested in Italian government bonds gained 28.5 %. Even ten-year German government bonds registered growth of 7.6 % over the course of the year.

However, for DEVK-G we can once again report satisfactory business performance during the course of 2012.

Ratings

The ratings, commissioned by Standard & Poor's for the first time in 2008, are updated each year. As in the years 2008 to 2011, in 2012 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+. Standard & Poor's assesses our future outlook as "stable", thus confirming the very sound financial position enjoyed by DEVK companies generally.

Meanwhile, the rating agency Fitch came to the same conclusion, with its 2012 rating of the financial strength of DEVK's core companies remaining unaltered 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.

The ASSEKURATA Assekuranz rating agency once again gave outstanding ratings to DEVK Sach- und HUK-Versicherungsverein a.G. and DEVK Allgemeine Versicherungs-AG in February 2013, with both companies receiving the top mark of A++ (excellent) for the 14th time.

Customer satisfaction

In its latest ratings, the ASSEKURATA Assekuranz rating agency gave DEVK Allgemeine Versicherungs-AG a score of "very good" for customer orientation. This assessment was based, among other things, on a customer survey conducted in November 2011 that revealed very high levels of customer satisfaction. This assessment was confirmed by a variety of other studies. For instance, a survey conducted in 2012 by the Cologne firm MSR Consulting also revealed an overall customer satisfaction rating of "very good".

Taken together, these external ratings attest to the great competitive strength of our business.

Overall business trends

Due to portfolio growth, higher average motor insurance premiums and adjustments to sums insured by non-life insurance, the company's gross overall premium receipts from direct insurance operations rose by 3.7 % to € 1,021 million. Including reinsurance business taken on, with a premium volume of € 13.8 million, overall premium growth came to 4.0 %.

Total earned premiums net of reinsurance in 2012 rose by 4.0 % to € 876.7 million. Claims incurred net of reinsurance rose by just 0.2 % to € 651.4 million, and their share of earned net premiums thus came to 74.3 % (2011: 77.1 %). Expenses on insurance operations net of reinsurance were up 3.3 % on the 2011 level, though at 21.2 %, their proportion of net earned premiums was 0,1 percentage points lower than in 2011.

Before changes to the equalisation provision, the technical account stood at € 37.6 million, a significantly better result than the € 11.1 million registered in 2011. Even after a € 5.7 million allocation to the equalisation provision (2011: € 13.7 million withdrawal), the underwriting result net of reinsurance (€ 31.9 million) was better than the 2011 figure (€ 24.9 million).

The investment result was an improvement on the 2011 performance, as higher write-downs were more than offset by increased income.

The “Other” result fell by € – 1.1 million to € – 5.5 million.

The result from ordinary activities came in at € 89.7 million (2011: € 77.6 million).

Tax expenditure was € 800,000, a figure unchanged from the year before.

Thus the total profit transfer to DEVK Rückversicherungs- und Beteiligungs-AG of € 88.9 million was significantly up on the 2011 figure of € 76.8 million.

Performance of the individual insurance classes

The insurance classes in which DEVK-G undertook direct insurance operations in 2012 are detailed in the notes to the management report. The following section outlines the performance of the individual insurance segments, classes and types in which we undertook direct operations. At the end of this section we briefly discuss our reinsurance business.

Accident insurance

Under accident insurance we include both general accident insurance and motor vehicle accident insurance. In 2012 the total number of accident insurance policies rose to 865,456 (2011: 843,013). Gross premiums rose to € 87.6 million, a 4.1 % increase on the 2011 figure, with an underwriting result net of reinsurance of € 12.8 million (2011: € 21.4 million).

Liability insurance

Our overall liability insurance portfolio increased to 1,134,385 policies (2011: 1,114,255). In line with the portfolio growth, gross premiums rose by 1.8 % to € 77.1 million. After a € 300,000 allocation to the equalisation provision (2011: € 2.7 million), the underwriting result net of reinsurance totalled € 21.2 million (2011: € 20.8 million).

Motor vehicle liability insurance

At the year’s end, our portfolio comprised 1,996,607 policies (2011: 1,976,295), plus 193,424 moped policies. Due both to the portfolio growth and premium adjustments, gross premium receipts were up 3.0 % on the 2011 figure at € 400.6 million. Despite a € 300,000 allocation to the equalisation provision (2011: € 15.8 million withdrawal), the underwriting result net of reinsurance improved to € – 7.4 million (2011: € – 9.7 million).

Other motor vehicle insurance

Other motor vehicle insurance comprises our comprehensive and partial comprehensive (third-party, fire and theft) motor insurance. The number of risks covered in this segment increased to 1,601,315 (2011: 1,593,871), and we also managed 38,464 partial-coverage moped policies. Gross premiums (including mopeds) rose by 3.3 % to € 255.7 million. Although € 2.2 million were allocated to the equalisation provision (2011: € 1.4 million withdrawal), the underwriting result was much better than in 2011 at € – 1.3 million (2011: € – 16.8 million).

Fire and non-life insurance

At the end of 2012, our fire and non-life-insurance portfolio comprised a total of 1,700,880 policies (2011: 1,682,099), and gross premiums rose by an impressive 6.2 % to € 188.9 million. After a € 100,000 withdrawal from the equalisation provision (2011: € 800,000 allocation), the underwriting result was slightly down at € 12.7 million (2011: € 13.6 million).

In detail, our individual fire and non-life segments performed as follows:

Our household contents insurance portfolio increased to 883,046 policies (2011: 873,366), while gross premiums were up from € 80.4 million to € 83.8 million, a rise of 4.2 %. The underwriting result came to € 12.2 million (2011: € 13.6 million).

At the end of the year, our homeowners' building insurance business comprised 349,984 policies (2011: 340,636). Gross premiums increased to € 83.4 million (2011: € 76.3 million), representing encouraging growth of 9.4 %. After a € 700,000 withdrawal from the equalisation provision (2011: € 700,000 allocation), the underwriting result net of reinsurance came to € – 1.2 million (2011: € – 1.6 million).

In the other fire and non-life insurance classes, our portfolio as of 31 December 2012 comprised 467,850 policies (2011: 468,097), while gross premium receipts rose by 2.4 % to € 21.7 million. After a € 600,000 allocation to the equalisation provision (2011: € 100,000), the underwriting result net of reinsurance stood at € 1.7 million, as in 2011.

Other insurance policies

Other insurance policies primarily comprise the results of our breakdown service policies as well as insurance against various financial losses. Total premium receipts here were € 11.2 million (2011: € 10.5 million). After a € 1.1 million allocation to the equalisation provision (2011: € 100,000 withdrawal), the underwriting result net of reinsurance came to € – 1.0 million (2011: € 800,000).

Reinsurance coverage provided

The reinsurance coverage provided comprised the reinsurance of Group-internal motor vehicle and non-life insurance policies. With a total premium volume of € 13.8 million (2011: € 10.7 million), and after a € 2.0 million allocation to the equalisation provision (2011: € 100,000), the underwriting result net of reinsurance came to € – 5.0 million (2011: € – 5.3 million).

Reinsurance

Our outward reinsurance business was distributed between several external reinsurers and our Group-internal reinsurer DEVK Rückversicherungs- und Beteiligungs-AG (DEVK-B). Our choice of reinsurers took their ratings into account.

Investments and net investment income

Despite increasing write-downs, the net investment result was up on the 2011 figure. This was chiefly due to higher write-ups, but also to increased income from disposals of investments.

During the year under review, our investment portfolio was down slightly at € 1,693.8 million (2011: € 1,715.0 million). There were no significant changes in the composition of the investment portfolio.

Total investment income came to € 95.7 million (2011: € 78.1 million). Alongside the regular income, the company booked profits totalling € 11.8 million from disposals of investments (2011: € 5.2 million) plus income from write-ups of € 8.4 million (2011: € 2.4 million).

Due to higher write-downs, at € 30.4 million, investment expenses were up on the 2011 figure of € 19.0 million.

Our net 2012 investment result came to € 65.2 million, as against € 59.1 million in 2011.

Operating result and appropriation of retained earnings

The result before profit transfer came to € 88.9 million (2011: € 76.8 million). This sum was transferred to DEVK-B in line with the 2002 Control and Profit Transfer Agreement.

Affiliated companies and participating interests

The affiliated companies of DEVK Allgemeine Versicherung-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.

DEVK Allgemeine Versicherung-AG's share capital of € 194.3 million is fully paid up and is 100 % held by DEVK Rückversicherungs- und Beteiligungs-AG, with whom a control and profit transfer agreement exists.

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

Delegation of functions and organisational cooperation

Under a general agency agreement, DEVK Sach- und HUK-Versicherungsverein a.G. performs the insurance brokerage role and associated operations.

The general operational areas of accountancy, collection, EDP, asset management, personnel, auditing and general administration are centrally organised for all DEVK companies. And our portfolio management and claims management are also merged with those of DEVK Sach- und HUK-Versicherungsverein a.G.

Furthermore, under our Cooperative Agreement, DEVK Sach- und HUK-Versicherungsverein a.G. furnishes us with the necessary back-office personnel.

However, our company has separate lease contracts and its own inventory and equipment based on our own needs.

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 German Act on the Supervision of Insurance Companies (VAG), 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 risk categories 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 (*Vorstandsvorlage*) 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 only underwrite straightforward, standardised business, while counteracting the risk of unusually high claims expenses attendant upon extraordinary loss events through a corresponding reinsurance policy.

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

We ensure that we maintain adequate technical reserves through the prudent valuation of claims already filed as well as establishing additional reserves to meet claims that are statistically likely but have not yet been filed on the balance sheet date, as well as for claims that will have to be reopened after the balance sheet date. In addition, equalisation reserves are established in accordance with the provisions of commercial law.

Investment risks

The risks stemming from investments comprise:
- the risk of unfavourable interest rates, 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 capital investments comply with the German Ordinance on the Investment of Restricted Assets of Insurance Undertakings (AnlV). 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, and have tended to reduce this ratio as compared with 2011. 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 eurozone crisis, 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 continue to 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, 9 % of the company's investments are in government bonds, 1 % in corporate bonds and 71 % in securities and deposits with banks and other financial service providers. 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. In 2012 this affected two hybrid investments.

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 € 22.7 million, a figure including € 1.6 million in hidden charges. The fixed-asset equities and equity funds show a positive valuation reserve of € 7.9 million. This figure includes € 7.7 million in hidden charges.

BaFin Circular 1/2004 (VA) requires us to subject our investment portfolio to a stress test, which we carried out on the balance sheet date of 31 December 2012, 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 adequate 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 € 4.0 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 or 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

During 2013 and 2014 we expect total premium receipts to rise by roughly three to four per cent. In our view, stronger increases in claims expenses mean that the underwriting result in 2013 and 2014, before changes to the equalisation provision, will not attain the level registered in 2012. However, we should be able to compensate for this at least to some extent through withdrawals from the equalisation provision.

On the financial markets, the positive performance of 2012 continued unabated in the first few weeks of the new year. The low interest policies of the major central banks remain in place, and the highly expansionary rescue policies adopted by central banks, involving massive (over)supply of liquidity to the capital markets, are keeping the yields on government bonds (artificially) low. As a result, virtually all forms of investment have become steadily more expensive, leading to rising demand for property and other real assets. Some of the countries directly affected by the eurozone crisis will suffer further economic contraction during 2013 due to the initial impact of restructuring measures. No inflationary tendencies can currently be discerned, but they cannot be ruled out in future, and the danger of bubbles forming in parts of the bond and real-estate markets is increasing.

Due to Germany's continuing dependency on its export industry, the economic situation in the USA and China has a key influence on our country's economic performance. In view of the signals emanating from those quarters, we see good chances of Germany being able to continue registering moderate growth in 2013.

The above scenario is based on the assumption that there will be no renewed deepening of the eurozone crisis, and that the countries affected will continue adhering to their policies of consolidation. However, it is expected that upcoming elections, for instance in Germany and Italy, will increase uncertainty. As a result, the recent sharp falls in the risk premiums offered on the affected countries' government bonds may be reversed, at least to some degree.

In 2013 and 2014, we expect DEVK Allgemeine Versicherungs-AG to register little or no change in its absolute result despite a growing investment portfolio. However, this will be dependent upon falling impairment losses.

No changes in "Other" results are expected that could have a significant impact on the 2013 and 2014 operating results.

All in all, for both 2013 and 2014, we are forecasting a net profit before profit transfers of over € 80 million.

Cologne, 19 April 2013

The Management Board

Gieseler **Rüßmann** **Zens**

Notes to the management report

List of insurance classes covered during the financial year

Direct insurance operations

Accident insurance
General accident insurance
Motor vehicle accident insurance

Liability insurance

Motor vehicle liability insurance

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

Fire and non-life insurance
Fire insurance
Burglary and theft insurance
Water damage insurance
Glass insurance
Windstorm insurance
Household contents insurance
Homeowners' building insurance
Universal caravan insurance
Extended coverage insurance
Travel baggage insurance
All-risk insurance

Other insurance policies
Insurance against various financial losses
Bond insurance
Cheque card insurance
Breakdown service insurance

Foreign travel sickness insurance

Reinsurance coverage provided

Motor vehicle liability insurance

Other motor vehicle insurance

Legal-expenses insurance

Fire and non-life insurance
Fire insurance
Household contents insurance
Homeowners' building insurance

Financial statements

Balance sheet to 31 December 2012

Assets	€	€	€	(2011: € 000s)
A. Intangible assets				
I. Licenses, industrial property rights and similar rights and assets acquired for valuable consideration, as well as licenses in such rights and assets		19,685,275		(22,672)
II. Payments on account		5,252,494		(2,718)
			24,937,769	(25,390)
B. Investments				
I. Real estate and similar land rights, including buildings on third-party land		3,462,613		(3,663)
II. Investments in affiliated companies and participating interests				
1. Shares in affiliated companies	35,600,184			(31,250)
2. Participating interests	51,892,361			(50,080)
		87,492,545		(81,330)
III. Other financial investments				
1. Equities, fund units and other variable-yield securities	325,288,025			(311,457)
2. Bearer bonds and other fixed-interest securities	200,504,157			(180,376)
3. Mortgage loans and annuity claims	169,753,812			(186,733)
4. Other loans	877,121,080			(916,615)
5. Other investments	30,184,092			(34,800)
		1,602,851,166		(1,629,981)
			1,693,806,324	(1,714,974)
C. Receivables				
I. Receivables arising out of direct insurance operations:				
1. Policyholders	10,732,173			(12,375)
2. Intermediaries	264,076			(261)
		10,996,249		(12,636)
II. Receivables arising out of reinsurance operations,		9,911,392		(13,180)
of which: Affiliated companies: € 8,170,174				(10,505)
III. Other receivables,		67,448,271		(3,354)
of which:			**88,355,912**	(29,170)
Affiliated companies: € 66,548,675				(1)
D. Other assets				
I. Tangible assets and inventories		8,151,327		(8,337)
II. Cash at bank, cheques and cash in hand		204,016		(228)
III. Other assets		191,850		(166)
			8,547,193	(8,731)
E. Prepayments and accrued income				
I. Accrued interest and rent		26,056,336		(24,661)
II. Other prepayments and accrued income		435,784		(509)
			26,492,120	(25,170)
Total assets			**1,842,139,318**	(1,803,435)

I hereby confirm that the premium provision of € 13,441,557.53, recorded on the balance sheet under item B.III. of the liabilities and shareholders' equity, has been calculated in compliance with sections 341f and 341g of the German Commercial Code (HGB) as well as the Regulation issued pursuant to section 65 paragraph 1 of the Insurance Supervision Act.

Cologne, 18 April 2013 **The Actuary in Charge | Dr Siegberg**

Pursuant to section 73 of the German Insurance Supervision Act (VAG), I hereby attest that the assets detailed in the list of coverage assets are properly invested and secured in accordance with statutory and supervisory authority requirements.

