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
Hürth

Bernd Zens
Königswinter

Management report

Company foundations

Business model

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

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

Affiliated companies and participating interests

The affiliated companies of DEVK Rückversicherungs- und Beteiligungs-AG - 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 and GAV Versicherungs-AG. 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.

In the report on links with affiliated companies to be prepared by the Management Board in accordance with section 312 of AktG, it was conclusively stated that, according to the circumstances known to us at the time when the legal transactions were carried out or the measures were taken or omitted, the company received appropriate consideration for each legal transaction and that our company was not disadvantaged by the fact that the measures were taken or omitted.

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,

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.

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

Economic activity in Germany experienced highly positive development following the end of the extensive lockdown measures from May 2021 until the fourth wave of the Corona virus in November of the same year. During the first quarter, real gross domestic product (GDP) still fell by 3.0 %, only to grow by 10.8 % year-on-year in the second quarter of 2021. By contrast, towards the middle of 2021, rising energy prices and disruptions to international supply chains led to an unexpected slowdown in growth momentum to +2.8 % in the third quarter and - together with the resurgence of the virus - to only +1.4 % year-on-year in the fourth quarter of 2021 (and therefore -0.7 % quarter-on-quarter). As such, price-adjusted absolute GDP was only just below the value at the end of the pre-pandemic year 2019. This development was accompanied by a significant increase in inflation rates to over 5.0 % in the fourth quarter of 2021, in both Germany and the USA. The Ifo Index rose steadily until June 2021, only to fall again for six months in a row from the middle of the year until the end of the year, declining from 101.7 points to 94.8 points.

The political discussions in 2021 were dominated by climate risk issues, the Bundestag elections and the subsequent formation of the government, as well as developments around the fourth wave of COVID-19. The planned government stimulus measures in the EU, and in particular in the US, led to high growth expectations for 2022 and a positive outlook especially for infrastructure investments. Economists estimate that real GDP growth in Germany will average 3.1 % in 2022 (according to Bloomberg), up from 2.9 % in 2021 (according to the Federal Statistical Office). GDP growth in the USA stood at 5.7 % in 2021; the expectation for 2022 is 3.6 % on average. In the second quarter, GDP growth in the USA was even higher than growth in China compared to the previous quarter, while it stood at the same level in the third quarter.

During the course of the year, the development of the stock markets increasingly disengaged from news regarding the pandemic as vaccination rates in the industrialised countries rose, until a sharp rise in incidences arose in conjunction with subsequent renewed restrictions on daily life in several European countries due to the emergence of the new Omicron variant of the virus. Up to the end of November 2021, the short-term mood on the stock markets was largely dampened by concerns about a reduction of monetary policy support measures. These declines generally turned into buying opportunities within a few days, driven by the lack of investment alternatives and the fear of missing out on further price rises. In 2021, the daily closing price of the German benchmark index DAX rose by 18.5 % at its peak (17 November 2021). Over the rest of the year, the dramatic deterioration in the circumstances around the pandemic caused a decline of over 7 %. Towards the end of the year, the situation on the capital markets eased and the DAX rose again by a good 5 %, so that a gain of 15.8 % was achieved by the DAX for the year as a whole - driven by a very loose monetary policy overall and a lack of investment alternatives in the interest rate area.

The mood on the bond market in 2021 was strongly influenced by concerns about rising inflation as well as the end of loose US monetary policy and (with a time lag) European monetary policy. Accordingly, the risk-free interest rates, as seen for the example with the 10-year Euro swap rate, rose significantly at times. The 10-year Euro swap rate gained over 0.4 percentage points and stood at just under 0.2 % from January to mid-May 2021. A decline in concerns about a near-term scaling back of central bank purchases and possible central bank rate hikes brought the 10-year Euro swap rate back down below -0.1 % in August 2021, only to rise above 0.3 % in October 2021. This interest rate was also valid on 31 December 2021. The yield on the ten-year German government bond developed in the same way, reaching a low of -0.6 % in January 2021, recovering to -0.1 % in the course of the year and standing at -0.2 % at the end of the year. The risk premiums on European investment grade corporate bonds fell by just under 0.1 percentage points by mid-2021, but rose significantly by almost 0.3 percentage points in November 2021 and reached a value only slightly above the level at the beginning of the year by the end of the 2021. In 2021 as a whole, the risk-free interest rates of bonds with a maturity of between 8 and 15 years rose more sharply than the long maturities of over 20 years, so that the risk-free interest rates for a maturity of 40 or 50 years, for example, were significantly lower than for 20 years. This constitutes a challenging situation for long-term investors, because it is difficult to map the long actuarial maturities on the investment side at acceptable yields.

