Company bodies

Supervisory Board

Alexander Kirchner
Runkel
Chairman
Chairman of Eisenbahn- und
Verkehrsgewerkschaft (EVG)

Hans-Jörg Gittler
Kestert
CEO of the board
BAHN-BKK

Ronald Pofalla
Mülheim a. d. Ruhr
Director of Infrastructure
Deutsche Bahn AG

Manfred Stevermann
Münster
Deputy Chairman
CEO of the board
Sparda-Bank West eG

Helmut Petermann
Essen
Chairman of
General Works Council
DEVK Versicherungen

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

Management Board

Gottfried Rüßmann
Cologne
Chairman

Michael Knaup
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. In 2019, DEVK Rückversicherungs- und Beteiligungs-Aktiengesellschaft - DEVK RE specifically expanded its business activities in North America and in the agricultural business.

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 - DEVK RE 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.

The share capital of our company of around € 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, GAV Versicherungs-AG and Outcome Unternehmensberatung GmbH. Profit transfer agreements exist with DEVK Asset Management GmbH and freeyou AG.

Details of our company’s direct and indirect shareholdings in principal affiliated companies and participating interests can be found in the notes.

Pursuant to section 312 of the German Stock Corporation Act (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 2019 financial year.

Please note that rounding may lead to differences from the mathematically exact figures (monetary units, percentages, etc.).

The sections of this report marked with [1] contain details which have not been checked by the auditor.

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, asset investment and 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 2019, it was once again not possible to resolve the fundamental (economic) policy issues of previous years. In addition to the risk of a global trade conflict, the UK's withdrawal from the EU and globally high national debt, these include the unresolved conflict hotspots in the Middle East and, especially for Germany, problems in the automotive and banking industries. Furthermore, political unrest in South America and Hong Kong flared up in 2019. In Germany, 2019 was additionally accompanied by an intensification of the climate debate and widespread disappointment regarding the German government's climate package, as well as the question of whether the government itself would survive beyond 2019. This development was accompanied by a further drop in the opinion poll ratings for the formerly major popular parties.

In economic terms, worries increased significantly in 2019, driven by falling values of important leading indicators such as purchasing manager indices and profit warnings from large companies. Following the OECD, the IMF has also once again revised its growth forecasts for most countries and the global economy downwards (world 3.0% for 2019, previously 3.2%, 3.4% for 2020 from 3.5%). To date, the economic downturn has been concentrated in countries where industry on the one hand and foreign trade on the other play a major role. Germany is therefore particularly affected by this. For example, incoming orders in German industry declined in terms of foreign orders, and the Ifo Business Climate Index fell significantly in 2019 from 101.1 points to 95.9 points (low: 94.5 points). With GDP growth of -0.2 % in the second quarter, +0.1 % in the third quarter of 2019 and GDP in the fourth quarter unchanged from the previous quarter, Germany narrowly escaped the official definition of a recession. Last year German GDP ultimately rose by 0.6 % - according to the Deutsche Bundesbank - following on from 1.5 % in the previous year. For 2020, the Deutsche Bundesbank expects real GDP growth of just 0.6 % on average. In contrast, real economic data in the USA developed better than in Europe and better than was to be expected from leading indicators. GDP growth in the USA in 2019 was estimated by the US Fed at 2.3 %, while economists expect average growth of 1.8 % in 2020.

Rising concerns about the economy led the Fed to make a U-turn in terms of monetary policy by ending the cycle of interest rate hikes that had only been initiated at the end of 2018. At its meeting in October, the Fed cut interest rates for the third time in 2019 by 0.25 percentage points to between 1.50 % and 1.75 %. In its December meeting, the Fed did not agree to a further rate cut and instead kept the key rate stable. Depending on the further economic development and especially inflation, many market participants assume that further rate cuts in the USA are possible next year, although the Fed has initially announced a pause and interest rate changes are unusual in an election year. Based on economists surveyed by Bloomberg, the general expectation is for one or two further rate cuts in the US in 2020. From November 2019, the ECB resumed the bond purchases with a monthly volume of € 20 billion, which were terminated in December 2018, and further reduced the deposit rate to -0.5 %.

The political turbulence in the United Kingdom, with the final decision in favour of Brexit on 31 January 2020 with a transition phase up to 31 December 2020, led to a strengthening of pound sterling against the euro of almost 6% in 2019. The euro lost value against most other currencies in 2019. A decisive contribution to this was made by the interest rate differential due to the different monetary policies and the economic situation between Europe and the USA. The euro/USD exchange rate fluctuated between 1.09 and 1.15 in 2019, with a year-end value of 1.12, thus falling by 2.2% in 2019.

The situation on the bond market in 2019 was characterised by an almost continuous decline in interest rates until mid-August 2019; thereafter the euro swap rate for example rose again by approx. 0.3 % points to the level of early summer. The 10-year Federal bond fell to a low of -0.71 % at maturity, but recovered to -0.19 % by the end of 2019. Risk premiums on corporate bonds continued to decline in some cases in spite of concerns about the economy. Most stock markets showed very positive development in 2019. The DAX rose by 25.5 % to 13,249 points over the course of the year. The lack of investment alternatives in the interest rate area and the monetary policy support measures which have raised the DAX above its long-term average are likely to have been decisive contributory factors in this development.

A large number of natural disasters were once again observed in 2019. After Typhoon Jebi caused severe devastation in Japan in 2018, this region was again severely affected by storms Faxi and Hagibis in 2019. Hurricane Dorian caused the heaviest losses in the Bahamas, and the USA was less severely affected than had been feared, although the loss totalled around USD 4 billion.

In Europe, the heat-wave and heavy hailstorms were the main loss drivers. In June, a hailstorm event in Munich caused losses of almost € 1 billion.

For the first time, it was possible to establish that alternative risk capital did not increase further, since parts of this capital were still "reserved" due to the high losses from 2018 and could not be reinvested.

As a result of all this, and also driven by the retrocession markets, prices for cover with natural disaster exposure did not fall further and in some cases even rose, including in Europe.

Business trends

In 2019, the gross premiums written for DEVK Rückversicherungs- und Beteiligungs-AG - DEVK RE were 9.4 % up at € 580.6 million, and were therefore stronger than expected (forecast around 8 %). The number of policies reinsured (non-DEVK only) on 31 December 2019 stood at 1,978 (previous year 1,819). Customer numbers rose to 409 (previous year 357).

The underwriting result before changes to the equalisation provision came to € 37.8 million (previous year € 79.0 million). The result therefore lay well above our forecast (€ 25 million to € 30 million). The absence of major natural disasters had a positive effect here. Following an expected high allocation to the equalisation provision

(€ 35.2 million), the net underwriting result for the year as a whole of € 2.6 million was also above the forecast corridor (underwriting loss in the single-digit million range).

Contrary to our expectations, income from profit transfer agreements rose sharply instead of being moderately below the previous year's level. In particular, the development in the profit transfer from DEVK Allgemeine Versicherungs-AG (€ 121.6 million after € 97.3 million) was better. We also far exceeded last year's forecast of significantly lower incomes from other investment incomes. This was largely due to higher gains on the disposal of investments and a sharp increase in write-ups (including in the investment area). In conjunction with the forecast decrease of € 16.8 million in write-downs on investments, the net investment result improved to € 205.0 million (previous year € 147.2 million), an increase that we had not expected to such an extent.

The strategic asset allocation, i.e. the target allocation of investments, was adjusted DEVK-wide at the end of 2019. The target ratios for real assets (in particular real estate and alternative investments) were increased. The further expansion of real values in the investment portfolio is intended to counteract the persistently low interest rate level and improve the long-term earnings situation.

Due to the better than expected underwriting result and investment result, the result from ordinary activities came to € 117.9 million (previous year € 129.1 million), which was much higher than the forecast of € 60 million to € 70 million.

After a markedly lower tax expenditure than in the previous year, the net profit for the year amounted to € 60.0 million (previous year € 39.0 million), which has been recognised as net retained profit.