Cologne, 18 April 2013 **The Trustee | Thommes**

Liabilities and shareholders' equity

	€	€	€	(2011: € 000s)
A. Capital and reserves				
I. Subscribed capital		194,290,915		(194,291)
II. Capital reserve		70,302,634		(70,303)
III. Retained earnings				
1. Statutory reserve	383,469			(383)
2. Other retained earnings	47,193,777			(47,194)
		47,577,246		(47,577)
			312,170,795	(312,171)
B. Versicherungstechnische Rückstellungen				
I. Provision for unearned premiums				
1. Gross amount	8,220,793			(7,531)
2. of which: Reinsurance amount	212,306			(28)
		8,008,487		(7,503)
II. Premium reserve		36,670		(42)
III. Provision for claims outstanding				
1. Gross amount	1,392,873,924			(1,347,576)
2. of which: Reinsurance amount	300,976,622			(304,800)
		1,091,897,302		(1,042,776)
IV. Provision for bonuses and rebates		14,596,040		(14,590)
V. Equalisation provision and similar provisions		147,077,527		(141,338)
VI. Other technical provisions				
1. Gross amount	5,397,864			(6,422)
2. of which: Reinsurance amount	357,964			(402)
		5,039,900		(6,020)
			1,266,655,926	(1,212,269)
C. Provisions for other risks and charges				
I. Provisions for pensions and similar commitments		6,662,723		(6,447)
II. Other provisions		249,992		(248)
			6,912,715	(6,695)
D. Deposits received from reinsurers				
			78,381,961	(82,221)
E. Other liabilities				
I. Liabilities arising out of direct insurance operations				
1. Policyholders	77,179,579			(93,572)
2. Intermediaries	–			(5)
		77,179,579		(93,577)
II. Liabilities arising out of reinsurance operations		3,452,365		(10,377)
of which: Affiliated companies: € 1,404,402				(950)
III. Other liabilities		96,398,853		(85,031)
			177,030,797	(188,985)
of which: Tax: € 7,089,431				(6,799)
Affiliated companies: € 88,150,495				(77,341)
F. Accruals and deferred income				
			987,124	(1,094)
Total liabilities			**1,842,139,318**	(1,803,435)

Profit and loss account

for the period from 1 January to 31 December 2012

Items	€	€	€	(2011: € 000s)
I. Technical account				
1. Earned premiums, net of reinsurance				
a) Gross premiums written	1,034,705,898			(995,232)
b) Outward reinsurance premiums	157,528,676			(151,889)
		877,177,222		(843,343)
c) Change in the gross provision for unearned premiums	– 690,376			(– 160)
d) Change in the provision for unearned premiums, reinsurers' share	184,779			(– 267)
		– 505,597		(– 427)
			876,671,625	(842,916)
2. Allocated investment return transferred from the non-technical account, net of reinsurance			**422,296**	(– 52)
3. Other technical income, net of reinsurance			**1,082,077**	(776)
4. Claims incurred, net of reinsurance				
a) Claims paid				
aa) Gross amount	697,483,929			(731,591)
bb) Reinsurers' share	95,211,721			(106,077)
		602,272,208		(625,514)
b) Change in the provision for claims outstanding				
aa) Gross amount	45,288,216			(17,291)
bb) Reinsurers' share	3,832,606			(7,014)
		49,120,822		(24,305)
			651,393,030	(649,819)
5. Changes in other technical provisions, net of reinsurance				
a) Premium reserve, net of reinsurance		5,761		(8)
b) Other technical provisions, net of reinsurance		933,061		(598)
			938,822	(606)
6. Bonuses and rebates, net of reinsurance			**53,102**	(75)
7. Net operating expenses				
a) Gross operating expenses		214,985,924		(207,469)
b) of which: Reinsurance commissions and profit participation		29,101,320		(27,585)
			185,884,604	(179,884)
8. Other technical charges, net of reinsurance			**4,162,195**	(3,337)
9. Subtotal			**37,621,889**	(11,131)
10. Change in the equalisation provision and similar provisions			**– 5,739,494**	(13,726)
11. Technical result, net of reinsurance			**31,882,395**	(24,857)
Balance carried forward:			31,882,395	(24,857)

Items	€	€	€	€	(2011: € 000s)
Balance carried forward:			31,882,395		(24,857)
II. Non-technical account					
1. Investment income					
a) Income from participating interests		3,265,608			(2,538)
of which:					
from affiliated companies: € 1,380,000					(1,130)
b) Income from other investments					
aa) Income from real estate, similar land rights and buildings, including buildings on third-party land	348,268				(334)
bb) Income from other investments	71,822,651				(67,589)
		72,170,919			(67,923)
c) Write-ups on investments		8,378,615			(2,385)
d) Gains on the realisation of investments		11,847,647			(5,209)
			95,662,789		(78,055)
2. Investment charges					
a) Investment management charges, interest expenses and other charges on capital investments		2,727,060			(1,755)
b) Write-downs on investments		27,542,764			(16,329)
c) Losses on the disposal of investments		153,985			(870)
			30,423,809		(18,954)
			65,238,980		(59,101)
3. Allocated investment return transferred from the non-technical account			1,912,148		(1,892)
				63,326,832	(57,209)
4. Other income			2,952,095		(2,724)
5. Other charges			8,491,794		(7,189)
				– 5,539,699	(– 4,465)
6. Profit from normal business activity				**89,669,528**	(77,601)
7. Taxes on income			458,694		(435)
8. Other taxes			352,458		(411)
				811,152	(846)
9. Profit transferred under a profit pooling, profit transfer or partial profit transfer agreement				**88,858,376**	(76,755)
10. Net profit for the year				**–**	(–)

Notes to the accounts

Accounting and valuation methods

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.

Land, land rights and buildings including buildings on third-party land are recorded at their costs of acquisition or production and subjected to scheduled depreciation.

Shares in affiliated companies and participating interests are shown either at their costs of acquisition or at the lower of cost or market value.

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 value.

Mortgage loans and annuity claims are recognised at their costs of acquisition less an individual value adjustment for the potential default risks. The cumulative amortisation is recognised as revenue over the mortgage term.

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 were capitalised at their costs of acquisition plus the interest entitlement as determined on the basis of the capital volume and the interest agreement.

In some cases, **other investments** are recognised at the lower of cost or market.

Receivables from direct insurance operations are capitalised at their nominal values less individual value adjustments plus a general write-down to cover the potential default risk.

Receivables from reinsurance operations are based on the reinsurance contracts and are recognised at their nominal values.

Other receivables are shown at their nominal values.

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 was 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.

Apart from the premium on registered bonds, **prepayments and accrued income** chiefly comprise interest claims not yet due, which are recorded at their nominal values.

Technical provisions are calculated by application of the following principles:
For moped insurance, a **provision for unearned premiums** was calculated for January and February of the following year. The premium shares assignable to these two months are calculated, depending on the insurance policy terms, as unearned premium provisions from the premiums booked each month. In the credit insurance segment, provisions for unearned premiums are calculated individually, taking into account the start of the individual policies and the term of the insurance contract. When calculating the unearned premium provisions, we complied with the regulation laid down by the Finance Minister of North Rhine-Westphalia on 30 April 1974. Provisions for unearned premiums did not have to be set up with respect to other classes of insurance since the policy year and calendar year are identical in these cases.
Provisions for unearned premiums in relation to reinsurance cover provided were formed on the basis of the details provided by the ceding insurance companies.

The **premium reserve** required for the child accident insurance was calculated individually according to the prospective method, taking implicit recognised costs duly into account. The DAV 2007 HUR, 4.0 % mortality tables formed the basis for the settlement of claims prior to 31 December 2000. An assumed rate of interest of 3.25 % was applied with respect to claims for which provisions first had to be established during the period from 31 December 2000 to 31 December 2003, as against a technical rate of 2.75 % with respect to claims for which provisions first had to be established during the period from 31 December 2003 to 31 December 2006, 2.25 % with respect to claims for which provisions first had to be established between 31 December 2006 and 31 December 2011, and 1.75 % for all later claims.

The gross amounts for the **provisions for claims outstanding** from direct insurance operations is calculated individually for each claim. A provision for IBNR losses is established according to general blanket criteria. The provision includes amounts designated for claims settlement. Gross provisions for unearned premiums in relation to reinsurance cover provided were formed on the basis of the details provided by the ceding insurance companies.

The **pensions premium reserve** was calculated in accordance with section 341f and 341g HGB on the basis of the DAV 2007 HUR mortality table, applying an assumed interest rate of 4.0 %. In the case of claims for which provisions first had to be established during the period from 31 December 2000 to 31 December 2003, the assumed interest rate applied was 3.25 %, as against a technical rate of 2.75 % with respect to claims for which provisions first had to be established during the period from 31 December 2003 to 31 December 2006, 2.25 % with respect to claims for which provisions first had to be established between 31 December 2006 and 31 December 2011, and 1.75 % for all later claims.
The reinsurance amount was calculated in accordance with the contractual agreements in this respect.

The allocation to the **provision for bonuses** was made on the basis of Executive Board and Supervisory Board decisions that took tax regulations duly into account.

The **provision for rebates** was established on the basis of contractual agreements with policyholders.

The **equalisation provision and other provisions** were calculated in accordance with the annex to section 29 of the German Regulation on Accounting in the Insurance Sector (RechVersV).

The **other technical provisions** include unused amounts from dormant motor insurance policies, the provision for road traffic victims ceded by Verkehrsopferhilfe e.V. (the Road Accident Victims Aid Association), a cancellation provision for premium claims, a provision for premiums already received and for premium obligations, and also cancellation provisions for reinsurance contracts. These provisions are either estimated or as far as possible calculated on the basis of mathematical models, based on past figures where applicable.

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, to wit 5.05 % (2011: 5.14 %), as arrived at assuming a residual term of three 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.

Other provisions are formed for the current financial year, calculated according to anticipated needs and set at the levels necessary to the best of our commercial judgement.

The **deposits received from reinsurers** result from a reinsurance agreement to cover claims and pensions provisions, valued at the compliance amount.

Liabilities arising out of direct insurance operations and **other liabilities** are valued at the compliance amounts.

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

Accruals and deferred income comprise the discount points on registered bonds and advance rent receipts.

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

Due to the company's subsidiary status within the Group, details of deferred tax are given at the level of the parent company DEVK Rückversicherungs- und Beteiligungs-AG, Cologne.

The **allocated investment return net of reinsurance** was set at 4.0 %, 3.25 %, 2.75 %, 2.25 % and 1.75 % of the respective arithmetical means of the initial and final amounts in the gross pension coverage provisions for accident, liability, motor vehicle, liability and motor vehicle accident insurance.

Changes to Asset Items A., B.I. to III. during the 2012 financial year

Assets	Balance sheet value 2011 € 000s	Additions € 000s	Transfers € 000s	Disposals € 000s	Write-ups € 000s	Write-downs € 000s	Balance sheet 2012 € 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	22,672	671	726	–	–	4,383	19,686
2. Payments on account	2,718	3,281	– 726	21	–	–	5,252
3. Total A.	25,390	3,952	–	21	–	4,383	24,938
B.I. Real estate and similar land rights, including buildings on third-party land							
	3,663	–	–	–	–	200	3,463
B.II. Investments in affiliated companies and participating interests							
1. Shares in affiliated companies	31,250	4,350	–	–	–	–	35,600
2. Participating interests	50,080	4,200	–	644	–	1,744	51,892
3. Total B.II.	81,330	8,550	–	644	–	1,744	87,492
B.III. Other investments							
1. Shares, fund units and other variable-yield securities	311,457	44,714	–	23,304	8,112	15,691	325,288
2. Bearer bonds and other fixed-interest securities	180,376	35,171	–	15,245	202	–	200,504
3. Mortgage loans and annuity claims	186,733	8,562	–	24,615	64	991	169,753
4. Other loans							
a) Registered bonds	280,000	–	–	–	–	–	280,000
b) Notes receivable and loans	566,901	21,219	–	57,134	–	–	530,986
c) Other loans	69,714	–	–	–	–	3,579	66,135
5. Other investments	34,800	1,350	–	628	–	5,338	30,184
6. Total B.III.	1,629,981	111,016	–	120,926	8,378	25,599	1,602,850
Total	**1,740,364**	**123,518**	**–**	**121,591**	**8,378**	**31,926**	**1,718,743**

Notes to the balance sheet

Re Assets B.

Investments

Pursuant to section 341b paragraph 2 HGB, we have partially assigned investments for long-term retention in the investment portfolio.
As of 31 December 2012, our investments had the following book and current values:

Investments

	Book value €	Current value €
B.I. Real estate and similar land rights, including buildings on third-party land	3,462,613	5,470,000
B.II. Investments in affiliated companies and participating interests		
1. Shares in affiliated companies	35,600,184	50,120,974
2. Participating interests	51,892,361	59,233,883
B.III. Other financial investments		
1. Equities, fund units and other variable-yield securities	325,288,025	355,905,411
2. Bearer bonds and other fixed-interest securities	200,504,157	225,392,784
3. Mortgage loans and annuity claims	169,753,811	192,402,907
4. Other loans		
a) Registered bonds	280,000,000	324,924,998
b) Notes receivable and loans	530,985,577	572,279,251
c) Other loans	66,135,503	60,066,698
5. Other investments	30,184,092	31,598,433
Total	**1,693,806,323**	**1,877,395,339**
of which: Investments valued at costs of acquisition	1,413,806,322	1,552,470,341
of which: Investments in fixed assets pursuant to section 341b paragraph 2 HGB	282,905,397	313,584,677

The valuation reserves include hidden liabilities totalling € 26.3 million. These relate to investment shares, bearer bonds, mortgage loans, participating interests, notes receivable, silent participating interests, 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.

Real estate is valued according to the gross rental method. All real estate held on 31 December 2012 was revalued with effect from that date.

The current value of shares in affiliated companies and participating interests is calculated on the basis of either gross rental values or book value equals market value.

Lien on real estate was valued using the most up-to-date yield curve, while taking default and property risk duly into account.

Both dividend-bearing securities and fixed-interest securities capitalised at their costs of acquisition are valued using the year-end market prices. Pursuant to section 56 RechVersV, the current values of the registered bonds, notes receivable, loans and zero notes payable were calculated at normal market conditions on the basis of the yield curve. The current value of other investments was calculated on the basis of the year's-end prices reported by an independent financial enterprise.

The current values of the other loans and silent participating interests within the meaning of German Banking Act (KWG) (equity surrogates) were calculated on the basis of the discounted cash flow method on the basis of the current euro swap curve plus a risk premium, which take into account the anticipated future payment streams in light of debtor-specific assumptions.

The market values of investments denominated in foreign currencies were calculated on the basis of the year's-end exchange rates.

Details of financial instruments within the meaning of section 285 paragraph 18 HGB that are capitalised at their fair value

	Book value € 000s	Fair value € 000s
Participating interests	24,128	22,879
Securities classified as fixed assets	123,701	114,418
Mortgage loans	5,862	5,587
Other loans	137,761	123,737
Silent participating interests	6,000	5,157

We have refrained from making any write-downs in accordance with section 253 paragraph 3 sentence 4 HGB as we either intend to hold various securities until maturity or we are assuming that any fall in value is only temporary.

Details of derivative financial instruments and forward purchases in accordance with section 285 paragraph 19 HGB

	Type	Nominal volume € 000s	Book value premium € 000s	Fair value of premium € 000s
Other liabilities	Short put options	5,135	291	– 79

Valuation methods		
Short put options:	European options	Black–Scholes
	American options	Barone-Adesi

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*	2,872	133,619	– 2,748	
Mixed funds	4,708	109,671	2,320	
Real-estate funds	1,664	31,616	1,140	once a month up to € 50,000 or if given due notice

* Reason why we have refrained from a write-down pursuant to section 253 paragraph 3 HGB:
The GEA special fund is an equity fund that tracks indices, in particular the EuroStoxx50 and DAX30. In 2012 both these indices registered a positive performance. However, the EuroStoxx50 performed worse than the DAX, chiefly because southern European shares performed worse than German ones.

