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 i.R.
(until 17 May 2013)

Manfred Stevermann
Selm-Bork
Deputy Chairman
Chairman of the Management Board Sparda-Bank West eG
(from 17 May 2013)

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

Heinz Fuhrmann
Neu-Anspach
Member of the Management Board of the Eisenbahn- und Verkehrsgewerkschaft (EVG) i.R.
(until 17 May 2013)

Hans-Jörg Gittler
Kestert
CEO of the Management Board of Bahn-BKK

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

Andrea Tesch
Zittow
Deputy Group Manager Sach/HU-Betrieb and Head of SHU Unit DEVK Versicherungen, Schwerin Regional Management Unit
(from 17 May 2013)

Management Board

Friedrich Wilhelm Gieseler
Bergisch Gladbach
Chairman

Gottfried Rüßmann
Cologne

Bernd Zens
Königswinter

Management report

Company foundations

The company's business model

The company's exclusive insurance purpose is to provide reinsurance for the insurance operations undertaken in various segments and types of non-life, accident, health and life insurance. Details of this can be found in the Notes to the Management Report. Reinsurance is provided for both affiliated and non-Group companies.

The company also acquires and holds participating interests. As the intermediate holding company within the DEVK Sach- and HUK Insurance Group, it manages the Group's other insurance companies as well as various participating interests.

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. Furthermore, there is a profit transfer agreement with DEVK Asset Management GmbH and a control agreement with German Assistance Versicherung AG.

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 2013 financial year.

Delegation of functions and organisational cooperation

Under a service contract concluded with DEVK Sach- und HUK-Versicherungsverein a.G., the Group provides us with services, 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.

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

Business performance

Economic conditions generally and in the industry

Most investors chalked up stock market gains during 2013, and their trust in the euro appears to have been restored. This is apparent both from falling risk premiums on the government bonds issued by the PIIGS countries and from the rising value of the euro against most other currencies, in particular the US dollar. Another reason for this confidence is the positive performance of eurozone stock markets, underpinned by the ECB's expansionary monetary policies. The performance of Germany's DAX share index was particularly encouraging, with its year's end level of 9,552.16 points representing a rise of over 25 %.

Meanwhile, bond market performance in 2013 continued to be dominated by central bank monetary policies. On the German bond market, the FED's announcement that it intended to scale back its ultra-loose monetary policy led to modest rises in returns. For instance, during the final quarter of 2013 returns on ten-year German government bonds rose by around 60 basis points to almost 2 %.

There was sufficient capacity in all segments of the reinsurance market, not least due to the market entry of new reinsurance companies. Major loss events such as Superstorm Sandy and the earthquake in Italy did not have an inordinate impact on the reinsurance market. All in all, the 2013 market environment was a benign one.

Business trends

In 2013, gross premiums written were up 20.3 % at € 349.5 million. By far the greatest portion of this growth is attributable to non-DEVK business, which was sharply up at € 160.0 million (2012: € 107.0 million), with the number of policies reinsured rising from 1,102 in 2012 to 1,222 last year. Customer numbers as at 31 December had increased to 263 (2012: 237).

Contrary to our original planning, business with DEVK's two life insurance companies was not further developed. As a result, instead of the loss forecast in last year's management report, the netted-out underwriting result before changes to the equalisation provision showed a profit of € 700,000 (2012: € – 31.3 million). After a € 4.8 million allocation to the equalisation provision (2012: € 22.5 million), the underwriting result net of reinsurance stood at € – 4.1 million (2012: € – 53.8 million), and at € 148.2 million the investment result was as expected down on the 2012 figure of € 161.9 million.

Other profits or losses were somewhat below the 2012 level, and after taking them into account the profit from ordinary activities stood at € 112.0 million (2012: € 81.0 million).

The after-tax net profit for the year of € 51.3 million (2012: € 38.0 million) is shown as net retained earnings.

Net assets, financial position and results of operations

Results of operations

	2013 € 000s	2012 € 000s	Change € 000s
Technical result	– 4,132	– 53,841	49,709
Investment result	148,192	161,887	– 13,695
Other result	– 32,016	– 27,024	– 4,992
Profit from normal business activity	**112,044**	81,022	31,022
Taxes	60,744	43,022	17,722
Net profit for the year	**51,300**	38,000	13,300

Technical result, net of reinsurance

Gross premium receipts rose 20.3 % to € 349.5 million. Earned premiums net of reinsurance totalled € 217.2 million (2012: € 184.8 million), and claims expenses net of reinsurance came to € 157.7 million (2012: € 126.0 million). The ratio of net claims expenses to earned net premiums thus rose to 72.7 % (2012: 68.2 %), while the ratio of expenses on insurance operations net of reinsurance to earned premiums net of reinsurance climbed to 26.4 % (2012: 23.6 %).

