Company bodies

Supervisory Board

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

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

Ronald Pofalla
Essen
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

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 2020, DEVK Rückversicherungs- und Beteiligungs-AG - DEVK RE continued to expand further lines with the credit and securities business. We are also making greater use of our existing expertise in the field of cyber insurance.

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.

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 (up to 31 December 2020). Profit-and-loss 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, it received appropriate consideration for all such transactions. No measures were taken or omitted that placed our company at a disadvantage at the instigation of or in the interest of affiliated companies.

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 2020, all the unresolved issues of 2019 (trade conflicts, Brexit, refugee policy, national debt development) as well as the climate debate, and with it the discussions regarding the restructuring of the automotive industry, took a background seat almost overnight due to the emergence of the Corona virus pandemic. Politically, the first half of the year was therefore dominated by reports of state aid measures. During the second half of 2020, the media added the election of the US president, the final Brexit negotiations and the harbingers of the Bundestag elections in Germany to the mix.

The significant restrictions brought in as a result of the Corona virus – which at times brought public life almost entirely to a standstill – led to a global economic slump in 2020, which affected the company's investments. For example, GDP in Germany fell by 9.7 % in the second quarter of 2020 despite the partial easing of the lockdown in May and June 2020. This was associated with the stock markets crashing (the DAX fell by up to 40 % for example), but also a widening of risk premiums for corporate bonds at record speed. Concerns about a wave of insolvencies and a massive increase in unemployment rates led to extensive state aid programmes, as well as major interventions in the form of liquidity measures by central banks around the world. Over the summer months, a strong degree of normalisation set in with an 8.5 % increase in German GDP in the third quarter compared to the previous quarter. However, a second wave of Corona virus infections led to a number of further lockdowns worldwide in the fourth quarter. A so-called "lockdown light" was enacted in Germany on 2 November 2020, which was toughened and became a hard lockdown on 16 December 2020. This second lockdown continued in Germany into the new year, and led to a weakening of GDP growth in the fourth quarter of 2020 in Germany to just +0.3 % compared to the previous quarter. The approval of the first Corona virus vaccines in December 2020 raised and continues to raise hopes for an (almost) complete normalisation by the end of 2021 or early 2022, which the capital markets, driven by the once again intensified low interest rate environment, seem to have already anticipated. The IFO Business Climate Index had already risen again to 92.1 points by the end of 2020, following on from a low of 75.4 points in April 2020 and a year-end level of 95.8 points in 2019. Economists surveyed by Bloomberg expect real GDP to recover by an average of 3.5% in 2021 (2020: -5.0 %). GDP growth in the USA in 2020 stood at 3.5 %, whilst economists expect average growth of 4.9 % in 2021.

The situation on the bond market in 2020 was also characterised by the developments surrounding the Corona virus pandemic. The 10-year Euro swap rate fell from over 0.21 % at the start of the year to below -0.31 % at times in March 2020, before jumping back to just under 0.16 % due to Corona concerns, and then falling almost continuously to -0.26 % at the end of the year. The 10-year federal bond experienced similar development, falling to a low of -0.86 %, recovering to -0.20 % in the interim and standing at -0.57 % at the end of the year. Risk premiums on corporate bonds rose significantly from the end of February 2020 to the start of April 2020, but almost returned to pre-crisis levels by the end of the year. This development makes a long-term risk/return-oriented new investment in the interest rate area even more difficult. The German stock index DAX rose by 3.5 % to 13,719 points over the course of the year. By contrast, the EuroStoxx50 (excluding dividend income) lost 5.1 % in 2020. In addition to the hope for sustainable vaccination successes, the overflowing liquidity supply of the central banks as well as the lack of investment alternatives in the interest rate area were decisive for the positive development of shares since mid-March 2020.

The pandemic was a major challenge for the insurance and reinsurance industry. Processes were changed overnight, discussions and negotiations with clients and colleagues were predominantly virtual and face-to-face visits were almost non-existent in 2020. The major reinsurance conferences all over the world could also only take place virtually, although this largely took place successfully.

The Corona virus pandemic naturally had a major impact on the insurance side; it is still not clear what contribution – in terms of insured losses – will have to be made by the industry. The various estimates remain highly imprecise. Lloyd's anticipates losses of around € 100 billion, which is roughly equivalent to the major hurricane losses of 2005 and 2017. In addition, there were a large number of natural disasters. The hurricane season in the USA was the most active in years, with damage well above the average of the last ten years. Furthermore, high losses were caused by bush fires in both the USA and Australia. In Europe, we recorded just four storm events of lower level intensity, whilst the earthquakes in Turkey, Greece and Croatia were also mild.

Prices for reinsurance cover are rising for the first time in years, and a toughening of conditions in favour of providers is also apparent. This is driven not least by the retrocession markets, some of which have increased their prices by 20 % or more.

The original reinsurance capital available is picking up again; an increase of around € 20 billion can be expected – also due to newly established companies.

Business trends

In 2020, the gross premiums written for DEVK Rückversicherungs- und Beteiligungs-AG - DEVK RE were 12.8 % up at € 654.8 million, and were therefore stronger than expected (forecast almost 10 %). The greatest absolute increases were recorded in motor vehicle, homeowners' building and fire insurance. The number of policies reinsured (non-DEVK only) on 31 December 2020 stood at 2,202 (previous year 1,978). Customer numbers rose to 444 (previous year 409).

In the North America region (USA & Canada), the premium earned in 2020 increased by 123 % from € 13.9 million to € 31.0 million. Claims expenses stood at € 40.9 million, due to a large number of natural disasters. A derecho storm in August, a wind/hail event in April and three hurricane losses had a particular impact.

