

Company bodies

Supervisory Board

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Runkel

Chairman

Chairman of the Eisenbahn- und
Verkehrsgewerkschaft (EVG)

Manfred Stevermann

Selm-Bork

Deputy Chairman

Chairman of the Board,
Sparda-Bank West eG

Gerd Becht

Bad Homburg

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

Hans-Jörg Gittler

Kestert

Chairman of the Board,
of Bahn-BKK

Helmut Petermann

Essen

Chairman of the
General Works Council
DEVK Versicherungen

Andrea Tesch

Zittow

Deputy Group Manager
Non-life/HUK Operations and
Head of SHU Unit
DEVK Versicherungen,
Schwerin Regional Management Unit

Management Board

Friedrich Wilhelm Gieseler

Bergisch Gladbach

Chairman

Gottfried Rüßmann

Cologne

Bernd Zens

Königswinter

Management report

Company foundations

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- und HUK-Versicherungskonzern, 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, 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 2015 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.

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

Business performance

Economic conditions generally and in the industry

In 2015 the capital markets were plagued by a high degree of volatility, as investors were able to earn significantly more on the equity markets than from bonds. In April 2015 the DAX hit a new all-time high of 12,391 points, representing a rise of more than 25 % as compared with the end of 2014. The equity markets performed equally well in other European countries. However, a significant correction then ensued during the summer months in response to a renewed flare-up of the crisis in Greece and growing investor concerns regarding the reduced dynamism of growth in the emerging economies. China's economic performance in particular reduced their appetite for export-oriented equities. Another side effect of this negative sentiment was the continuing fall in the price of energy and many industrial commodities, some of which fell to their lowest levels for several years. During the third quarter fears of a global economic slowdown receded, as the economies in developed countries remained comparatively stable, with the Anglo-Saxon countries enjoying faster growth than the eurozone and Japan. The DAX thus ended the year with a positive performance of +9.6 %, similar to that of share indices in other European countries and better than in the USA.

As in recent years the interest market's focus was very much on central bank policies. The ECB went ahead with its bond-buying programme as planned. In response to global economic risks, the ECB had announced that it aimed to extend both the volume and duration of its bond-buying programme if necessary. Thus there was every prospect of a continuation of this extremely expansionary monetary policy in the near future. Unlike the ECB, towards the end of the year the Fed signalled the changing of its own interest rate policy with a first small rise in rates. On the equity markets this was interpreted as a positive sign that the recovery of the US economy was set to continue.

Central bank policies also had a strong impact on bond yields, with new record lows being reached during the second quarter, for instance in German government bonds. As a result, yields on ten-year German government bonds fell to under 0.05 %, while returns on bonds with maturities of up to seven years even turned negative. In parallel with the falling equity markets during summer 2015, bond market yields experienced significant rises. For example, ten-year German government bonds recovered to register returns at times approaching the 1.0 % mark. This correction was broadly interpreted as a response to excessive earlier yield reductions. During the autumn the situation stabilised, with

yields on ten-year German government bonds returning to 0.5 %. Over 2015 as a whole the bond index rose by 1.0 %. In contrast, at the shorter end of the interest structure curve, negative yields on bonds issued by debtors with strong credit ratings were still to be found at the end of 2015. Thus the interest structure curve became steeper than it had been at the start of the year.

Overall economic growth in Germany during 2015 remained at the comparatively modest level experienced in 2014, with the GDP adjusted for number of working days rising by 1.4 %. Meanwhile, unemployment in Germany remained low, at an average of 6.4 %. Worsening export figures were offset by greater domestic demand, and a slight trend towards stabilisation among peripheral European countries during the second half of the year lent further support.

In 2015 there were no major natural disasters. As a result the overcapacity on the reinsurance market remained undiminished in 2015, with a simultaneous slight fall in demand. Moreover, alternative capacities continue to play a role, particularly in the disaster segment. However, the traditional reinsurers have proven to be resilient and have increased their equity and surpluses. Mergers have increased, and this consolidation process can be expected to continue.

Business trends

In 2015, DEVK Rückversicherungs- und Beteiligungs-AG's gross premiums written were 7.7 % up at € 408.7 million, a stronger rise than expected. This growth was the result of both non-DEVK business (+11.2% at € 195.1 million) and DEVK-internal business (+4.7% at € 213.6 million). The number of policies reinsured (non-DEVK only) on 31 December 2015 stood at 1,252 (2014: 1,219). Customer numbers rose slightly to 270 (2014: 267).