The company faced a plethora of claims in 2013, with claims expenditure for major losses and natural disasters totalling € 32.5 million, as against a mere € 5.0 million in 2012. The impact of the hail damage events "Andreas" and "Bernd" in May and June, the flood disaster in central and eastern Europe in June and the storm dubbed "Christian" in October was particularly severe. As a result, gross 2013 claims expenses rose by 31.6 %, and the gross claims ratio was up to 71.3 % (2012: 66.3 %).

The **gross operating expenses**, which predominantly comprise reinsurance commission, rose by 26.9 %, from € 68.0 million in 2012 to € 86.3 million in 2013.

After a € 4.8 million allocation to the equalisation provision (2012: € 22.5 million), the **underwriting result net of reinsurance** improved to € – 4.1 million (2012: € – 53.8 million).

Life assurance

By far the greatest contribution to the results for this segment was made by reinsurance contracts with DEVK Lebensversicherungsverein a.G. and DEVK Allgemeine Lebensversicherungs-AG. Gross premiums written came to € 14.1 million (2012: € 12.1 million), and the underwriting result came to € 700,000 (2012: € – 46.9 million).

Accident insurance

Gross booked premium receipts amounted to € 32.9 million (2012: € 31.3 million). The underwriting result stood at € 2.2 million (2012: € 2.0 million).

Liability insurance

With gross premiums written of € 4.5 million (2012: € 2.4 million), and after the formation of an equalisation provision of € 1.4 million, the underwriting loss came to € 900,000 (2012: € – 4.5 million).

Motor vehicle liability insurance

Gross motor vehicle liability insurance receipts totalled € 54.7 million (2012: € 49.7 million). After a € 200,000 allocation to the equalisation provision (2012: € 1.5 million), the underwriting result net of reinsurance came to € 1.0 million (2012: € – 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 premiums written rose to € 76.8 million (2012: € 65.5 million). The underwriting result came to € – 2.2 million (2012: € 1.2 million).

Fire and non-life insurance

Total gross booked fire and non-life insurance premiums rose to € 149.9 million (2012: € 117.4 million). In detail, our individual fire and non-life segments performed as follows.

Gross household contents insurance premiums amounted to € 17.7 million, up on the 2012 figure of € 16.3 million. The underwriting result stood at € 2.6 million (2012: € 3.6 million).

With premium receipts of € 65.1 million (2012: € 42.1 million), and after a € 500,000 allocation to the equalisation provision (2012: € 1.9 million), our combined property insurance registered an underwriting profit of € 3.2 million (2012: € 4.4 million).

In the other classes of fire and non-life insurance, gross premiums written totalled € 67.1 million (2012: € 59.0 million). After a € 2.8 million allocation to the equalisation provision (2012: € 17.7 million), the underwriting result was a loss of € 10.3 million (2012: € – 12.6 million).

Other insurance policies

With premium receipts of € 15.9 million (2012: € 11.6 million), despite a € 100,000 withdrawal from the equalisation provision (2012: € 900,000 allocation), the underwriting result came in at € – 500,000, below the 2012 figure of € 700,000.

Investment result

Due to lower income from write-ups and other investments, at € 164.2 million the investment income was around € 10 million down on the 2012 figure of € 174.3 million. This figure included income from profit transfer agreements with affiliated companies totalling € 105.2 million (2012: € 103.6 million). Also included were € 3.0 million in profits from disposals of investments (2012: € 2.5 million) as well as € 4.9 million in write-ups (2012: € 10.0 million).

At € 16.0 million, investment expenses were significantly higher than in 2012 (€ 12.5 million). This was chiefly due to write-downs on investments, which at € 11.5 million were up on the 2012 figure of € 9.8 million. Meanwhile, losses from disposals of investments also rose to € 1.4 million from € 100,000 in 2012. Charges from loss transfers came to € 400,000 (2012: € 300,000).

On balance, our net investment income was down on the previous year's figure at € 148.2 million (2012: € 161.9 million).