Against the backdrop of the eurozone crisis and the global economic slowdown, from mid 2012 to the year's end, the fund's investment grade was reduced step by step; as a result, performance fell short of the benchmark. After the dividend distribution at the end of 2012, this meant that the unrealised losses could not be fully made good, in view of which, write-downs were made that amounted to roughly half the unrealised losses.

Despite the potential effects of the eurozone crisis and the unresolved budget dispute in the USA, during the first few weeks of 2013, the stock markets continued to recover, with some indices even registering new all-time highs. A range of early indicators suggest that the global economy is beginning to recover. We therefore believe that stock market indices may well once again perform positively throughout 2013 as a whole. At the level of individual securities, we can already note significant rises as compared with the 2012 closing prices, and we feel that there is still ample potential for further recovery.

In view of the fact that we have increased the proportion of investment grade assets in our fund from 25 % to 50 % since the start of the year, we take the view that the conditions are now in place for the fund to participate to a satisfactory extent in the forecast market rises. In light of this we regard it as reasonable to refrain from any further writing down of the securities funds in our fixed assets.

Re Assets B.II.

Investments in affiliated companies and participating interests

	Subscribed capital €	% share	checked % share	Equity €	Results from previous financial year €
DEVK Omega GmbH, Cologne	25,000	100.00	100.00	24,262	6
DEVK Private Equity GmbH, Cologne	10,000,000	65.00	57.65	157,104,169	6,258,059
KASSOS Beteiligungs- und Verwaltungs-GmbH, Cologne	25,000	100.00	100.00	32,305	– 403
Terra Management GmbH, Landolfshausen	25,000	25.00	25.00	24,672	1,250
Terra Estate GmbH & Co. KG, Landolfshausen	1,500,000	24.38	24.38	20,031,434	– 99,756

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.III.

Other investments
Other loans exclusively comprise registered participation certificates.
Other investments chiefly comprise silent participating interests within the meaning of the Banking Act (KWG), profit participation certificates and fund units.

Re Assets E.II.

Other prepayments and accrued income

Premium for notes receivable and loans	€ 302,078
Prepaid expenses	€ 133,706
	€ 435,784

Re Liabilities A.I.

Subscribed capital
The subscribed capital totalling € 194,290,915 is divided into 380,000 registered no par value shares.

Re Liabilities B.

Technical provisions						
Figures in € 000s	Total gross provision Total		of which: Provision for claims outstanding		of which: Equalisation provision and similar provisions	
Insurance class	2012	2011	2012	2011	2012	2011
Accident	106,282	98,548	105,757	98,019	–	–
Liability	89,692	93,199	63,493	67,297	26,137	25,841
Motor vehicle liability	1,254,846	1,212,301	1,139,923	1,097,828	108,991	108,241
Other motor vehicle	52,524	51,758	33,880	34,628	3,287	1,360
Fire and non-life	55,638	54,659	47,517	47,980	5,798	4,179
of which:						
Fire	2,274	2,389	1,454	2,015	819	373
Household contents	12,466	12,894	12,423	12,847	–	–
Homeowners' building	35,147	34,147	30,255	30,136	2,643	1,596
Other non-life	5,751	5,229	3,385	2,982	2,336	2,210
Other	9,221	7,034	2,303	1,824	2,864	1,717
Total	**1,568,203**	1,517,499	**1,392,873**	1,347,576	**147,077**	141,338

Re Liabilities B.IV.

Provision for bonuses and rebates

a) Bonuses	
31.12.2012	**€ 14,491,040**
b) Rebates	
31.12.2011	€ 99,000
Withdrawal	€ 47,102
Allocation	€ 53,102
31.12.2012	**€ 105,000**

Re Liabilities F.

Accruals and deferred income

Discount points on registered bonds	€ 981,458
Advance rental receipts	€ 5,665
	€ 987,123

Notes to the profit and loss account

Direct insurance operations and reinsurance coverage provided

2012, € 000s	Booked premiums gross	Gross remiums earned	Net premiums earned	Gross expenses on Insurance claims	Gross expenses on Insurance operations	Reinsurance balance	Underwriting result, net of reinsurance
Accident insurance	87,553	87,553	68,031	33,332	36,446	– 5,353	12,816
Liability insurance	77,138	77,138	74,899	22,882	29,640	– 3,224	21,125
Motor vehicle liability	402,530	402,709	352,916	355,407	46,004	– 9,483	– 8,189
Other motor vehicle	257,497	257,557	209,212	219,120	33,075	– 5,161	– 1,135
Fire and non-life	198,752	198,383	162,254	103,666	68,120	– 12,711	8,728
of which:							
Fire	1,083	1,083	692	– 67	435	– 356	– 164
Household contents	83,808	83,808	74,020	35,686	29,953	– 3,761	12,042
Homeowners' building	93,249	92,880	68,703	59,543	28,536	– 7,654	– 5,011
Other non-life	20,612	20,612	18,839	8,504	9,196	– 940	1,861
Other	11,237	10,676	9,359	8,366	1,699	– 932	– 1,463
Total	**1,034,707**	**1,034,016**	**876,671**	**742,773**	**214,984**	**– 36,864**	**31,882**

2011, € 000s	Booked premiums gross	Gross premiums earned	Net premiums earned	Gross expenses on Insurance claims	Gross expenses on Insurance operations	Reinsurance balance	Underwriting result, net of reinsurance
Accident insurance	84,069	84,069	65,474	17,034	35,068	– 10,765	21,367
Liability insurance	75,762	75,762	73,670	19,899	28,290	– 4,082	20,790
Motor vehicle liability	390,684	391,219	342,407	364,112	47,490	– 6,639	– 10,400
Other motor vehicle	249,332	249,429	201,570	235,618	34,703	2,544	– 16,700
Fire and non-life	184,880	184,727	151,236	102,651	61,545	– 5,621	10,669
of which:							
Fire	1,057	1,057	680	1,430	619	285	– 356
Household contents	80,447	80,447	71,077	34,658	27,521	– 3,419	13,035
Homeowners' building	83,241	83,088	61,158	58,637	24,891	– 1,371	– 4,053
Other non-life	20,135	20,135	18,321	7,926	8,514	– 1,116	2,043
Other	10,505	9,867	8,559	9,568	373	– 945	– 868
Total	995,232	995,073	842,916	748,882	207,469	– 25,508	24,858

The gross overall expenses on all insurance operations were as follows:

Acquisition costs	€ 129,715,304
Administration costs	€ 85,270,622

Insurance agents' commission and other remuneration, personnel expenses	2012, € 000s	2011, € 000s
1. Insurance agents' commission of all types within the meaning of section 92 HGB for direct insurance operations	126,294	119,309
2. Other insurance agents' remuneration within the meaning of section 92 HGB	–	–
3. Wages and salaries	308	373
4. Social-security contributions and social-insurance costs	–	–
5. Retirement pension costs	289	74
Total	**126,891**	119,756

The pension provision for the personnel provided under the Cooperative Agreement is capitalised by DEVK Rückversicherungs- und Beteiligungs-AG. Allocations to the pension provision, with the exception of the interests allocation, are charged to DEVK Allgemeine Versicherungs-AG.

During the year under review, Management Board remuneration totalled € 324,723. The retirement pensions of former Management Board members and their surviving dependants totalled € 372,668. As of 31 December 2012, a pension provision of € 4,553,646 was capitalised for this group of people. The Supervisory Board remuneration totalled € 225,351, and payments to the Advisory Board came to € 45,695.

Other information

Contingencies and other financial obligations

On the balance sheet date, there were financial obligations totalling € 5.1 million from open short options and € 42.0 million from multi-tranche notes payable. The payment obligations in relation to approved mortgages loans not yet paid out totalled € 8.3 million.

At the end of the year, remaining payment obligations arising from real-estate holdings, fund units, participating interests and shares in affiliated companies totalled € 16.5 million. This includes obligations towards affiliated companies amounting to € 6.0 million. Lists of the members of the Management Board, Supervisory Board and Advisory Board are given prior to the Management Report.

General information

Number of insurance contracts concluded directly by the Group with a term of at least one year

	2012	2011
Accident	865,456	843,013
Liability	1,134,385	1,114,255
Motor vehicle liability	1,996,607	1,976,295
Other motor vehicle	1,601,315	1,593,871
Fire and non-life	1,700,880	1,682,099
of which:		
Fire	4,911	4,583
Household contents	883,046	873,366
Homeowners' building	349,984	340,636
Other non-life	462,939	463,514
Other	1,680	1,791
Total	**7,300,323**	7,211,324

Our company does not itself employ any personnel.

On the balance sheet date, our company was wholly owned by DEVK Rückversicherungs- und Beteiligungs-AG, Cologne, who have disclosed, pursuant to section 20 paragraph 4 AktG, that they hold a 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, 19 April 2013

The Management Board

Gieseler **Faßbender** **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 Allgemeine Versicherungs-Aktiengesellschaft**, Cologne, for the financial year from 1 January to 31 December 2012. 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 conforms 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, 26 April 2013

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr. Hübner	**Offizier**
Auditor	Auditor

Supervisory Board report

During 2012, 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 2012 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. Accordingly, the Supervisory Board hereby approves the 2012 financial statements, which are thus duly adopted.

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

Cologne, 16 May 2013

The Supervisory Board

Zell
Chairman

Group management report

Commercial environment and general conditions

Group structure

At the head of the Group is DEVK Sach- und HUK-Versicherungsverein a.G., a mutual insurance company that is a self-help organisation for railway workers recognised as a company welfare scheme by Deutsche Bahn and the Federal Office for Railway Assets. It offers its members, who are predominantly railway workers and other transport sector employees, comprehensive bespoke, economically priced insurance cover.

DEVK Sach- und HUK-Versicherungsverein a.G. has a 100 % holding in its subsidiary DEVK Rückversicherungs- und Beteiligungs-AG, which acts as the reinsurer and intermediate holding company controlling the principal insurance companies of DEVK operating for the general private-client market, as well as other participating interests.

The Group companies included in the 2012 consolidated financial statements have not changed since last year. Details of them can be found in the consolidated notes.

The reader is referred to the notes to the management report for details of the classes of insurance marketed by Group companies.

The companies of the DEVK Sach- und HUK Group and the DEVK Lebensversicherungs Group largely share a joint organisation and management set-up, and various general agency agreements are also in place.

Ratings

The ratings, commissioned by Standard & Poor's for the first time in 2008, are updated each year. As in the years 2008 to 2011, in 2012 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+. Standard & Poor's assesses our future outlook as "stable", thus confirming the very sound financial position enjoyed by DEVK companies generally.

Meanwhile, the rating agency Fitch came to the same conclusion, with its 2012 rating of the financial strength of DEVK's core companies remaining unaltered 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.

The ASSEKURATA Assekuranz rating agency once again gave outstanding ratings to DEVK Sach- und HUK-Versicherungsverein a.G. and DEVK Allgemeine Versicherungs-AG in February 2013, with both companies receiving the top mark of A++ (excellent) for the 14th time.

Customer satisfaction

In its latest ratings, the ASSEKURATA Assekuranz rating agency gave DEVK Sach- und HUK-Versicherungsverein a.G. and DEVK Allgemeine Versicherungs-AG scores of "very good" for customer orientation. This assessment was based, among other things, on customer surveys conducted in November 2011 that revealed very high levels of customer satisfaction. This assessment was confirmed by a variety of other studies. For instance, a survey conducted in 2012 by the Cologne firm MSR Consulting also revealed an overall customer satisfaction rating of "very good".

All these external findings serve to demonstrate our Group's high level of competitiveness.

Social responsibility

DEVK is aware of its social responsibility as a successful insurer. For many years, we have taken on an above-average number of trainees by industry comparison, in both back office and sales/marketing roles. Furthermore, prior to possible professional training at DEVK, every year at our headquarters alone we offer some 60 school-age young people spells of work experience that assist them in deciding what their future career paths might be. This gives young people a positive start to their working lives and helps them to integrate well into society.

In 2012 DEVK was once again singled out for special praise by the Cologne Chamber of Commerce and Industry as a certified training company offering outstanding professional training.

Since 2005 DEVK has been involved at several locations in the Deutsche Bahn AG competition "Deutsche Bahn Trainees Against Hate and Violence". This initiative not only raises awareness of these issues among trainees but also brings them to wider public attention through a variety of specific activities.

DEVK's active social commitment is also reflected in a range of external assessments. Of particular note here is the Arbeit Plus seal of approval awarded to us by the Evangelical Church in Germany on several occasions now for our socially aware and employment-oriented personnel policies. In addition DEVK has this year for the first time been awarded the mobifair seal of approval, which is awarded by the mobifair-Gesellschaft für Zertifizierung und Beratung mbH, an organisation to which enterprises from the trade union, political and transport sectors belong. This award recognises DEVK's status as a model company for the upholding of wage payment and social standards.

At DEVK the opinion of our employees is important to us, which is why we conducted a survey of all personnel during 2012, investigating topics such as employee satisfaction. A total of 80 % of our workforce participated in the survey. We then staged over 200 workshops to devise improvements, and the company is now working on their implementation. In future these employee surveys are to be conducted every two years.

Market overview

According to the German Insurance Association's provisional figures, gross non-life and casualty insurance premium receipts are 3.7 % up on last year. That represents the strongest growth since 1994. The combined ratio fell to around 97 % (2011: 97.9 %), indicative that the non-life and casualty insurance sector's profitability has further improved.
Motor vehicle insurance saw industry-wide price rises during 2012. After a 3.6 % rise in premiums during 2011, 2012 saw growth of 5.4 %, while the combined ratio fell to 103 % (2011: 107.4 %).
Premium receipts in the German life assurance industry rose by 0.6 % (2011: – 3.9 %).

In the private health insurance segment (health insurance and compulsory long-term care insurance) a 2.8 % rise in premiums was forecast.

Business trends

Overall business trends

Full details of the situation and business trends faced by the companies included in the consolidated financial statements are given in their individual reports.

Gross premium receipts rose 6.2 % to € 2,265.0 million. 2011 earned premiums net of reinsurance rose by 5.7 % to € 2,109.3 million. Expenses on insured events and pensions net of reinsurance increased by 1.9 % to € 1,350.8 million, and their share of earned net premiums thus came to 64.0 % (2011: 66.4 %). At 20.3 %, the ratio of expenses on insurance business net of reinsurance to earned premiums net of reinsurance was slightly down on the 2011 figure of 20.8 %.

After a € 29,1 million allocation to the equalisation provision in the field of non-life and casualty insurance (2011: € 4.6 million withdrawal), the consolidated profit and loss account recognised an insurance and pension fund underwriting result net of reinsurance of € – 7.1 million (2011: € 32.2 million).

At € 177.5 million, the non-technical account investment result was a significant improvement on the 2011 figure of € 142.9 million.

The other result, including the technical interest income, improved slightly to € – 49.5 million (2011: € – 50.5 million).

The result from ordinary activities came to € 121.0 million (2011: € 124.5 million).

The after-tax net annual profit came to € 60.4 million (2011: € 66.1 million). Considering the large amounts allocated to the equalisation provision and the provision for bonuses and rebates, the net profit for the year can be viewed as highly satisfactory.

After an allocation of € 22.7 million to the retained earnings and after deduction of the € 8.1 million portion of the result due to other shareholders, the net retained profit came to € 29.6 million (2011: € 31.0 million).

Non-life and casualty insurance business trends

The following section outlines the performance of the individual insurance segments, classes and types in which we undertook direct operations. Included are the results of DEVK Sach- und HUK-Versicherungsvereins a.G., DEVK Allgemeine Versicherungs-AG, DEVK Rechtsschutz-Versicherungs-AG and German Assistance Versicherung AG. Not taken into account in this exposition is our French subsidiary SADA Assurances S.A., Nîmes.