The underwriting result before changes to the equalisation provision improved strongly to € 21.9 million (forecast: € 12 to 16 million, 2014: € 12.7 million). The low number of major claims had a positive impact here. After another very high allocation to the equalisation provision, this year of € 23.5 million (2014: € 20.2 million), the underwriting result net of reinsurance came to € – 1.6 million (2014: € – 7.5 million). The result thus lay within the forecast window of € – 4 million to 0.

Due chiefly to higher income from disposals of investments, including indirectly via the profit transfer from DEVK Allgemeine Versicherungs-AG, the investment result increased with unexpected strength to € 172.3 million (2014: € 141.6 million).

The result from normal business activities rose to € 131.8 million (2014: € 98.4 million). Thanks to the strong investment result this was well above the forecast mark of € 110 million.

The after-tax net profit for the year of € 63.0 million (2014: € 46.0 million) is shown as net retained earnings.

Net assets, financial position and results of operations

Results of operations

	2015 € 000s	2014 € 000s	Change € 000s
Underwriting result	-1,630	-7,547	5,917
Investment result	172,287	141,594	30,693
Other result	-38,888	-35,668	-3,220
Profit from ordinary activities	131,769	98,379	33,390
Taxes	68,769	52,379	16,390
Net profit for the year	63,000	46,000	17,000

Underwriting result, net of reinsurance

Gross premium receipts rose 7.7 % to € 408.7 million. Earned premiums net of reinsurance totalled € 285.9 million (2014: € 256.9 million), and claims expenses net of reinsurance came to € 186.8 million (2014: € 176.3 million). The ratio of net claims expenses to net earned premiums thus fell to 65.3 % (2014: 68.6 %), while the ratio of expenses on insurance operations net of reinsurance to earned premiums net of reinsurance fell to 26.4 % (2014: 27.0 %).

2015 was less affected by natural disasters than 2014. As a result, claims expenses arising from natural disasters fell to € 6.6 million (2014: € 11.7 million). Gross claims expenses for the year were 9.6 % up and the gross claims ratio stood at 64.4 % (2014: 65.5 %).

The gross operating expenses, which predominantly comprise reinsurance commission, rose by 8.9 %, from € 98.4 million in 2014 to € 107.2 million in 2015.

After another very high allocation to the equalisation provision, this year of € 23.5 million (2014: € 20.2 million), the underwriting result net of reinsurance improved to € -1.6 million (2014: € -7.5 million).

Life assurance

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 totalled € 17.0 million (2014: € 14.8 million), and the underwriting result came to € 1.7 million (2014: € 1.2 million).

Accident insurance

Gross booked premium receipts amounted to € 36.5 million (2014: € 34.1 million). At € 5.8 million, the underwriting result net of reinsurance was virtually unaltered (2014: € 5.9 million).

Liability insurance

With gross booked premiums of € 3.2 million (2014: € 4.8 million), and after a € 47,000 withdrawal from the equalisation provision, (2014: € 3.2 million allocation), the underwriting result came to € -700,000 (2014: € -500,000).

Motor vehicle liability insurance

Gross motor vehicle liability insurance receipts totalled € 83.4 million (2014: € 70.6 million). After a € 3.2 million allocation to the equalisation provision (2014: € 2.2 million), the underwriting result came to € –4.5 million (2014: € –9.1 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 € 75.0 million (2014: € 72.2 million). The underwriting result came to € 3.3 million (2014: € 6.7 million).

Fire and non-life insurance

Total gross booked fire and non-life insurance premiums rose to € 170.7 million (2014: € 164.4 million). In detail, our individual fire and non-life segments performed as follows.

Gross household contents insurance premiums amounted to € 20.0 million, up on the 2014 figure of € 18.0 million, while the underwriting result improved to € 3.9 million (2014: € 1.9 million).

With premium receipts of € 78.8 million (2014: € 75.2 million), and after a € 9.0 million allocation to the equalisation provision (2014: € 3.4 million withdrawal), our combined property insurance registered an underwriting profit of € 3.8 million (2014: € 900,000).

In the other classes of fire and non-life insurance, gross premiums written totalled € 72.0 million (2014: € 71.2 million). Due to another very large allocation to the equalisation provision (€ 14.5 million; 2014: € 16.8 million), the underwriting result saw a loss of € 13.7 million (2014: € –15.4 million).

Other insurance policies

With premium receipts of € 22.6 million (2014: € 18.5 million), and after a € 3.2 million withdrawal from the equalisation provision (2014: € 1.4 million allocation), the underwriting result came to € –1.2 million (2014: € 500,000).