The underwriting result before changes to the equalisation provision stood at € 30.3 million (previous year € 37.8 million). Despite Corona virus-related claims expenses of € 29.0 million net, which include the formation of a provision for claims incurred but not reported in business interruption insurance in the amount of € 5 million, it was within our forecast corridor (€ 28 million to € 33 million). Due to a higher than expected allocation to the equalisation provision (€ 35.8 million), the net underwriting result of € - 5.5 million did not reach our forecast figure (upper single-digit million range).

The gross income from investments stood at € 206.9 million in 2020 (previous year € 215.8 million). As expected, the income from profit transfer agreements fell significantly, from € 142.9 million to € 115.3 million. This was due in particular to the development in the profit transfer from DEVK Allgemeine Versicherungs-AG (€ 101.4 million after € 121.6 million). Also in line with our forecast, write-ups on shares decreased, although contrastingly write-ups on shares in affiliated companies increased. Overall, write-ups stood at € 12.6 million (previous year € 12.6 million). In 2020, total capital investment expenditures stood at € 53.8 million, following on from € 10.9 million in the previous year. Depreciation (€ 28.0 million) and losses from the disposal of capital assets in the equity sector (€ 13.1 million) were unexpectedly high due to the Corona virus pandemic. This was largely offset by gains from the disposal of investments (€ 35.6 million). The total net investment income declined to € 153.0 million (previous year € 205.0 million). This met with our forecast from the previous year's annual report (previous year's forecast: we expect income from profit transfer agreements to be significantly below the previous year's level and write-ups to decline. We anticipate that our net investment result in 2020 will be significantly below last year's level.) The investment portfolio increased moderately in 2020, from € 2,483.5 million to € 2,823.1 million. The net interest rate was 5.8 %, following on from 8.5 % in the previous year. The company did not publish a forecast for the investment portfolio and net interest rate in the previous year's report.

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 extreme fluctuations resulting from the Corona virus pandemic – in particular on the stock markets – the equity ratio in 2020 was significantly down on the previous year. However, the mid-term plan is to build up the equity items again. In contrast, in 2020 the development of other long-term oriented real assets in the real estate, private equity and alternative investments sectors continued as planned.

Overall, the result from ordinary activities came in at € 76.0 million (previous year € 117.9 million), marginally exceeding the forecast figure of € 65 to € 75 million.

After a markedly lower tax expenditure than in the previous year, due to the release of tax provisions for previous years, the net profit for the year amounted to € 45.5 million (previous year € 60.0 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	-5,456	2,635	-8,091
Investment result	153,038	205,017	-51,979
Other result	-71,554	-89,758	18,204
Profit from ordinary activities	**76,028**	117,894	-41,866
Taxes	30,528	57,894	-27,366
Net profit for the year	**45,500**	60,000	-14,500

Underwriting result, net of reinsurance

Gross premium receipts rose 12.8 % to € 654.8 million. By far the largest portion of the increase originated from non-DEVK business. Earned premiums net of reinsurance rose by 13.3 % to € 517.0 million (previous year € 456.4 million). Claims expenses net of reinsurance increased to € 354.1 million (previous year € 291.8 million). The ratio of net claims expenses to earned net premiums therefore rose to 68.5 % (previous year 63.9 %). The ratio of expenses on insurance operations net of reinsurance to earned premiums net of reinsurance improved to 25.1 % (previous year 27.2 %). The underwriting result before changes to the equalisation provision came to € 30.3 million (previous year € 37.8 million). After an allocation to the equalisation provision of € 35.8 million (previous year € 35.2 million), the underwriting result net of reinsurance stood at € -5.5 million (previous year € 2.6 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	6,188	8,917	-30.6 %	-	-	589	-264
Accident	39,563	42,843	-7.7 %	-	-	14,238	8,732
Liability	7,515	6,011	25.0 %	-1,152	-2,108	-1,622	-1,238
Motor vehicle	254,080	222,810	14.0 %	-15,233	-13,056	69	-970
Fire and non-life	311,289	270,715	15.0 %	-21,477	-17,960	-2,517	-6,912
of which:							
Fire	78,471	60,068	30.6 %	-1,047	3,256	-2,848	-588
Household contents	23,365	21,908	6.7 %	-	-	3,925	5,389
Homeowners' building	145,498	128,541	13.2 %	4,817	-6,187	15,291	4,063
Other non-life	63,954	60,199	6.2 %	-25,247	-15,028	-18,885	-15,775
Other	36,164	29,258	23.6 %	2,079	-2,067	-16,212	3,286
Total	**654,799**	580,554	12.8 %	**-35,783**	-35,191	**-5,456**	2,635

The largest increases in premium amounts are recorded for motor vehicle, homeowners' building and fire. Before changes in the equalisation provision, accident, motor vehicle and homeowners' building made the biggest contributions to earnings in the 2020 financial year.

Investment result

At € 206.9 million, the investment result was slightly down on the previous year's figure (€ 215.9 million). This was due in particular to the lower revenues from profit transfer agreements with affiliated companies. The income from profit transfer agreements with affiliated companies totalled € 115.3 million (previous year € 142.9 million). Also included were € 35.6 million in profits from disposals of investments (previous year € 10.9 million), as well as € 12.6 million in write-ups (previous year € 12.6 million).

At € 53.8 million, investment expenses were markedly higher than in the previous year (€ 10.9 million), in particular due to the effect of the Corona virus crisis on the equities sphere. Decisive here was an increased write-down requirement on investment expenses (€ 28.0 million as against € 4.7 million in the previous year). Losses from disposals of investments, in particular shares, came to € 13.1 million (previous year € 0.8 million). Charges from loss transfers in 2020 amounted to € 10.6 million, up from € 3.8 million in the previous year. The administration costs were € 2.2 million (previous year € 1.6 million).