Other result

The "Other" result, which includes technical interest income, stood at € – 32.0 million (2012: € – 27.0 million). The additional expenditure resulted chiefly from interest on back payments which had been deferred in connection with the ongoing tax audit.

Tax expenditure

As the parent company of a fiscal unit for trade tax and corporation tax purposes, DEVK Rückversicherungs- und Beteiligungs-AG assumes the tax expenses incurred by the Group companies.

Operating result and appropriation of retained earnings

Due to the significantly improved underwriting result, the net profit for the year rose to € 51.3 million (2012: 38.0 million), which will be shown as net retained profit.

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 € 36.3 million being allocated to other retained earnings.

Financial position

Cash flow

Availability of the liquidity necessary to meet regular payment obligations is ensured through ongoing liquidity planning which takes into account prospective liquidity movements over the coming 12 months. The company receives a continuous influx of liquid funds in the form of regular premium receipts, investment income and return flows from investments of capital. In the current financial year, the cash flow from investments, i.e. the funds required for the net investment volume, amounted to € 68.1 million (2012: € 121.3 million). The necessary funds were generated by the company's ongoing operations.

Solvency

The company's own funds, proof of which must be furnished pursuant to section 53c VAG in order to demonstrate our long-term ability to meet policy liabilities, provide a very high level of excess cover. Total own funds came to € 991.8 million (2012: € 955.7 million), a figure far exceeding the required solvency margin of € 36.6 million (2012: € 30.4 million). The capital investment (re)valuation reserves were not taken into consideration in making the solvency calculations.

Ratings

The ratings, commissioned by Standard & Poor's for the first time in 2008, are updated each year. As in the years 2008 to 2012, in 2013 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 2013 rating of the financial strength of DEVK's core companies remaining unaltered at A+. Alongside our company, the individual companies rated were DEVK Sach- und HUK-Versicherungsverein a.G., 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.

Assets position

	2013 € 000s	2012 € 000s	Change € 000s
Investments (excluding deposits with ceding companies)	1,650,726	1,587,882	62,844
Deposits with ceding companies	202,897	184,558	18,339
Receivables arising out of reinsurance operations	24,936	16,441	8,495
Other receivables	185,690	216,851	– 31,161
Other assets	17,186	18,516	– 1,330
Total assets	**2,081,435**	2,024,248	57,187
Equity	1,012,089	975,788	36,301
Technical provisions net of reinsurance	414,885	378,545	36,340
Other provisions	526,840	579,013	– 52,173
Deposits received from reinsurers	–	1,500	– 1,500
Liabilities arising out of reinsurance operations	113,329	83,860	29,469
Other liabilities	13,889	5,063	8,826
Accruals and deferred income	403	479	– 76
Total capital	**2,081,435**	2,024,248	57,187

There were no significant material changes in the composition of the investment portfolio.

The deposits arise chiefly from intra-Group life reinsurance contracts with DEVK's two life insurance companies.

Of the other receivables, € 109.7 million (2012: € 107.8 million) concern receivables under profit transfer agreements. The other receivables arose predominantly from liquidity offsetting within the DEVK Group.

Non-financial performance indicators

Employee satisfaction

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 the employee survey will be conducted every two years. In 2014 our employees will be surveyed during April and May.

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, opportunities and risks

Outlook

During 2014 we are expecting premium growth of around 5 %. After the unusually high gross claims expenses in 2013, we are expecting a slight fall in 2014. In view of this, before changes to the equalisation provision, we are expecting a significant improvement in the technical account of over € 10 million. Depending on the claims situation in the various segments, allocations to the equalisation provision in excess of € 10 million are possible. We are currently expecting the underwriting result to come in as a loss in the order of € 5 to € 10 million.

Most of the early indicators currently point to a continuing slow recovery of the global economy during 2014. The engine driving this growth is the USA. With the economic situation brightening during the course of the year, the FED will, as announced, continue scaling back its bond purchasing programme step by step. However, we do not expect the FED to raise interest rates in 2014. This change in US monetary policy could prove an additional strain for emerging market economies, though. Alongside falls in their domestic bond and equity markets, the associated outflows of funds are leading to sharp drops in the value of their various currencies. Though this does create room for manoeuvre on the export side, it also means less capital is available for investment purposes. If weak growth persists in these countries, it would undermine the entire global economy.