Net assets, financial position and results of operations

Results of operations

	Financial year € 000s	Previous year € 000s	Change € 000s
Technical account	2,635	61,687	-59,052
Investment result	205,017	147,166	57,851
Other result	-89,758	-79,726	-10,032
Profit from ordinary activities	**117,894**	129,127	-11,233
Taxes	57,894	90,127	-32,233
Net profit for the year	**60,000**	39,000	21,000

Underwriting result, net of reinsurance

Gross premium receipts rose 9.4 % to € 580.6 million. The largest portion of the increase originated from non-DEVK business. Earned premiums net of reinsurance rose by 9.4 % to € 456.4 million (previous year € 417.1 million). Claims expenses net of reinsurance increased to € 291.8 million (previous year € 280.5 million). The ratio of net claims expenses to earned net premiums therefore declined to 63.9 % (previous year 67.3 %). At 27.2 %, the ratio of expenses for insurance business net of reinsurance to earned premiums net of reinsurance was slightly up on the previous year figure (27.1 %). At € 79.0 million, the underwriting result before changes to the equalisation provision was particularly high in the previous year due to a special effect amounting to € 58.2 million. At € 37.8 million in 2019, it is therefore down on the previous year. However, it has improved significantly when adjusted for the special effect. After an allocation to the equalisation provision of € 35.2 million (previous year € 17.3 million), the underwriting result net of reinsurance stood at € 2.6 million (previous year € 61.7 million).

The individual insurance segments performed as follows:

Underwriting result, net of reinsurance

Figures in € 000s		Gross premiums written		Change to the equalisation provision		Technical result net of reinsurance	
Insurance class	Financial year	Previous year	Change	Financial year	Previous year	Financial year	Previous year
Life	8,917	15,862	-43.8 %	-	-	-264	60,763
Accident	42,843	39,922	7.3 %	-	-	8,732	7,221
Liability	6,011	6,247	-3.8 %	-2,108	-2,662	-1,238	-1,467
Motor vehicle	222,810	208,961	6.6 %	-13,056	-11,993	-970	-3,439
Fire and non-life	270,715	231,632	16.9 %	-17,960	-5,055	-6,912	317
of which:							
Fire	60,068	55,657	7.9 %	3,256	-4,482	-588	955
Household contents	21,908	22,979	-4.7 %	-	-	5,389	3,625
Homeowners' building	128,541	110,769	16.0 %	-6,187	12,046	4,063	11,781
Other non-life	60,199	42,228	42.6 %	-15,028	-12,619	-15,775	-16,045
Other	29,258	27,918	4.8 %	-2,067	2,391	3,286	-1,708
Total	**580,554**	530,542	9.4 %	**-35,191**	-17,319	**2,635**	61,687

The largest increases in premium amounts are recorded for motor vehicle, homeowners' building and other non-life. Before changes in the equalisation provision, accident, motor vehicle and homeowners' building made the biggest contributions to earnings in 2019.

Investment result

At € 215.9 million, the investment result was up on the previous year's figure (€ 170.3 million). This was due in particular to the higher revenues from profit transfer agreements with affiliated companies. The income from profit transfer agreements with affiliated companies totalled € 142.9 million (previous year € 110.4 million). Also included were € 10.9 million in profits from disposals of investments (previous year € 7.9 million), as well as € 12.6 million in write-ups (previous year € 0.6 million).

At € 10.9 million, investment expenses were significantly lower than in the previous year (€ 23.2 million). Decisive here was a lower write-down requirement on investment expenses (€ 4.7 million as against € 21.5 million in the previous year). Losses from disposals of investments came to € 0.8 million (previous year € 0.7 million). Charges from loss transfers incurred in 2019 amounted to € 3.8 million and primarily resulted from freeyou AG. No loss was assumed in the previous year. The administration costs were € 1.6 million (previous year € 1.0 million).

Total net investment income therefore improved to € 205.0 million (previous year € 147.2 million).

Other result

The 'Other result', which includes allocated interest, stood at € -89.8 million (previous year € -79.7 million). The additional expense was due in particular to higher retirement pension costs.

Profit from ordinary activities

Due to the strong investment result, the result from ordinary activities of € 117.9 million is roughly on a par with the previous year's result (€ 129.1 million), which was influenced by a special effect.

Tax expenditure

As the parent company of a fiscal unit for trade tax and corporation tax purposes, DEVK Rückversicherungs- und Beteiligungs-AG - DEVK RE assumes the tax expenses incurred by the Group companies. At € 57.9 million (previous year € 90.1 million) tax expenses were markedly lower than in the previous year, which was burdened by high allocations in the tax balance sheet.

Operating result and appropriation of retained earnings

Due to the sharp decline in tax expenditure, the net annual profit was € 60.0 million, well above the previous year's figure (€ 39.0 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 € 10.0 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 € 50.0 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 twelve months. The company receives a continuous influx of liquid funds in the form of regular premium receipts, investment income and returns from capital investments. In the current financial year, the cash flow from investments – that is, the funds required for the net investment volume – amounted to € 83.0 million. The necessary funds were generated by the company's ongoing operations.

Ratings[1]

Each year the internationally renowned rating agencies S&P Global Ratings and Fitch evaluate the financial performance and security of DEVK.

S&P Global Ratings last renewed its rating in October 2019. As in the years 2008 to 2018, DEVK Sach- und HUK-Versicherungsverein a.G., DEVK Allgemeine Versicherungs-AG, DEVK Allgemeine Lebensversicherungs-AG and DEVK Rückversicherungs- und Beteiligungs-AG - DEVK RE were once again all assigned a rating of "A+" (very good). S&P Global Ratings assesses our future outlook as "stable". This confirms the very good financial position enjoyed by the DEVK companies.

Meanwhile, the rating agency Fitch came to the same conclusion, with its August 2019 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. The outlook for all our companies remains "stable".

Assets position

	Financial year € 000s	Previous year € 000s	Change € 000s
Investments (excluding deposit receivables)	2,483,448	2,353,580	129,868
Deposit receivables	62,574	54,065	8,509
Receivables arising out of reinsurance operations	29,084	53,113	-24,029
Other receivables	240,885	150,975	89,910
Other assets	18,736	18,851	-115
Total assets	**2,834,727**	2,630,584	204,143
Equity	1,243,088	1,198,088	45,000
Technical provisions net of reinsurance	660,075	561,350	98,725
Other provisions	818,797	784,129	34,668
Liabilities arising from reinsurance operations	54,605	45,287	9,318
Other liabilities	57,794	41,334	16,459
Accruals and deferred income	369	396	-27
Total capital	**2,834,727**	2,630,584	204,143

In 2019, there was a slight shift within investments from the interest block to equity and real estate investments. Overall, the composition of the investment portfolio did not change significantly in 2019.

Of the other receivables, € 147.4 million (previous year € 114.8 million) concerns receivables under profit transfer agreements. The other receivables arose largely from liquidity offsetting within the DEVK Group.

Most of the other provisions are provisions for pensions and similar commitments.

Non-financial performance indicators

Employee satisfaction

At DEVK, the opinion of our employees is important to us. The satisfaction of employees with their working environment, as well as their managers, colleagues, the work assigned to them and the corporate culture is central to employer appeal.

Since 2012, DEVK has been conducting an annual employee survey to identify possible areas for further optimisation. The survey is carried out in annual rotation as a comprehensive survey or a brief survey. In 2019, the company-wide short survey of DEVK back office and employed field sales personnel took place. At 63 %, the participation rate was satisfactory. The results show that DEVK sits at a good level on the "commitment and enthusiasm" index, although overall satisfaction has fallen in comparison to the previous year. We see the main reason for this as being a very high workload caused by the extremely successful business result. The loyalty of DEVK employees is highly pronounced and lies well above the benchmark. A detailed employee survey will take place again in 2020.

Employee satisfaction index	Financial year Points	Previous year Points
Actual	769	775
Target	777	775

The target set for 2020 is 777 points.

Overall verdict on the management report

All in all, the company's net assets, financial position and results of operations developed in a satisfactory manner throughout 2019.