Total net investment income therefore significantly declined to € 153.0 million (previous year € 205.0 million). The development in 2020 corresponds to our forecast from the previous year, as described above.

Other result

The "Other" result, including the technical interest income, improved to € -71.6 million (previous year € -89.8 million). Lower expenses for pensions and high interest income from tax refunds contributed to this.

Profit from ordinary activities

The declines in the technical result and investment result were only partially offset by the improvement in the other result. The result from ordinary activities, of € 76.0 million, was consequently down on the previous year's figure (€ 117.9 million).

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. Significant tax provisions for previous years were released in 2020. At € 30.5 million, the tax expenditure was therefore significantly lower than in the previous year (€ 57.9 million).

Operating result and appropriation of retained earnings

After taxes, the net profit for the year stood at € 45.5 million (previous year € 60.0 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 € 35.5 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 € 227.6 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 September 2020. As in the years 2008 to 2019, 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 September 2020 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)	2,823,129	2,483,448	339,682
Deposit receivables	66,673	62,574	4,098
Receivables arising out of reinsurance operations	41,560	29,084	12,476
Other receivables	164,311	240,885	-76,574
Other assets	19,248	18,736	512
Total assets	**3,114,922**	2,834,727	280,195
Equity	1,278,588	1,243,088	35,500
Technical provisions	791,341	660,075	131,266
Other provisions	842,921	818,797	24,124
Liabilities arising from reinsurance operations	59,359	54,605	4,756
Other liabilities	142,357	57,794	84,563
Accruals and deferred income	356	369	-13
Total capital	**3,114,922**	2,834,727	280,195

In 2020, there were shifts within the capital investments from the equity block to bond and real estate investments. The share of alternative investments increased in 2020, in line with the strategic asset allocation. Overall, the composition of the investment portfolio did not change significantly in 2020.

The stronger orientation of the capital investment strategy towards real values is only reflected in the change in the capital investment portfolio to a small extent. On the one hand, this is due to the fact that the adjustment of asset allocation is a medium-term process. On the other hand, the sometimes extreme capital market volatilities in the wake of the Corona crisis led to a reduction of the risk position in the equity sector.

Of the other receivables, € 117.7 million (previous year € 147.4 million) concerns receivables under profit transfer agreements. The other receivables are primarily tax and interest receivables.

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 commitment and 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.

The employee survey conducted in autumn 2020 was influenced by the Corona virus pandemic. The changes to the framework conditions, such as the company-wide option of working from home, were clearly discernible in the feedback. This has had an extremely positive impact on employee satisfaction. With its crisis management, DEVK has understood how to offer its employees safety through appropriate measures and therefore ensure a high level of satisfaction.

Employee satisfaction index		
	Financial year Points	Previous year Points
Actual	817	769
Target	777	777

The target set for 2021 is 793 points.

Overall verdict on the management report

In 2020, the investment result was impacted by upheavals due to the extreme uncertainty and price volatility resulting from the global pandemic.

All in all, the company's net assets, financial position and results of operations developed in a satisfactory manner throughout 2020.

Outlook, opportunities and risks

Outlook

During 2021 we are expecting premium growth of around 9 %. We expect the highest increases to arise in motor vehicle and bond insurance. On the non-life side, we consider that the provisions formed in the 2020 financial year in the business interruption insurance impacted by the Corona virus pandemic are sufficient, especially since a provision for claims incurred but not reported of € 5 million was established for this. Before changes to the equalisation provision, we are expecting a technical account result of between € 30 million and € 40 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.

The overall economic development, which strongly influences the capital markets, depends on the further course of the Corona virus pandemic in 2021 and also in 2022. Overall, the economic outlook for 2021 is positive after the sharp economic slump in 2020, although it is characterised by a high degree of uncertainty. Since a large part of the expected positive development has already been anticipated by the capital markets, setbacks are to be expected on the road to recovery. The decisive factor for capital market development will be how effective the approved vaccines actually transpire to be. It remains to be seen to what extent previous habits (regarding private and professional domestic and foreign travel, working from home, digitalisation, hygiene or major events) will change in the long term.

In view of the sharp increase in government debt and the significantly expanded acquisition programmes of all major central banks, we do not expect interest rates to rise significantly in the short and medium term. A shift away from an expansionary monetary policy has become even more difficult for central banks. We do not anticipate a lasting change in monetary policy in the USA for the time being either, following on from the change of government.

Leading indicators, such as purchasing manager indices, have recovered globally after the shock of the pandemic. For the most part, this development is still pending in corporate results, despite share prices having already risen. According to forecasts by the World Bank, the global economy is heading for economic growth of 4.0 % in 2021, following on from the -3.5 % slump in 2020. According to forecasts for 2021 by the World Bank, the Chinese economy could once again prove to be the driving force of the global economy with growth of 7.9 %. All in all, uncertainty regarding the further development of the capital markets in 2021 is very high and is heavily dependent on further Corona virus infection rates. If hopes for social and economic life returning to normal soon prove to be futile, significant corrections on the capital markets are likely.

In the field of investments, in 2021 we expect DEVK Rückversicherungs- und Beteiligungs-AG - DEVK RE to generate income from profit transfer agreements significantly below the previous year’s level. The reason for this is, in particular, a lower profit transfer from DEVK Allgemeine Versicherungs-AG, which expects a significant increase in claims expenses in motor vehicle insurance after these fell sharply in 2020 due to the pandemic. Furthermore, we assume that there will be a significant decline in the high write-downs on shares in 2020. However, we also anticipate a significant decline in gains on disposals. We expect that our net investment result in 2021 will be moderately down on last year. The investment portfolio should witness a moderate increase in 2021, whilst the net interest rate should decrease moderately.