Recent years have been dominated by the financial and government debt crisis. After Mario Draghi announced that the ECB would do "whatever it takes" to save the euro, the issues of government debt and the collapse of the euro receded into the background last year. However, the debt situation, particularly in the PIIGS countries, is tending to deteriorate further because growth is not strong enough to generate the tax revenues needed to reduce levels of indebtedness.

Thus the eurozone's recovery remains predicated on a low interest rate, in which both the individual countries and the ECB have a strong interest. Every new crisis on the world's capital markets leads to a resurgence of the demand for German government bonds, resulting in falling yields. Accordingly we are not counting on sustained interest rate rises, but rather with a continuation of the low interest phase.

In the field of investments, we expect fewer write-ups for DEVK Rückversicherungs- und Beteiligungs-AG and a trend towards lower income from profit transfer agreements. However, this may be offset to some extent by lower write-downs provided the financial markets remain more stable.

All in all, we expect the 2014 result from ordinary activities to come in at slightly over € 100 million.

Opportunities report

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.

Risk report

In accordance with the German Control and Transparency in Business Act (KonTraG), and the minimum risk management requirements laid down in section 64a VAG, we are hereby reporting the risks posed by future developments.

Technical risks

Principal among the technical risks 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	%
2004	62.7	2009	73.5
2005	60.4	2010	72.6
2006	61.6	2011	70.8
2007	66.1	2012	68.2
2008	68.7	2013	72.6

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 retrocession policy.

The reinsurance of our business was distributed among several external reinsurers. Our choice of reinsurers took their ratings into account.

Settlement result, net of reinsurance, as % of original provision			
Year	%	Year	%
2004	32.5	2009	– 15.9
2005	7.1	2010	1.2
2006	11.3	2011	2.2
2007	7.2	2012	2.8
2008	10.0	2013	13.7

The negative settlement result in 2009 was affected by the discontinuation of the deferred accounting of non-Group insurance business.

Our equalisation provisions provide an additional safety cushion that contributes to the smoothing of our underwriting results. As of 31 December 2013, their volume totalled € 53.6 million (2012: € 48.8 million).

Risk of defaults by debtors arising from our insurance operations

Amounts receivable from reinsurance at the end of the year came to € 24.9 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 in € millions
AAA+	0.01
AA	0.75
AA–	1.81
A+	3.92
A	0.57
A–	1.58
BBB+	0.18
BBB	0.31
BBB pi	1.20
BBB–	0.04
No rating	14.56

Investment risks

In the investment sphere, DEVK Rückversicherungs- und Beteiligungs-AG is exposed above all to equity holding risk. This arises from its 100 % participating interests, and specifically from the company's obligation under various control agreements to assume any annual losses suffered by its subsidiaries.

Further risks stemming from investments include:
- the risk of unfavourable interest rate, equity price, real estate value 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; that is, 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. An ongoing ALM process ensures that we are able at all times to meet existing and future obligations.

Interest-bearing investments

As of 31 December 2013, the Group held interest-bearing investments to a total value of € 749.0 million. A total of € 346.8 million of these investments are in bearer instruments, including the pure pension funds, which could be subject to write-downs if interest rates rise. Of these bearer instruments, pursuant to section 341b HGB we have assigned a volume of € 281.3 million 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 a timely fashion. These capital investments show a positive valuation reserve of € 16.0 million, a figure that includes € 2.9 million in hidden charges. A change in returns of up to +/– 1 % would entail a corresponding value change ranging from € – 46.1 million to € 50.8 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 is 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 securities currently include high levels of hidden reserves which will be reduced in the near future. The exception to this is losses of value due to deteriorating credit ratings that may affect the issuers in question.

Our interest-bearing investments are predominantly in Pfandbriefe (German covered bonds) and notes receivable, though we also invest in corporate bonds. Our direct corporate bond holdings make up 3 % of our total investments. In 2013, 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, namely 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, 3 % in corporate bonds and 34 % in securities and deposits with banks and other financial service providers. The bulk of our investments in banks is either covered by various statutory and private deposit protection schemes or involves 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.

The ratings of the issuers of our interest-bearing investments break down as follows (2012):

AA or better	56.4 %	(45.3 %)
A	25.9 %	(36.6 %)
BBB	12.0 %	(13.3 %)
BB or worse	5.7 %	(4.8 %)

The company's rating distribution has improved since last year and now stands in the range AA or better. We shall continue to make virtually all our new and repeat investments in interest-bearing securities with strong credit ratings.