Outlook, opportunities and risks

Outlook

In the 2020 financial year, DEVK aims to improve employee satisfaction. The employee satisfaction index used for measurement is to be increased from 769 points (actual value 2019) to 777 points.

During 2020 we are expecting premium growth of almost 10 %. Before changes to the equalisation provision, we are expecting a technical account result of between € 28 million and € 33 million. After a high allocation to the equalisation provision, current estimates project that the underwriting result will be in the upper single-digit million range.

DEVK assumes that political effects will continue to have a strong influence on the future development of the capital markets. These include trade conflicts, political unrest in parts of South America and Hong Kong, the implementation of the agreed Brexit and unresolved conflicts in the Middle East. Existing economic concerns and the way in which central banks are responding to these further increase uncertainty about future developments, particularly with regard to interest rates and share prices. The effect of the corona virus on economic development in 2020 - especially in Asia - which was still completely unclear at the time of writing this report, is adding to the uncertainty.

In view of continuing economic concerns and unchanged relatively low inflation rates in the euro zone, we do not expect a significant rise in interest rates in the short term. After the major central banks switched back to an even more expansive monetary policy in 2019, we do not expect any fundamental change in central bank policies in 2020. From the perspective of the DEVK, even the change at the top of the ECB will not be associated with any adjustment to the fundamental orientation of interest rate policy. On the other hand, there is a danger that the resumption of the ECB's bond purchase programme will cause yields on many bonds to fall further. In addition, the tradability of many bonds will fall as a result of the ECB's bond purchases. This applies in particular to interest-bearing securities with comparatively attractive risk premiums. For the USA, we expect a further interest rate cut in the first half of the year following the 0.5 percentage point cut in March 2020. Subject to a further spread of the corona virus, we do not expect any further interest rate cuts to be made due to the US presidential election in 2020.

With regards to the economic situation in the USA and the euro zone, the economic framework data has ultimately further deteriorated. Although the economy remains fairly stable, leading indicators such as the ISM Purchasing Managers Index in the USA and the IFO Business Climate Index in Germany show a slowdown in growth, despite the first leading indicators, particularly in Europe, rising again at the beginning of 2020. Company results have also weakened overall and many companies, particularly in the automotive and banking sectors and related industries, have responded with cost-cutting measures. According to OECD 2020 forecasts, the global economy was originally heading for almost unchanged real GDP growth compared to the previous year

(3.0 % after 2.9 %). However, due to the spread of the corona virus beyond China, at the time of writing the economic outlook for 2020 has clouded over. For example, the OECD has lowered the growth assumption for global real GDP in 2020 from 3.0% to 2.4%. All in all, uncertainty regarding the further development of the capital markets in 2020 is very high.

As regards the global economy and the development of the capital markets, future economic policy in the USA (US election; trade conflicts) and in China (risk of shadow banking system; spread of the corona virus) will play a significant role from the perspective of DEVK. In addition, in Europe there is the continuing uncertainty about the Brexit process and further monetary policy developments. In our view, the stock market has already reflected positive expectations on the topics of trade conflict, the economy and Brexit. However, fears of a global spread of the corona virus and the resulting worries about a global recession led to a significant correction on the stock market in February 2020. If this fear does not materialise in the course of 2020, a rapid recovery of the stock markets can be expected. At the time of writing, however, uncertainty in this regard is high, because a self-reinforcing negative spiral cannot be entirely ruled out.

In the field of investments, in 2020 we expect DEVK Rückversicherungs- und Beteiligungs-AG - DEVK RE to generate income from profit transfer agreements significantly below the previous year's level. Furthermore, we assume that there will be a significant decline in the high write-ups on shares in 2019. We anticipate that our net investment result in 2020 will be significantly below last year's level.

We are forecasting profit from ordinary activities in 2020 to be in the order of € 65 million to € 75 million.

Opportunities report

The renewed strong growth of DEVK Rückversicherungs- und Beteiligungs-AG - DEVK RE shows that the company is recognised as a solid partner on the markets.

Not only did our new USA/Canada region contribute to this growth, but we were also able to achieve growth across the board in the established countries, in some cases even at substantial levels, e.g. in the UK.

Our special fields, such as agriculture, cyber and securities, not only enable us to grow but also enhance the reputation of DEVK Rückversicherungs- und Beteiligungs-AG - DEVK RE. This also applies to our expertise in the field of natural disaster modelling.

In combination with our very good and stable ratings, we will continue to be an important partner for our customers in the future with corresponding growth potential.

We see opportunities as well as risks for investments in 2020. For example, agreements on global trade relations could increase the value of equities and real estate in particular. However, the mood on the capital markets at the beginning of 2020 is marked by a high degree of uncertainty, especially with regard to the further spread of the corona virus and its economic consequences.

In a more positive economic environment than the average economist expects, safe investments such as German government bonds are likely to lose value. However, if these instruments are held to maturity, this will not have an indirect influence on the profit situation of DEVK due to their non-permanent decline in value. In contrast, rising interest rates would have a marked positive effect on the interest returns on new and repeat investments.

Following the sharp rise in 2019, DEVK expects a decline in write-ups on equities and a moderate deterioration in the investment result in 2020 without any deliberate increase in hidden reserves. In this context, we assume that the fear of a further spread of the corona virus will not lead to a sustained global economic slump. The further expansion of the real values within the investments due to the adjustment of the strategic asset allocation will take place over several years and improve earnings opportunities in the medium term.

Risk report

In accordance with section 289, paragraph 1 HGB and the requirements laid down in section 26 VAG concerning the minimum requirements for the business organisation of insurance companies (MaGo), we are hereby reporting the risks of future developments.

Risk management system

With respect to the risk management system employed within the DEVK Group for the early identification and assessment of risks, we refer at this point to the information in the management report of DEVK Sach- und HUK-Versicherungsverein a.G.

Technical risks

Principal among the technical risks are the premium/claims risk and the reserves risk. These are determined using a standard formula.

The so-called catastrophe risk or accumulation risk refers to the risk resulting from the occurrence of extremely high loss events. A distinction is made here between natural disasters (natural catastrophes) and catastrophes caused by mankind (man-made catastrophes). Depending on the risk exposure, risks are minimised through reinsurance.

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

Gross claims ratio net of reinsurance

Year	%	Year	%
2010	72.6	2015	65.3
2011	70.8	2016	66.2
2012	68.2	2017	70.8
2013	72.6	2018	67.3
2014	68.6	2019	63.9

Within the framework of suitable acceptance guidelines and signatory powers, we predominantly only underwrite standardised business. We counteract the risk of unusually high claims expenses due to 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.

Our loss reserves for previous years and for the financial year, including the provision for claims incurred but not reported, are adequate. This is demonstrated by our settlement results for the past ten years.

Settlement result net of reinsurance as % of original provision			
Year	%	Year	%
2010	1.2	2015	2.4
2011	2.2	2016	3.0
2012	2.8	2017	3.2
2013	13.7	2018	1.6
2014	-4.1	2019	2.6

Our equalisation provisions provide an additional safety cushion that contributes to the smoothing of our underwriting results. As of 31 December 2019, their volume totalled € 187.9 million (previous year € 152.7 million).

Risk of defaults by debtors arising from our insurance operations

Amounts receivable from reinsurance business at the end of the year came to € 29.1 million. These include receivables from reinsurers totalling € 6.6 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-	0.10
A+	3.05
A	0.33
A-	3.07

Investment risks

In the investment sphere, DEVK Rückversicherungs- und Beteiligungs-AG - DEVK RE is exposed for the most part to participation risks. These arise in particular from its 100 % participating interests, as well as the 51 % participation in DEVK Vermögensvorsorge- und Beteiligungs-AG. They chiefly concern the company’s obligations under various control agreements to assume any annual losses suffered by its subsidiaries. In the event of falling current values of participating interests, the risk of needing to make write-downs arises.

The risks stemming from investments comprise:

- the risk of unfavourable interest rate, equity price, real estate value or exchange rate movements (market price risks),
- counterparty default 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.