2021 was the fourth most expensive year in history for the global insurance industry, whilst for Germany, Belgium, Austria, Luxembourg and China it was the most expensive financial year. Natural disasters caused losses of around USD 343 billion, of which around USD 130 billion were sums insured. High losses resulted in particular from Hurricane Ida, which landed in New Orleans, the extremely cold temperatures in southern USA in February, and a drought in North America with high agricultural losses. In Europe, floods caused by storm Bernd had a particularly negative impact. The year also witnessed floods in China and earthquakes in Japan, whereby this list is not exhaustive.

In addition to the high claims burden, the ever-prevalent Corona virus pandemic remained challenging. Although the adapted processes worked much better, personal contact was still restricted.

These events caused a further hardening of the reinsurance market. Some providers reduced the capacity of their natural disaster cover, whilst others withdrew from this segment altogether. A high level of discipline was observed among providers overall, which led in part to massive price increases and/or significant changes in the reinsurance structure. At the peak, increases of 75 % were recorded for loss-affected programmes.

This hardening was not only related to the affected regions and loss-affected programmes, but was general and global in nature - although it was much more moderate in the unaffected regions.

Business trends

In 2021, the gross premiums written for DEVK Rückversicherungs- und Beteiligungs-AG - DEVK RE were 11.1 % up at € 727.6 million, and were therefore stronger than expected (forecast around 9 %). The greatest absolute increases were recorded in motor vehicle and transport insurance. In the North America region (USA & Canada), the premium earned in 2021 increased from € 31.0 million to € 46.0 million. The number of policies reinsured (non-DEVK only) on 31 December 2021 stood at 2,519 (previous year 2,202). Customer numbers rose to 496 (previous year 444).

Due to a large number of natural disasters, the gross expenditure for claims in the financial year increased by 44.4 % to € 602.8 million. Storms "Volker" and "Bernd" in Central Europe and drought damage in Canada had a particular impact. Thanks to good reinsurance protection, the increase in expenses for insurance claims net of reinsurance was not as strong, at +21.1 %.

The underwriting result before changes to the equalisation provision stood at € -13.2 million (previous year € 30.3 million). As such, there was a significant shortfall on the forecast earnings corridor (€ 30 million to € 40 million). After an allocation to the equalisation reserve of € 13.5 million, the net underwriting result of € -26.7 million remained far below last year's forecast (upper single-digit millions).

The gross income from investments stood at € 232.1 million in 2021 (previous year € 206.9 million). Contrary to the expectation of a significant decrease, income from profit transfer agreements increased substantially from € 115.3 million to € 159.2 million. This was due in particular to the development in the profit transfer from DEVK Allgemeine Versicherungs-AG (€ 140.9 million after € 101.4 million). Write-ups increased slightly to € 13.1 million (previous year € 12.6 million). Gains from the disposal of investments fell significantly from € 35.6 million to € 12.8 million in 2021, as expected. The background to this development is the discontinuation of COVID-related profit realisations.

In 2021, total capital investment expenditures stood at € 19.3 million, following on from € 53.8 million in the previous year. As expected, there was a decrease in the high write-offs in the previous year due to the pandemic (from € 28.0 million to € 8.0 million) and in the losses from the disposal of investments; in particular in the equity sector (from € 13.1 million to € 0.2 million).

Overall, net investment income rose to € 212.7 million (previous year € 153.0 million). The investment portfolio increased moderately in 2021, from € 2,823.1 million to € 3,001.8 million. The net interest rate was 7.3 %, following on from 5.8 % in the previous year. This partially met with our forecast from the previous year's annual report (previous year's forecast: 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).

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. In 2021, the equity ratio was actively managed over the course of the year according to the market assessment. Overall, the equity ratio was increased again in 2021 - following on from the Corona virus-related reduction of the equity ratio in 2020. In the medium term, a further increase in equity items is planned as part of the investment strategy. In 2021, the development of other long-term oriented real assets in the real estate, private equity and alternative investments sectors was implemented as planned.

Due to the strong improvement in the investment result, the profit from normal business activities of € 89.7 million (previous year € 76.0 million) significantly exceeded the forecast of € 30 million to € 40 million.