Equity investments

The bulk of our equity investments is 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 € 44.16 million. The European share index EuroStoxx50 gained value during 2013, 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.

In light of the uncertain economic situation, we actively managed our ratio of equity investments throughout the year. There has been a marked upward trend in the ratio as compared with 2012. 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.

Real estate

On the balance sheet date, we held indirect mandates to a value of € 64.1 million. Of this, € 48.3 million was invested in direct property holdings and € 15.8 million in real estate funds.

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 2013, 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 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.

Summary of our risk status

We have complied with the supervisory requirements of the German Solvency Regulation (Solvabilitätsverordnung).

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

Cologne, 17 April 2014

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 2013

Assets	€	€	€	2012, € 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		255,573		232
II. Payments on account		160,123		33
			415,696	265
B. Investments				
I. Investments in affiliated companies and participating interests				
1. Shares in affiliated companies	650,660,291			583,658
2. Loans to affiliated companies	2,575,000			4,282
3. Participating interests	36,696,773			43,564
		689,932,064		631,504
II. Other investments				
1. Equities, fund units and other variable-yield	218,855,401			206,237
2. Bearer bonds and other fixed-interest securities	322,442,773			239,160
3. Other loans	389,354,162			436,392
4. Deposits with banks	–			45,000
5. Other investments	30,141,655			29,589
		960,793,991		956,378
III. Deposit with ceding companies		202,896,542		184,558
			1,853,622,597	1,772,440
C. Accounts receivable				
I. Receivables arising out of reinsurance operations		24,936,089		16,441
of which:				
Affiliated companies: € 611,906				282
II. Other receivables		185,689,743		216,851
of which:			**210,625,832**	233,292
Affiliated companies: € 159,516,199				186,853
D. Other assets				
– Tangible assets and inventories			**140,776**	128
E. Prepayments and accrued income				
I. Accrued interest and rent		16,325,064		17,703
II. Other prepayments and accrued income		304,788		420
			16,629,852	18,123
Total assets			**2,081,434,753**	2,024,248

Liabilities and shareholders' equity	€	€	€	2012, € 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		460,266,246		437,266
IV. Net retained profit		51,300,000		38,000
			1,012,088,436	975,788
B. Technical provisions				
I. Provision for unearned premiums				
1. Gross amount	13,458,941			10,317
2. of which:				
Reinsurance amount	103,355			117
		13,355,586		10,200
II. Premium reserve		182,792,200		173,818
III. Provision for claims outstanding				
1. Gross amount	254,239,937			212,307
2. of which:				
Reinsurance amount	89,371,591			66,803
		164,868,346		145,504
IV. Provision for bonuses and rebates		6,181		–
V. Equalisation provision and similar provisions		53,582,864		48,783
VI. Other technical provisions				
1. Gross amount	488,365			478
2. of which:				
Reinsurance amount	208,156			238
		280,209		240
			414,885,386	378,545
C. Provisions for other risks and charges				
I. Provisions for pensions and similar commitments		424,042,063		399,354
II. Provisions for taxation		88,437,506		169,772
III. Other provisions		14,360,630		9,887
			526,840,199	579,013
D. Deposits received from reinsurers				
			–	1,500
E. Other liabilities				
I. Payables arising out of reinsurance operations		113,328,803		83,860
of which:				
Affiliated companies: € 47,212,544				39,971
II. Other liabilities		13,888,822		5,063
of which:			**127,217,625**	88,923
Tax: € 1,182,171				1,182
Affiliated companies: € 365,445				216
F. Accruals and deferred income				
			403,107	479
Total liabilities			**2,081,434,753**	2,024,248