Since 1 January 2017, the internal investments catalogue has prescribed the decisive framework conditions for our investment policies. The Strategic Asset Allocation substantiates DEVK's investment policy. The planned further expansion of non-interest-dependent investments in the portfolio as a result of the adjustment of the Strategic Asset Allocation increases potential fluctuations in value in the medium term and in some cases reduces the short-term tradability of the investments.

We counteract exchange/market price and interest rate risks by maintaining a balanced mix of investment types. Active portfolio management allows us to exploit opportunities arising from market movements to improve our results. Furthermore, 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 (Asset-Liability Management) process ensures that we are able at all times to meet existing and future obligations.

On the balance sheet date of 31 December 2019 we conducted our own investment stress test. The investment 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 investment 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 test assumes the following scenarios: a downturn on the equity markets while the bond market remains stable, a simultaneous crash on the equity and bond markets and a simultaneous crash on the equity and real estate markets.

At the end of 2019, the following measures were in place to hedge against investment risks:
- Flexible management of the investment ratios in the special fund, in particular in the equities sphere, for instance via index futures and volatility futures
- Currency-matched refinancing in the field of indirect real estate investments
- Hedging against currency risks via forward contracts
- Use of bond forward purchases
- Adjustment of equity risks via options trading

Liquidity risks are managed by detailed multi-year investment planning. Should a liquidity shortfall arise in future, countermeasures can be taken at an early stage. Moreover, in order to improve our assessment of liquidity risks, stress scenarios in line with Solvency II stresses are applied and evaluated. On top of this, our investments are allocated to various different liquidity classes. These are assigned lower limits in relation to the investment portfolio which they must not fall below. Compliance with these limits is regularly monitored.

Interest-bearing investments

As of 31 December 2019, the Company held interest-bearing investments with a total value of € 1.22 billion. A total of € 658.7 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 € 621.3 million to the fixed assets since we intend to hold these papers until maturity and their current market fluctuations are viewed as temporary. Should this second assessment in particular prove wide of the mark, we shall undertake the necessary write-downs in a timely fashion. These investments exhibit a positive valuation reserve of € 79.9 million. This figure includes no hidden charges. As of 31 December 2019, the total valuation reserves for our interest-bearing investments came to € 115.4 million. A change in returns of up to +/-1 % would result in a corresponding value change ranging from € -95.5 million to € 103.9 million.

This intimated impact of a one percentage point interest rate rise only gives an approximate idea of its potential impact on our profitability. This is because, over the course of a year, the diminishing time to maturity of the individual securities will lead to changes in their market value and interest rate sensitivity. Moreover, the bulk of our interest-bearing investments are in bearer bonds or bonds recognised on the balance sheet at their nominal values. In these cases, under the prevailing accounting regulations an increase in the market interest rate does not lead to write-downs. Further to this, the securities currently include 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 covered bonds and bank bonds. We also invest in corporate bonds. Our direct corporate bond holdings make up 18.5 % of our total investments. At the end of 2019 there were no investments in asset-backed securities. Bonds from the European peripheral countries Italy and Spain are held to a small extent. In 2019 our bond investments focused on international bearer bonds issued by banks and companies. Our pension investments in particular involve bearer papers, predominantly assigned to the fixed assets, and also registered papers.

Turning to issuer risks, as proportions of our total investments, 3.7 % of the company's investments are in government bonds, 18.5 % in corporate bonds and 27.0 % 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 (previous year):

AA or better	44.9 %	(46.2 %)
A	30.5 %	(27.8 %)
BBB	23.1 %	(24.7 %)
BB or worse	1.6 %	(1.3 %)

The company's rating distribution has changed only slightly from last year. 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 investment is in DAX and EuroStoxx50 companies, as a result of which our portfolio's performance very closely matches that of these indices. A 20 % change in market prices would alter the value of our equity portfolio by € 49.8 million. Both the German and European share indices witnessed extremely positive development during 2019. In the medium term, we continue to expect positive development, albeit with high levels of volatility in some cases. We have applied a value protection model to our equity investments in order to limit exchange risks.

In light of the uncertain economic situation, we actively managed our ratio of equity investments throughout the year. Overall, there has been a moderate rise compared to the previous year. Should growing economic problems 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 € 140.9 million. Of this, € 100.3 million was invested in direct property holdings and € 40.7 million in real estate funds. In 2019, the write-downs on these real estate investments stood at € 0.5 million. Effects from a possible downturn on the real estate market are limited by existing hidden reserves, diversification and leases that are as long-term as possible.

Operational risks

Operational risks may stem from inadequate or failed operational processes, the break- down of technical systems, external variables, employee-related incidents and changes in the legal framework conditions. Effective management of the operational risks is ensured through the careful structuring of the internal monitoring system. In addition to this, the main focus of the half-yearly risk inventory is on operational risks. The appropriateness and efficacy of in-house controls are monitored by the Internal Auditing unit.

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.

Access controls and preventive measures are in place in the IT division to ensure the security and integrity of programs, data and ongoing operations. The IT infrastructure is redundant by design in order to cater for a catastrophic breakdown scenario. Restart tests are conducted regularly. Links between internal and external networks are suitably protected by state-of-the-art systems. Cyber risks are also taken into account in the "information security" sphere of the IT strategy.

The emergency management is founded on corporate emergency analysis. This describes the objectives and framework conditions for precautionary measures against emergencies and how to overcome them if they occur.

Legal risks are also included in the operational risks. DEVK has established a compliance management system designed to ensure compliance with both external requirements and internal guidelines.

Solvency II

With the entry into force of Solvency II on 1 January 2016, the insurance industry has undergone radical changes to its supervisory regime. The renewed shortening of the reporting deadlines per Solvency II once again proved to be a major challenge in 2019 and required the further optimisation of processes. In order to meet the requirements, the focus in 2019 was again on the further automation of processes.

The solvency calculation required by supervisory law, which is based on a standard formula, showed that DEVK Rückversicherungs- und Beteiligungs-AG - DEVK RE has significant excess cover.

Summary of our risk status

We have complied with the supervisory requirements per Solvency II.[1]

Projections made in connection with the ORSA process as per 31 December 2018 show that sufficient risk capital cover is assured in both the present and the future.[1]

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 continued existence.

Cologne, 12 March 2020

The Management Board

Rüßmann **Knaup** **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
Third-party, fire and theft insurance

Aviation insurance

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 2019

Assets				
	€	€	€	Previous year € 000s
A. Intangible assets				
I. Licences, industrial property rights and similar rights and assets acquired for valuable consideration, as well as licences in such rights and assets		1,086,755		1,259
II. Payments on account		1,465		43
			1,088,220	1,302
B. Investments				
I. Investments in affiliated companies and participating interests				
1. Shares in affiliated companies	870,105,786			827,984
2. Loans to affiliated companies	100,159,706			85,622
3. Participating interests	68,520,817			34,064
		1,038,786,309		947,670
II. Other investments				
1. Shares, units or shares in investment funds and other variable-interest securities	325,563,230			301,587
2. Bearer bonds and other fixed-interest securities	630,261,447			679,224
3. Other loans	458,551,491			406,961
4. Deposits with banks	5,496,706			-
5. Other investments	24,788,291			18,138
		1,444,661,165		1,405,910
III. Deposits with ceding companies		62,574,439		54,065
			2,546,021,913	2,407,645
C. Accounts receivable				
I. Receivables arising out of reinsurance operations		29,084,201		53,113
of which: Affiliated companies: € 8,068,573				31,024
II. Other receivables		240,885,193		150,975
of which:			**269,969,394**	204,087
Affiliated companies: € 201,932,331				116,779
D. Other assets				
I. Tangible assets and inventories		316,193		112
II. Cash at banks, cheques and cash in hand		3,180,334		795
III. Other assets		31,777		91
			3,528,304	997
E. Prepayments and accrued income				
I. Accrued interest and rent		14,031,203		16,499
II. Other prepayments and accrued income		88,254		53
			14,119,457	16,552
Total assets			**2,834,727,288**	2,630,584