The after-tax net annual profit came to € 34.3 million (previous year € 45.5 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	-26,747	-5,456	-21,291
Investment result	212,716	153,038	59,678
Other result	-96,232	-71,554	-24,678
Profit from ordinary activities	**89,737**	76,028	13,709
Taxes	55,436	30,528	24,908
Net profit for the year	**34,301**	45,500	-11,199

Underwriting result, net of reinsurance

Gross premium receipts rose 11.1 % to € 727.6 million. The growth came from business outside DEVK. Earned premiums net of reinsurance rose by 9.5 % to € 565.9 million (previous year € 517.0 million). Claims expenses net of reinsurance increased to € 429.0 million (previous year € 354.1 million). The ratio of net claims expenses to earned net premiums therefore rose to 75.8 % (previous year 68.5 %). The ratio of expenses on insurance operations net of reinsurance to earned premiums net of reinsurance stood at 25.6 % (previous year 25.1 %). The underwriting result before changes to the equalisation provision stood at € -13.2 million (previous year € 30.3 million). After an allocation to the equalisation provision of € 13.5 million (previous year € 35.8 million), the underwriting result net of reinsurance stood at € -26.7 million (previous year € -5.5 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	3,793	6,188	-38.7 %	-	-	940	589
Accident	45,210	39,563	14.3 %	-	-	15,898	14,238
Liability	16,704	7,515	122.3 %	-6,789	-1,152	-4,078	-1,622
Motor vehicle	282,218	254,080	11.1 %	-21,425	-15,233	-215	69
Fire and non-life	307,797	311,289	-1.1 %	24,688	-21,477	-24,109	-2,517
of which:							
Fire	81,429	78,471	3.8 %	-3,393	-1,047	-3,251	-2,848
Household contents	26,190	23,365	12.1 %	-	-	-198	3,925
Homeowners' building	111,208	145,498	-23.6 %	11,592	4,817	12,693	15,291
Other non-life	88,970	63,954	39.1 %	16,488	-25,247	-33,352	-18,885
Other	71,911	36,164	98.8 %	-9,998	2,079	-15,185	-16,212
Total	**727,631**	654,799	11.1 %	**-13,525**	-35,783	**-26,747**	-5,456

The largest premium increases in terms of value were recorded for motor vehicle and for transport insurance (which is included in the item "Other"). While motor vehicle grew exclusively abroad through external business, one third of the growth in transport came from Germany. The decline in premiums in homeowners' building resulted from the discontinuation of coinsurance business at DEVK Allgemeine Versicherungs-AG, which was passed on in full to DEVK Rückversicherungs- und Beteiligungs-AG - DEVK RE in previous years. Before the change in the equalisation reserve, accident and motor vehicle made the largest positive contributions to the result. The insurance classes homeowners' building, fully comprehensive motor vehicle and household contents are heavily

negatively impacted by storms "Bernd" and "Volker". Furthermore, a negative effect from "Bernd" and "Volker" is also included in other non-life insurance. The impact of the drought in Canada is additionally visible here. Other insurance includes the insurance types business closure with effects from COVID-19 as well as a proportionate negative effect from "Bernd" and "Volker".

Investment result

At € 232.0 million, the investment result was significantly up on the previous year's figure (€ 206.9 million). This was due in particular to the higher revenues from profit transfer agreements with affiliated companies. The income from profit transfer agreements with affiliated companies totalled € 159.2 million (previous year € 115.3 million). Also included were € 12.8 million in profits from disposals of investments (previous year € 35.6 million), as well as € 13.1 million in write-ups (previous year € 12.6 million).

At € 19.3 million, investment expenses in 2021 were significantly lower than in the previous year (€ 53.8 million), in particular due to the better development of the stock market. Decisive here was a lower write-down requirement on investment expenses (€ 8.0 million as against € 28.0 million in the previous year). Losses from disposals of investments, in particular shares, came to just € 0.2 million (previous year € 13.1 million). Charges from loss transfers in 2021 amounted to € 9.2 million, up from € 10.6 million in the previous year. The administration costs were € 2.1 million (previous year € 2.2 million).

Total net investment income therefore rose significantly to € 212.7 million (previous year € 153.0 million). This development in 2021, as set out above, does not correspond to our forecast from the previous year due to higher than expected profit transfers from affiliated companies.

Other result

The "Other" result, including the technical interest income, stood at € -96.2 million (previous year € -71.6 million). Higher pension costs contributed to the increase. Furthermore, higher interest income from tax refunds was received in the previous year.

Profit from ordinary activities

The declines in the technical result and other result were more than compensated for by the improvement in the investment result. The result from ordinary activities, of € 89.7 million, was consequently up on the previous year's figure (€ 76.0 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 € 55.4 million, tax expenses in 2021 were significantly higher than in the previous year (€ 30.5 million).