Profit and loss account

for the period from 1 January to 31 December 2013

Items	€	€	€	2012, € 000s
I. Technical account				
1. Earned premiums, net of reinsurance				
a) Gross premiums written	349,522,651			290,568
b) Outward reinsurance premiums	129,141,969			101,933
		220,380,682		188,635
c) Change in the gross provision for unearned premiums	– 3,141,503			– 3,951
d) Change in the provision for unearned premiums, reinsurers' share	– 14,037			97
		– 3,155,540		– 3,854
			217,225,142	184,781
2. Allocated investment return transferred from the non-technical account, net of reinsurance			**7,015,571**	6,738
3. Other technical income, net of reinsurance			**–**	14
4. Claims incurred, net of reinsurance				
a) Claims paid				
aa) Gross amount	204,874,942			165,713
bb) Reinsurers' share	66,521,448			59,394
		138,353,494		106,319
b) Change in the provision for claims				
aa) Gross amount	41,932,746			24,340
bb) Reinsurers' share	– 22,568,639			– 4,698
		19,364,107		19,642
			157,717,601	125,961
5. Changes in other technical provisions, net of reinsurance				
a) Premium reserve, net of reinsurance		– 7,404,748		– 5,370
b) Other technical provisions, net of reinsurance		– 40,176		143
			– 7,444,924	– 5,227
6. Bonuses and rebates, net of reinsurance			**6,181**	–
7. Net operating expenses				
a) Gross operating expenses		86,341,651		67,958
b) of which: Reinsurance commissions and profit participation		28,896,883		24,308
			57,444,768	43,650
8. Other technical charges, net of reinsurance			**959,468**	48,037
9. Subtotal			**667,771**	– 31,342
10. Change in the equalisation provision and similar provisions			**– 4,799,747**	– 22,499
11. Technical result, net of reinsurance			**– 4,131,976**	– 53,841
Balance carried forward:			– 4,131,976	– 53,841

Items	€	€	€	2012, € 000s
Balance carried forward:			– 4,131,976	– 53,841
II. Non-technical account				
1. Income from other investments				
a) Income from participating interests	2,657,962			4,475
of which:				
from affiliated companies: € 1,111,867				2,107
b) Income from other investments	48,457,376			53,853
of which:				
from affiliated companies: € 3,807,177				3,203
c) Income from write-ups	4,865,816			9,958
d) Gains on the realisation of investments	3,036,538			2,494
e) Income from a profit pooling, profit transfer and partial profit transfer agreements	105,181,775			103,562
2. Investment charges		164,199,467		174,342
a) Investment management charges, interest expenses and other charges on capital investments	2,764,329			2,307
b) Write-downs on investments	11,475,855			9,758
c) Losses on the realisation of investments	1,402,050			96
d) Charges from loss transfer	365,445			294
		16,007,679		12,455
		148,191,788		161,887
3. Allocated investment return transferred from the non-technical account		7,015,571		6,738
			141,176,217	155,149
4. Other income		45,283,682		17,054
5. Other charges		70,283,893		37,340
			– 25,000,211	– 20,286
6. Profit from normal business activity			**112,044,030**	81,022
7. Taxes on income		58,178,410		43,020
8. Other taxes		2,565,620		2
			60,744,030	43,022
9. Net profit for the year/net retained earnings			**51,300,000**	38,000

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 at the lower of cost or market value.

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 are the principal item 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 and rebates** 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 pharmaceutical and terrorist risks were formed in accordance with section 30 paragraphs 1 and 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 4.89 % (2012: 5.05 %), as arrived at assuming a residual term of 15 years (cf. section 253 paragraph 2 sentence 2 HGB).
The financing age on expiry is 62.
The assumed rate of pay increase was set at 1.95 % p.a., and the rate of pension increase at 1.7 % p.a.

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

Deposits received from reinsurers are recognised at their repayment amounts.

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

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 2013 financial year

Assets	Balance sheet value 2012 € 000s	Additions € 000s	Transfers € 000s	Disposals € 000s	Write-ups € 000s	Write-downs € 000s	Balance sheet value 2013 € 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	232	84	–	–	–	60	256
2. Payments on account	33	127	–	–	–	–	160
3. Total A.	265	211	–	–	–	60	416
B.I. Investments in affiliated companies and participating interests							
1. Shares in affiliated companies	583,658	68,502	–	1,500	–	–	650,660
2. Loans to affiliated companies	4,282	69,096	–	70,803	–	–	2,575
3. Participating interests	43,564	7	–	2,436	–	4,438	36,697
4. Total B.I.	631,504	137,605	–	74,739	–	4,438	689,932
B.II. Other investments							
1. Equities, fund units and other variable-yield securities	206,237	38,334	–	23,847	4,644	6,513	218,855
2. Bearer bonds and other fixed-interest securities	239,160	86,560	–	2,974	221	524	322,443
3. Other loans							
a) Registered bonds	115,500	–	–	–	–	–	115,500
b) Notes receivable and loans	262,626	–	–	41,025	–	–	222,503
c) Other loans	58,266	8,280	–	15,195	–	–	51,351
4. Deposits with banks	45,000	–	–	45,000	–	–	–
5. Other investments	29,589	2,322	–	1,769	–	–	30,142
6. Total B.II.	956,378	136,398	–	129,810	4,865	7,037	960,794
Total	**1,588,147**	**274,214**	**–**	**204,549**	**4,865**	**11,535**	**1,651,142**