Liabilities	€	€	€	Previous year € 000s
A. Equity				
I. Subscribed capital		306,775,129		306,775
II. Capital reserve		193,747,061		193,747
III. Retained earnings				
- other retained earnings		682,566,246		658,566
IV. Net retained profit		60,000,000		39,000
			1,243,088,436	1,198,088
B. Technical provisions				
I. Provision for unearned premiums				
1. Gross amount	39,615,743			36,460
2. of which from: Reinsurance amount	54,950			45
		39,560,793		36,416
II. Premium reserve		14,852,403		13,841
III. Provision for claims outstanding				
1. Gross amount	490,440,063			430,981
2. of which from: Reinsurance amount	72,776,284			73,192
		417,663,779		357,789
IV. Equalisation provision and similar provisions		187,932,434		152,741
V. Other technical provisions				
1. Gross amount	162,147			630
2. of which from: Reinsurance amount	96,415			67
		65,732		563
			660,075,141	561,350
C. Other provisions				
I. Provisions for pensions and similar commitments		713,114,664		652,951
II. Provisions for taxation		75,050,495		103,138
III. Other provisions		30,631,792		28,039
			818,796,951	784,129
D. Other liabilities				
I. Liabilities arising out of reinsurance operations of which:		54,604,575		45,287
Against affiliated companies: € 11,164,503				986
II. Liabilities to banks		51,006,942		36,000
III. Other liabilities		6,786,604		5,334
of which:			**112,398,121**	86,621
From taxes: € 1,193,689				1,192
Against affiliated companies: € 1,784,134				3,302
E. Prepayments and accrued income				
			368,639	396
Total liabilities			**2,834,727,288**	2,630,584

Profit and loss account

for the period from 1 January to 31 December 2019

Items	€	€	€	Previous year € 000s
I. Technical account				
1. Earned premiums net of reinsurance				
a) Gross premiums written	580,553,705			530,542
b) Outward reinsurance premiums	121,029,592			106,563
		459,524,113		423,979
c) Change in the gross provision for unearned premiums	-3,139,396			-6,878
d) Change in the gross provision for unearned premiums, reinsurers' share	10,124			-410
		-3,129,272		-6,878
			456,394,841	417,100
2. Allocated interest, net of reinsurance			**65,578**	5,950
3. Other technical income, net of reinsurance			-	59,101
4. Claims incurred, net of reinsurance				
a) Claims paid				
aa) Gross amount	307,687,160			290,872
bb) Reinsurers' share	72,631,200			66,108
		235,055,960		224,764
b) Change in the provision for claims outstanding				
aa) Gross amount	56,337,167			55,097
bb) Reinsurers' share	415,228			677
		56,752,395		55,775
			291,808,355	280,539
5. Changes in other technical provisions, net of reinsurance				
a) Premium reserve, net of reinsurance		-1,011,857		-8,171
b) Other technical provisions, net of reinsurance		497,268		-71
			-514,589	-8,242
6. Bonuses and rebates, net of reinsurance			-	1
7. Net operating expenses, net of reinsurance				
a) Gross operating expenses for insurance operations		153,139,121		139,826
b) of which, from: Reinsurance commissions and profit participation		28,987,492		26,747
			124,151,629	113,079
8. Other technical charges, net of reinsurance			**2,159,519**	1,285
9. Subtotal			**37,826,327**	79,006
10. Change to the equalisation provision and similar provisions			**-35,191,248**	-17,319
11. Technical result net of reinsurance			**2,635,079**	61,687
Balance carried forward:			2,635,079	61,687

Items	€	€	€	Previous year € 000s
Balance carried forward:			2,635,079	61,687
II. Non-technical account				
1. Income from investments				
a) Income from participating interests	7,813,186			7,909
of which: from affiliated companies: € 6,158,493				-
b) Income from other investments	41,639,988			43,576
of which: from affiliated companies: € 1,114,759				-
c) Income from write-ups	12,604,700			610
d) Gains on the realisation of investments	10,928,712			7,869
e) Income from profit pooling, profit transfer and partial profit transfer agreements	142,887,666			110,362
		215,874,252		170,325
2. Investment expenses				
a) Investment management charges, interest expenses and other charges on capital investments	1,609,666			1,043
b) Write-downs on investments	4,692,799			21,457
c) Losses on the realisation of investments	772,911			659
d) Charges from loss transfer	3,781,998			-
		10,857,374		23,159
		205,016,878		147,166
3. Allocated interest		65,578		5,950
			204,951,300	141,216
4. Other income		5,807,220		33,501
5. Other charges		95,499,170		107,277
			-89,691,950	-73,776
6. Profit from ordinary activities			**117,894,429**	129,127
7. Taxes on income		57,889,616		90,125
8. Other taxes		4,813		2
			57,894,429	90,127
9. Net profit for the year/net retained earnings			**60,000,000**	39,000

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. Otherwise they are recorded as operating expenses in their year of acquisition.

Shares in affiliated companies, loans to affiliated companies and the **participating interests** were shown either at their costs of acquisition or at the lower of cost or market value. The requirement to reinstate original values was observed.

Equities, fund units or shares and other variable-yield securities, the **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. These write-ups took place to the lower of the acquisition cost or market value.

Derivatives were valued at their costs of acquisition or their fair value, depending on which was lower. When determining the fair value, the market value was applied.

Registered bonds are recorded on the balance sheet 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.

Other investments are recognised at the acquisition cost or at the lower of cost or market value. The requirement to reinstate original values was observed.

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 are shown at their nominal values.

Other assets, excluding operating or office equipment, are recognised at their nominal values. Operating and office equipment is shown at its cost of acquisition or production, 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. Otherwise they are recorded as operating expenses in their year of acquisition.

Apart from the advance payments of costs for future periods, **prepayments and accrued income** chiefly comprise the premium on registered bonds, which are recorded at their nominal values.

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 30 April 1974. The gross provision for unearned premiums denominated in foreign currencies was calculated on the basis of the year-end exchange rates. Exchange rate gains/losses are recorded under the other income/expenses. 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 gross provision denominated in foreign currencies was calculated on the basis of the year-end exchange rates. Exchange rate gains/losses are recorded under the other income/expenses. 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. These were balanced on the basis of details provided by the ceding companies.

The **other provisions** were formed on the following basis:
The **pension provision** is calculated according to the projected unit credit method on the basis of the HEUBECK 2018 G actuarial tables. The discounting interest rate was calculated as a 10-year average pursuant to the previously valid German Regulation on the Discounting of Provisions (Rückstellungsabzinsungsverordnung). It was set at 2.71 % (previous year 3.21 %) and calculated on the basis of an assumed residual term of 15 years (section 253 paragraph 2 clause 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 % p.a., and the rate of pension increase at 1.95 %, 1.5 % or 1 % p.a. depending on undertaking.

The **tax provisions** and **other provisions**, calculated according to anticipated requirement, 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 valued at their settlement values.

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

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

The **allocated interest, 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.

The gross technical items shown in the financial statements include estimated figures. These are due to invoices from outside business taken on which were unavailable as of the balance sheet date. On presentation the following year, the balance sheet values will be adjusted by the differences from these estimates.

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 2019 financial year

Assets	Balance sheet values Previous year € 000s	Additions € 000s	Transfers € 000s	Disposals € 000s	Write-ups € 000s	Write-downs € 000s	Balance sheet values Financial year € 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	1,259	78	42	-	-	292	1,087
2. Payments on account	43	-	-42	-	-	-	1
3. Total A.	1,302	78	-	-	-	292	1,088
B. I. Investments in affiliated companies and participating interests							
1. Shares in affiliated companies	827,984	33,325	-	-	8,797	-	870,106
2. Loans to affiliated companies	85,622	80,320	-	65,782	-	-	100,160
3. Participating interests	34,064	36,258		1,429	-	372	68,521
4. Total B. I.	947,670	149,903	-	67,211	8,797	372	1,038,787
B. II. Other investments							
1. Shares, units or shares in investment funds and other variable-interest securities	301,587	100,443	-	76,397	3,437	3,507	325,563
2. Bearer bonds and other fixed-interest securities	679,224	101,775	-	150,268	219	689	630,261
3. Mortgage loans and annuity claims	-	40,000	-	40,000	-	-	-
4. Other loans							
a) Registered bonds	241,255	47,163	-	46,500	-	-	241,918
b) Notes receivable and loans	155,666	39,989	-	15,045	-	-	180,610
c) Other loans	10,039	40,000	-	14,016	-	-	36,023
5. Deposits with banks	-	38,450	-	32,830	-	123	5,497
6. Other investments	18,138	7,257	-	758	151	-	24,788
7. Total B. II.	1,405,909	415,077	-	375,814	3,807	4,319	1,444,660
Total	**2,354,881**	**565,058**	-	**443,025**	**12,604**	**4,983**	**2,484,535**

The amortisation of intangible assets is scheduled in nature.