Operating result and appropriation of retained earnings

After taxes, the net profit for the year stood at € 34.3 million (previous year € 45.5 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 € 5.0 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 € 29.3 million being allocated to other retained earnings.

Financial position

Cash flow

Availability of the liquidity necessary to meet regular payment obligations is ensured through ongoing liquidity planning, which takes into account prospective liquidity movements over the coming 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 € 129.3 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 June 2021. As in the years 2008 to 2020, DEVK Sach- und HUK-Versicherungsverein a.G., DEVK Allgemeine Versicherungs-AG, DEVK Allgemeine Lebensversicherungs-AG and DEVK Rückversicherungs- und Beteiligungs-AG - DEVK RE were once again all assigned a rating of "A+" (very good). S&P Global Ratings assesses our future outlook as "stable". This confirms the very good financial position enjoyed by the DEVK companies.

Meanwhile, the rating agency Fitch came to the same conclusion, with its August 2021 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)	3,001,787	2,823,129	178,657
Deposit receivables	69,712	66,673	3,040
Receivables arising from reinsurance operations	130,216	41,560	88,656
Other receivables	266,884	164,311	102,572
Other assets	16,023	19,248	-3,225
Total assets	**3,484,622**	3,114,922	369,700
Equity	1,302,889	1,278,588	24,301
Technical provisions	974,527	791,341	183,186
Other provisions	950,524	842,921	107,603
Liabilities arising from reinsurance operations	112,970	59,359	53,612
Other liabilities	143,378	142,357	1,021
Accruals and deferred income	333	356	-23
Total capital	**3,484,622**	3,114,922	369,700

In 2021, there were shifts within the capital investments from the bond block to equity and real estate investments, and to the area of alternative investments. The share of strategic participations only decreases relative to the increasing capital investment portfolio. This development is in line with the objective of the Strategic Asset Allocation, of increasing the proportion of real assets in the portfolio.

The stronger orientation of the capital investment strategy towards real values is only gradually reflected in the change in the capital investment portfolio. This is due to the fact that the adjustment of asset allocation is a medium-term process. Furthermore, from a tactical perspective, a short-term adjustment of the asset allocation can be made according to the respective market assessment. This applies in particular to the comparatively volatile but liquid equity sector.

Of the other receivables, € 163.7 million (previous year € 117.7 million) concerns receivables under profit transfer agreements. The remaining receivables are predominantly receivables from an intra-group clearing account.

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 2021 was once again influenced by the Corona virus pandemic. The high workload in the claims area due to the flood disaster is also likely to have had an impact. The results of the survey show that employee satisfaction continues to be extremely positive. 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	791	817
Target	793	777

The target set for 2022 is 791 points.

Overall verdict on the management report

All in all, the company's net assets, financial position and results of operations developed in a satisfactory manner throughout 2021.

Outlook, opportunities and risks

Outlook

During 2022 we are anticipating strong premium growth of around 16 %. We expect the largest increases in values to come in the areas of technical insurance, fire and building insurance, and bond insurance. On the claims side, we anticipate a disproportionately low increase in net claims expenses. Before changes to the equalisation provision, we are therefore expecting a significant improvement in the technical account result to between € 30 million and € 40 million. After a high allocation to the equalisation provision, current estimates project that the underwriting result will be close to zero.

The economic development in the coming years is heavily dependent on the further progression of the Corona virus pandemic, but increasingly also on the inflation and interest rate development in the course of economic normalisation. Particularly crucial is the question of whether dangerous new virus variants will emerge and to what extent vaccines will prove effective against them. Other factors include the further development of supply chain difficulties, the change in central bank policy, and the risk of an expansion of the war in Ukraine or the consequences of the military action. The effects of the crisis in Ukraine are fraught in particular with major uncertainty, which in turn impacts the future development of DEVK's investments. In addition to direct effects on Russian companies, we also assume indirect effects on companies with a connection to Russia, be it via suppliers or customers. The extent of these effects is difficult to estimate, because it is largely dependent on the severity of the sanctions imposed by the USA and the EU, as well as their duration. Gas and oil prices have already risen significantly in the wake of the Ukraine crisis. We currently estimate the probability of a real supply shortage of gas and oil in Germany as low, but this cannot be ruled out and would have a significant impact on economic development in Germany and Europe.