We are forecasting profit from ordinary activities in 2021 to be in the order of € 30 million to € 40 million.

With regards to employee satisfaction, DEVK has set itself a target index value of 793 points. In 2020, the value stood at 817 points and was strongly influenced by the company's actions taken in the context of the Corona virus pandemic, which were widely supported by the workforce.

Opportunities report

During the course of renewals for 2021, we terminated contracts with insufficient earnings expectations. Despite this portfolio restructuring, we were able to further increase the premium level in 2021. In addition to the increasing growth in the newer markets for us (North America) and our range in speciality segments, we were also able to take advantage of new opportunities in our traditional markets. We have also added energy to our 2021 portfolio, in order to further diversify our business.

In addition to a number of new clients, it is also pleasing that we are now also allocated higher shares, and that we are now the leading reinsurer in a number of programmes.

The steady expansion of our expertise, the stable financial situation of the company and the Group, and the now respectable size of our portfolio (according to S&P, we were among the top 40 reinsurance groups worldwide in 2019) continue to make us attractive to clients.

We see both risks and opportunities for investments in 2021, in particular due to the anticipated economic recovery in 2021 following on from the strong slump in 2020. If the Corona virus vaccines prove to be effective and the vaccination rate is high, thereby avoiding renewed restrictions on social and economic life around the globe, the rise in the value of real assets should continue, driven by continued low interest rates and the lack of investment alternatives. A potential (moderate) loss in the value of the euro against other currencies constitutes a further opportunity for company investments in 2021, due to foreign currency gains. Bonds with a high credit rating – such as German federal bonds – could lose value in a positive economic environment. However, if bonds are held to maturity, a non-creditworthiness-induced decline in value due to an increase in interest rates does not have a direct impact on the company's earnings situation.

The company expects volatile, overall slightly positive movement on the stock markets in 2021, following on from the massive crash and rebound of share prices. However, not all sectors are likely to be equally affected. Overall, we expect depreciation on equity investments to decline significantly in 2021. The planned expansion of real assets in the portfolio increases the earnings potential of the investment 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	%
2011	70.8	2016	66.2
2012	68.2	2017	70.8
2013	72.6	2018	67.3
2014	68.6	2019	63.9
2015	65.3	2020	68.5

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 is distributed among several external reinsurers. Our selection of reinsurers takes 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. The negative settlement result in 2020 resulted from a number of different events, such as increased frequency or individual claims, whose occurrence or development could not be foreseen.

Settlement result net of reinsurance as % of original provision

Year	%	Year	%
2011	2.2	2016	3.0
2012	2.8	2017	3.2
2013	13.7	2018	1.6
2014	-4.1	2019	2.6
2015	2.4	2020	-3.3

Our equalisation provisions provide an additional safety cushion that contributes to the smoothing of our underwriting results. As of 31 December 2020, their volume totalled € 223.7 million (previous year € 187.9 million).

Risk of defaults by debtors arising from our insurance operations

Amounts receivable from reinsurance business at the end of the year came to € 41.6 million. These include receivables from reinsurers totalling € 1.9 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-	0.06
A+	0.98
A	0.49
A-	0.33

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 interest in DEVK Allgemeine Versicherungs-AG and the 51 % interest in DEVK Vermögensvorsorge- und Beteiligungs-AG. They chiefly concern the company’s obligations under various control and profit transfer 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 market price developments, in particular interest rate, share price, real estate or exchange rate risks,
- counterparty default risk (credit risk),
- the risk of strongly correlated risks that in turn increase counterparty risk (concentration risk),
- the 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. Since 2020, the Strategic Asset Allocation has included a separate asset class for alternative investments (Infrastructure and Other). 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. 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 2020 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 2020, 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
- Currency-matched refinancing in the field of indirect real estate investments
- Hedging against currency risks via forward contracts
- Adjustment of equity risks via options trading
- Use of bond forward purchases

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 2020, the Company held interest-bearing investments with a total value of € 1.48 billion. A total of € 664.4 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 € 598.6 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 € 91.3 million. This figure includes no hidden charges. As of 31 December 2020, the total valuation reserves for our interest-bearing investments came to € 143.0 million. A change in returns of up to +/-1 % would result in a corresponding value change of € -107.4 million or € 113.7 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. The short-term massive widening of credit spreads at the beginning of the pandemic in Europe illustrates this. At the end of 2020, credit spreads were almost back to pre-crisis levels, but credit rating downgrades as a result of the Corona virus crisis remain possible in 2021.

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 22.6 % of our total investments. At the end of 2020 there were no investments in asset-backed securities. Bonds from the European peripheral countries Ireland, Italy and Spain are held to a small extent. In 2020 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, 3.0 % of the company's investments are in government bonds, 22.6 % in corporate bonds and 25.3 % 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	47.8 %	(44.9 %)
A	30.2 %	(30.5 %)
BBB	20.2 %	(23.1 %)
BB or worse	1.8 %	(1.6 %)

The company's rating distribution has changed only slightly from last year. The overall risk situation has not changed significantly from the company's perspective. 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 € 36.2 million. The German share index, including dividends, was slightly up at the end of 2020, whilst the European share index was slightly down. The fluctuations during the course of the year were extremely high. In the medium term, we continue to expect positive development, albeit with high levels of volatility in some cases. Equities to a value of € 6.1 million have been assigned to the fixed assets. The fixed-asset equities and equity funds show do not show any valuation reserves. This figure includes no hidden charges.

