

Solvency and Financial Condition Report (SFCR)

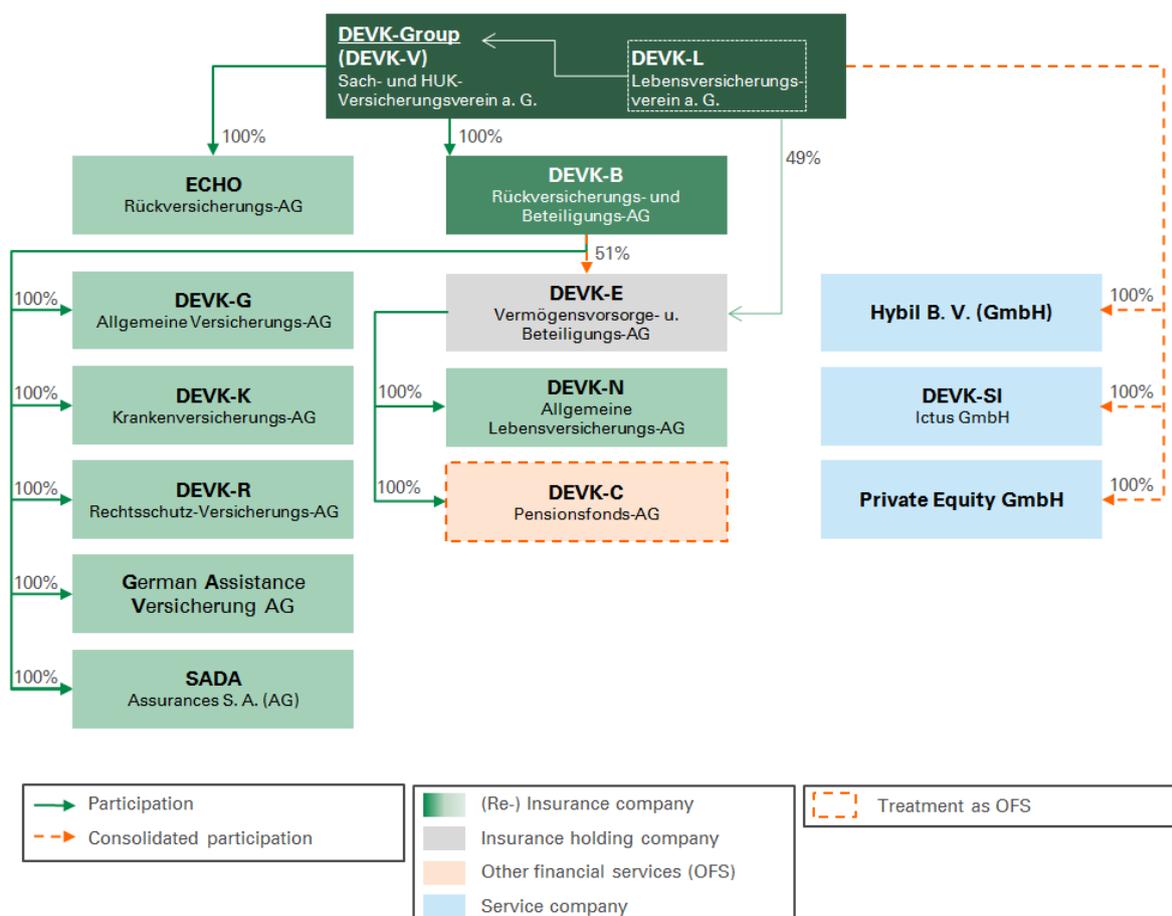
A Introduction

DEVK Rückversicherungs- und Beteiligungs-AG is an active unlisted stock corporation. The registered office of the company is Cologne. The company is registered in the Commercial Register of the Cologne District Court.

The supervisory authority for DEVK Rückversicherungs- und Beteiligungs-AG is the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), headquartered in 53117 Bonn, Graurheindorfer Str. 108.

KPMG in 50674 Cologne, Barbarossaplatz 1 a, is the appointed auditor for DEVK Rückversicherungs- und Beteiligungs-AG both for local GAAP and Solvency II. Their audit did not reveal any irregularities.