It is likely that a large proportion of the expected further economic recovery had already been anticipated on the capital markets by the start of 2022. A possible end to loose monetary policy, on the other hand, was probably not fully factored in. The intensification of the Ukraine crisis has added a further element. Share valuations fell significantly in February 2022, and the extent to which this decline is sustainable is difficult to predict. This results in future risks on the capital markets, so that high volatilities must be anticipated. In view of the high levels of national debt and the uncertain further economic development, we do not anticipate an extreme rise in the interest rate level in the short to mid-term, despite the implementation of a partial reduction in the purchase programmes of central banks worldwide, in some cases the realisation of a rise in central bank interest rates, as well as the American Fed's announcement of an end to its bond purchase programme in March and the onset of interest rate rises. Very long-term interest rates have in fact barely risen to date, and have recently even fallen slightly in the USA for example.

Key leading economic indicators, such as purchasing managers' indices, fell in 2021 from the middle of the year. The ifo Business Climate Index for Germany reached a high of 101.7 points in June 2021 and then fell in each sub-

sequent month of 2021 to 94.8 points by the end of the year, recovering only slightly in January 2022. However, the reported company results were essentially positive in 2021. Valuation levels on the stock markets have therefore decreased again somewhat, although they are still above their long-term average. According to forecasts by the World Bank, the global economy is heading for economic growth of 4.1 % in 2022, following on from the 5.9 % recovery in 2021. The Chinese government played a more interventionist role in the economy in 2021 (GDP growth: 8.1 %), thereby more heavily regulating the economy as a whole and making it more difficult to invest in companies (e.g. in the context of private equity funds). This is likely to have a dampening effect on growth in the future. According to Bloomberg, economists expect average growth of only 5.2 % year-on-year for 2022 and 2023. This would put a damper on growth for export-driven countries like Germany in particular.

Overall, the uncertainty regarding the further development of the capital markets in 2022 can also be described as very high and heavily dependent on further pandemic events, the actions of the central banks and the tensions surrounding the war in Ukraine. If inflation rates do not fall quickly, there could be a risk of a wage-price spiral (feared by many) and in turn a more sustained and significant rise in inflation than expected. For an insurer's investments, this means that the fundamental yield advantage of real assets compared to bonds is not likely to change in 2022, but also that increased volatilities are to be expected.

In the field of investments, we expect income from profit transfer agreements to be significantly below the previous year's level in 2022 for DEVK Rückversicherungs- und Beteiligungs-AG - DEVK RE. The majority of the profit transfer consists of the transfer from DEVK Allgemeine Versicherungs-AG, which is anticipating a significant decrease in net income in 2022. Furthermore, we assume that there will be a significant decline in the high write-ups and we also anticipate a significant decline in gains on disposals. Overall, we expect that our net investment result in 2022 will be significantly down on last year. The investment portfolio should witness a substantial increase in 2022, whilst the net interest rate should decrease significantly.

We are forecasting profit from ordinary activities in 2022 to be in the order of € 35 million to € 45 million.

With regards to employee satisfaction, DEVK has set itself a target index value of 791 points. As such, the target corresponds to the actual value in 2021, which stands at a high level.

Opportunities report

Price increases on the market also led to improved inventory for us, which significantly increases the chances of us recouping our losses quickly.

We were also able to increase market shares in almost all segments and at adequate prices,

and we have once again expanded our range of services and capacities. We now also have a team with extensive experience and expertise in the field of technical insurance, which has already been very successful in acquiring new business in renewals for 2022.

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 2022, in particular due to the economic recovery being partially postponed from 2021 to 2022 according to economists' forecasts. If the winter pandemic wave of 2021/2022 subsides quickly through booster vaccinations and social distancing restrictions, and the situation in intensive care units witnesses sustainable recovery, economic growth in 2022 in Europe should be higher than in 2021. Furthermore, the inflation increase of 2021 could return to normal if special effects arising due to a disruption in supply chains, energy price increases, Corona-related pent-up demand and a base effect from the renewed increase in VAT in Germany cease to apply. This could limit the rise in interest rates - at least in Europe - and would represent a positive scenario for the stock market and bond market and thus lead to further increases in the value of real assets.

A potential (moderate) loss in the value of the euro against other currencies, as took place in 2021, constitutes a further opportunity for DEVK investments in 2022, due to foreign currency gains. In contrast, currencies such as the US dollar or the Swiss franc, as well as bonds with strong credit ratings such as German federal bonds, could lose value in a positive economic environment. However, if these instruments are held to maturity, this will not have an indirect influence on the profit situation of DEVK due to their nonpermanent decline in value (exception for foreign currency losses). DEVK expects volatile sideways movement on the stock markets in 2022. However, not all sectors are likely to be equally affected. 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

The board of an insurance company is responsible for appropriate risk management in accordance with section 26 paragraph 1 of VAG. Within DEVK, the foundations for the risk management and the tasks and responsibilities are set out in the risk strategy and the Solvency II guidelines on risk management.