Investment result

At € 188.9 million, the investment result was well up on the 2014 figure of € 153.2 million. This was due chiefly to higher income from disposals of investments, as well as increased income from capital transfer agreements with affiliated companies. The income from profit transfer agreements with affiliated companies totalled € 106.7 million (2014: € 95.5 million). Also included were € 28.3 million in profits from disposals of investments (2014: € 3.8 million) as well as € 300,000 in write-ups (2014: € 2.6 million).

At € 16.6 million, investment expenses were significantly higher than in 2014 (€ 11.6 million). This was the result of rising administration costs (€ 1.3 million, up from € 900,000 in 2014), write-downs on investments (€ 12.7 million; 2014: € 9.2 million) as well as losses on disposals of investments totalling € 2.6 million (2014: € 400,000). In 2015 there were charges from loss transfers amounting to € 100,000 (2014: € 1.1 million).

On balance, our net investment income improved to € 172.3 million (2014: € 141.6 million).

Other result

The "Other" result, which includes technical interest income, stood at € –38.9 million (2014: € –35.8 million). The additional expenditure resulted from interest on back payments which had been deferred in connection with the ongoing tax audit.

Profit from ordinary activities

The profit from ordinary activities resulting from technical and non-technical accounts came in at € 131.8 million, significantly higher than the 2014 figure of € 98.4 million.

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. At € 68.8 million, our tax expenditure rose proportionately with the change in the profit from ordinary activities.

Operating result and appropriation of retained earnings

The after-tax net annual profit came to € 63.0 million (2014: € 46.0 million). The net annual profit is 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 € 48.0 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 – that is, the funds required for the net investment volume – amounted to € 178.7 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 (old version) 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 € 1,069.2 million (2014: € 1,050.9 million), a figure far exceeding the required solvency margin of € 45.9 million (2014: € 41.5 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 2014, in 2015 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 2015 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

	2015 € 000s	2014 € 000s	Change € 000s
Investments (excluding deposits with ceding companies)	1,858,910	1,691,897	167,013
Deposits with ceding companies	222,912	209,056	13,856
Receivables arising out of reinsurance operations	20,624	21,402	- 778
Other receivables	279,057	323,321	- 44,264
Other assets	16,049	18,077	- 2,028
Total assets	2,397,552	2,263,753	133,799
Equity	1,091,088	1,043,088	48,000
Technical provisions net of reinsurance	522,768	462,820	59,948
Other provisions	607,580	580,232	27,348
Liabilities arising out of reinsurance operations	95,537	98,800	- 3,263
Amounts owed to banks	72,000	72,030	- 30
Other liabilities	8,337	6,455	1,882
Accruals and deferred income	242	328	- 86
Total capital	2,397,552	2,263,753	133,799

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, € 111.2 million (2014: € 96.4 million) concerns receivables under profit transfer agreements. The other receivables arose predominantly from liquidity off-setting within the DEVK Group.

Overall verdict on the management report

All in all, the company's net assets, financial position or results of operations proved satisfactory throughout 2015.

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 2016 we are expecting premium growth of 2 % to 3 %. Before changes to the equalisation provision, we are expecting a technical account result of between € 14 million and € 18 million. Depending on the claims situation in the various segments, allocations to the equalisation provision in the double-digit-million-euro range are possible. We are currently expecting the underwriting result to come in as a loss in the order of € 0 to € 6 million.

In view of the economic situation in the eurozone and the policies expected from European central banks, in 2016 we once again see no reason to expect strongly rising yields at the long end of the interest structure curve. The Fed's change of interest policy is the sole factor that could give impetus for somewhat higher yields. Here we expect further interest rate increases during 2016, as a result of which the interest structure curve in the eurozone may become even steeper.

Uncertainty concerning future equity market performance in the eurozone has grown markedly over recent months. Positive macroeconomic factors, in particular the weakness of the euro, low commodity prices and expectations of healthy growth in the US economy are offset by a variety of factors exerting a drag, such as the deteriorating performance of the emerging economies, lower domestic demand in China and the potential impact of the Fed pursuing a policy of raising interest rates. As a result we are expecting a continuation of the comparatively volatile market movements of recent months.

Given the current economic conditions € / US \$ parity is possible, but appears increasingly unlikely. As regards commodity prices, despite sharp falls in some cases there are still no clear signs that the bottom has been reached. Energy prices in particular will continue to be reflected in low inflation rates in the eurozone. Should energy prices start rising again that would have a direct impact on inflation rates.

Given China's importance as a market for export-oriented European companies, the country's economic performance has a massive influence on other economic areas, and this is reflected in the share prices of listed export companies. Further risks faced by the capital markets in 2016 are the debt problems besetting some countries, the possibility of Brexit and the strengthening or rekindling of political tensions in Europe and the Middle East.