Accident insurance

This section includes both general accident insurance and motor vehicle accident insurance. Our portfolio grew by 22,513 policies or 2.0 %, making a year's-end total of 1,127,239 policies. Gross premium receipts rose 3.1 % to € 125.2 million, and the underwriting result came to € 15.6 million (2011: € 31.6 million).

Liability insurance

Our total liability insurance portfolio grew 1.0 % to a year's-end total of 1,732,142 policies. This portfolio growth led in turn to a 1.1 % rise in gross premiums to € 111.2 million. After a € 2.4 million allocation to the equalisation provision (2011: € 4.9 million), the underwriting result net of reinsurance came to € 27.5 million (2011: € 29.8 million).

Motor vehicle liability insurance

Our end-of-year motor vehicle liability insurance portfolio totalled 2,544,888 policies (2011: 2,523,042), plus 202,572 moped policies. Thanks to a combination of portfolio growth and price increases, gross premium receipts came to € 488.8 million (2011: € 473.7 million). After a € 1.3 million withdrawal from the equalisation provision (2011: € 19.9 million), the underwriting result was € – 16.4 million (2011: € – 14.7 million).

Other motor vehicle insurance

We include both comprehensive and partial comprehensive (third party, fire and theft) motor insurance under "other motor vehicle insurance". The total number of policies at the end of the year was 2,054,120 (2011: 2,045,772), on top of which came 40,019 partial-coverage moped policies. A combination of growing portfolios and price adjustments led to policy growth of 3.5 %, taking the total to € 322.7 million). After a € 2.2 million allocation to the equalisation provision (2011: € 1.4 million withdrawal), the underwriting result came to € – 10.4 million (2011: € – 28.4 million).

Fire and non-life insurance

At the end of 2012, our fire and non-life insurance portfolio comprised a total of 2,611,892 policies (2011: 2,602,142). Gross premium receipts were up 5.7 % at € 281.0 million, After a € 300,000 withdrawal from the equalisation provision (2011: € 2.0 million), the underwriting result came to € 16.6 million (2011: € 15.1 million).

In detail, our individual fire and non-life segments performed as follows.

Our household contents insurance portfolio at the end of 2012 comprised 1,318,829 policies (2011: 1,312,553), while gross premium receipts rose 3.8 % to € 118.7 million. The underwriting result came to € 14.2 million (2011: € 18.0 million).

Our homeowners' building insurance portfolio increased to 526,133 policies (2011: 514,871). Gross premiums rose strongly to € 122.0 million (2011: € 122.2 million), representing growth of 8.7 %. Thanks to a € 300,000 withdrawal from the equalisation provision (2011: € 2.0 million allocation), the underwriting result improved to € – 3.3 million (2011: € – 4.1 million).

In the other non-life segments the number of policies in the portfolio totalled 766,930 (2011: 774,718). Gross premiums (including mopeds) rose by 2.6 % to € 40.3 million, and the underwriting result improved to € 4.2 million (2011: € 1.2 million).

Legal expenses insurance

This segment is operated by DEVK Rechtsschutz-Versicherungs-AG. In 2012 our portfolio grew by 1.7 % to 813,743 policies. Thanks to the portfolio growth plus premium increases in some parts of the portfolio, gross premiums rose by 3.4 % to € 114.8 million. At € 100,000, the underwriting result net of reinsurance was around last year's level (2011: € 200,000).

Other insurance policies

Other insurance policies primarily comprise the results of our breakdown service, guarantee, travel health, bond and cheque card insurance policies as well as insurance against various financial losses. With premiums totalling € 16.1 million (2011: € 15.2 million), the underwriting result net of reinsurance was a loss of € 2.0 million (2011: + € 100,000).

Life assurance business trends

DEVK Allgemeine Lebensversicherungs-AG is the Group company responsible for the life assurance business. As of 31 December 2012, its portfolio comprised 796,669 policies (+ 1.5 %). Gross premiums rose by 3.3 % to € 464.9 million. The net interest on investments amounted to 4.6 % (2011: 4.3 %). The allocation to the premium refunds provision rose by 22.7 % to € 89.1 million.

Health insurance business trends

This segment is operated by DEVK Krankenversicherungs-AG. At the end of the year, the portfolio of monthly premiums written was worth € 5.0 million (2011: € 4.5 million). Before consolidation, booked gross premium receipts totalled € 59.1 million, up 10.2 % on the 2011 figure of € 53.7 million. In 2012, the allocation to the premium refunds provision was raised by € 1.7 million to € 9.5 million.

Pension fund business trends

DEVK Pensionsfonds-AG offers defined-contribution pension plans with guaranteed minimum benefits in accordance with section 3 paragraph 63 of the Income Tax Act (EstG) as well as transfers from other pension schemes in accordance with section 3 paragraph 66 EStG. In particular, the company manages the occupational pension funds of Deutsche Bahn AG. In total, there were 101,562 new pension relationships in 2012 (2011: 4,508), making a total portfolio of 221,844 pension relationships at the future entitlement stage (2011: 122,109) and 770 ongoing pensions (2011: 586). The booked premiums amounted to € 74.6 million (2011: € 49.4 million), while the allocation to the premium refunds provision was increased by € 300,000 to € 3.5 million.

Reinsurance business trends

The Group's reinsurance business is chiefly operated by DEVK Rückversicherungs- und Beteiligungs-AG. Thanks to the good rating of A+ accorded to the company by Standard & Poor's, its growth opportunities as a volume provider on the reinsurance market remain good, because for many business partners such a rating is 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.

In 2012, DEVK Rückversicherungs- und Beteiligungs-AG's net booked premiums before consolidation rose by 14.9 % to € 290.6 million. Income from DEVK-external business came to € 107.0 million (2011: € 86.5 million). The 2012 underwriting result before changes to the equalisation provision totalled € – 31.3 million (2011: € – 2.5 million). After a € 22.5 million allocation to the equalisation provision (2011: € 9.4 million), the underwriting result net of reinsurance stood at € – 53.8 million (2011: € – 11.9 million).

Also included in the consolidated financial statements is Echo Rückversicherungs-AG (Echo Re), which was established at the end of 2008 as a subsidiary of DEVK Sach- und HUK-Versicherungsvereins a.G. in Switzerland. Echo Re, which chiefly operates outside Europe, possesses equity capital of 64.2 million Swiss francs (CHF). With premium receipts of CHF 33.2 million (2011: CHF 38.2 million), the Swiss national net profit stood at CHF 1.3 million (2011: CHF – 2.7 million).

DEVK Allgemeine Versicherungs-AG underwrote reinsurance business with a premium volume of € 13.8 million, the bulk of which related to the Group-internal coverage of motor vehicle and building insurance.

DEVK Krankenversicherungs-AG also took on small volumes of Group-internal foreign travel health insurance.

Financial position and assets; investments and net investment income

The Group's 2012 capital investment volume came to € 8,563.1 million (2011: € 7,971.7).

At € 456.9 million, income from investments was significantly up on last year's figure of € 397.8 million, as lower profits from the disposal of investments (€ – 5.8 million) were greatly offset by growth in current income (€ + 39.1 million) and income from write-ups (€ + 25.8 million).

At € 90.8 million, investment expenses have fallen slightly from the 2011 figure of € 91.7 million. At € 69.8 million, write-downs on investments were virtually identical with the 2011 level of € 70.2 million. Meanwhile, losses from disposals of investments fell to € 4.5 million (2011: € 9.2 million).

On balance, our net investment income was up on the previous year's figure at € 366.6 million (2011: € 306.1 million).

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 German Act on the Supervision of Insurance Companies (VAG), 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 risk categories 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.

Below we set out our risk situation in compliance with the German Accounting Standard 5-20 (DRS 5-20).

Technical risks

Principal among the technical risks in **non-life insurance** are the premium/claims risk and the reserves risk.

To this end, we first consider the movement of the claims ratio net of reinsurance over the past ten years.

Claims ratio net of reinsurance

Year	%	Year	%
2003	65.1	2008	64.8
2004	64.1	2009	65.9
2005	63.8	2010	68.3
2006	63.7	2011	68.3
2007	63.2	2012	66.5

The figures for DEVK Allgemeine Lebensversicherungs-AG are included in the above claims ratio table. As we can see, over the ten-year period considered here the range of fluctuation is low. Among other things, this is due to the fact that, in line with the reasonable acceptance guidelines we apply, we generally only underwrite straightforward, standardised business. Where particularly large volumes of insurance are involved, we limit our risk through co-insurance or reinsurance contracts.

We ensure that we maintain technical reserves through the prudent valuation of claims already filed as well as establishing additional reserves to meet claims that are statistically likely but have not yet been filed on the balance sheet date, as well as for claims that will have to be reopened after the balance sheet date. Thus we take the reserve risk duly into account, as also demonstrated by our settlement results for the past ten years.

Settlement result as % of original provision			
Year	%	Year	%
2003	11.4	2008	11.0
2004	13.6	2009	9.3
2005	10.7	2010	11.6
2006	9.4	2011	9.9
2007	11.2	2012	9.3

Our equalisation provisions provide an additional safety cushion that contributes to the smoothing of our underwriting results. As of 31 December 2012, their volume totalled € 221.9 million (2011: € 192.9 million).

In our **health insurance** business we counteract technical risks through comprehensive guidelines governing working practices, as well as regular employee training on the subject, and we also apply planning and management tools designed to detect at an early stage undesirable developments impacting our marketing, portfolio or claims and take any action necessary to counteract them. Through painstaking product development and continual actuarial trend analyses we ensure that the accounting principles applied are suitable and factor in adequate safety margins. On top of this, all our general insurance terms and conditions incorporate a premium adjustment clause whereby premiums can be adjusted in the event of changing claims expenses. In addition, undesirably large fluctuations in the risk results are forestalled through suitable reinsurance contracts. Our underwriting policy and reinsurance methods provide a sound foundation for the company's continuing solid growth.

The interest risk inherent in our health insurance arises due to the fact that the interest rate assumed when concluding contracts (the technical interest rate) may be higher than the long-term market returns. Since commencing operations in 1984, DEVK Krankenversicherungs-AG has to date been able to achieve the technical interest rate of 3.5 % in every single year. Accordingly, we are confident that our safety margins in this respect are adequate. We are applying a technical interest rate of 2.75 % to all new business engaged in since 21 December 2012.

The technical risks prevailing in **life assurance** are biometric risk, cancellation risk and interest guarantee risk.

The biometric risk consists in the fact that the accounting principles used to determine premium rates, for instance the probabilities of death or invalidity, change over time. However, the probability tables we use for new business are viewed as suitable by BaFin and the German Actuarial Society (DAV). In the opinion of the actuary responsible for them, the probability tables used for the portfolio include adequate safety margins, with the exception of certain tables for mortality, pension and (supplementary) occupational incapacity insurance. To cater for portfolios using out-of-date tables, additional amounts were in the past allocated to the premium reserves. Accordingly, sufficient security is available here, too. Biometric risk will increase in significance as of 21 December 2012 with the European Court of Justice's gender-neutral ruling, since the portfolio's gender composition will become a calculation parameter that will in future require continuous monitoring.

In our life assurance business, we do not apply accounting principles to cater for the cancellation risk. However, even a significantly higher cancellation rate than we have experienced in recent years would have minimal impact on our annual results.

The interest guarantee risk in life assurance is due to the fact that the annual interest rates guaranteed when concluding contracts may prove to be higher than the long-term market returns we can achieve. Our net interest rate in recent years has been higher than the mean technical interest rate of our life assurance portfolios; indeed, in 2012, it was over one per cent higher. In view of this, an adequate safety margin remains in place here. A further point to note is that the higher investment results achieved in some cases, both this year and in recent years, means that the unallocated portion of the premium refunds provision represents an adequate buffer in this respect. Pursuant to section 5 paragraph 4 of the Premium Reserve Regulation (DeckRV), a supplementary interest reserve has been in place since 2011, based in a specified reference interest rate, which was set at 3.64 % in 2012. Over the coming years we expect this supplementary interest reserve to increase in size as compared with 2012, even if market interest rates rise.

Through painstaking product development and continual actuarial trend analyses we ensure that the accounting principles applied are suitable and factor in adequate safety margins. In addition, undesirably large fluctuations in the risk results are forestalled through a corresponding reinsurance policy. Furthermore, the unallocated portion of the premium refunds provision provides additional smoothing and stabilisation potential.

DEVK Rückversicherungs- und Beteiligungs-AG underwrites the **reinsurance business** done by both DEVK and external companies. In line with our acceptance guidelines, we generally take on standardised business, and we counteract the risk of unusually high claims expenses attendant upon extraordinary loss events through a corresponding reinsurance policy. To smooth our underwriting results, equalisation provisions in compliance with the provisions of accounting law are formed.

Technical pension fund risks

In pension funds, these chiefly comprise the biometric risk and the interest guarantee risk (i.e. minimum benefit guarantees).

The biometric risk exists due to the fact that the accounting principles used to determine premium rates, for instance the probability of death, change over time.

In the opinion of the responsible actuary, the probability tables we use incorporate adequate safety margins. Furthermore, through painstaking product development and continual actuarial trend analyses, we ensure that the accounting principles applied are suitable and factor in adequate safety margins.

Since 21 December 2012, biometric risk has been significantly influenced by the European Court of Justice's gender-neutral ruling, which means that the portfolio's gender composition will from now on become a calculation parameter requiring continuous monitoring.

The interest guarantee risk arises from the possibility of the minimum benefits enshrined in the pension plans no longer being financeable due to very low interest rates. However, adequate safety margins do currently exist here, and we assume based on current trends that this margin will remain sufficient in future.

Risk of defaults by debtors arising from our insurance operations

The risk of defaults by debtors from insurance operations arises from the primary insurance of claims against policyholders and intermediaries as well as from reinsurance underwritten for ceding companies and retrocessionaires.

Over the review period (the past three years), our overdue debts from insurance business averaged 4.3 % of booked gross premiums. Of these, an average of 2.3 % had to be written off. In relation to the booked gross premiums, the average default rate over the past three years was 0.1 %. Accordingly, default risk is of minimal importance for our Group.

As of the balance sheet date, insurance business debts with a maturity of over 90 days totalled € 31.6 million (2011: € 31.9 million).

Amounts receivable from reinsurance at the end of the year came to € 26.5 million. An overview of amounts receivable broken down according to the ratings assigned to our reinsurance partners by Standard & Poor's is given in the following table:

Rating category	Receivables
	€ millions
AA +	0.30
AA	0.04
AA –	1.49
A +	4.63
A	0.99
A pi	0.03
A –	0.66
BBB +	0.44
BBB	0.21
BBB pi	0.86
BBB –	0.68
BB pi	0.01
No rating	16.14

Investment risks

The investment risks include market, credit and liquidity risk.

Our capital investments comply with the German Ordinance on the Investment of Restricted Assets of Insurance Undertakings (AnlV). Furthermore, our investments are made within the framework of a consistent investment strategy that we coordinate with our Supervisory Board, and which specifies such matters as asset allocation, as well as applying a solvency matrix to our interest-bearing investments. Active portfolio management allows us to exploit opportunities arising from market movements to improve our Group results, while the asset liability management system we apply ensures that we can meet all our existing and future commitments at all times.

Interest-bearing investments

As of 31 December 2012, the Group held interest-bearing investments to a total value of € 6.9 billion. Of these, a total of € 2.5 billion (including the pure pension funds) are bearer instruments which could be subject to write-downs if interest rates rise. Of these bearer instruments, we have assigned a volume of € 1.8 billion to the fixed assets since we intend to hold this paper until maturity, and their current market fluctuations are viewed as temporary. Should this second view in particular prove wide of the mark, we shall undertake the necessary write-downs in timely fashion. As of 31 December 2012, these investments were subject to hidden charges totalling € 11.1 million. A change in returns of up to +/– 1 % would entail a corresponding value change ranging from € – 450 million to € 497 million.