The risk management function (RMF) and the associated risk management system have been aligned with the Solvency II requirements. The risk management function was established as a key function in a central unit. The risk management function is supported by decentralised risk management units (e.g. reinsurance, investments). A regular information exchange takes place in this regard, not least through the body of the decentralised risk session/Risk Committee. The risk management system therefore comprises both a centrally organised unit whose task it is to ensure risk management across all risk categories and decentralised risk management units which use their specialist knowledge to assess the risk situation locally. This does not affect the operational risk responsibility of the specialist units or the responsibility of the Management Board. The RMF is responsible for the risk management methods and techniques employed and for the development and maintenance of the company-wide risk management system. It coordinates the company's risk management processes and supports those responsible for risk within individual departments.

Core elements for controlling the risks of DEVK are the risk-bearing capacity concept and the limit system. The risk-bearing capacity concept guarantees adequate coverage of all significant risks through the company's own funds. It serves to map and operationalise the risk appetite of the company. For this purpose, limit values are

determined for the significant risks ("market risk", "underwriting risk" and "default risk"), in order to safeguard the target coverage quota of the company for a predefined safety level. Through this, all risks mentioned are assigned new maximum limits annually for the respective risk capital.

In order to operationalise risk controlling, a limit system is applied within DEVK as a monitoring system for prompt risk identification and evaluation. The limit capacity is portrayed in the form of risk ratios.

Additionally, a comprehensive risk inventory is compiled every six months, in which the risks are recorded and classified according to risk categories with the aid of a software solution. Wherever possible, the risks are quantified and the action necessary to manage the risks is recorded. Furthermore, risks are considered on an ad hoc basis, if these are significant.

With the aid of the risk-bearing capacity concept, limit system and risk inventory, we are able to react immediately and appropriately to developments that pose a risk to DEVK. The effectiveness and suitability are monitored by the Internal Auditing unit.

The decentralised risk session and the Risk Committee assess the risk situation faced by individual companies and by the Group as a whole quarterly, on the basis of the risk report, taking into account all discernible significant risks, as well as the limit capacities and current risk drivers. Finally, the risk report is presented to the Management Board members responsible for the various risk areas as part of a Management Board submission.

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). Against the backdrop of major loss events in 2021, we have reviewed our reinsurance cover and adjusted it accordingly.

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	%
2012	68.2	2017	70.8
2013	72.6	2018	67.3
2014	68.6	2019	63.9
2015	65.3	2020	68.5
2016	66.2	2021	75.8

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 generally adequate. A large number of different events, the occurrence or development of which could not be foreseen, resulted in a negative settlement result in 2020 and 2021. In addition, there was a major two-year contract with a settlement loss of € -4.6 million that could not be accounted for on an accrual basis due to limited accounting information.

Settlement result net of reinsurance as % of original provision			
Year	%	Year	%
2012	2.8	2017	3.2
2013	13.7	2018	1.6
2014	-4.1	2019	2.6
2015	2.4	2020	-3.3
2016	3.0	2021	-1.7

Our equalisation provisions provide an additional safety cushion that contributes to the smoothing of our underwriting results. As of 31 December 2021, their volume totalled € 237.2 million (previous year € 223.7 million).

Risk of defaults by debtors arising from our insurance operations

Amounts receivable from reinsurance business at the end of the year came to € 130.2 million. These include receivables from reinsurers totalling € 30.16 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-	1.25
A+	10.98
A	9.37
A-	0.34
without	8.22

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 also arises. This risk is countered by a risk-oriented business policy of the subsidiaries, whilst existing hidden reserves also reduce the depreciation risk.

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. The planned expansion of real assets in the portfolio therefore increases the risk level of the investments in the mid-term.

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 2021 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: in particular 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.

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, liquidity stress scenarios derived from the Solvency II stresses are also 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.

At the end of 2021, 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
- Possibility of hedging currency risks via forward exchange transactions
- Adjustment of equity risks via options trading

Based on the market assessment of the bond portfolio management, no bond pre-purchases exist in the portfolio as at 31 December 2021.