During 2020, we actively reduced the equity ratio significantly against the backdrop of the Corona virus crisis, and increased it again slightly at the end of the year. If economic problems should arise as a result of the pandemic worsening, the equity ratio can be actively adjusted.

Real estate

On the balance sheet date, we held indirect mandates to a value of € 213.9 million. Of this, € 145.0 million was invested in direct property holdings and € 68.9 million in real estate funds. In 2020, the write-downs on these real estate investments stood at € 1.5 million. Real estate assets to a value of € 64.5 million have been assigned to the fixed assets. The valuation reserves in the fixed assets stand at € 3.7 million; there are no hidden liabilities. 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.

Alternative investments

Investments in the alternative investments sector have predominately existed for years. The decision was made to further expand this asset class as part of the Strategic Asset Allocation adjustment, which took place at the end of 2019. Since then, the alternative investments division has been managed as an independent reporting unit.

The alternative investments portfolio (excluding private equity) is divided between investments in Infrastructure and Other. On 31 December 2020 the volume stood at € 60.2 million (previous year +37.3 %). This corresponds to 2.1 % of the total investments at book value. The portfolio is split almost 90:10 between infrastructure and other alternative investments. In the 2020 financial year, write-offs of € 2.4 million arose due to mobility restrictions as a result of the Corona virus pandemic. The ordinary income for 2020 stands at € 0.7 million. Due to the configuration of alternative investments, most of the costs are incurred at the beginning of the investment phase.

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. As part of the strategic initiative "Digitalisierung nutzen" ("Using Digitalisation"), DEVK's digitalisation strategy envisages a far-reaching transformation of the application landscape to the cloud. The topic of data protection is also gaining in importance, not least due to the ECJ ruling of 16 July 2020 regarding the adequacy of the EU-US Privacy Shield. Various processes and activities are currently being investigated in relation to the ECJ ruling. DEVK's data protection officer has issued a recommended course of action on the verification requirements when using EU standard contractual clauses in a third country.

The lockdown in place due to the Corona virus pandemic limits face-to-face customer contact in sales and could also lead to increased downtime and backlogs for office-based staff. The pandemic risk already documented in the risk inventory was reassessed at the beginning of the Corona virus pandemic. A crisis team was set up and meets regularly. Behavioural and hygiene measures were intensified and business travel was restricted. The proportion of work carried out from home was expanded considerably. In the event of a company building closing, it is envisaged that work will take place entirely from home and from the available regional management offices.

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. In order to optimise the realisation of requirements, the focus in 2020 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, even with the prevailing Corona virus situation.

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 2019 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 2021

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 2020

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		1,010,856		1,087
II. Payments on account		43,715		1
			1,054,571	1,088
B. Investments				
I. Investments in affiliated companies and participating interests				
1. Shares in affiliated companies	939,949,657			870,106
2. Loans to affiliated companies	236,842,208			100,160
3. Participating interests	97,914,409			68,521
		1,274,706,274		1,038,786
II. Other investments				
1. Shares, units or shares in investment funds and other variable-interest securities	340,693,582			325,563
2. Bearer bonds and other fixed-interest securities	607,555,528			630,261
3. Mortgage loans and annuity claims	37,750,000			-
4. Other loans	537,696,916			458,551
5. Deposits with banks	-			5,497
6. Other investments	24,727,108			24,788
		1,548,423,134		1,444,661
III. Deposits with ceding companies		66,672,666		62,574
			2,889,802,074	2,546,022
C. Accounts receivable				
I. Receivables arising out of reinsurance operations		41,559,985		29,084
of which:				
Affiliated companies: € 648,390				8,069
II. Other receivables		164,311,437		240,885
of which:			**205,871,422**	269,969
Affiliated companies: € 117,269,667				202
D. Other assets				
I. Tangible assets and inventories		349,663		316
II. Cash at banks, cheques and cash in hand		5,048,150		3,180
III. Other assets		35,514		32
			5,433,327	3,528
E. Prepayments and accrued income				
I. Accrued interest and rent		12,608,819		14,031
II. Other prepayments and accrued income		151,334		88
			12,760,153	14,119
Total assets			**3,114,921,547**	2,834,727

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		732,566,246		682,566
IV. Net retained profit		45,500,000		60,000
			1,278,588,436	1,243,088
B. Technical provisions				
I. Provision for unearned premiums				
1. Gross amount	44,115,510			39,616
2. of which from: Reinsurance amount	50,169			55
		44,065,341		39,561
II. Premium reserve		14,753,300		14,852
III. Provision for claims outstanding				
1. Gross amount	586,113,287			490,440
2. of which from: Reinsurance amount	77,486,129			72,776
		508,627,158		417,664
IV. Equalisation provision and similar provisions		223,715,054		187,932
V. Other technical provisions				
1. Gross amount	270,163			162
2. of which from: Reinsurance amount	90,255			96
		179,908		66
			791,340,761	660,075
C. Other provisions				
I. Provisions for pensions and similar commitments		786,419,440		713,115
II. Provisions for taxation		31,979,429		75,050
III. Other provisions		24,521,960		30,632
			842,920,829	818,797
D. Other liabilities				
I. Liabilities arising out of reinsurance operations of which:		59,359,342		54,605
Against affiliated companies: € 9,361,138				11,165
II. Liabilities to banks		34,000,000		51,007
III. Other liabilities		108,356,619		6,787
of which:			**201,715,961**	112,398
From taxes: € 1,183,882				1,194
Against affiliated companies: € 102,995,944				1,784
E. Prepayments and accrued income				
			355,560	369
Total liabilities			**3,114,921,547**	2,834,727