This disclosure of the impact of a 1 % interest rate rise only gives an approximate idea of the potential effect on our profitability. The reason for this is that over a year, all things being equal, the portfolio's average time to maturity diminishes, and the stated change in value thus also decreases accordingly. On top of this, the bulk of our investments are either in registered paper or bearer bonds and, in their cases, interest rate rises do not lead to write-downs since they are recognised on the balance sheet at their nominal values. The exception to this is losses of value due to deteriorating credit ratings that may affect the issuers in question.

Apart from building finance, the bulk of our interest-bearing investments are in covered bonds and notes receivable. We also invest in corporate bonds and, on a small scale, in asset-backed securities (ABS). Our direct corporate bond holdings make up 4.6 % of our total investments, while directly held asset-backed securities make up just 1.3 % of them. In 2012, our bond investments focused on international bearer bonds issued by banks and companies, both due to their attractive risk premiums and on diversification grounds. These chiefly involved bearer papers that were assigned to the fixed assets.

We continue to have minimal investment exposure to the eurozone countries currently under the microscope, to wit Portugal, Italy, Ireland, Greece and Spain. 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. Regarding issuer risks, as proportions of our total investments, 10 % of the Group's investments are in government bonds, 5 % in corporate bonds and 66 % in securities and investments with banks and other financial service providers. 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. In 2012 this affected two hybrid investments. Conversely, in the case of hybrid investments from two issuers, we were able to make capital write-ups.

The ratings of the issuers of our interest-bearing investments break down as follows:

AA or better	50.5 %
A	33.0 %
BBB	12.8 %
BB or worse	3.7 %

This general deterioration in ratings is due to the impact on our existing investments of falling worldwide rating levels. However, we shall continue to make virtually all our new and repeat investments in interest-bearing securities with strong credit ratings.

Various European countries and banks continue to come under the spotlight as a result of the eurozone crisis and, as a result, the recoverability of their outstanding securities has been downgraded by the rating agencies. Restructuring measures and in some cases payment defaults in this field have at times had a major impact on the equity and bond markets.

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 € 231.8 million, a figure which includes € 11.1 million in hidden charges.

Equity investments

The bulk of our equity investments are in EuroStoxx50 companies, as a result of which our portfolio's performance very closely matches that of this index. A 20 % change in market prices would alter the value of our equity portfolio by € 204.3 million. The European share index EuroStoxx50 gained value during 2012, and provided we are spared any exogenous shocks, we expect this positive performance to continue. We have applied a value protection model to our equity investments in order to limit market risks.

The fixed-asset equities and equity funds show a positive valuation reserve of € 3.3 million, a figure that includes € 13.4 million in hidden charges.

Real estate

On the balance sheet date, our real-estate investments totalled € 355.1 million. Our direct holdings worth € 109.2 million are subject to scheduled annual depreciation with a volume of approx. € 3.1 million. These direct holdings chiefly comprise real estate owned for many years, in some cases with considerable hidden reserves, as a result of which there are currently no discernible risks in this respect.

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.

In connection with the project Programm Leben (Programme Life), which is proceeding according to plan, we have begun to phase out the current portfolio management system and introduce a new, modern system. The new gender-neutral policies will be administered on this new platform from 2013 onwards. Since the new administration system will also be able to closely monitor market trends, it will enable DEVK to safeguard its long-term competitive position in the life assurance industry. Currently there are no discernible risks that could jeopardise our life assurance portfolio.

The successfully introduced cooperative arrangements with statutory health insurance funds continue to offer DEVK Krankenversicherungs-AG great potential for new customer relationships, as we can offer members of these schemes products meeting their needs on highly favourable terms.

The proximity to the rail market and the product range geared to these needs opens up further wide-ranging growth opportunities for DEVK Pensionsfonds-AG.

Solvency

In compliance with section 9 of the German Solvency Adjustment Regulation, the Group's solvency is calculated on the basis of the consolidated financial statements. The company 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, amounted to € 1,296.9 million (2011: € 1,248.2 million), far exceeding the required solvency margin of € 346.5 million (2011: € 332.4 million).

Cash flow

In the current financial year, the cash flow from investments, i.e. the funds required for the net investment volume, amounted to € 576.7 million. The necessary funds were generated by the company's ongoing operations (€ 676.6 million).

Summary of our risk status

Currently there are no discernible developments that could lead to a significant impairment of the Group's net assets, financial position and results of operations and thus jeopardise its continuing existence.

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 further increases in the Group's premium receipts from non-life and casualty insurance operations, to which the active reinsurance operations of DEVK Rückversicherungs- und Beteiligungs-AG and Echo Re can be expected to contribute. Before adjustments to the equalisation provision, we expect the Group to register a positive underwriting result in 2013, and we regard a stabilisation of the underwriting result in 2014 as a realistic possibility However, this will be dependent on the motor vehicle insurance segment experiencing a moderate claims history and on stable or preferably falling prices.

Popular demand for private old-age provision is also continuing to rise. However, the importance of a company's own workforce is increasingly taking centre stage, as reflected in the increasing numbers of occupational disability and incapacity insurance policies being taken out. Thus the German life assurance sector continues to hold out good future sales opportunities, and DEVK Allgemeine Lebensversicherungs-AG's product range means we are well equipped to cope with any market challenges.

As regards our performance during 2013, the changed macroeconomic environment and the competitive situation in comparison with other investment forms will prove major determining factors. Despite all the imponderables thrown up by the eurozone crisis, in the field of future provision products (life assurance, occupational incapacity insurance and pension plans), no noteworthy changes in demand for insurance are to be expected in the immediate future. This is because the trend, supported by the public debate on the issue of privately financed old-age provision, is increasingly towards pension-like products. In contrast, in the endowment insurance segment, and above all in the unit-linked life assurance and pension insurance segment, further falls in demand are to be expected as in 2012. Accordingly, we expect broadly unchanged demand for life assurance products during 2013, and the number of early cancellations of policies will likewise remain constant.

The competitive situation vis-à-vis other investment forms remains favourable, though the industry is finding it ever harder to hold its own in the face of falling accrued interest rates and the provisions that thus have to be formed. Despite this state of affairs, mean accrued interest rates of around 3.6 % continue to make life assurance a highly competitive proposition. Indeed, during 2013 DEVK Allgemeine Lebensversicherungs-AG managed to register accrued interest of no less than 4.0 %, a performance which earned it a rating of "good" from the yields check conducted by €uro Magazine, and this is reinforced by the fact that life assurance continues to be trusted as a safe investment product.

Premium levels for 2013 are expected to be somewhat down on the 2012 figure, but a return to rising premium receipts is anticipated during 2014. In 2013 regular premium receipts will remain at around the 2012 level, whereas single premiums will register a significant fall. Accordingly, in line with DEVK's strategy, a positive evolution of the relationship between regular premiums and single premiums continues to be apparent.

Meanwhile, over the coming two years we expect the portfolio to rise back to the level of earlier years in terms of both policy numbers and insured benefits.

Over the coming years we expect this supplementary interest reserve to increase in size as compared with 2011 and 2012, even if market interest rates rise.

In our view, the occupational pension provision market, and in particular pension funds, will continue to offer good future sales opportunities, and we expect the trend observed in 2012 for occupational pension plans to play a role in pay negotiations to continue in 2013. A key precondition for the acceptance of such plans by both employers and the workforce is the efficient, economical management of pension fund policies combined with competitive returns. During the next few years we shall be persevering with the efforts we made in this sphere last year. We feel that our present strategy involving a business model focusing on defined contributions with guaranteed minimum benefits has been vindicated, and are not currently planning any further diversification. That way we expect to be able to build over coming years on the good results registered in 2012.

In the field of health insurance, we expect insurance supplementary to the statutory health insurance to remain our most important source of business and growth, and we are pinning particular hopes on the state-subsidised supplementary long-term care insurance we are offering from April 2013 onwards. We are also convinced that supplementary private provision in the field of long-term care insurance holds great potential. Our medium-term planning is based on the assumption that we will be able to maintain our growth and excellent profitability in years to come, though due to the low base effect we shall not be able to achieve quite such impressive growth rates as in previous years. Our objective over the next few is to maintain the profit transfers at a level of € 2.5 to 3.0 million.

On the financial markets, the positive performance of 2012 continued unabated in the first few weeks of the new year. The low interest policies of the most important central banks remain in place, and the highly expansionary rescue policies adopted by central banks, involving massive (over)supply of liquidity to the capital markets, are keeping the yields on government bonds (artificially) low. As a result, virtually all forms of investment have become steadily more expensive, leading to rising demand for property and other real assets. Some of the countries directly affected by the eurozone crisis will suffer further economic contraction during 2013 due to the initial impact of restructuring measures. No inflationary tendencies can currently be discerned, but they cannot be ruled out in future, and the danger of bubbles forming in parts of the bond and real-estate markets is increasing.

Due to Germany's continuing dependency on its export industry, the economic situation in the USA and China has a key influence on our country's economic performance. In view of the signals emanating from those quarters, we see good chances of Germany being able to continue registering moderate growth in 2013.

The above scenario is based on the assumption that there will be no renewed deepening of the eurozone crisis, and that the countries affected will continue adhering to their policies of consolidation. However, it is expected that upcoming elections, for instance in Germany and Italy, will increase uncertainty. As a result, the recent sharp falls in the risk premiums offered on the affected countries' government bonds may be reversed, at least to some degree.

As far as the Group's capital investments are concerned, we expect the 2013 and 2014 results to be little different despite a growing investment portfolio. In our view, the low interest rate on new assets will lead to a slight reduction in the net interest rates on our investments.

Cologne, 19 April 2013

The Management Board

Gieseler **Etmans** **Faßbender** **Rüßmann** **Zens**

Notes to the Group management report

List of insurance classes covered during the financial year

Direct insurance operations

Life assurance

Health insurance

Accident insurance
General accident insurance
Motor vehicle accident insurance

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
Engineering insurance
Repair costs insurance
Universal caravan insurance
Extended coverage insurance
Travel baggage insurance
All-risk insurance

Other insurance policies
Insurance against various financial losses
Bond insurance
Breakdown service insurance
Cheque card insurance
Guarantee insurance

Reinsurance coverage provided

Life assurance

Health insurance
Daily benefits insurance
Hospital daily benefits insurance
Travel health 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

Pension fund business

Consolidated financial statements

Consolidated balance sheet to 31 December 2012

Assets	€	€	€	(2011: € 000s)
A. Intangible assets				
I. Industrial property rights created in-house and similar rights and assets		–		(–)
II. Licences, industrial property rights and similar rights and assets acquired for valuable consideration, as well as licences in such rights and assets		34,993,109		(38,016)
III. Goodwill		459,056		(689)
IV. Payments on account		14,637,467		(4,356)
			50,089,632	(43,061)
B. Investments				
I. Real estate and similar land rights, including buildings on third-party land		109,179,875		(115,367)
II. Investments in affiliated companies and participating interests				
1. Shares in affiliated companies	507,476			(507)
2. Shares in associated companies	12,959,182			(4,811)
3. Participating interests	310,739,310			(291,161)
4. Loans to companies in which a participating interest is held	8,624,429			(12,261)
		332,830,397		(308,740)
III. Other financial investments				
1. Equities, fund units and other variable-yield securities	1,339,029,196			(1,208,800)
2. Bearer bonds and other fixed-interest securities	2,242,225,558			(1,801,662)
3. Mortgage loans and annuity claims	646,442,257			(621,488)
4. Other loans	3,589,007,364			(3,683,085)
5. Deposits with banks	67,359,011			(58,623)
6. Other investments	119,383,647			(121,780)
		8,003,447,033		(7,495,438)
IV. Deposits with ceding companies		117,640,943		(52,127)
			8,563,098,248	(7,971,672)
C. Investments for the benefit of life assurance policyholders who bear the investment risk				
			47,740,595	(35,984)
D. Assets for the benefit of employees and employers				
– Investments for the benefit of employees and employers			**132,058,441**	(98,088)
Balance carried forward:			8,792,986,916	(8,148,805)

Liabilities and shareholders' equity

	€	€	€	(2011: € 000s)
A. Capital and reserves				
I. Retained earnings				
1. Loss reserve pursuant to section 37 of the Insurance Supervision Act	157,666,441			(153,166)
2. Other retained earnings	1,120,901,718			(1,069,836)
		1,278,568,159		(1,223,002)
II. Equity difference due to currency conversion		8,731,138		(8,348)
III. Profit/loss carried forward		– 4,756,829		(– 3,166)
IV. Net retained profit		29,615,474		(31,038)
V. Adjusting item due to capital consolidation		130,954		(131)
VI. Other shareholders' shares		125,049,226		(116,606)
			1,437,338,122	(1,375,959)
B. Technical provisions				
I. Provision for unearned premiums				
1. Gross amount	63,237,078			(51,358)
2. of which: Reinsurance amount	1,726,656			(2,118)
		61,510,422		(49,240)
II. Premium reserve				
1. Gross amount	3,310,733,683			(2,983,032)
2. of which: Reinsurance amount	1,165,726			(1,147)
		3,309,567,957		(2,981,885)
III. Provision for claims outstanding				
1. Gross amount	2,195,044,427			(2,100,848)
2. of which: Reinsurance amount	368,061,374			(375,207)
		1,826,983,053		(1,725,641)
IV. Provision for bonuses and rebates				
1. Bonuses	317,924,234			(292,127)
2. Rebates	1,668,496			(1,681)
		319,592,730		(293,808)
V. Equalisation provision and similar provisions		221,919,176		(192,865)
VI. Other technical provisions				
1. Gross amount	7,027,618			(8,405)
2. of which: Reinsurance amount	238,980			(149)
		6,788,638		(8,256)
			5,746,361,976	(5,251,695)
C. Technical reserves in life assurance business, where the investment risk is borne by the policyholders				
– Premium reserve			**47,740,595**	(35,984)
D. Pension fund technical provisions				
I. Premium reserve		257,651,837		(198,202)
II. Provision for claims outstanding		370,933		(296)
III. Provision for bonuses and rebates		7,814,008		(5,844)
			265,836,778	(204,342)
Balance carried forward:			7,497,277,471	(6,867,980)

Assets	€	€	€	(2011: € 000s)
Balance carried forward:			8,792,986,916	(8,148,805)
E. Receivables				
I. Receivables arising out of direct insurance operations:				
1. Policyholders	72,284,208			(74,534)
2. Intermediaries	25,232,062			(29,325)
3. Statutory Long-Term Care Co-Insurance Group	7,917			(–)
		97,524,187		(103,859)
II. Receivables from pension fund business				
1. Employers and beneficiaries	28,555			(16)
2. Intermediaries	144,367			(–)
		172,922		(16)
III. Receivables arising out of reinsurance operations		26,449,506		(18,733)
IV. Other receivables		101,277,519		(66,831)
			225,424,134	(189,439)
of which: Companies with whom DEVK has a participating interest: € 349,630				(760)
F. Other assets				
I. Tangible assets and inventories		23,885,187		(25,377)
II. Cash at bank, cheques and cash in hand		45,493,576		(34,912)
III. Other assets		2,493,149		(2,526)
			71,871,912	(62,815)
G. Prepayments and accrued income				
I. Accrued interest and rent		143,445,785		(131,646)
II. Other prepayments and accrued income		6,274,591		(3,600)
			149,720,376	(135,246)
Total assets			**9,240,003,338**	(8,536,305)