Interest-bearing investments

As of 31 December 2021, the Company held interest-bearing investments with a total value of € 1.51 billion. A total of € 648.7 million of these investments are in bearer instruments (including the pure pension funds), which could be subject to write-downs if interest rates rise. Of these bearer instruments, pursuant to section 341b HGB we have assigned a volume of € 590.5 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 € 54.0 million. This includes hidden liabilities totalling € 1.7 million. As of 31 December 2021, the total valuation reserves for our interest-bearing investments came to € 78.0 million. A

change in returns of up to +/-1 % would result in a corresponding value change ranging from € -95.2 million to € 100.6 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 risk premiums at the beginning of the pandemic in Europe illustrates this. By the end of 2021, these were only slightly above the pre-Corona virus level at the end of 2019. As observed in 2021, there is a possibility in 2022 of rising risk premiums as a result of credit rating downgrades in an economic slowdown, due to an expectation of rising interest rates or a stock market correction.

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 24.4 % of our total investments. At the end of 2021 the direct portfolio included no investments in asset-backed securities. Bonds from the European peripheral countries Ireland, Italy and Spain are held to a small extent. Bonds of issuers from Russia and Ukraine are not present in the direct portfolio or in screened special funds. The focus of new bond investments in 2021 was on bearer bonds from government-related and supranational issuers. 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, 3.3 % of the company's investments are in government bonds, 24.4 % in corporate bonds and 21.1 % 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 share of construction financing ultimately accounts for 1.3 % of our total investments.

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

Rating distribution

	Financial year	Previous year
AA or better	47.2 %	47.8 %
A	33.9 %	30.2 %
BBB	17.2 %	20.2 %
BB or worse	1.7 %	1.8 %

The company's rating distribution has improved slightly from last year. However, 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 € 42.9 million. The German share index, including dividends, experienced positive development

in 2021, whilst development of the European share index was even more positive. The fluctuations during the course of the year were high at times. In the medium term, we continue to expect positive development, albeit with high levels of volatility in some cases. Equities to a value of € 5.6 million have been assigned to the fixed assets. These shares are directly held stocks. The fixed-asset equities show valuation reserves of € -0.2 million. This figure includes no hidden reserves.

Once the Corona virus-related capital market turbulence calmed down, we increased the equity ratio during the course of 2021. If, for example, the situation around the pandemic should deteriorate again as a result of new dangerous virus variants, or if the Ukraine crisis should spread - and with it the accompanying economic problems - the equity ratio can be actively adjusted. As such, we have already reduced the effective equity ratio through future hedging in special funds due to the worsening of the Ukraine crisis at the start of 2022. A special fund resulted in minimal direct exposure to Russia in equities of less than 0.005 % of total investments at book value as at 31 December 2021. This exposure no longer existed at the time of the outbreak of war in Ukraine.

Real estate

On the balance sheet date, we held indirect mandates to a value of € 281.1 million. Of this, € 196.4 million was invested in direct property holdings and € 84.7 million in real estate funds. In 2021, the write-downs on these real estate investments stood at € 3.2 million. Real estate assets to a value of € 84.7 million have been assigned to the fixed assets. The valuation reserves in the fixed assets stand at € 9.7 million; hidden liabilities in the amount of € 0.05 million exist. 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

The decision was made to further expand the Alternative Investments asset class as part of the Strategic Asset Allocation adjustment, which took place at the end of 2019. The alternative investments portfolio (excluding private equity) is divided between investments in Infrastructure and Other. On 31 December 2021 the volume stood at € 84.1 million (previous year € 60.2 million). This corresponds to 2.8 % (previous year 2.1 %) of the total investments at book value. The portfolio is split almost 90:10 between infrastructure and other alternative investments. In the 2021 financial year, write-downs of € 0.03 million (previous year: € 2.4 million) and write-ups of € 0.2 million (previous year: none) were incurred, which are attributable to reversals of write-downs due to mobility restrictions as a result of the pandemic. The ordinary income in 2021 stands at € 0.8 million (previous year € 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 IT strategy envisages a far-reaching transformation of the application landscape to the cloud.

The social distancing restrictions related to the pandemic continue to be felt both in customer contact and in the office. 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. Video consultation is increasingly being used in sales. Furthermore, direct sales are being accelerated.