DEVK Rückversicherungs- und Beteiligungs-AG is part of the DEVK-Group with the parent company being DEVK Deutsche Eisenbahnversicherung Sach- und HUK-Versicherungsverein a.G.



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. Reinsurance is provided for both affiliated and non-Group companies.

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

B Capital Management

The Solvency ratio (SCR ratio) is calculated from the eligible own funds divided by the solvency capital requirement (SCR). The Solvency ratio amounted to 393.8% as at December 31, 2016.

| | 2016 | 2015 |
|--|---------|---------|
| Eligible own funds to cover SCR | 2.585,1 | 2.381,3 |
| SCR | 656,5 | 558,0 |
| SCR ratio | 393,8% | 426,7% |
| Eligible own funds to cover MCR | 2.527,8 | 2.350,8 |
| MCR | 164,1 | 139,5 |
| MCR ratio | 1540,2% | 1685,0% |

all figures in millions of euros

According to tier classes, the eligible own funds were as follows:

| | 2016 |
|---------|---------|
| Tier 1: | 2.527,8 |
| Tier 2: | - |
| Tier 3: | 57,2 |

all figures in millions of euros

To cover the solvency capital requirement, Tier 1 and Tier 3 own funds were established. Only Tier 1 capital was used to cover the minimum capital requirement.

The balance sheet of DEVK Rückversicherungs- und Beteiligungs-AG as at December 31, 2016 was prepared as a fair value balance sheet according to the principles of Solvency II.

According to Solvency II, the balance sheet is as follows:

| | Assets | Solvency II 2016 | Local GAAP 2016 |
|----|---|-----------------------------|----------------------------|
| 1 | Intangible assets | - | 1,8 |
| 2 | Deferred tax assets | 338,9 | - |
| 3 | Pension benefit surplus | - | - |
| 4 | Property, plant & equipment held for own use | 0,1 | 0,1 |
| 5 | Investments | 3.362,6 | 1.830,4 |
| | Property (other than own use) | - | - |
| | Participations | 2.187,9 | 827,4 |
| | Equities | 111,1 | 76,3 |
| | Bonds | 793,9 | 694,9 |
| | Investment funds | 244,3 | 213,7 |
| | Derivates | 0,1 | - |
| | Other investments | 25,4 | 18,2 |
| 6 | Assets held for unit-linked funds | - | - |
| 7 | Mortgages and loans made | - | - |
| 8 | Reinsurance recoverables | 31,0 | 76,4 |
| 9 | Cash deposits to cedants | 230,9 | 230,9 |
| 10 | Intermediaries and insurance recoverables | 23,3 | 19,2 |
| 11 | Receivables (trade, not insurance) | 355,5 | 355,5 |
| 12 | Amounts due in respect of called but unpaid capital | - | - |
| 13 | Cash and cash equivalents | - | - |
| 14 | Any other assets | 1,1 | 13,3 |
| | Total assets | 4.343,3 | 2.527,5 |

all figures in millions of euros

| | Liabilities | Solvency II 2016 | Local GAAP 2016 |
|----|--|-----------------------------|----------------------------|
| 1 | Gross technical provisions | 444,9 | 664,7 |
| 2 | Contingent liabilities | - | - |
| 3 | Provisions other than technical provisions | 78,8 | 79,0 |
| 4 | Pension benefit obligations | 825,7 | 536,9 |
| 5 | Cash deposits from reinsurers | - | - |
| 6 | Deferred tax liabilities | 281,6 | - |
| 7 | Derivates | 0,5 | 0,1 |
| 8 | Amounts owed to credit institutions | - | - |
| 9 | Financial liabilities other than amounts owed to credit institutions | - | - |
| 10 | Intermediaries and insurance liabilities | 103,5 | - |
| 11 | Reinsurance liabilities | 3,0 | 102,3 |
| 12 | Liabilities (trade, not insurance) | 0,5 | 0,5 |
| 13 | Subordinated liabilities | - | - |
| 14 | Any other liabilities | 4,8 | 4,9 |
| | Total liabilities | 1.743,3 | 1.388,4 |
| | <i>Assets less liabilities</i> | <i>2.600,1</i> | <i>1.139,1</i> |
| | Total | 4.343,3 | 2.527,5 |

all figures in millions of euros

The accounting and valuation of the local GAAP balance sheet is carried out in accordance with the principles of the German Commercial Code. The assessment principles of the delegated regulation 2015/35 are the basis for the determination of the Solvency II balance sheet.