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 2019, 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	870,105,786	1,452,743,635
2. Loans to affiliated companies	100,159,706	100,159,706
3. Participating interests	68,520,817	72,492,493
B. II. Other investments		
1. Shares, units or shares in investment funds and other variable-interest securities	325,563,230	409,176,171
2. Bearer bonds and other fixed-interest securities	630,261,447	710,755,491
3. Other loans		
a) Registered bonds	241,918,025	255,120,703
b) Notes receivable and loans	180,610,494	200,701,472
c) Other loans	36,022,972	36,539,635
4. Deposits with banks	5,496,706	5,496,706
5. Other investments	24,788,291	32,222,824
Total	**2,483,447,474**	**3,275,408,836**
of which: Investments valued at costs of acquisition	2,246,450,768	3,026,396,851
of which: Investments in fixed assets pursuant to section 341b paragraph 2 HGB	633,515,601	712,162,522

The valuation reserves include hidden liabilities totalling € 3.6 million. These relate to shares in affiliated companies, participating interests, shares 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, GAV Versicherungs-AG and SADA Assurances S.A. is calculated on the basis of earning power. 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 of the German Regulation on Accounting in the Insurance Sector (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 other investments was determined by net asset value.

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 on the basis of the current Euro swap curve plus a risk premium. This takes 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-end exchange rates.

Financial instruments within the meaning of section 285, No. 18 HGB that are capitalised at their fair value

	Book value € 000s	Fair value € 000s
Participating interests	13,758	13,680
Shares, units or shares in investment funds and other variable-interest securities	10,990	9,963
Other loans	25,000	22,791

We have refrained from applying any write-downs in accordance with section 253 paragraph 3 clause 5 and 6 HGB, as we either intend to hold various securities until maturity or we are assuming that any fall in value is only temporary.

Derivative financial instruments and forward purchases in accordance with section 285 No. 19 HGB

	Type	Nominal volume € 000s	Book value premium € 000s	Fair value of premium € 000s
Other liabilities	Short put options	4,900	345	164
Registered bonds	Forward purchases	40,000	-	-2,192

Valuation methods		
Short options	European options	Black-Scholes
	American options	Barone-Adesi

Units or shareholdings in domestic investment funds in accordance with section 285 No. 26 HGB

Investment goal	Dividends € 000s	Fair value € 000s	Hidden reserves/ hidden charges € 000s	Limitation on daily redemption
Equity funds	5,194	165,457	20,393	
Mixed funds	214	38,699	1,616	
Bond funds	1,128	29,463	1,065	
Real-estate funds	802	45,008	4,494	between any time to after 6 months

Re Assets B. I.

Investments in affiliated companies and participating interests	% share	Equity €	Results from previous financial year €
DEVK Allgemeine Lebensversicherungs-AG, Cologne	100.00	158,884,493	1,840,000
DEVK Allgemeine Versicherungs-AG, Cologne	100.00	342,170,794	-
DEVK Krankenversicherungs-AG, Cologne	100.00	29,177,128	-
DEVK Pensionsfonds-AG, Cologne	100.00	14,333,766	-
DEVK Rechtsschutz-Versicherungs-AG, Cologne	100.00	60,563,459	-
DEVK Vermögensvorsorge- und Beteiligungs-AG, Cologne	51.00	201,000,000	-
DEVK Asset Management Gesellschaft mbH, Cologne	100.00	1,500,000	-
DEVK Europa Real Estate Investment Fonds SICAV-FIS, Luxembourg (L)	58.00	724,521,160[3]	30,485,628[3]
DEVK Omega GmbH, Cologne	50.00	27,698,052	777,190
DEVK Private Equity GmbH, Cologne	55.00	256,732,347	18,670,351
DEVK Saturn GmbH, Cologne	33.33	37,204,053	736,247
DEVK Service GmbH, Cologne	74.00	1,470,379	-
DEVK Web-GmbH, Cologne	100.00	25,000	-
DEVK Zeta GmbH, Cologne	100.00	775,000	-
Aviation Portfolio Fund Nr. 1 GmbH und Co. geschlossene Investment KG, Grünwald	10.01	473,430,959	90,548,983
Corpus Sireo Health Care III SICAV-FIS, Luxembourg (L)	8.66	95,445,457[2]	6,142,866[2]
CORPUS SIREO RetailCenter Fonds Deutschland SICAV-FIS, Luxembourg (L)	26.88	107,543,213[2]	20,170,128[2]
DEREIF Brüssel Carmen N.V., Brussels (B)	100.00	-1,543,117	-645,577
DEREIF Brüssel Lloyd George S.à.r.l., Luxembourg (L)	100.00	7,684,623	536,712
DEREIF Hungary Eiffel Palace Kft., Budapest (HU)	100.00	10,549,559	-67,823
DEREIF Hungary Park Atrium Kft., Budapest (HU)	100.00	4,556,689	-402,200
DEREIF Immobilien 1 S.à.r.l., Luxembourg (L)	100.00	37,896,314	-218,745
DEREIF Lissabon Republica Unipessoal Lda, Lisbon (P)	100.00	3,981,549	337,781
DEREIF Paris 6 rue Lamennais S.C.I., Yutz (F)	100.00	5,012,638	-338,384
DEREIF Paris 9 chemin du Cornillon Saint Denis S.C.I., Yutz (F)	100.00	6,230,537	-60,756
DEREIF Paris 37–39, rue d'Anjou, Yutz (F)	100.00	11,745,930	296,430
DEREIF Wien Beteiligungs GmbH, Vienna (A)	100.00	9,285,015	-130,094
DEREIF Wien Nordbahnstrasse 50 OG, Vienna (A)	100.00	9,708,746	467,307
DP7, Unipessoal Lda, Lisbon (P)	100.00	11,514,502	854,819
DRED S.C.S. SICAV-FIS, Luxembourg (L)	58.00	130,287,808	23,060,903
European Solar Power Fund No. 1 GmbH & Co. KG, Grünwald	4.35	185,854,868	9,567,392
GAV Versicherungs-AG, Legden	100.00	17,214,426	67,746
Hotelbetriebsgesellschaft SONNENHOF mbH, Bad Wörishofen	100.00	356,023	-
HYBIL B.V., Venlo (NL)	80.00	63,189,285	2,525,655
Ictus GmbH, Cologne	60.00	51,477,312	2,550,004
INVESCO Beteiligungsverwaltungs-GmbH & Co. KG, Munich	14.39	5,712,654	24,421
Kassos Ventures GmbH, Cologne	100.00	13,848,523	475,272
KCD Mikrofinanzfonds (FIS), Luxembourg, (L)	18.42	139,713,036[2]	5,036,305[2]
KLUGO GmbH, Cologne	100.00	2,306,117	-1,102,020
Lieb' Assur S.à.r.l., Nîmes (F)	100.00	386,910	8,894
Monega Kapitalanlagegesellschaft mbH, Cologne	45.00	7,186,657[2]	1,986,657[2]
SADA Assurances S.A., Nîmes (F)	100.00	62,865,167	10,630,412
Sana Kliniken AG, Ismaning	0.70	998,916,000[2]	98,567,000[2]
Sirio Immobilienfonds No. 4 Edinburgh Ferry Road S.à.r.l., Luxembourg (L)	100.00	-7,907,391	-3,144,046
Sirio Immobilienfonds No. 4 Red Luxembourg Main Building S.à.r.l., Luxembourg (L)	100.00	11,453,138	-266,779
		GBP	GBP
DEREIF London 10, St. Bride Street S.à.r.l., Luxembourg (L)	100.00	6,732,081	140,323
DEREIF London Birchin Court S.à.r.l., Luxembourg (L)	100.00	8,939,793	-260,136
DEREIF London Coleman Street S.à.r.l., Luxembourg (L)	100.00	5,565,127	-250,993
DEREIF London Eastcheap Court S.à.r.l., Luxembourg (L)	100.00	7,763,980	-147,506
DEREIF London Lower Thames Street S.à.r.l., Luxembourg (L)	100.00	8,464,420	-100,640
DEREIF London Queen Street S.à.r.l., Luxembourg (L)	100.00	15,310,155	132,109
		CZK	CZK
DEREIF Prag Oasis s.r.o., Prague (CZ)	100.00	515,262,000	27,798,000
		SEK	SEK
DEREIF Malmö, Kronan 10 & 11 AB, Malmö (S)	100.00	15,273,000	5,358,000
DEREIF Stockholm, Vega 4 AB, Stockholm (S)	100.00	15,599,000	930,000