Profit and loss account
for the period from 1 January to 31 December 2020

Items	€	€	€	Previous year € 000s
I. Technical account				
1. Earned premiums net of reinsurance				
a) Gross premiums written	654,799,087			580,554
b) Outward reinsurance premiums	133,123,660			121,030
		521,675,427		459,524
c) Change in the gross provision for unearned premiums	-4,655,843			-3,139
d) Change in the gross provision for unearned premiums, reinsurers' share	-4,781			10
		-4,660,624		-3,129
			517,014,803	456,395
2. Allocated interest, net of reinsurance			**46,186**	66
3. Claims incurred, net of reinsurance				
a) Claims paid				
aa) Gross amount	325,156,892			307,687
bb) Reinsurers' share	67,214,267			72,631
		257,942,625		235,056
b) Change in the provision for claims outstanding				
aa) Gross amount	100,880,868			56,337
bb) Reinsurers' share	-4,709,845			415
		96,171,023		56,752
			354,113,648	291,809
4. Changes in other technical provisions, net of reinsurance				
a) Premium reserve, net of reinsurance		99,104		-1,012
b) Other technical provisions, net of reinsurance		-114,176		497
			-15,072	-515
5. Net operating expenses, net of reinsurance				
a) Gross operating expenses for insurance operations		161,567,725		153,139
b) of which, from: Reinsurance commissions and profit participation		31,569,558		28,987
			129,998,167	124,152
6. Other technical charges, net of reinsurance			**2,607,021**	2,160
7. Subtotal			**30,327,081**	37,826
8. Change to the equalisation provision and similar provisions			**-35,782,620**	-35,191
9. Technical result net of reinsurance			**-5,455,539**	2,635
Balance carried forward:			-5,455,539	2,635

Items	€	€	€	Previous year € 000s
Balance carried forward:			-5,455,539	2,635
II. Non-technical account				
1. Income from investments				
a) Income from participating interests	6,277,386			7,813
of which: from affiliated companies: € 5,012,066				6,158
b) Income from other investments	37,054,195			41,640
of which: from affiliated companies: € 1,468,579				1,115
c) Income from write-ups	12,629,281			12,605
d) Gains on the realisation of investments	35,648,784			10,929
e) Income from profit pooling, profit transfer and partial profit transfer agreements	115,271,157			142,888
		206,880,803		215,874
2. Investment expenses				
a) Investment management charges, interest expenses and other charges on capital investments	2,216,894			1,610
b) Write-downs on investments	28,008,761			4,693
c) Losses on the realisation of investments	13,065,725			773
d) Charges from loss transfer	10,551,198			3,782
		53,842,578		10,857
		153,038,225		205,017
3. Allocated interest		46,186		66
			152,992,039	204,951
4. Other income		38,168,433		5,807
5. Other charges		109,676,965		95,499
			-71,508,532	-89,692
6. Profit from ordinary activities			**76,027,968**	117,894
7. Taxes on income		30,520,499		57,890
8. Other taxes		7,469		5
			30,527,968	57,894
9. Net profit for the year/net retained earnings			**45,500,000**	60,000

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. For stock options with a value on the balance sheet date of more than the reported liability, a provision was recorded for the impending losses from pending transactions. The settlement method was applied for the calculation.

Mortgage loans and annuity claims are recognised at their costs of acquisition less an individual value adjustment for the potential default risks.

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 and 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.

Prepayments of costs for future periods were recorded under the **prepayments and accrued income**.

Technical provisions are calculated by application of the following principles:
Provisions for unearned premiums are recognised on the basis of the contracts with the primary insurers. When calculating the unearned premium provisions, we complied with the regulation laid down by the Finance Minister of North Rhine Westphalia on 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 2.3 % (previous year 2.71 %) 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 %, 1.5 % or 1.95 % 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.

The calculation of deferred tax gives 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 2020 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	1,087	189	-	-	-	265	1,011
2. Payments on account	1	43	-	-	-	-	44
3. Total A.	1,088	232	-	-	-	265	1,055
B. I. Investments in affiliated companies and participating interests							
1. Shares in affiliated companies	870,106	57,440	-	27	12,430	-	939,949
2. Loans to affiliated companies	100,160	236,375	-	99,692	-	-	236,843
3. Participating interests	68,521	33,831	-	622	-	3,816	97,914
4. Total B. I.	1,038,787	327,646	-	100,341	12,430	3,816	1,274,706
B. II. Other investments							
1. Shares, units or shares in investment funds and other variable-interest securities	325,563	143,819	-	106,431	183	22,440	340,694
2. Bearer bonds and other fixed-interest securities	630,261	88,832	-	110,094	16	1,460	607,555
3. Mortgage loans and annuity claims	-	107,750	-	70,000	-	-	37,750
4. Other loans							
a) Registered bonds	241,918	50,166	-	-	-	-	292,084
b) Notes receivable and loans	180,610	42	-	46	-	-	180,606
c) Other loans	36,023	92,150	-	63,166	-	-	65,007
5. Deposits with banks	5,497	2,298	-	7,795	-	-	-
6. Other investments	24,788	621	-	390	-	292	24,727
7. Total B. II.	1,444,660	485,678	-	357,922	199	24,192	1,548,423
Total	**2,484,535**	**813,556**	**-**	**458,263**	**12,629**	**28,273**	**2,824,184**

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 2020, 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	939,949,657	1,389,019,259
2. Loans to affiliated companies	236,842,208	236,842,208
3. Participating interests	97,914,409	98,641,909
B. II. Other investments		
1. Shares, units or shares in investment funds and other variable-interest securities	340,693,582	373,341,945
2. Bearer bonds and other fixed-interest securities	607,555,528	698,982,537
3. Mortgage loans and annuity claims	37,750,000	41,012,607
4. Other loans		
a) Registered bonds	292,083,822	315,182,597
b) Notes receivable and loans	180,606,385	204,970,074
c) Other loans	65,006,709	65,170,108
5. Other investments	24,727,108	29,503,699
Total	**2,823,129,408**	**3,452,666,943**
of which: Investments valued at costs of acquisition	2,541,629,408	3,149,472,050
of which: Investments in fixed assets pursuant to section 341b paragraph 2 HGB	669,100,005	764,094,658

The valuation reserves include hidden liabilities totalling € 1.3 million. These relate to shares in affiliated companies and participations.