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 2013, 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	650,660,291	1,374,285,226
2. Loans to affiliated companies	2,575,000	3,066,753
3. Participating interests	36,696,773	39,427,452
B.II. Other investments		
1. Equities, fund units and other variable-yield securities	218,855,401	262,096,043
2. Bearer bonds and other fixed-interest securities	322,442,773	343,042,341
3. Other loans		
a) Registered bonds	115,500,000	129,834,455
b) Notes receivable and loans	222,502,767	237,756,891
c) Other loans	51,351,395	52,019,027
4. Other investments	30,141,655	33,147,216
Total	**1,650,726,055**	**2,474,675,404**
of which: Investments valued at costs of acquisition	1,535,226,055	2,344,840,949
of which: Investments in fixed assets pursuant to section 341b paragraph 2 HGB	281,295,245	297,283,254

The revaluation reserves include hidden liabilities totalling € 9.7 million.
These relate to bearer bonds, notes receivable and 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, German Assistance Versicherung AG and SADA Assurances S.A. is calculated on the basis of gross rental values. DEVK Private Equity GmbH and HYBIL B.V. were measured at their market values. 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 calculated 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	79,820	76,962
Other loans	25,817	18,981

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 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	5,235	243	94
	Short call options	1,400	47	61
Bearer bonds	Forward purchases	15,000	–	274

Valuation methods

Short options:	European options	Black-Scholes
	American options	Barone-Adesi
Forward purchases:	Our own calculations based on market data	

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	2,467	138,056	13,671	
Bond funds	744	23,692	–	
Real-estate funds	672	17,596	1,840	once a month up to € 50,000

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	195,000,000	100.00	100.00	326,794,560	–
DEVK Rechtsschutz-Versicherungs-AG, Cologne	21,000,000	100.00	100.00	36,563,459	–
DEVK Krankenversicherungs-AG, Cologne	8,000,000	100.00	100.00	16,177,128	–
DEVK Allgemeine Lebensversicherungs-AG, Cologne	8,000,000	100.00	51.00	102,964,493	84,191
DEVK Pensionsfonds-AG, Cologne	5,000,000	100.00	51.00	12,273,766	20,000
DEVK Vermögensvorsorge- und Beteiligungs-AG, Cologne	20,000,000	51.00	51.00	149,000,000	–
DEVK Alpha GmbH, Cologne	25,000	100.00	51.00	26,491	318
DEVK Asset Management GmbH, Cologne	750,000	100.00	100.00	750,000	–
DEVK Beta GmbH, Cologne	25,000	100.00	100.00	34,845	398
DEVK Europa Real Estate Investment Fonds SICAV-FIS, Luxembourg (L)[2]	154,031,000	68.00	42.32	154,859,461	835,019
DEVK Gamma GmbH, Cologne	25,000	100.00	100.00	25,144	310
DEVK Omega GmbH, Cologne	25,000	100.00	100.00	25,184,536	274
DEVK Private Equity GmbH, Cologne	10,000,000	55.00	47.65	151,577,222	10,873,052
DEVK Saturn GmbH, Cologne	25,000	100.00	100.00	26,864,377	270
DEVK Service GmbH, Cologne	260,000	74.00	74.00	1,470,379	–
DEVK Unterstützungskasse GmbH, Cologne	25,000	100.00	51.00	26,367	834
DEVK Versorgungskasse GmbH, Cologne	25,000	100.00	51.00	24,807	761
DEVK Web-GmbH, Cologne	25,000	100.00	100.00	25,000	–
DEVK Zeta GmbH, Cologne	25,000	100.00	51.00	775,000	188,675
DEVK Zeus Vermögensverwaltungs-AG, Cologne	50,000	100.00	100.00	51,527	630
Assistance Service GmbH, Coesfeld	52,000	100.00	100.00	3,560,508 [1]	– 1,112,315
DEREIF Immobilien 1 S.a.r.l., Luxembourg (L)	250,000	100.00	42.32	1,881,556	– 318,444
DEREIF Paris 6, rue Lammenais, S.C.I., Yutz (F)	768,220	100.00	42.32	5,700,208	– 1,972,992
DEREIF Paris 9, chemin du Cornillon Saint-Denis, S.C.I., Yutz (F)	637,810	100.00	42.32	6,373,394	4,294
DEREIF Paris 37–39, rue d' Anjou, Yutz (F)	1,145,850	100.00	42.32	9,367,793	– 2,081,707
German Assistance Versicherung AG, Coesfeld	1,462,500	100.00	100.00	3,194,329	–
Hotelbetriebsgesellschaft SONNENHOF mbH, Cologne	375,000	100.00	51.00	356,023	–
HYBIL B.V., Venlo (NL)	400,000	80.00	75.10	56,798,568	4,050,957
Ictus GmbH, Cologne	5,000,000	60.00	50.20	29,847,361	2,412,653
KASSOS Beteiligungs- und Verwaltungs-GmbH, Cologne	25,000	100.00	100.00	32,402	96
Lieb' Assur S.A.R.L., Nîmes (F)	250,000	100.00	100.00	303,860	20,382
Monega Kapitalanlagegesellschaft mbH, Cologne	5,200,000	45.00	45.00	7,846,376	2,646,376
OUTCOME Unternehmensberatung GmbH, Cologne	525,000	100.00	100.00	756,376 [1]	1,136,461
Reisebüro Frenzen GmbH, Cologne	25,000	52.00	52.00	375,371	72,013
SADA Assurances S.A., Nîmes (F)	24,721,000	100.00	100.00	16,887,518	1,086,698
	GBP			GBP	GBP
DEREIF London Eastcheap Court S.a.r.l., Luxembourg (L)	21,250	100.00	42.32	6,407,978	– 1,501,383
DEREIF London 10, St. Bride Street S.a.r.l., Luxembourg (L)	21,250	100.00	42.32	6,670,977	– 543,756
	SEK			SEK	SEK
DEREIF Malmö, Kronan (S)	100	100.00	42.32	19,023	1,015