In the field of investments we expect DEVK Rückversicherungs- und Beteiligungs-AG to gain less income in 2016 from profit transfer agreements and to register falling profits from disposals of investments. In addition, the low interest rates available on new investments and reinvestments will lead to a slight reduction in regular income. In light of the above we are currently expecting a significant net decline in the investment result.

All in all, we are expecting the 2016 profit from ordinary activities to be in the order of € 80 to 90 million.

Opportunities report

Despite the large amount of capacity available to the market there continues to be stable demand for reputable, medium-sized reinsurers. The trend towards stable medium- to long-term partnerships has gained further ground. Despite the enduringly soft market environment we are confident that we can continue to prosper and, applying due underwriting discipline, further strengthen our relationships with our clients. We are also gaining a growing reputation as an expert partner when it comes to special and individually tailored solutions.

Risk report

In accordance with the German Control and Transparency in Business Act (KonTraG), and the minimum risk management requirements laid down in section 26 VAG (section 64a VAG old version), 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 determine this we first consider the movement of the claims ratio net of reinsurance over the past ten years.

Claims ratio net of reinsurance

Year	%	Year	%
2006	61.6	2011	70.8
2007	66.1	2012	68.2
2008	68.7	2013	72.6
2009	73.5	2014	68.6
2010	72.6	2015	65.3

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. As a rule our choice of external reinsurers took their ratings into account.

Settlement result, net of reinsurance, as % of original provision

Year	%	Year	%
2006	11.3	2011	2.2
2007	7.2	2012	2.8
2008	10.0	2013	13.7
2009	-15.9	2014	-4.1
2010	1.2	2015	2.4

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 2015, their volume totalled € 97.2 million (2014: € 73.7 million).

Risk of defaults by debtors arising from our insurance operations

Amounts receivable from reinsurance at the end of the year came to € 20.6 million. An overview of amounts receivable broken down according to the ratings of our reinsurance partners is given in the following table:

Rating category	Receivables in € millions
AA	0.66
AA-	2.60
A+	3.11
A	0.42
A-	0.67
No rating	13.10

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 have subjected our investment holdings to a stress test similar to the one applied to our non-life and accident insurance. We carried this out on the balance sheet date of 31 December 2015, using the 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.

Our capital investments continue to comply with the investment ordinance which remained officially in force until 31 December 2015 and which we have decided, by Executive Board resolution, to retain as the principal foundation of our investment policies. 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 2015, the company held virtually unaltered interest-bearing investments to a value of € 824.3 million. A total of € 474.2 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 € 383.1 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 € 38.7 million, a figure that includes € 4.0 million in hidden charges. As of 31 December 2015 the total valuation reserve for our interest-bearing investments came to € 80.3 million. A change in returns of up to +/- 1 % would entail a corresponding value change ranging from € -49.2 million to € 56.1 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 securities 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 11.1 % of our total investments, while in 2015 our bond investments focused on international bearer bonds issued by banks and companies, as well as bonds issued by German federal states. These involve bearer papers assigned to the fixed assets and also registered securities.

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, 7 % of the company's investments are in government bonds, 11 % in corporate bonds and 26 % 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.

The ratings of the issuers of our interest-bearing investments break down as follows (2014):

AA or better	54.9 %	(62.8 %)
A	22.6 %	(18.2 %)
BBB	18.6 %	(12.7 %)
BB or worse	3.9 %	(6.3 %)

In 2015 the proportion of such investments with ratings of AA or better fell as compared with 2014. However, the proportion of papers with ratings worse than BBB was also down. 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 € 51.3 million. The European share index EuroStoxx50 gained value during 2015. In the medium term we continue to expect a positive performance, albeit with high levels of volatility in some cases. 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 an upward trend in the ratio as compared with 2014. Should growing economic problems, such as a flare-up 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 € 72.8 million. Of this, € 57.2 million was invested in direct property holdings and € 15.6 million in real estate funds. 2015 write-downs on real estate came to € 2.2 million.

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.

Solvency II

The insurance industry has undergone radical changes to its supervisory regime. On 17 January 2015 the European Commission published the corresponding delegated acts in the Official Journal of the European Union, and in March 2015 the German Bundesrat passed the Act to Modernise Financial Supervision of Insurance Undertakings (Gesetz zur Modernisierung der Finanzaufsicht über Versicherungen [VAG-Novelle]), thereby implementing the EU Solvency II Directive in German law. The provisions of Solvency II have been mandatory since 1 January 2016.

The new requirements of Solvency II have been progressively implemented by DEVK Versicherungen through a project launched in 2013.

Summary of our risk status

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

The projections made in connection with the ORSA process have shown that sufficient risk capital cover is assured in both the present and the future.