Liabilities and shareholders' equity

	€	€	€	(2011: € 000s)
Balance carried forward:			7,497,277,471	(6,867,980)
E. Technical pension fund provisions in accordance with the assets for the benefit of employees and employers				
– Premium reserve			**132,058,441**	(98,088)
F. Other provisions				
I. Provisions for pensions and similar commitments		420,686,504		(400,026)
II. Provisions for taxation		201,747,543		(100,288)
III. Other provisions		54,122,265		(47,270)
			676,556,312	(547,584)
G. Deposits received from reinsurers				
			141,401,626	(143,322)
H. Other liabilities				
I. Liabilities arising out of direct insurance operations				
1. Policyholders	620,014,850			(628,626)
2. Intermediaries	2,294,038			(3,232)
		622,308,888		(631,858)
II. Liabilities arising out of pension fund business				
1. Employers	127,899			(41)
2. Beneficiaries	–			(–)
		127,899		(41)
III. Liabilities arising out of reinsurance operations		47,935,669		(26,853)
IV. Amounts owed to banks		67,253,994		(157,338)
V. Other liabilities,		49,628,229		(57,348)
of which:			**787,254,679**	(873,438)
Tax: € 18,751,532				(17,466)
Social security: € 433,093				(431)
Affiliated companies: € 110,565				(–)
I. Accruals and deferred income				
			5,454,809	(5,893)
Total liabilities			**9,240,003,338**	(8,536,305)

Consolidated profit and loss account

for the period from 1 January to 31 December 2012

Items	€	€	€	(2011: € 000s)
I. Technical account for non-life and casualty insurance business				
1. Earned premiums, net of reinsurance				
a) Gross premiums written	1,667,451,810			(1,580,088)
b) Outward reinsurance premiums	141,178,834			(130,637)
		1,526,272,976		(1,449,451)
c) Change in the gross provision for unearned premiums	– 8,032,071			(– 2,671)
d) Change in the provision for unearned premiums, reinsurers' share	402,456			(811)
		– 7,629,615		(– 1,860)
			1,518,643,361	(1,447,591)
2. Allocated investment return transferred from the non-technical account, net of reinsurance			**4,679,248**	(1,699)
3. Other technical income, net of reinsurance			**1,843,946**	(1,209)
4. Claims incurred, net of reinsurance				
a) Claims paid				
aa) Gross amount	1,093,595,024			(1,125,309)
bb) Reinsurers' share	80,279,690			(90,856)
		1,013,315,334		(1,034,453)
b) Change in the provision for claims outstanding				
aa) Gross amount	89,316,013			(33,808)
bb) Reinsurers' share	7,907,731			(19,158)
		97,223,744		(52,966)
			1,110,539,078	(1,087,419)
5. Changes in other technical provisions, net of reinsurance				
a) Net premium reserve		– 2,253,477		(1,290)
b) Other technical provisions, net of reinsurance		1,417,138		(493)
			– 836,339	(1,783)
6. Bonuses and rebates, net of reinsurance			**3,886,067**	(217)
7. Net operating expenses				
a) Gross operating expenses		374,809,874		(356,745)
b) of which: Reinsurance commissions and profit participation		25,359,538		(22,159)
			349,450,336	(334,586)
8. Other technical charges, net of reinsurance			**32,104,559**	(12,511)
9. Subtotal			**28,350,176**	(17,549)
10. Change in the equalisation provision and similar provisions			**– 29,055,162**	(4,629)
11. Underwriting result net of reinsurance, non-life and casualty insurance			**– 704,986**	(22,178)

Items	€	€	€	(2011: € 000s)
II. Technical account for the life and health insurance business				
1. Earned premiums, net of reinsurance				
a) Gross premiums written	522,991,515			(502,463)
b) Outward reinsurance premiums	1,827,366			(1,670)
c) Change in the provision for unearned premiums, net of reinsurance		521,164,149		(500,793)
		– 5,142,214		(– 2,841)
			516,021,935	(497,952)
2. Contributions from the gross premium refunds provision			**5,412,838**	(2,669)
3. Investment income				
a) Income from participating interests		2,438,755		(2,788)
b) Income from other investments		180,373,908		(162,940)
c) Write-ups on investments		11,788,470		(2,283)
d) Gains on the realisation of investments		6,823,799		(11,999)
			201,424,932	(180,010)
4. Unrealised gains on investments			**3,825,873**	(45)
5. Other technical income, net of reinsurance			**2,484,407**	(7,495)
6. Claims incurred, net of reinsurance				
a) Claims paid				
aa) Gross amount	233,824,898			(232,391)
bb) Reinsurers' share	430,953			(355)
		233,393,945		(232,036)
b) Change in the provision for claims outstanding				
aa) Gross amount	3,590,914			(2,822)
bb) Reinsurers' share	– 105,567			(– 378)
		3,485,347		(2,444)
			236,879,292	(234,480)
7. Changes in other technical provisions, net of reinsurance				
a) Premium reserve				
aa) Gross amount	– 279,191,046			(– 234,650)
bb) Reinsurers' share	19,094			(254)
		– 279,171,952		(– 234,396)
b) Other technical provisions, net of reinsurance		– 6,044		(– 5)
			– 279,177,996	(– 234,401)
8. Bonuses and rebates, net of reinsurance.			**96,550,701**	(78,356)
9. Net operating expenses				
a) Acquisition costs	68,444,616			(69,000)
b) Administrative expenses	10,022,111			(10,772)
c) of which:		78,466,727		(79,772)
Reinsurance commissions and profit participation		572,345		(313)
			77,894,382	(79,459)
10. Investment charges				
a) Investment management charges, interest expenses and other charges on capital investments		3,572,670		(2,965)
b) Write-downs on investments		16,839,572		(20,161)
c) Losses on the realisation of investments		2,492,863		(3,098)
			22,905,105	(26,224)
11. Unrealised gains on investments			**485**	(3,065)
12. Other technical charges, net of reinsurance			**23,357,864**	(23,494)
13. Underwriting result net of reinsurance, life and health insurance			**– 7,595,840**	(8,692)

Items	€	€	€	(2011: € 000s)
III. Pension fund technical account				
1. Earned premiums – Booked premiums			**74,602,971**	(49,420)
2. Contributions from the gross premium refunds provision			**1,539,937**	(1,171)
3. Income from other investments a) Income from other investments – Income from other investments b) Gains on the realisation of investments		11,074,866 221,237	**11,296,103**	(10,335) (52) (10,387)
4. Unrealised gains on investments			**17,259,988**	(–)
5. Other technical pension fund income			**5,233**	(9)
6. Claims expenses a) Claims paid b) Change in the provision for claims		3,335,473 75,460	**3,410,933**	(3,074) (154) (3,228)
7. Changes in other technical pension fund provisions, net of reinsurance – Premium reserve			**– 93,420,174**	(– 30,921)
8. Bonuses and rebates, net of reinsurance			**3,509,466**	(3,195)
9. Claims expenses a) Acquisition costs b) Administration costs		688,966 1,069,325	**1,758,291**	(713) (844) (1,557)
10. Investment charges a) Investment management charges, interest expenses and other charges on capital investments b) Losses on the realisation of investments		1,039,401 243,006	**1,282,407**	(589) (359) (948)
11. Unrealised gains on investments			**–**	(19,798)
12. Other technical pension fund expenses			**75,594**	(36)
13. Technical pension fund result			**1,247,367**	(1,304)

Items	€	€	€	(2011: € 000s)
IV. Non-technical account				
1. Underwriting result, insurance and pension fund business net of reinsurance:				
a) Non-life and casualty insurance		– 704,986		(22,178)
b) Life and health insurance		– 7,595,840		(8,692)
c) Pension funds		1,247,367		(1,304)
			– 7,053,459	(32,174)
2. Investment income where not stated under II 3 or III 3				
a) Income from shares in associated companies	577,515			(777)
b) Income from participating interests	15,308,077			(10,716)
of which: from affiliated companies: € 52,000				(78)
c) Income from other investments	178,918,314			(162,109)
d) Income from write-ups	24,718,212			(8,391)
e) Gains on the realisation of investments	24,609,262			(25,370)
		244,131,380		(207,363)
3. Investment expenses where not stated under II 10 or III 10				
a) Investment management charges, interest expenses and other charges on capital investments	11,785,728			(8,621)
b) Write-downs on investments	52,992,013			(50,012)
c) Losses on the realisation of investments	1,806,162			(5,765)
d) Charges arising from shares in associated companies	48,215			(83)
		66,632,118		(64,481)
		177,499,262		(142,882)
4. Allocated investment return transferred from the non-technical account		7,247,344		(4,796)
			170,251,918	(138,086)
5. Other income		35,664,279		(38,817)
6. Other charges		77,903,881		(84,570)
			– 42,239,602	(– 45,753)
7. Profit from ordinary activities			**120,958,857**	(124,507)
8. Taxes on income		58,700,271		(56,860)
9. Other taxes		1,813,921		(1,531)
			60,514,192	(58,391)
10. Net profit for the year			**60,444,665**	(66,116)
11. Allocation to retained earnings				
a) in the loss reserve pursuant to section 37 of the Insurance Supervision Act		4,500,000		(1,645)
b) in other retained earnings		18,182,503		(22,975)
			22,682,503	(24,620)
12. Portion of result due to other shareholders			**8,146,688**	(10,458)
13. Net retained profit			**29,615,474**	(31,038)

Cash flow statement

Consolidated balance sheet to 31 December 2012

Items	2012 € 000s	2011 € 000s
Result for year before extraordinary items	60,445	66,116
Changes in technical provisions, net of reinsurance	601,889	375,862
Changes in deposits with ceding companies and deposits taken from retrocessionaires	– 67,434	– 56,968
as well as in receivables and liabilities	13,365	12,054
Changes in other receivables and liabilities	– 45,328	– 44,242
Gains/losses on the realisation of investments	– 27,112	– 28,199
Changes in other balance sheet items	114,064	42,859
Other off-balance-sheet expenses and income and adjustments of the result for the year	26,743	96,082
Payments to and proceeds from extraordinary items	–	–
Cash flow from ongoing operations	**676,632**	**463,564**
Proceeds from the sale of consolidated companies and other business units	16,327	30,854
Payments for the acquisition of consolidated companies and other business units	– 52,173	– 43,212
Proceeds from the sale and maturity of other investments	973,526	1,202,873
Payments for the acquisition of other investments	– 1,469,685	– 1,614,613
Proceeds from the sale of unit-linked life assurance investments	64,767	339
Payments for the purchase of unit-linked life assurance investments	– 89,408	– 25,714
Other proceeds	159	2,236
Other payments	– 20,189	– 19,459
Cash flow from investment activities	**– 576,676**	**– 466,696**
Proceeds from additions to equity	7,550	7,950
Payments to company owners and minority shareholders	– 2,235	– 1,828
Dividend payments	– 4,482	– 4,482
Proceeds and payments from other financing activities	– 90,207	– 17,318
Cash flow from financing activities	**– 89,374**	**– 15,678**
On-balance-sheet changes to cash and cash equivalents	10,582	– 18,810
Changes in cash and cash equivalents relating to exchange rates, the group of consolidated companies and valuations	–	87
Cash and cash equivalents at the start of the year *	34,912	53,635
Cash and cash equivalents at the end of the year *	**45,494**	**34,912**

* Cash and cash equivalents includes the funds recorded in the balance sheet item "Cash at banks, cheques and cash in hand".

The cash flow statement has been drawn up in accordance with the provisions of DRS 2 and 2-20, "Cash Flow Statements of Insurance Enterprises" (Kapitalflussrechnung von Versicherungsunternehmen). In accordance with the DRS recommendation for insurance undertakings, the indirect method of presentation was chosen.
The total interest paid during the period under review was € 417,000.

Statement of shareholders' equity

Shareholders' equity movements

Statement of shareholders' equity

	Parent company				Minority shareholders				Group equity
	Generated share-holders' equity capital	Cumulative other consolidated result: Equity difference due to currency conversion	Cumulative other consolidated result: Other neutral trans-actions	Equity capital	Minority capital	Cumulative other consolidated result: Equity difference due to currency conversion	Cumulative other consolidated result: Other neutral trans-actions	Equity capital	
	€ 000s	€ 000s	€ 000s	€ 000s	€ 000s	€ 000s	€ 000s	€ 000s	€ 000s
31.12.2010	**1,331,683**	**6,830**	**–136,153**	**1,202,360**	**108,994**	**–**	**– 3,217**	**105,777**	**1,308,137**
Issuing of shares	–	–	–	–	7,524	–	–	7,524	7,524
Dividends paid out	–	–	–	–	– 6,310	–	–	– 6,310	– 6,310
Changes to the group of consolidated companies	–	–	– 609	– 609	– 404	–	–	– 404	– 1,013
Other changes	–	1,518	427	1,945	–	–	– 439	– 439	1,506
Consolidated net profit for the year	55,657	–	–	55,657	10,458	–	–	10,458	66,115
31.12.2011	**1,387,340**	**8,348**	**– 136,335**	**1,259,353**	**120,262**	**–**	**– 3,656**	**116,606**	**1,375,959**
Issuing of shares	–	–	–	–	7,550	–	–	7,550	7,550
Dividends paid out	–	–	–	–	– 6,717	–	–	– 6,717	– 6,717
Changes to the group of consolidated companies	–	–	–	–	–	–	–	–	–
Other changes	–	383	255	638	–	–	– 537	– 537	101
Consolidated net profit for the year	52,298	–	–	52,298	8,147	–	–	8,147	60,445
31.12.2012	**1,439,638**	**8,731**	**– 136,080**	**1,312,289**	**129,242**	**–**	**– 4,193**	**125,049**	**1,437,338**

Notes to the consolidated financial statements

Group companies

The following subsidiary companies were included in the consolidated financial statements of DEVK Sach- und HUK-Versicherungsvereins a.G., Cologne, thus being exempted from the requirement to produce annual financial statements themselves:
- DEVK Rückversicherungs- und Beteiligungs-AG, Cologne, 100 %
- DEVK Allgemeine Versicherungs-AG, Cologne, 100 %
- DEVK Rechtsschutz-Versicherungs-AG, Cologne, 100 %
- DEVK Rechtsschutz-Versicherungs-AG, Cologne, 100 %
- DEVK Allgemeine Versicherungs-AG, Cologne, 100 %
- DEVK Rechtsschutz-Versicherungs-AG, Cologne, 100 %
- DEVK Vermögensvorsorge- und Beteiligungs-AG, Cologne, 51 %
- DEVK Alpha GmbH, Cologne, 100 %
- DEVK Asset Management Gesellschaft mbH, Cologne, 100 %
- DEVK Alpha GmbH, Cologne, 100 %
- DEVK Private Equity GmbH, Cologne, 65 %
- DEVK Service GmbH, Cologne, 74 %
- DEVK Alpha GmbH, Cologne, 100 %
- DEVK Rechtsschutz-Versicherungs-AG, Cologne, 100 %
- DEVK Zeta GmbH, Cologne, 100 %
- DEVK Zeus Vermögensverwaltungs-AG, Cologne, 100 %
- Assistance Services GmbH, Coesfeld, 100 %
- ECHO Rückversicherungs-AG, Zürich (CH), 100 %
- German Assistance Versicherung AG, Coesfeld, 100 %
- Hotelbetriebsgesellschaft SONNENHOF mbH, Bad Wörishofen, 100 %
- HYBIL B.V., Venlo (NL), 90 %
- Ictus GmbH, Cologne, 75 %
- JUPITER VIER GmbH, Cologne, 100 %
- OUTCOME Unternehmensberatung GmbH, Cologne, 100 %
- SADA Assurances S.A., Nîmes (F), 100 %.

In accordance with section 296, paragraph 2, sentence 1 of the German Commercial Code (HGB), the subsidiaries
- DEVK Gamma GmbH, Cologne, 100 %
- DEVK Omega GmbH, Cologne, 100 %
- DEVK Versorgungskasse GmbH, Cologne, 100 %
- DEVK Saturn GmbH, Cologne, 100 %
- KASSOS Beteiligungs- und Verwaltungs-GmbH, Cologne, 100 %
- Lieb' Assur S.A.R.L., Nîmes (F), 100 %
- Reisebüro Frenzen GmbH, Cologne, 52 %

were not included in the consolidated financial statements due to their minor importance for the Group's net assets, financial position and results of operations. Even taken as a whole, they remain of minor importance as defined in section 296 paragraph 2 sentence 2 HGB.