[2] Based on 2018 financial year

[3] Based on subgroup financial statements

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

Re Assets B. II.

Other investments

Other loans include registered participation certificates and loans.

Re Assets E. II.

Other prepayments and accrued income

Advance payments for future services	**€ 88,255**

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	
As on 31/12/2018	€ 658,566,246
Allocation	€ 24,000,000
As on 31/12/2019	**€ 682,566,246**

Re Liabilities B. III.

Provision for claims outstanding

The settlement result net of reinsurance for the financial year stands at € 9.13 million (previous year € 4.87 million).

Re Liabilities E.

Accruals and deferred income

Discount points on registered bonds	**€ 368,639**

Notes to the profit and loss account

Reinsurance coverage provided		
	Financial year € 000s	Previous year € 000s
Gross premiums written		
- Life	8,917	15,862
- Non-life/accident	571,637	514,680
Total	**580,554**	530,542

Insurance agents' commission and other remuneration, personnel expenses		
	Financial year € 000s	Previous year € 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	304	304
4. Social-security contributions and social-insurance costs	-	-
5. Retirement pension costs	-	183
Total	**304**	487

During the year under review, Management Board remuneration totalled € 417,797. The retirement pensions of former Management Board members and their surviving dependants totalled € 251,693. As of 31 December 2019, a pension provision of € 3,561,753 was capitalised for this group of people. The Supervisory Board remuneration totalled € 176,088.

Of the other income, € 1,854,095 (previous year € 2,936,535) is attributable to currency conversion. Other expenses include € 5,177,584 (previous year € 2,546,797) from currency conversion.

Appropriation of profit

The overall net annual profit came to € 60.0 million. The net annual profit is shown as net retained profit.

The Management Board proposes to the Annual General Meeting that the sum of € 10.0 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 € 50.0 million being allocated to other retained earnings.

Other information

Difference pursuant to section 253 paragraph 6 of the German Commercial Code (HGB)

The difference pursuant to section 253 paragraph 6 HGB on the balance sheet date amounted to € 109.2 million (previous year € 105.9 million). This was due to the pension provision.

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.

Further explanations exist to secure real estate loans of the subsidiaries of DEREIF SICAV-FIS in the amount of € 32 million and GBP 35.85 million.

Contingent liabilities and other financial obligations

On the balance sheet date, there were financial obligations totalling € 4.9 million from open short options and € 40.0 million from forward purchases.

At the end of the year, other financial obligations arising from real estate holdings, fund units, shares in affiliated companies and participating interests totalled € 203.7 million. This includes obligations towards affiliated companies amounting to € 64.2 million.

In order to secure a guarantee line of USD 50.0 million, our company issued a securities deposit with a value of € 2.5 million.

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.

General information

DEVK Rückversicherungs- und Beteiligungs-AG - DEVK RE, Cologne, is registered at the local court under Commercial Register Number HRB 29417.

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 is owned by DEVK Deutsche Eisenbahn Versicherung Sach- und HUK-Versicherungsverein a.G. Betriebliche Sozialeinrichtung der Deutschen Bahn, Cologne, with 100 % interest. The aforementioned has disclosed, pursuant to section 20 paragraph 4 AktG, that it holds a voting rights majority.

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 provided in the consolidated notes.

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

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

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

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

Cologne, 12 March 2020

The Management Board

Rüßmann **Knaup** **Zens**

Independent audit certificate

To DEVK Rückversicherungs- und Beteiligungs-Aktiengesellschaft - DEVK RE, Cologne

Report on the audit of the annual financial statements and of the management report

Opinions

We have audited the annual financial statements of DEVK Rückversicherungs- und Beteiligungs-Aktiengesellschaft - DEVK RE, Cologne, comprising the balance sheet to 31 December 2019, the profit and loss account for the financial year from 1 January to 31 December 2019, as well as the notes, including the statement of the accounting policies. In addition, we have audited the management report of DEVK Rückversicherungs- und Beteiligungs-Aktiengesellschaft - DEVK RE for the financial year from 1 January to 31 December 2019. In conformity with German statutory requirements, we have not audited the content of the components of the management report mentioned in the "Other information" section of our auditor's report. In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply in all material respects with the prevailing German commercial regulations for insurance undertakings, give a true and fair view, in accordance with German principles of proper accounting, of the assets, liabilities, and financial position of the Company as of 31 December 2019, and of its financial performance for the financial year from 1 January to 31 December 2019, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, the management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future developments. Our opinion on the management report does not extend to the contents of the management report components mentioned in the "Other information" section.

Pursuant to section 322 paragraph 3 clause 1 HGB, we hereby declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and management report.

Basis for the opinions

We conducted our audit of the annual financial statements and of the management report in accordance with section 317 HGB and EU Audit Regulation No. 537/2014 (hereinafter referred to as "EU Audit Regulation") and in compliance with the German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities according to those requirements and principles are further described in the section of our auditor's report entitled "Auditor's responsibilities for the audit of the annual financial statements and of the management report". In accordance with the provisions of European law and German commercial and professional law, we are independent of the Company, and we have also fulfilled our other German professional responsibilities pursuant to those provisions. Moreover, in accordance with Article 10, paragraph 2., point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5, paragraph 1 of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and the management report.

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters which, in our professional judgement, were of greatest significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2019. These matters were addressed in conjunction with our audit of the annual financial statements as a whole, and in forming our audit opinion in this regard; we do not provide a separate audit opinion on these matters.

Valuation of the shares in affiliated insurance companies

With regards to the applied accounting policies and methods we refer to the explanations given in the notes to the Company's annual financial statements in the "Accounting and valuation methods" section. Details regarding risks are contained in the management report in the "Risk report" section.

THE FINANCIAL STATEMENT RISK

The shares in affiliated companies amounted to € 870 million, which represents 30.7 % of the balance sheet total. Shares in affiliated insurance companies make up a substantial portion of this amount.

The cash inflows to be discounted in calculating the current value of the affiliated insurance companies according to the capitalised earnings method are determined via forecasts of the Company's future net financial surpluses.

The forecast reflects the subjective expectations of the company management regarding projected future business development. It is therefore very much a matter of judgement.

The planned net financial surpluses are discounted through application of capital cost parameters, the growth rate and the capitalisation interest rate, which is made up of a basic interest rate plus a risk premium. This risk premium includes further assumptions about the industry and the risk to which the individual company is exposed, and is therefore subject to the risk inherent in the uncertainty of the estimates made.

The risk lies in the possibility of the current value of the insurance companies being miscalculated, with impairment potential being overlooked.