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, 15 March 2016

The Management Board

Gieseler

Rußmann

Zens

Notes to the management report

List of insurance classes covered during the financial year

Reinsurance coverage provided

Life assurance

Health insurance

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 2015

Assets			
	€	€	€ 2014, € 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		2,083,605	2,285
II. Payments on account		—	21
		2,083,605	2,306
B. Investments			
I. Investments in affiliated companies and participating interests			
1. Shares in affiliated companies	758,798,911		690,456
2. Loans to affiliated companies	116,656,639		2,525
3. Participating interests	27,637,451		33,781
		903,093,001	726,762
II. Other investments			
1. Shares, units or shares in investment funds and other variable-interest securities	278,548,137		221,607
2. Bearer bonds and other fixed-interest securities	424,254,649		386,642
3. Other loans	233,437,007		337,126
4. Other investments	19,577,281		19,760
		955,817,074	965,135
III. Deposit with ceding companies		222,911,635	209,056
		2,081,821,710	1,900,953
C. Accounts receivable			
I. Receivables arising out of reinsurance operations of which:		20,623,728	21,402
Affiliated companies: € 784,867			695
II. Other receivables of which:		279,057,003	323,321
Affiliated companies: € 273,085,852			344,723
		299,680,731	299,569
D. Other assets			
– Tangible assets and inventories		87,275	121
E. Prepayments and accrued income			
I. Accrued interest and rent		13,813,533	15,417
II. Other prepayments and accrued income		65,345	233
		13,878,878	15,650
Total assets		2,397,552,199	2,263,753

Liabilities and shareholders' equity			
	€	€	€ 2014, € 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		527,566,246	496,566
IV. Net retained profit		<u>63,000,000</u>	46,000
		1,091,088,436	1,043,088
B. Technical provisions			
I. Provision for unearned premiums			
1. Gross amount	22,026,900		16,103
2. of which:			
Reinsurance amount	<u>55,915</u>		68
		21,970,985	16,035
II. Premium reserve		194,408,038	186,700
III. Provision for claims outstanding:			
1. Gross amount	285,170,659		261,518
2. of which:			
Reinsurance amount	<u>76,568,211</u>		75,592
		208,602,448	185,926
IV. Equalisation provision and similar provisions		97,230,469	73,745
V. Other technical provisions			
1. Gross amount	726,113		599
2. of which:			
Reinsurance amount	<u>170,422</u>		185
		555,691	414
		522,767,631	462,820
C. Provisions for other risks and charges			
I. Provisions for pensions and similar commitments		529,972,605	464,744
II. Provisions for taxation		66,794,424	98,040
III. Other provisions		<u>10,813,038</u>	17,448
		607,580,067	580,232
D. Other liabilities			
I. Payables arising out of reinsurance operations		95,537,510	98,800
of which:			
Affiliated companies: € 38,785,233			
II. Amounts owed to banks		72,000,000	72,030
III. Other liabilities		<u>8,336,589</u>	6,455
of which:			
Tax: € 1,182,171			1,182
Affiliated companies: € 959,072			872
		175,874,099	177,285
E. Prepayments and accrued income			
		241,966	328
Total liabilities		2,397,552,199	2,263,753

Profit and loss account

for the period from 1 January to 31 December 2015

Items	€	€	€	2014, € 000s
I. Technical account				
1. Earned premiums, net of reinsurance				
a) Gross premiums written	408,666,462			379,481
b) Outward reinsurance premiums	116,791,575			119,948
		291,874,887		259,533
c) Change in the gross provision for unearned premiums	- 5,923,080			- 2,645
d) Change in the provision for unearned premiums, reinsurers' share	- 12,678			- 34
		- 5,935,758		- 2,679
			285,939,129	256,854
2. Allocated investment return transferred from the non-technical account, net of reinsurance			7,423,527	7,288
3. Other technical income, net of reinsurance			27	-
4. Claims incurred, net of reinsurance				
a) Claims paid				
aa) Gross amount	235,700,295			239,480
bb) Reinsurers' share	71,549,863			84,271
		164,150,432		155,209
b) Change in the provision for claims				
aa) Gross amount	23,652,543			7,279
bb) Reinsurers' share	- 976,103			13,779
		22,676,440		21,058
			186,826,872	176,267
5. Changes in other technical provisions, net of reinsurance				
a) Premium reserve, net of reinsurance		- 7,707,636		- 3,908
b) Other technical provisions, net of reinsurance		- 141,833		- 134
			- 7,849,469	- 4,042
6. Bonuses and rebates, net of reinsurance				- 6
7. Net operating expenses				
a) Gross operating expenses		107,192,247		98,404
b) of which:				
Reinsurance commissions and profit participation		31,707,040		29,091
			75,485,207	69,313
8. Other technical charges, net of reinsurance			1,344,152	1,821
9. Subtotal			21,856,983	12,705
10. Change in the equalisation provision and similar provisions			- 23,485,964	- 20,162
11. Underwriting result, net of reinsurance			- 1,628,981	- 7,457
			- 1,628,981	- 7,457
Balance carried forward:				