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. The current value of the investments in real estate companies is determined from the valuation of the real estate properties at market value. Other shares are recognised at their book values.

The current values of participating interests correspond to the net asset value or 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 current values of other loans correspond to the book values.

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
Shares in affiliated companies	131	59
Participating interests	27,730	26,478

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 according to our evaluation tool or analyses.

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	4,630	279	94
Registered bonds	Forward purchases	15,000	-	3,552

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	2,281	156,548	4,778	
Bond funds	617	30,206	423	
Mixed funds	10	21,176	594	
Real-estate funds	269	73,389	4,507	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	160,724,493	1,840,000
DEVK Allgemeine Versicherungs-AG, Cologne	100.00	342,170,794	-
DEVK Krankenversicherungs-AG, Cologne	100.00	32,177,128	-
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)	58.97	735,680,410[3]	11,123,497[3]
DEVK Omega GmbH, Cologne	50.00	27,797,836	788,517
DEVK Private Equity GmbH, Cologne	50.00	314,793,994	13,921,647
DEVK Saturn GmbH, Cologne	33.33	38,068,083	864,030
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	10.00	277,530,962	-164,536,086
COMPAVO GmbH, Legden	100.00	901,124	3,378,602
CORPUS SIREO RetailCenter Fonds Deutschland SICAV-FIS, Luxembourg, (L)	26.88	11,271,650	-4,163,398
DEREIF Brüssel Carmen N.V., Brussels (B)	100.00	-2,330,161	-787,045
DEREIF Hungary Eiffel Palace Kft., Budapest (HU)	100.00	10,708,378	158,819
DEREIF Hungary Park Atrium Kft., Budapest (HU)	100.00	4,556,689[2]	-402,200[2]
DEREIF Immobilien 1 S.à.r.l., Luxembourg (L)	100.00	43,911,361	4,605,829
DEREIF Lissabon Republica Unipessoal Lda, Lisbon (P)	100.00	3,981,549[2]	337,780[2]
DEREIF Paris 6 rue Lamennais S.C.I., Yutz (F)	100.00	5,168,514	155,877
DEREIF Paris 9 chemin du Cornillon Saint Denis S.C.I., Yutz (F)	100.00	6,226,279	-4,258
DEREIF Paris 37-39, rue d'Anjou, Yutz (F)	100.00	11,684,426	-61,505
DEREIF Wien Beteiligungs GmbH, Vienna (A)	100.00	9,513,781	3,028,766
DP7, Unipessoal Lda, Lisbon (P)	100.00	11,514,502[2]	854,819[2]
DRED S.C.S. SICAV-FIS, Luxembourg (L)	62.28	198,590,179	9,067,371
European Solar Power Fund No. 1 GmbH & Co. KG, Grünwald	4.35	180,074,781	4,349,649
freeyou AG, Cologne	100.00	4,848,611	-
GAV Versicherungs-AG, Legden	100.00	17,214,426	-1,890,670
Grundversorgung S.C.S., Luxembourg, (L)	80.08	104,419,767[3]	6,118,581[3]
Hotelbetriebsgesellschaft SONNENHOF mbH, Bad Wörishofen	100.00	356,023	-3,466,431
HYBIL B.V., Venlo (NL)	80.00	63,305,645	2,116,360
Ictus GmbH, Cologne	60.00	53,730,837	-746,475
Infrastructure Access Portfolio-L 2 SCSp, Luxembourg (L)	7.20	222,516,220	6,057,646
Infrastructure Access Portfolio-L 3 SCSp, Luxembourg (L)	4.87	130,888,611	484,517
INVESCO Beteiligungsverwaltungs-GmbH & Co. KG, Munich	14.39	5,712,654	-24,421
Kassos Ventures GmbH, Cologne	100.00	26,465,447	310,882
KCD Mikrofinanzfonds (FIS), Luxembourg, (L)	9.21	143,546,828[2]	5,186,955[2]
KLUGO GmbH, Cologne	100.00	2,595,663	-1,191,015
Lieb' Assur S.à.r.l., Nîmes (F)	100.00	388,069	1,159
Monega Kapitalanlagegesellschaft mbH, Cologne	45.00	7,042,000[2]	1,729,000[2]
Reisebüro Frenzen GmbH, Cologne	52.00	174,100	-202,100
Rotonda Infrastructure 1 SCSp, Luxembourg (L)	3.23	121,158,145	3,609,157
SADA Assurances S.A., Nîmes (F)	100.00	71,483,784	8,618,618
Sana Kliniken AG, Ismaning	0.70	1,017,094,000[2]	64,112,000[2]
Sireo Immobilienfonds No. 4 Edinburgh Ferry Road S.à.r.l., Luxembourg (L)	100.00	10,149,051	-2,943,558
Sireo Immobilienfonds No. 4 Red Luxembourg Main Building S.à.r.l., Luxembourg (L)	100.00	12,357,833	904,695
Swiss Life Health Care III SIC (formerly Corpus Sireo Health Care III SICAV-FIS), Luxembourg (L)	1.70	117,444,821[2]	15,651,688[2]
		GBP	GBP
DEREIF London 10, St. Bride Street S.à.r.l., Luxembourg (L)	100.00	7,504,058	771,977
DEREIF London Birchin Court S.à.r.l., Luxembourg (L)	100.00	8,604,681	-36,950
DEREIF London Coleman Street S.à.r.l., Luxembourg (L)	100.00	5,749,996	184,870
DEREIF London Eastcheap Court S.à.r.l., Luxembourg (L)	100.00	7,614,503	-149,477
DEREIF London Lombard Street S.à r.l., Luxembourg (L)	100.00	8,334,309	-138,384
DEREIF London Lower Thames Street S.à.r.l., Luxembourg (L)	100.00	7,856,082	-608,338
DEREIF London Queen Street S.à.r.l., Luxembourg (L)	100.00	15,777,192	467,037
		CZK	CZK
DEREIF Prag Oasis s.r.o., Prague (CZ)	100.00	507,504,000	29,077,000
		SEK	SEK
DEREIF Malmö, Kronan 10 & 11 AB, Malmö (S)	100.00	36,386,000	21,114,000
DEREIF Stockholm, Vega 4 AB, Stockholm (S)	100.00	21,899,000	6,300,000