OUR AUDIT APPROACH

When auditing the valuation of the shares in affiliated insurance companies, we performed the following principal audit activities:

- In order to assess the suitability of the assumptions used for corporate planning purposes, we acquired an understanding of the planning process.
- Through interviews and inspections, as well as via plausibility considerations, we satisfied ourselves that the information about the past, present and future used for planning purposes was reasonable and non-contradictory in nature. In so doing, we also appraised the accuracy of past years' planning.
- In judging the suitability of the assumptions made in the corporate planning of the life insurance company, we employed the services of our own actuaries.
- We analysed the capital cost parameters employed against criteria of normal industry practice. We also compared the parameters used with external sources.
- We satisfied ourselves as to the suitability of the valuation model and conducted an assessment of its computational accuracy.

OUR OBSERVATIONS

The method on which the impairment testing of the shares in affiliated companies is based is appropriate and in accordance with the valuation policies. The Company's overall assumptions, estimates and parameters are appropriate.

Appropriateness of the estimates in relation to Group-external insurance business undertaken for gross premiums written and the provisions for outstanding claims

With regards to the applied accounting policies and methods we refer to the explanations given in the notes to the Company's annual financial statements in the "Accounting and valuation methods" section. Details regarding risks are contained in the management report in the "Risk report" section.

THE FINANCIAL STATEMENT RISK

The estimated values included in the gross premiums written and the provisions for claims outstanding in relation to outside insurance business undertaken comprise a significant proportion of the overall values.

Charges made by Group-external ceding insurance companies, which were unavailable at the time of preparing the financial statements, were estimated using a cost estimation tool. Depending on the agreed invoicing method, the estimates may concern the fourth quarter or the whole of the second half year. The estimates will be replaced by the actual figures once the invoices are received and posted during the following year. The difference between the estimates and the actual charges as determined by the true-up process will be applied in profit or loss during the following year.

The risk exists that the estimates will fail to assess the values appropriately.

OUR AUDIT APPROACH

For the audit of the gross premiums written and the gross provision for claims outstanding, we engaged the additional services of our own specialists. We conducted the following specific audit activities:

- We recorded the process for estimating the value of reinsurance operations undertaken, identified key checks and tested the suitability and efficacy of these checks.
- Furthermore, on the basis of a judicious selection of policies, we gained an understanding of the estimates made during the year under review and of the true-up in relation to the previous year.
- Interviews and inspections were conducted in relation to any material discrepancies.
- We judged the quality of the estimates on the basis of the knowledge gained in this way.

OUR OBSERVATIONS

Taken as a whole, the estimates made in relation to outside insurance business undertaken are appropriate.

Other information

The Management or Supervisory Board is responsible for the other information. The other information comprises:

- The information contained in the management report that is not part of the management report and is marked as unaudited.

The other information also includes the remaining parts of the annual report.

Other information does not include the annual financial statements, the management report information audited in substance and our associated auditor's report.

Our opinions on the financial statements and on the management report do not cover the other information, and consequently we do not express an audit opinion or offer any other form of assurance in relation to said information.

In connection with our audit, our responsibility is to read the other information and consider whether it

- is materially inconsistent with the annual financial statements, the management report information audited in substance and the knowledge we acquired during the audit, or
- otherwise appears to be materially misstated.

Responsibilities of Management and the Supervisory Board for the annual financial statements and the management report

The management is responsible for the preparation of annual financial statements that comply, in all material respects, with the prevailing provisions of German commercial law as applied to insurance undertakings and for ensuring that the annual financial statements, in compliance with German principles of proper accounting, give a true and fair view of the Company's assets and liabilities, financial position and financial performance. In addition, the management is responsible for implementing such internal controls as they deem necessary in conformity with German principles of proper accounting, in order to permit the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the management is responsible for assessing the Company's ability to continue as a going concern. They are also responsible for disclosing matters related to the continuation of the Company's activities, where applicable. They are also responsible for financial reporting founded on the accounting policy of the going concern, provided no factual or legal circumstances militate against this.

Furthermore, the management is responsible for the preparation of a management report that, taken as a whole, provides an appropriate view of the Company's position and is consistent in all material respects with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the management is responsible for such arrangements and measures (systems) as they deem necessary to facilitate the preparation of a management report that complies with the applicable German legal requirements and provides sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and management report.

Auditor's responsibilities for the audit of the annual financial statements and of the management report

Our objectives are to obtain reasonable assurance as to whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and is consistent in all material respects with the annual financial statements and the knowledge obtained in the audit, complies with German legal provisions and appropriately presents the opportunities and risks of future developments, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements may arise from fraud or error and are considered material if they could individually or mutually be reasonably expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements in the annual financial statements and the management report, whether due to fraud or error, plan and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the circumvention of internal controls.
- Acquire an understanding of the internal control system relevant to the audit of the annual financial statements and of arrangements and measures relevant to the audit of the management report, in order to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these Company systems.
- Evaluate the appropriateness of the accounting policies used by the management and the reasonableness of estimates made by the management, as well as the related disclosures.
- Draw conclusions regarding the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, as to whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are obliged to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may mean the Company is no longer able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner conducive to ensuring that the annual financial statements give a true and fair view of the assets and liabilities, financial position and financial performance of the Company in compliance with German principles of proper accounting.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with applicable law, and the view of the Company's position it provides.
- Perform audit procedures on the forward-looking information presented by the management in the management report. On the basis of sufficient appropriate audit evidence, we evaluate, in particular, the significant assumptions used by the management as a basis for its forward-looking statements, and evaluate the proper derivation of the forward-looking statements from these assumptions. We do not express a separate audit opinion on the forward-looking statements or the assumptions on which they are based. There is a substantial unavoidable risk that future events will differ materially from the forward-looking statements.

We engage in discussions with the persons responsible for governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal control system that we identify during our audit.

We also provide the persons responsible for governance with a statement that we have complied with the relevant independence requirements, and discuss with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, the related safeguards.

From the matters discussed with the persons responsible for governance, we determine the matters which were of most significance in the audit of the annual financial statements for the current period and which therefore constitute the key audit matters. We describe these matters in our auditor's report unless public disclosure of the matter is forbidden by legislation or other legal provisions.

Other legal and regulatory requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as the auditors at the Supervisory Board meeting on 8 May 2019. Furthermore, we were engaged by the Supervisory Board on 8 May 2019. We have acted as the auditor of DEVK Rückversicherungs- und Beteiligungs-Aktiengesellschaft - DEVK RE without interruption since its foundation in 1997.

We hereby declare that the opinions expressed in this auditor's report are consistent with the additional report to the Supervisory Board pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

In addition to the audit, we also rendered the following services, which are not stated in the annual financial statements or the management report, for the audited companies or for companies controlled by the audited companies:

- Audit of the annual financial statements and management reports of the parent company and controlled subsidiaries,
- Audit of the solo solvency overviews of the Company and its controlled subsidiaries,
- Audit of the Management Board's reporting on relationships with affiliated companies pursuant to section 312 paragraph 1 of the German Stock Corporation Act (AktG) (dependent companies report),
- Audit of the propriety of the data made availability to the guarantee scheme for life insurance policies pursuant to section 7 paragraph 5 of the Insurance Guarantee Scheme Financing Regulation (SichLVFinV),
- Audit pursuant to section 24 of the Financial Investment Brokerage Regulation (FinVermV).
- Tax appraisal and advice on individual accounting matters.

Chief auditor

The auditor in charge of the audit is Thorsten Klitsch.

Cologne, 30 March 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft

Klitsch	**Happ**
Auditor	Auditor

Supervisory Board report

During 2019, 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 2019 annual financial statements and management report prepared by the Management Board. This audit did not reveal any irregularities. An unqualified audit certificate was granted. The Supervisory Board has duly acknowledged the audit findings.

The Supervisory Board's own audit of the annual financial statements and management report likewise revealed no irregularities. The Supervisory Board hereby approves the 2019 financial statements, which are thus duly adopted.

The Supervisory Board agrees with the Management Board's proposal concerning the appropriation of the 2019 net retained earnings and hereby recommends that the Annual General Meeting passes 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 material details in the report are correct, and
2. the payments made by the company in connection with the legal transactions discussed in the report were not excessive."

We endorse this judgement and we 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, 30 April 2020

The Supervisory Board

Kirchner
Chairman