Items			
	€	€	€ 2014, € 000s
Balance carried forward:		- 1,628,981	- 7,457
II. Non-technical account			
1. Income from other investments			
a) Income from participating interests	4,663,367		3,786
of which:			
from affiliated companies: € 2,673,674			1,503
b) Income from other investments	48,935,283		47,576
of which:			
from affiliated companies: € 3,956,024			3,632
c) Income from write-ups	271,062		2,589
d) Gains on the realisation of investments	28,316,765		3,771
e) Income from a profit pooling, profit transfer and partial profit transfer agreements	106,702,316		95,499
2. Investment charges		188,888,793	153,221
a) Investment management charges, interest expenses and other charges on capital investments	1,270,486		853
b) Write-downs on investments	12,671,202		9,222
c) Losses on the realisation of investments	2,562,978		449
d) Charges from loss transfer	97,041		1,104
	<u>16,601,707</u>		11,628
		<u>172,287,086</u>	141,593
3. Allocated investment return transferred from the non-technical account		<u>7,423,527</u>	7,288
		164,863,559	134,305
4. Other income	70,212,522		37,172
5. Other charges	<u>101,677,828</u>		65,642
		- 31,465,306	- 28,470
6. Profit from ordinary activities		131,769,272	98,378
7. Taxes on income	70,443,075		52,376
8. Other taxes	<u>- 1,673,803</u>		2
9. Net profit for the year/net retained earnings		68,769,272	52,378
		63,000,000	46,000

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 and market. **Loans to affiliated companies** are recognised at their nominal values.

Equities, fund units or shares 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 **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, nuclear facility and terrorist risks were formed in accordance with section 30 paragraphs 1, 2 and 2a of the German Regulation on Accounting in the Insurance Sector (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** is calculated according to the projected unit credit method on the basis of the HEUBECK 2005 G actuarial tables. The discounting interest rate was calculated as a seven-year average pursuant to the hitherto prevailing Regulation on the Discounting of Provisions (Rückstellungsabzinsungsverordnung). It was set at 3.89 % (2014: 4.55 %) and calculated on the basis of an assumed residual term of 15 years (section 253 paragraph 2 sentence 2 HGB). The financing age on expiry corresponds with the contractual age on expiry. The assumed rate of pay increase was set at 1.95 % or 2.1 % p.a., and the rate of pension increase at between 1.0 % and 1.95 % 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.

Liabilities arising from reinsurance operations are based on the reinsurance contracts and are recognised at the settlement value.

Amounts owed to banks are recognised at their repayment amounts.

Other creditors are measured at their settlement values.

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 2015 financial year

Assets							
	Balance sheet value 2014 € 000s	Additions € 000s	Transfers € 000s	Disposals € 000s	Write- ups € 000s	Write- downs € 000s	Balance sheet value 2015 € 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	2,285	99	21	2	–	319	2,084
2. Payments on account	21	–	–21	–	–	–	–
3. Total A.	2,306	99	–	2	–	319	2,084
B.I. Investments in affiliated companies and participating interests							
1. Shares in affiliated companies	690,456	70,743	–	2,400	–	–	758,799
2. Loans to affiliated companies	2,525	135,657	–	21,525	–	–	116,657
3. Participating interests	33,781	8	–	3,859	–	2,293	27,637
4. Total B.I.	726,762	206,408	–	27,784	–	2,293	903,093
B.II. Other investments							
1. Shares, units or shares in investment funds and other variable-interest securities	221,607	116,624	–	51,361	271	8,594	278,547
2. Bearer bonds and other fixed-interest securities	386,642	70,332	–	30,934	–	1,784	424,256
3. Other loans							
a) Registered bonds	110,500	16,500	–	50,000	–	–	77,000
b) Notes receivable and loans	181,507	20,762	–	75,920	–	–	126,349
c) Other loans	45,119	–	–	15,031	–	–	30,088
4. Deposits with banks	–	–	–	–	–	–	–
5. Other investments	19,760	1,619	–	1,802	–	–	19,577
6. Total B.II.	965,135	225,837	–	225,048	271	10,378	955,817
Total	1,694,203	432,344	–	252,834	271	12,990	1,860,994