The following companies were included in the consolidated financial statements at equity as associated companies or joint ventures:
– Monega Kapitalanlagegesellschaft mbH, Cologne, 45 %
– Terra Estate GmbH & Co. KG, Landolfshausen, 48.75 %.

Pursuant to section 311 paragraph 2 HGB, Terra Management GmbH, Landolfshausen, an associated company in which the Group has a total holding of 50 %, was not included in the consolidation due to its minor importance for the Group's net assets, financial position and results of operations.

Changes to the group of consolidated companies

The group of consolidated companies remained unaltered during 2012.

Consolidation principles

The consolidated financial statements were drawn up in accordance with the provisions of section 341i and 341j HGB in conjunction with section 290ff HGB and section 58ff RechVersV.

Pursuant to article 66 paragraph 3 sentence 4 EGHGB in conjunction with section 301 paragraph 1 No. 1 HGB, old version, the capital consolidation was done applying the book value method of section 301 paragraph 1 sentence 1 HGB.
The initial consolidation was undertaken either at the time of acquisition or on initial inclusion in the annual report. Pursuant to section 309 paragraph 1 sentence 3 HGB, old version, any resultant positive differences were openly offset on the assets side against the other retained earnings.
After the introduction of the German Act on Modernisation of Accounting Regulations (BilMoG), any positive differences from the initial consolidation were recognised in the consolidated balance sheet under goodwill. The goodwill is subjected to scheduled depreciation over a five-year period.
Negative differences were recorded correspondingly as liabilities in the consolidated balance sheet.

Prior to the introduction of BilMog, the valuation of the associated company Monega was determined at the time of its acquisition pursuant to article 66 paragraph 3 sentence 4 EGHGB in conjunction with section 312 paragraph 1 No. 1 HGB, old version.
The valuation of Terra Estate GmbH & Co. KG took place on the date on which it became a joint venture.

The receivables and liabilities of companies included in the consolidated financial statements were consolidated, while income and expenses from the offsetting of costs and Group-internal reinsurance arrangements were netted out. Inter-company profits were eliminated.

Foreign currency conversion

The conversion of the asset and liability items in the balance sheet of one consolidated subsidiary that draws up its annual financial statements in a foreign currency are done at the median foreign currency exchange rate on the closing date, with the exception of the equity capital, which was valued at the historic price. The profit and loss account items were converted at the mean exchange rate.

Foreign currency items in the annual financial statements of consolidated subsidiaries are converted into euros on the balance sheet date at the median foreign currency exchange rate.

Accounting and valuation methods

The consolidated financial statements were based on the audited and unaudited individual financial statements and single-entity financial statements that, with two exceptions, were drawn up in accordance with uniform accounting and valuation regulations.
Where the consolidated valuation methods were the same as those applied by the Group parent company, we refer the reader to the details given in the parent's individual financial statements.
The annual financial statements of foreign subsidiaries prepared in compliance with domestic accounting regulations were adjusted to comply with German accounting regulations prior to integration into the consolidated financial statements. Valuations based on regulations applying specifically to insurance companies remained unaltered.
The layouts of the consolidated balance sheet and the consolidated profit and loss account comply with financial statement forms 1 and 4 of RechVersV, plus certain Group-specific items.

The **loans and advance payments on insurance certificates** are recognised at their original nominal values less repayments made to date.

Deposits with banks are recorded at their nominal values.

Other investments also include credit default swaps, which have been valued at their costs of acquisition.

Investments for the benefit of life assurance policyholders who bear the investment risk, for whose policies an investment fund is to be established pursuant to section 54b VAG, are recorded at their current value.

Pursuant to section 341 paragraph 4 sentence 2 and 341d HGB, **assets for the benefit of employees and employers who bear the investment risk** were valued at their current values and shown in a separate item. Due to provisions included in the pension plans, the value was reported on the basis of the pension fund payment obligation in the event of a pension claim.

Receivables from pension fund business are recognised at their nominal values.

Technical provisions are calculated by application of the following principles:
The **provisions for unearned premiums** for direct insurance operations are calculated separately for each policy, taking into account the individual technical policy start, with due regard to the tax regulations laid down by the Finance Minister of North Rhine-Westphalia on 30 April 1974.
For new policies taken out since 1 January 2012, an insurance period of one month generally applies. For these policies, payments on account made where a monthly payment does not apply are also included under the provision for unearned premiums.

The **premium reserve** in the life assurance business is calculated separately for each policy, taking into account the individual technical policy start and applying actuarial principles according to the prospective method. For the portfolio of existing policies within the meaning of section 11c VAG and article 16 section 2 of the Third Implementation Act/EEC to the VAG, the precepts and accounting principles underlying the calculation were in line with the approved business plans. The portfolio of new policies, on the other hand, is in line with section 341f HGB and section 65 VAG, as well as the associated Premium Reserve Regulation (Deckungsrückstellungsverordnung). The premium reserve for reinsured insurance business is also calculated separately in accordance with the provisions of the reinsurance contracts and taking the individual technical policy start into account.
The premium reserve took special account of the future costs in relation to single-premium policies, premium-exempted contracts and policies with plan-related premium exemptions. The resulting administration expenses provision was allocated to the premium reserve, which was calculated taking into account the implicit recognised costs.
The premium reserve for the bonus pensions was calculated according to the same principles, except applying the accounting precepts regarding rate of return and mortality applied at the start of the pensions. The premium reserve for the bonus pensions currently at the future entitlement stage was calculated in each case according to the accounting precepts applying at the time.

All pension insurance plans based on a Table 1987 R or older have in the past been switched to DAV 1994 R, 4.0 %.
For all pension insurance plans not based on the mortality table DAV 2004 R, the premium reserve has been adjusted to bring it into line with table DAV 2004 R – B 20.

Depending on the policy generation, the following mortality tables were applied for insurance policies with an assurance character: DAV 2008 T, DAV 1994 T, mortality table 1986 and mortality table 1960/62. Insurance policies with a survival character are based on the mortality tables DAV 1994 R 80 %, DAV 1994 R and DAV 2004 R. In some policies, the premium reserve has been adjusted to bring it into line with table DAV 2008 T.

Depending on the policy generation, calculation of the occupational disability risk was based on the tables DAV 1997 I, DAV 1997 TI and DAV 1997 RI, the 1990 association tables (including reactivation probabilities and morbidity/mortality rates) or the tables derived from research by eleven American companies during the period from 1935–1939. For the 2003 policy generation, the company-specific table DAV 1997 I was devised, which addresses or differentiates between three different professional groups.
For the supplementary occupational disability insurance, the premium reserve was adjusted to the tables DAV 1997 I, DAV 1997 TI and DAV 1997 RI; while the company-specific table DAV 1997 I here addresses or differentiates between three different professional groups.

Depending on the policy generation, the occupational incapacity risk was calculated from accounting principles based on the tables DAV 1997 I, DAV 1997 TI and DAV 1997 RI or on the tables DAV 1998 E, DAV 1998 TE or DAV 1998 RE. For the supplementary occupational disability insurance based on a technical interest rate of 4.0 %, the premium reserve was likewise adjusted to the tables DAV 1998 E, DAV 1998 TE and DAV 1998 RE.

For all (supplementary) occupational disability and incapacity insurance, the premium reserve was also adjusted to table DAV 2008 T.
Depending on the policy generation, accounting principles derived from Professor Klaus Heubeck's 1983 and 1998 actuarial tables or modified accounting principles based on DAV 1997 I were applied to determine the occupational invalidity risk.

Depending on the policy generation, the technical interest rate applied was either 4.0 %, 3.5 %, 3.25 %, 3.0 %, 2.75 %, 2.25 % or 1.75 %. Pursuant to section 5 paragraph 4 DeckRV, a supplementary interest reserve was formed for policies with a technical interest rate of 4.0 %. In the case of pension insurance plans, this was calculated on the basis of estimated probabilities of cancellation or choosing the lump-sum option.
For insurance policies with regular premium payments, one-off acquisition costs were taken into account in line with the zillmerisation method. For the portfolio of existing policies, the respective zillmerisation rates have been set in line with the business plan. For the portfolio of new policies, the zillmerisation rates were a maximum of 3.5 % of the sum insured or 4.0 % of the total premiums.

In the case of insurance policies starting in 2008 or after, the redemption value was calculated on the basis of acquisition costs distributed over five years. In the case of special insurance plans beginning in or after 2008, the acquisition costs were distributed over the entire premium payment period. Pursuant to the German Insurance Contracts Act (VVG), only in the case of a few special tariffs will the above-mentioned five-year distribution apply.
Depending on the policy generation, in the case of capitalisations with regular premium payments within the meaning of the Pension Contracts Certification Act (AltZertG), the acquisition costs were distributed over either five years, ten years or the entire accumulation period.

The premium reserve for insurance policies where the investment risk is borne by the policyholders is calculated individually for each policy according to the retrospective method. The calculation was done in compliance with section 341f HGB as well as section 65 VAG and the associated Premium Reserve Regulation. The premium reserve was calculated taking into account the implicit recognised costs. The acquisition costs are distributed over three years, rising to five years from 2008 onwards, and in some cases over the entire premium payment period.

For policies with zillmerisation which are subject to the Federal Court of Justice rulings of 12 October 2005 or 25 July 2012, additional funds were allocated to the premium reserve.

The terminal bonus funds were calculated separately for each policy, taking their individual technical start into account.
For the portfolio of existing policies, the terminal bonus fund was calculated according to principles set out in the business plan, whereas for new policies it was calculated according to section 28 paragraph 7a to 7d RechVersV, with a discount rate of 3.1 % p.a. Where the terminal bonus fund for individual funds was greater on 31 December 2009 than on 31 December 2012, this was retained.

For insurance with a savings component, a minimum participation in revaluation reserves was introduced on 1 January 2008. This will be financed via a fund in the provision for returns of premiums which will be structured in line with the terminal bonus fund and also with a discount rate of 3.1 % p.a.

The gross amounts for the **provision for unadjusted insurance claims** were calculated separately for insurance claims arising by the balance sheet date and ones known about by the portfolio determination date.
Insurance claims arising by the balance sheet date but not known about until after the determination of the portfolio were accounted for via a surcharge specified in the business plan on the basis of past experience. Outstanding policy surrender, return and withdrawal payments include the repayments specified in the business plan for the year under review and known to have become due by the portfolio determination date, but which have not been paid out by the balance sheet date. The provision includes amounts designated for claims settlement.
The proportion of the insurance business ceded to reinsurance was assessed in line with the contractual terms.

The **provision for bonuses and rebates on life assurance** was formed in compliance with the Articles of Association, as well as the provisions laid down in the business plan and by law.

The **premium reserve** in the pension fund business is calculated separately for each policy, taking into account the individual technical policy start and applying actuarial principles. The calculation was done in compliance with section 341f HGB as well as section 116 VAG and the associated Premium Reserve Regulation. The premium reserve was calculated taking into account the implicit recognised costs. The premium reserve for the benefit of employees and employers bearing the investment risk was calculated according to the retrospective method, and other premium reserves according to the prospective method. The minimum premium reserve (to cover pension fund guarantees) plus the premium reserve for ongoing pensions were calculated prospectively on the basis of a technical interest rate of 1.75 %. Depending on the pension start date, the minimum premium reserve for ongoing pensions was calculated on the basis of technical interest rates of either 2.25 % or 1.75 %. Professor Klaus Heubeck's modified generation actuarial tables (2005G) were used. The formation of a supplementary interest reserve pursuant to section 2 of the Pension Fund Premium Reserve Regulation (PFDeckRV) was not necessary.

The amounts for the **provision for unadjusted insurance claims** were calculated separately for insurance claims arising by the balance sheet date and ones known about by the portfolio determination date. Insurance claims arising by the balance sheet date but not known about until after the determination of the portfolio were accounted for via a surcharge specified in the business plan on the basis of past experience. Terminated but as yet unsettled pension fund contracts and pension relationships were also taken into account.
The provision also includes amounts to cover claim settlement expenses.

The **premium refunds provision** was formed in compliance with the Articles of Association, prevailing statutory provisions and the bonus participation provisions laid down in the pension plans.

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 of 5.05 % (2011: 5.14 %), as published by Deutsche Bundesbank and 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 **liabilities arising out of pension fund operations** were valued at their compliance amounts and all have residual terms of up to one year.

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 2012 financial year

Assets	Balance sheet values 2011 € 000s	Additions € 000s	Transfers € 000s	Disposals € 000s	Write-ups € 000s	Write-downs € 000s	Balance sheet values 2012 € 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	38,016	2,320	1,404	6	–	6,741	34,993
2. Goodwill	689	–	–	–	–	230	459
3. Payments on account	4,356	11,726	– 1,404	40	–	–	14,638
4. Total A.	43,061	14,046	–	46	–	6,971	50,090
B.I. Real estate and similar land rights, including buildings on third-party land							
	115,367	1,478	–	2,010	–	5,655	109,180
B.II. Investments in affiliated companies and participating interests							
1. Shares in affiliated companies	507	–	–	–	–	–	507
2. Shares in associated companies	4,811	8,400	–	–	–	252	12,959
3. Participating interests	291,161	43,773	–	16,327	733	8,601	310,739
4. Loans to companies in which a participating interest is held	12,261	392	–	3,579	–	450	8,624
5. Total B.II.	308,740	52,565	–	19,906	733	9,303	332,829
Total	**467,168**	**68,089**	**–**	**21,962**	**733**	**21,929**	**492,099**

Notes to the consolidated balance sheet

Re Assets B.

Investments

The revaluation reserves include hidden liabilities totalling € 69.9 million. These relate to real estate, participating interests, fund units, bearer bonds, mortgage loans, notes payable, zero bonds and securities capitalised at their nominal values pursuant to section 341c HGB.

Details of financial instruments within the meaning of section 314 paragraph 1 No. 10 HGB that are capitalised at their fair value	Book value € 000s	Fair value € 000s
Participating interests	24,128	22,879
Fixed-asset securities	521,949	497,435
Mortgage loans	8,957	8,498
Other loans	497,735	459,875
Silent participating interests	20,000	17,407

We have refrained from making any write-downs in accordance with section 253 paragraph 3 sentences 3 and 4 HGB, as we either intend to hold various securities until maturity or we are assuming that any fall in value is only temporary.

Details of derivative financial instruments and forward purchases in accordance with section 314 paragraph 1, No. 11 HGB

	Type	Nominal volume € 000s	Book value premium € 000s	Fair value of premium € 000s
Other liabilities	Short put options	31,412	1,772	549
Bearer bonds and notes receivable	Forward purchases	296,000	–	33,166
	Swaptions	100,000	–	–
Other investments	Credit default swaps	56,000	1,734	2,108
Other prepayments and accrued income	Swaps	100,000	1,900	27,126
	Forward purchase in CHF	50,298	–	– 542

Valuation methods

Short put options:	European options	Black-Scholes
	American options	Barone-Adesi
Forward purchases:	Bloomberg or our own calculations based on market data	
Swaptions:	Black–Scholes	
Credit default swaps:	J.P. Morgan	
Swaps, forward purchases in CHF:	Present value method	

Details of units or shareholdings in domestic investment funds in accordance with section 314 paragraph 1 No. 18 HGB

Investment goal	Dividends € 000s	Current value € 000s	Hidden reserves/ hidden charges € 000s	Limitation on daily redemption
Equity funds *	21,413	676,127	– 696	
Mixed funds	9,463	227,572	2,952	
Bond funds	914	53,200	2,212	
Real-estate funds	6,775	131,631	6,155	once a month up to € 50,000 or quarterly only pro rata with sales of real estate or on timely notification

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

the GEA and NEA special funds are two equity funds which track indices, in particular the EuroStoxx50 and DAX30. In 2012 both these indices registered a positive performance. However, the EuroStoxx50 performed worse than the DAX, chiefly because southern European shares performed worse than German ones.