Information regarding the individual balance sheet items is provided in euro. Investments denominated in foreign currencies are included in the fair value calculation at the exchange rate at year-end.

The stated fair values of investments include the respective market value and any accrued interest on the shares (dirty price).

SCR per risk module

The composition of the total SCRs is shown in the following table in the individual categories:

| Risk category | SCR 2016 |
|---|-----------------|
| Mortality risk | 3,2 |
| Longevity risk | 0,0 |
| Disability morbidity risk | 2,5 |
| Lapse risk | - |
| Revision risk | 0,0 |
| Expense risk | 0,0 |
| CAT risk | 4,6 |
| Diversification life underwriting risk | -2,9 |
| Life underwriting risk | 7,4 |
| Mortality risk (similar to life technique) | - |
| Longevity risk (similar to life technique) | 0,3 |
| Disability morbidity risk (similar to life technique) | - |
| Lapse risk (similar to life technique) | - |
| Revision risk (similar to life technique) | - |
| Expense risk (similar to life technique) | 0,0 |
| Premium risk (similar to non-life technique) | 8,4 |
| Reserve risk (similar to non-life technique) | 7,2 |
| Lapse risk (similar to non-life technique) | 3,1 |
| CAT risk | 29,6 |
| Diversification health underwriting risk | -12,8 |
| Health underwriting risk | 35,8 |
| Premium risk | 75,1 |
| Reserve risk | 41,5 |
| Lapse risk | 7,7 |
| CAT risk | 118,3 |
| Diversification non-life underwriting risk | -67,7 |
| Non-Life underwriting risk | 174,9 |

| Risk category | SCR 2016 |
|---|-----------------|
| Interest rate risk | 55,4 |
| Spread risk | 60,9 |
| Equity risk | 541,4 |
| concentration risk | 15,7 |
| Property risk | 39,0 |
| Currency risk | 32,7 |
| Diversification market risk | -87,0 |
| Market risk | 658,1 |
| Type 1 counterparties | 39,8 |
| Type 2 counterparties | - |
| Diversification counterparty default risk | - |
| Counterparty default risk | 39,8 |
| Diversifikation Basisrisiko | -168,0 |
| Basic SCR | 748,0 |
| Loss absorbing capacity of deferred taxes | -104,3 |
| Operational risk | 12,9 |
| SCR | 656,5 |

all figures in millions of euros

For DEVK Rückversicherungs- und Beteiligungs-AG, the largest single risk was market risk and within this category the equity risk, which is dominated by the risk arising from investments in other DEVK companies (volume: approximately € 2,084 million). The unequal distribution of the risk types led to a relatively low diversification effect of € 87.0 million.

The cat risk (€ 118.3 million) was the largest single risk within the underwriting risk, mainly as a result of the acquired cat exposure. Due to an increased retrocession coverage and improved collection of exposure data, capital requirement for catastrophe risks has fallen from the previous year (€ 139.6 million).

The significant increase in the capital requirement for the health underwriting risk resulted largely from the risk of catastrophe and was the result of improved data collection as well as an increased deductible compared to the previous year.

Operational risk more than doubled compared to the previous year (€ 6.0 million) and amounted to € 12.9 million. This resulted largely from the growth of the company and the associated increase in premium income and provisions.

No simplifications have been used in accordance with the implementing regulation Solvency II. The company does not apply the volatility adjustment, nor the transitional deduction referred to in article 308b of Directive 2009/138/EC. The company has not certified any undertaking specific parameters (USP) for the calculations.

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.