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 2015, 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	758,798,911	1,412,415,054
2. Loans to affiliated companies	116,656,639	117,145,934
3. Participating interests	27,637,451	31,780,583
B.II. Other investments		
1. Shares, units or shares in investment funds and other variable-interest securities	278,548,137	336,231,925
2. Bearer bonds and other fixed-interest securities	424,254,649	467,269,171
3. Other loans		
a) Registered bonds	77,000,000	83,104,072
b) Notes receivable and loans	126,349,118	154,877,935
c) Other loans	30,087,888	30,715,008
4. Other investments	19,577,281	27,221,240
Total	1,858,910,074	2,660,760,922
of which:		
Investments valued at costs of acquisition	1,781,910,074	2,577,656,851
of which:		
Investments in fixed assets pursuant to section 341b paragraph 2 HGB	383,109,743	421,793,161

The revaluation reserves include hidden liabilities totalling € 5.2 million. These relate to bearer bonds, loans to affiliated companies and registered bonds.

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, HYBIL B.V. and Ictus GmbH 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	67,555	63,597
Loans to affiliated companies	22,407	22,072

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	4,465	235	270
	Forward purchase			
	GBP	21,852	–	–220

Valuation methods

Short options: European options Black-Scholes
 American options Barone-Adesi

Forward purchase GBP: 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	3,606	152,239	23,250	
Bond funds	507	45,896	1,495	
Real-estate funds	647	28,421	3,109	between any time and after five months

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	342,170,794	–
DEVK Rechtsschutz-Versicherungs-AG, Cologne	21,000,000	100.00	100.00	60,563,459	–
DEVK Krankenversicherungs-AG, Cologne	8,000,000	100.00	100.00	23,177,128	–
DEVK Allgemeine Lebensversicherungs-AG, Cologne	28,000,000	100.00	51.00	142,964,493	–
DEVK Pensionsfonds-AG, Cologne	5,000,000	100.00	51.00	14,316,266	17,500
DEVK Vermögensvorsorge- und Beteiligungs-AG, Cologne	20,000,000	51.00	51.00	191,000,000	–
DEVK Alpha GmbH, Cologne	25,000	100.00	51.00	26,927	186
DEVK Asset Management GmbH, Cologne	750,000	100.00	100.00	750,000	–
DEVK Beta GmbH, Cologne	25,000	100.00	100.00	35,557	322
DEVK Europa Real Estate Investment Fonds SICAV-FIS, Luxembourg (L) ²	268,649,458	68.00	52.32	288,796,840	14,423,956
DEVK Gamma GmbH, Cologne	25,000	100.00	100.00	25,607	183
DEVK Omega GmbH, Cologne	25,000	75.00	75.00	25,972,037	787,232
DEVK Private Equity GmbH, Cologne	10,000,000	65.00	57.65	139,956,239	26,553,421
DEVK Saturn GmbH, Cologne	25,000	100.00	100.00	25,936,269	807,513
DEVK Service GmbH, Cologne	260,000	74.00	74.00	1,470,379	–
DEVK Unterstützungskasse GmbH, Cologne	25,000	100.00	51.00	27,062	306
DEVK Versorgungskasse GmbH, Cologne	25,000	100.00	51.00	26,461	794
DEVK Web-GmbH, Cologne	25,000	100.00	100.00	25,000	–
DEVK Zeta GmbH, Cologne	25,000	100.00	51.00	775,000	–
DEVK Zeus Vermögensverwaltungs-AG, Cologne	50,000	100.00	100.00	52,698	530
Assistance Service GmbH, Coesfeld	52,000	100.00	100.00	–3,288,833 ¹	140,348
DEREIF Brüssel Lloyd George S.a.r.l., Luxembourg (L)	12,500	100.00	52.32	3,408,306	–4,964,194
DEREIF Immobilien 1 S.a.r.l., Luxembourg (L)	250,000	100.00	52.32	–21,614,567	–13,436,092
DEREIF Paris 6, rue Lammenais, S.C.I., Yutz (F)	768,220	100.00	52.32	4,413,851	964,741
DEREIF Paris 9, chemin du Cornillon Saint-Denis, S.C.I., Yutz (F)	637,810	100.00	52.32	6,224,794	–144,306
DEREIF Paris 37–39, rue d'Anjou, Yutz, (F)	1,145,850	100.00	52.32	4,968,074	1,385,972
DEREIF Wien Beteiligungs GmbH, Vienna (A)	10,000	100.00	52.32	9,283,457	–36,543
DEREIF Wien Nordbahnstrasse 50 OG, Vienna (A)	–	100.00	52.32	9,048,729	–211,271
DP7, Unipessoal LDA, Lisbon (P)	12,500	100.00	52.32	–	–
DRED SCS, Luxembourg (L)	41,889,861	68.00	52.32	41,899,861	–
German Assistance Versicherung AG, Coesfeld	1,462,500	100.00	100.00	3,747,189	451,433
Hotelbetriebsgesellschaft SONNENHOF mbH, Bad Wörishofen	375,000	100.00	51.00	356,023	–
HYBIL B.V., Venlo (NL)	400,000	100.00	85.10	61,139,166	2,779,197
Ictus GmbH, Cologne	5,000,000	75.00	65.20	38,409,485	207,121
JUPITER VIER GmbH, Cologne	25,000	100.00	100.00	4,921,235	389,982
KASSOS Beteiligungs- und Verwaltungs-GmbH, Cologne	25,000	100.00	100.00	33,148	397
Lieb' Assur S.A.R.L., Nîmes (F)	250,000	100.00	100.00	332,284	13,530
Monega Kapitalanlagegesellschaft mbH, Cologne	5,200,000	45.00	45.00	7,744,807	1,639,879
OUTCOME Unternehmensberatung GmbH, Cologne	525,000	100.00	100.00	326,180 ¹	–
Reisebüro Frenzen GmbH, Cologne	25,000	52.00	52.00	376,390	106,961
Reisebüro Travelworld GmbH, Cologne	122,710	52.00	52.00	–74,773 ¹	493
SADA Assurances S.A., Nîmes (F)	32,388,700	100.00	100.00	36,361,108	3,272,468
	GBP			GBP	GBP
DEREIF London 10, St. Bride Street S.a.r.l., Luxembourg, (L)	21,250	100.00	52.32	6,204,615	–414,791
DEREIF London Birchin Court S.a.r.l., Luxembourg, (L)	20,000	100.00	52.32	6,784,928	–1,854,703
DEREIF London Eastcheap Court S.a.r.l., Luxembourg, (L)	21,250	100.00	52.32	8,030,708	63,048
London Coleman Street S.a.r.l., Luxembourg (L)	20,000	100.00	52.32	4,275,547	–1,538,573
	SEK			SEK	SEK
DEREIF Malmö, Kronan 10 & 11 AB, Malmö (S)	100,000	100.00	52.32	19,196,160	9,281,514
DEREIF Stockholm, Vega 4 AB, Stockholm (S)	100,000	100.00	52.32	13,661,201	4,939,555
	CHF			CHF	CHF
ECHO Rückversicherungs-AG, Zurich (CH)	70,000,000	100.00	100.00	65,467,880	–17,292,291