Against the backdrop of the eurozone crisis and the global economic slowdown, from mid 2012 to the year's end, the fund's investment grade was reduced step by step; as a result, performance fell short of the benchmark. After the dividend distribution at the end of 2012, this meant that the unrealised losses could not be fully made good, in view of which write-downs were made on the GEA special fund which amounted to roughly half the unrealised losses.

Despite the potential effects of the eurozone crisis and the unresolved budget dispute in the USA, during the first few weeks of 2013, the stock markets continued to recover, with some indices even registering new all-time highs. A range of early indicators suggest that the global economy is beginning to recover. We therefore believe that stock market indices may well once again perform positively throughout 2013 as a whole. At the level of individual securities, we can already note significant rises as compared with the 2012 closing prices, and we feel that there is still ample potential for further recovery.

In view of the fact that we have increased the proportion of investment grade assets in our fund from 25 % to 50 % since the start of the year, we take the view that the conditions are now in place for the fund to participate to a satisfactory extent in the forecast market rises. In light of this we regard it as reasonable to refrain from any further writing down of the securities funds in our fixed assets.

Re Assets B.I.

Real estate and similar land rights, including buildings on third-party land
The balance sheet value of own land and buildings used for DEVK Group operations is € 11,100,389.

Re Assets B.III.

Other investments

Other loans

	2012, € 000s	2011, € 000s
a) Registered bonds	1,455,386	1,466,634
b) Notes receivable and loans	1,893,721	1,937,255
c) Loans and advance payments on insurance certificates	18,420	19,141
d) Other loans	221,480	260,055
Total	**3,589,007**	3,683,085

Other loans chiefly comprise registered participation certificates.
Other investments comprise fund units, silent partnerships within the meaning of KWG, and cooperative shares.

Re Assets C.

Investments for the benefit of life assurance policyholders who bear the investment risk	Share units number	Balance sheet value €
DEVK Vermögensverwaltung Classic	744.94	35,049
Monega Bestinvest Europa	21,764.03	1,106,483
Monega Chance	124,628.93	3,720,174
Monega Ertrag	144,408.16	7,981,439
Monega Euro-Bond	148,037.56	7,808,981
Monega Euro-Land	125,453.41	3,964,328
Monega FairInvest	93,715.59	3,576,187
Monega Germany	58,623.17	3,183,238
Monega Innovation	3,537.38	119,174
Monega Short Track	891.31	44,619
Monega Zins ProAktiv	105,243.17	4,267,610
UniCommodities	174.48	11,181
UniDividendenASS A	329.79	15,526
UniEM Global	4,305.29	315,492
UniEuroKapital	190.37	12,846
UniEuroRenta	195.58	12,950
UniFavorit: Equities	73.26	5,048
UniGlobal	25,573.00	3,138,318
UniRak	96,023.42	8,417,413
UniWirtschaftsaspirant	103.30	4,539
Total		**47,740,595**

Re Assets D.

Investments for the benefit of employees and employers	Share units number	Balance sheet value €
Monega Rentenfonds (bond fund)	65,208.50	3,439,748
Monega Aktienfonds (equities fund)	3,321,442.28	128,618,693
Total		**132,058,441**

Re Assets E.I.

Receivables arising out of direct insurance operations

The amounts owed by policyholders comprise:

a) Claims due	€ 10,914,636
b) Claims not yet due	€ 37,875,614
	€ 48,790,250

Re Assets G.II.

Other prepayments and accrued income

Premium on registered bonds	€ 995,097
Advance payments for future services	€ 5,279,494
	€ 6,274,591

Re Liabilities B.III.

Provision for claims outstanding

In keeping with the principle of prudent valuation, a gain arose from the settlement of the provision for claims outstanding carried forward from the previous year.

Re Liabilities B.IV.

Provision for bonuses and rebates from life assurance operations

31.12.2011	€ 231,679,155
Withdrawal in 2012 for:	
Accumulated bonus shares	€ 2,442,025
Single premiums	€ 2,129,625
Other bonus shares	€ 60,951,281
Allocation to the 2012 net profit	€ 89,149,171
31.12.2012	**€ 255,305,395**

Breakdown	€ millions
Already determined but not yet allocated	
Regular bonus shares	51.34
Final bonus shares	3.91
Amounts for the minimum participation in the revaluation reserves	0.60
Final bonus fund for financing bonus pensions 0.02	
Final bonus shares	57.10
Minimum participation in the revaluation reserve	7.47
Non-index-linked part	134.87

After consolidation the provision for bonuses and rebates stood at € 260,586,070.

Re Liabilities H.I.

Liabilities arising out of direct insurance operations

Amounts owing to policyholders arising
from direct insurance operations,
for credited bonus shares, total **€ 512,936,208**

Re Liabilities I.

Accruals and deferred income

Discount points on registered bonds	€ 5,356,723
Advance rental receipts	€ 78,494
Other prepayments and accrued income	€ 19,592
	€ 5,454,809

Notes to the profit and loss account

Booked gross premiums in € 000s	2012					2011
	Non-life/ casualty	Life	Health	Pension fund	Total	Total
1. Direct insurance operations						
Domestic	1,457,658	464,873	58,118	74,603	2,055,252	1,956,608
Other EEC countries	77,374	–	–	–	77,374	60,280
Total 1.	1,535,032	464,873	58,118	74,603	2,132,626	2,016,888
2. Reinsurance coverage provided						
	132,419	–	–	–	132,419	115,084
Total	**1,667,451**	**464,873**	**58,118**	**74,603**	**2,265,045**	2,131,972

The gross overall expenses on all insurance operations were as follows:

Acquisition costs	€ 294,327,026
Administration costs	€ 160,707,867

Re Item II.3.b)

Income from other investments

aa) Income from real estate and similar land rights, including buildings on third-party land	€ 3,819,768
bb) Investment income	€ 176,554,140
	€ 180,373,908

Re Item II.10.b)

Write-downs on investments

The items include a real estate impairment loss of € 153,493.

Re Item IV.2.c)

Income from other investments

aa) Income from real estate and similar land rights, including buildings on third-party land	€ 3,012,510
bb) Investment income	€ 175,905,804
	€ 178,918,314

Personnel expenses

Personnel expenses totalled € 249,530,239 (2011: € 238,316,104). These include expenses for the risk portion of the allocation to the pension provision.

During the year under review, Management Board remuneration totalled € 1,944,290 (2011: € 2,224,985). The retirement pensions of former Management Board members and their surviving dependants totalled € 1,622,855) (2011: € 2,192,739). On 31 December 2012, a pension provision totalling € 20,176,384 (2011: € 20,274,661) was capitalised for this group of persons.
The Supervisory Board remuneration totalled € 666,957 (2011: € 629,785) and Advisory Board remuneration came to € 75,373 (2011: € 101,531).

Auditors' fees

For services rendered by the Group's auditors (KPMG AG Wirtschaftsprüfungsgesellschaft and its affiliated companies) for the parent company and its subsidiaries in 2012, a fee of € 938,122 was paid (including € 2,939 in additional expenditure for 2011).
This broke down into € 765,239 for audit services, € 2,570 for other certification services and € 160,313 for other services.

Other information

Contingencies and other financial obligations

At the end of the year, other financial obligations arising from real-estate holdings, fund units and participating interests totalled € 56.0 million.

On the balance sheet date, we had outstanding financial obligations totalling € 31.4 million from open short put options, € 149.0 million in multi-tranche notes payable and € 296.0 million from open forward purchases. The payment obligations in relation to approved mortgage loans not yet paid out totalled € 82.5 million.

In compliance with the statutory provisions of sections 124ff VAG, life assurance companies are required to be members of an insurance guarantee scheme. Pursuant to the Insurance Guarantee Scheme Financing Regulation (Sicherungsfonds-Finanzierungs-Verordnung), the guarantee scheme levies annual contributions amounting to a maximum of 0.2 ‰ of the total technical provisions net of reinsurance until a security fund amounting to 1 ‰ of the total technical provisions net of reinsurance has been built up. The accumulation stage of this process is now complete, in view of which the company has no future liabilities in this respect.
The insurance guarantee scheme can also levy special contributions totalling a further 1 % of the technical provisions net of reinsurance. This constitutes a maximum commitment of € 3,956,046.

In compliance with the statutory provisions of sections 124ff VAG, health insurance companies are required to be members of a an insurance guarantee scheme. After taking over insurance contracts in fulfilment of its remit, the guarantee scheme levies special contributions totalling a maximum of 2 ‰ of the technical provisions net of reinsurance. Our 2013 payment commitment in this connection is € 262,193.

Under an assumption of debt agreement, the pension provisions for all employees in the DEVK Group have been assigned to DEVK Rückversicherungs- und Beteiligungs-AG in return for the transfer of corresponding investments, thereby bundling all of the DEVK Group's pension commitments with a single risk bearer and improving the protection in place for employees' pension rights.
The joint and several liability for the pension commitments capitalised on the DEVK Rückversicherungs- und Beteiligungs-AG balance sheet has given rise to benefit obligations totalling € 340.2 million.

General information

During the year under review, the average number of employees, disregarding inactive employment contracts and after conversion of part-time employees to full-time equivalents, came to 3,511, made up of 125 executives, 3,322 salaried employees and 64 waged employees.

Cologne, 19 April 2013

The Management Board

Gieseler **Etmans** **Faßbender** **Rüßmann** **Zens**

Audit certificate

We have audited the consolidated financial statements, comprising the balance sheet, profit and loss account, notes, cash flow statement and statement of shareholders' equity and consolidated management report, prepared by **DEVK Deutsche Eisenbahn Versicherung Sach- und HUK-Versicherungsverein a.G. Betriebliche Sozialeinrichtung der Deutschen Bahn**, Cologne for the financial year from 1 January to 31 December 2012. The preparation of the consolidated financial statements and consolidated management report in accordance with German commercial regulations is the responsibility of the Group Management Board. Our remit is to express an opinion on the consolidated financial statements and consolidated 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 consolidated financial statements in accordance with the German principles of proper accounting and in the management report are detected with reasonable certainty. Knowledge of the Group'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 consolidated financial statements and consolidated management report are predominantly tested on the basis of random sampling. The audit includes the evaluation of the annual financial statements of the companies included in the consolidated financial statements, the delimitation of the group of consolidated companies, the accounting and consolidation principles applied, and the principal estimates made by the Executive Board, as well as an appraisal of the overall view conveyed by the consolidated financial statements and consolidated 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 consolidated financial statements comply with the legal regulations, and convey an accurate and fair view of the Group's assets, finances and earnings in keeping with generally accepted accounting principles. Furthermore, the consolidated management report is in conformity with the consolidated financial statements, provides an accurate description of the Group's overall position and accurately sets out the risks and opportunities inherent in future developments.

Cologne, 26 April 2013

KPMG AG Wirtschaftsprüfungsgesellschaft

Dr Ellenbürger	**Dr Hübner**
Auditor	Auditor

Supervisory Board report

During 2012, the Supervisory Board was briefed by the parent company's Management Board on the Group's commercial performance and financial position at various meetings.

KPMG AG Wirtschaftsprüfungsgesellschaft, having been appointed as auditors in line with statutory requirements, duly audited the 2012 consolidated financial statements and management report. 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 consolidated financial statements and management report likewise revealed no irregularities. Accordingly, the Supervisory Board hereby approves the 2012 consolidated financial statements.

The Supervisory Board would like to thank the Management Boards and employees of the various Group companies for all their hard work and commitment.

Cologne, 17 May 2013

The Supervisory Board

Kirchner
Chairman

DEVK Central Office, Cologne, Germany

50735 Cologne, Riehler Strasse 190

Principal departments and department heads

Personnel
Roger Halleck

Central Office Services
Paul Epper

Sales and Field Services Organisation
Olaf Nohren

Marketing, Sales Systems and Direct Sales
Michael Knaup

Life
Jörg Gebhardt

Occupational Pensions
Birgit Großmann

Non-life/HUK Operations
Thomas Doll

KINEX/Accounting/Central Office Applications Partner
Lothar Diehl

Investments
Joachim Gallus

Non-life/HUK Operations
Rüdiger Burg

Revision
Gerd Stubbe

Information Processing and Telecommunications
Klaus Dresbach

Project Portfolio Management/Management Organisation
Jürgen Dürscheid

Corporate Planning and Controlling
Elmar Kaube

Reinsurance
Wolfgang Jöbkes

– 1 April 2013 –

DEVK Regional Offices

(Plus the names of senior management personnel)

10785 Berlin, Schöneberger Ufer 89
Christian Kahl / Dr Klausjürgen Mottl / Bernhard Warmuth

01069 Dresden, Budapester Strasse 31
Gerald Baier / Olaf Draeger

99084 Erfurt, Juri-Gagarin-Ring 149
Dietmar Scheel / Ines Etzroth

45128 Essen, Rüttenscheider Strasse 41
Rolf Möller / Willi Winter

60327 Frankfurt am Main, Güterplatz 8
Helmut Martin / Hubert Rößl

22767 Hamburg, Ehrenbergstrasse 41–45
Volker Schubert / Frank Rohwer

30161 Hanover, Hamburger Allee 20–22
Karl-Heinz Tegtmeier / Martin Wittich

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Axel Berberich / Wolfgang Axtmann

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Bernd Klapp / Klaus-Peter Reitz

50668 Cologne, Riehler Strasse 3
Sebastian Baumgart / Franz-Josef Schneider /
Wolfgang Riecke

55116 Mainz, Gärtnergasse 11–15
Thomas Huck / Dirk Strempel

80335 Munich, Hirtenstrasse 24
Christian Rähse / Rudolf Ullmann

48143 Münster, Von-Steuben-Strasse 14
Gerhard Marquardt / Stefanie Hölscher

90443 Nuremberg, Essenweinstrasse 4–6
Christian Rähse / Rainer Spieß

93055 Regensburg, Richard-Wagner-Strasse 5
Siegbert Schmidt / Harald Weinbeck

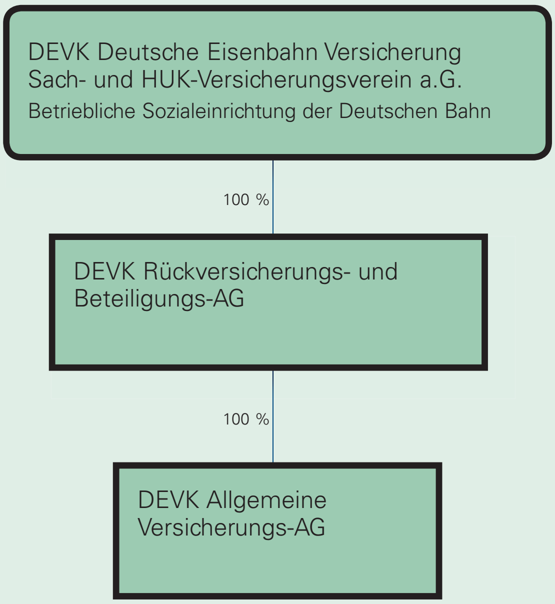
66111 Saarbrücken, Trierer Strasse 16–20
Johannes Holzapfel / Klaus Dieter Feller

19053 Schwerin, Wismarsche Strasse 164
Mario Kühl / Thomas Maudrey

70190 Stuttgart, Neckarstrasse 146
Volker Allgeyer / Dirk Strempel

42103 Wuppertal, Friedrich-Engels-Allee 20
Heinz Kuhnen / Dirk Schnorz

Organizational chart of DEVK Versicherungen



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