[2] Based on subgroup financial statements

[3] Based on 2019 financial year

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	**€ 151,334**

Re Liabilities A. I.

Subscribed capital

The subscribed capital totalling € 306,775,129 is divided into 120 million registered no par value shares.

Re Liabilities A. III.

Retained earnings	
- Other retained earnings	
As per 31/12/2019	€ 682,566,246
Allocation from retained profit of the previous year	€ 50,000,000
As per 31/12/2020	**€ 732,566,246**

Re Liabilities B. III.

Provision for claims outstanding

The settlement result net of reinsurance for the financial year stands at € -13.66 million (previous year € 9.13 million).

Re Liabilities E.

Accruals and deferred income	
Discount points on registered bonds	**€ 355,560**

Notes to the profit and loss account

Reinsurance coverage provided	Financial year € 000s	Previous year € 000s
Gross premiums written		
- Life	6,188	8,917
- Non-life/accident	648,611	571,637
Total	**654,799**	580,554

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	413	304
4. Social-security contributions and social-insurance costs	-	-
5. Retirement pension costs	-	-
Total	**413**	304

During the year under review, Management Board remuneration totalled € 424,560. The retirement pensions of former Management Board members and their surviving dependants totalled € 256,199. As of 31 December 2020, a pension provision of € 3,598,767 was capitalised for this group of people. The Supervisory Board remuneration totalled € 178,264.

Of the other income, € 9,055,010 (previous year € 1,854,095) is attributable to currency conversion. Other expenses include € 4,832,073 (previous year € 5,177,584) from currency conversion.

Appropriation of profit

The overall net annual profit came to € 45.5 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 € 35.5 million being allocated to other retained earnings.

Auditors' fees

For services rendered by the auditors (KPMG AG Wirtschaftsprüfungsgesellschaft) for the company in the financial year, a fee of € 137,953 was paid (including € 2,304 in additional expenditure for 2019). This was entirely incurred due to audit services.

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 € 113.7 million (previous year € 109.2 million). This was due to the pension provision.

Parent company guarantee

Our company has undertaken to provide COMPAVO GmbH and Outcome Unternehmensberatung GmbH with sufficient funds by 31 December 2020, to enable them to duly meet their obligations at all times.

Further explanations exist to secure real estate loans of DEREIF SICAV-FIS and its subsidiaries in the amount of € 32.0 million and GBP 36.3 million, as well as of DRED SICAV-FIS in the amount of € 161.8 million.

Contingent liabilities and other financial obligations

On the balance sheet date, there were financial obligations totalling € 51.8 million to secure the real estate loans of DEREIF SICAF-FIS, € 4.6 million from open short options and € 15.0 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 € 227.9 million. This includes obligations towards affiliated companies amounting to € 144.3 million.

Redemption obligations from assignments of receivables exist in the amount of € 55 million.

In order to secure a guarantee line of USD 50.0 million, our company issued a securities deposit with a value of € 16.0 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.

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 2021

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 2020, the profit and loss account for the financial year from 1 January to 31 December 2020, 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 2020. 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 2020, and of its financial performance for the financial year from 1 January to 31 December 2020, 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.

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 € 939.9 million, which represents 30.2 % 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 any offer any other form of assurance in relation to said information.

In connection with our audit, our responsibility is to read the aforementioned 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 also have the responsibility for disclosing, as applicable, matters related to going concern. 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 30 April 2020. Furthermore, we were engaged by the Supervisory Board on 30 April 2020. We have acted as the auditor of DEVK Rückversicherungs- und Beteiligungs-Aktiengesellschaft - DEVK RE without interruption since the 1997 financial year.

We hereby declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee 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),
- Consultancy services in the area of IT compliance, and
- Tax appraisal and advice on individual accounting matters.

Chief auditor

The auditor in charge of the audit is Thorsten Klitsch.

Cologne, 26 March 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft

Klitsch	**Bläser**
Auditor	Auditor

Supervisory Board report

During 2020, 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 2020 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 2020 financial statements, which are thus duly adopted.

The Supervisory Board agrees with the Management Board's proposal concerning the appropriation of the 2020 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 2021

The Supervisory Board

Kirchner
Chairman