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. Where profit transfer agreements are in place, the operating result does not have to be disclosed.

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	€ 42,638
Advance payments for future services	€ 22,707
	<u>€ 65,345</u>

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	
31.12.2014	€ 496,566,246
Allocation	€ 31,000,000
31.12.2015	<u>€ 527,566,246</u>

Re Liabilities E.

Accruals and deferred income

Discount points on registered bonds	€ 241,966
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Notes to the profit and loss account

Reinsurance coverage provided		
	2015 € 000s	2014 € 000s
Gross premiums written		
– Life	16,992	14,761
– Non-life/accident	391,674	364,720
Total	408,666	379,481

Insurance agents' commission and other remuneration, personnel expenses		
	2015 € 000s	2014 € 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	318	312
4. Social-security contributions and social-insurance costs	–	–
5. Retirement pension costs	415	335
Total	733	647

During the year under review, Management Board remuneration totalled € 338,159. The retirement pensions of former Management Board members and their surviving dependants totalled € 178,001. As of 31 December 2015, a pension provision of € 2,321,192 was capitalised for this group of people. The Supervisory Board remuneration totalled € 162,257.

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 € 60.2 million. This includes obligations towards affiliated companies amounting to € 42.9 million.

On the balance sheet date, we had outstanding financial obligations totalling € 4.5 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, 15 March 2016

The Management Board

Gieseler

Rußmann

Zens

Audit certificate

We have audited the annual financial statements, comprising the balance sheet, income statement and notes, as well as the accounting and management report of **DEVK Rückversicherungs- und Beteiligungs-Aktiengesellschaft**, Cologne, for the financial year from 1 January to 31 December 2015. 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, 24 May 2016

KPMG AG Wirtschaftsprüfungsgesellschaft

Dr Hübner
Auditor

Offizier
Auditor

Supervisory Board report

During 2015, 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 2015 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 2015 financial statements, which are thus duly adopted.

The Supervisory Board agrees with the Management Board's proposal concerning the appropriation of the 2015 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. 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, 12 May 2016

The Supervisory Board

Kirchner

Chairman