[1] Shortfall not covered by capital contribution
[2] Based on subgroup financial statements

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 the KWG.

Re Assets E.II.

Other prepayments and accrued income

Premium on registered bonds	€ 240,858
Advance payments for future services	€ 63,930
	€ 304,788

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

31.12.2012	€ 437,266,246
Allocation	€ 23,000,000
31.12.2013	**€ 460,266,246**

Re Liabilities F.

Accruals and deferred income

Discount points on registered bonds	**€ 403,107**

Notes to the profit and loss account

Reinsurance coverage provided	2013 € 000s	2012 € 000s
Gross premiums written		
– Life	14,143	12,124
– Non-life/accident	335,380	278,444
Total	**349,523**	290,568

Insurance agents' commission and other remuneration, personnel expenses	2013 € 000s	2012 € 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	312	306
4. Social-security contributions and social-insurance costs	–	–
5. Retirement pension costs	240	134
Total	**552**	440

During the year under review, Management Board remuneration totalled € 327,049. The retirement pensions of former Management Board members and their surviving dependants totalled € 169,599. As of 31 December 2013, a pension provision of € 2,205,873 was capitalised for this group of people. The Supervisory Board remuneration totalled € 156,690.

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 € 20.1 million. This includes obligations towards affiliated companies amounting to € 14.0 million.

On the balance sheet date, there were financial obligations totalling € 6.6 million from open short options and € 15.0 million from open forward purchases.

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, 17 April 2014

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 2013. 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, 25 April 2014

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr Hübner	**Offizier**
Auditor	Auditor

Supervisory Board report

During 2013, 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 2013 annual financial statements and management report prepared by the Management Board. Their audit did not reveal any irregularities and an unqualified audit certificate was granted. The Supervisory Board has duly acknowledged and agrees with the audit findings.

The Supervisory Board's own audit of the annual financial statements and management report likewise revealed no irregularities, and accordingly the Supervisory Board hereby approves the 2013 financial statements, which are thus duly adopted.

The Supervisory Board agrees with the Management Board's proposal concerning the appropriation of the 2013 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 due and proper audit and evaluation we hereby confirm that
1. the actual details given in the report are correct and
2. that 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, 13 May 2014

The Supervisory Board

Kirchner
Chairman