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 2021 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 2020 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, 11 March 2022

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 2021

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		1,084,150		1,011
II. Payments on account		44,999		44
			1,129,149	1,055
B. Investments				
I. Investments in affiliated companies and participating interests				
1. Shares in affiliated companies	989,640,333			939,950
2. Loans to affiliated companies	270,889,964			236,842
3. Participating interests	141,146,919			97,914
		1,401,677,216		1,274,706
II. Other investments				
1. Shares, units or shares in investment funds and other variable-interest securities	393,482,342			340,694
2. Bearer bonds and other fixed-interest securities	593,952,515			607,556
3. Mortgage loans and annuity claims	37,750,000			37,750
4. Other loans	550,503,693			537,697
5. Other investments	24,420,738			24,727
		1,600,109,288		1,548,423
III. Deposits with ceding companies		69,712,353		66,673
			3,071,498,857	2,889,802
C. Accounts receivable				
I. Receivables arising out of reinsurance operations of which:		130,216,130		41,560
Affiliated companies: € 1,059,039				648
II. Other receivables		266,883,453		164,311
of which:			**397,099,583**	205,871
Affiliated companies: € 230,227,375				117,270
D. Other assets				
I. Tangible assets and inventories		500,436		350
II. Cash at banks, cheques and cash in hand		3,686,950		5,048
III. Other assets		469		36
			4,187,855	5,433
E. Prepayments and accrued income				
I. Accrued interest and rent		10,524,708		12,609
II. Other prepayments and accrued income		181,261		151
			10,705,969	12,760
Total assets			**3,484,621,413**	3,114,922

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		768,066,246		732,566
IV. Net retained profit		34,300,930		45,500
			1,302,889,366	1,278,588
B. Technical provisions				
I. Provision for unearned premiums				
1. Gross amount	57,386,516			44,116
2. of which from: Reinsurance amount	29,202			50
		57,357,314		44,065
II. Premium reserve		13,951,349		14,753
III. Provision for claims outstanding				
1. Gross amount	802,402,569			586,113
2. of which from: Reinsurance amount	141,381,294			77,486
		661,021,275		508,627
IV. Equalisation provision and similar provisions		237,239,594		223,715
V. Other technical provisions				
1. Gross amount	5,015,209			270
2. of which from: Reinsurance amount	57,849			90
		4,957,360		180
			974,526,892	791,341
C. Other provisions				
I. Provisions for pensions and similar commitments		883,237,299		786,419
II. Provisions for taxation		43,967,209		31,979
III. Other provisions		23,319,343		24,522
			950,523,851	842,921
D. Other liabilities				
I. Liabilities arising out of reinsurance operations		112,969,794		59,359
of which:				
Against affiliated companies: € 42,499,474				9,361
II. Liabilities to banks		134,000,000		34,000
III. Other liabilities		9,378,388		108,357
of which:			**256,348,182**	201,716
From taxes: € 1,464,536				1,184
Against affiliated companies: € 4,580,303				102,996
E. Prepayments and accrued income				
			333,122	356
Total liabilities			**3,484,621,413**	3,114,922

Profit and loss account

for the period from 1 January to 31 December 2021

Items	€	€	€	Previous year € 000s
I. Technical account				
1. Earned premiums net of reinsurance				
a) Gross premiums written	727,630,960			654,799
b) Outward reinsurance premiums	148,589,002			133,124
		579,041,958		521,675
c) Change in the gross provision for unearned premiums	-13,094,596			-4,656
d) Change in the gross provision for unearned premiums, reinsurers' share	-20,967			-5
		-13,115,563		-4,661
			565,926,395	517,015
2. Allocated interest, net of reinsurance			**57,214**	46
3. Other technical income, net of reinsurance			**17,926**	-
4. Claims incurred, net of reinsurance				
a) Claims paid				
aa) Gross amount	398,190,682			325,157
bb) Reinsurers' share	115,271,576			67,214
		282,919,106		257,943
b) Change in the provision for claims outstanding				
aa) Gross amount	209,971,551			100,881
bb) Reinsurers' share	-63,920,518			-4,710
		146,051,033		96,171
			428,970,139	354,114
5. Changes in other technical provisions, net of reinsurance				
a) Premium reserve, net of reinsurance		801,951		99
b) Other technical provisions, net of reinsurance		-4,813,757		-114
			-4,011,806	-15
6. Net operating expenses, net of reinsurance				
a) Gross operating expenses for insurance operations		176,452,221		161,568
b) of which, from: Reinsurance commissions and profit participation		31,660,617		31,570
			144,791,604	129,998
7. Other technical charges, net of reinsurance			**1,450,807**	2,607
8. Subtotal			**-13,222,821**	30,327
9. Change to the equalisation provision and similar provisions			**-13,524,540**	-35,783
10. Technical result net of reinsurance			**-26,747,361**	-5,456
Balance carried forward:			-26,747,361	-5,456

Items	€	€	€	Previous year € 000s
Balance carried forward:			-26,747,361	-5,456
II. Non-technical account				
1. Income from investments				
a) Income from participating interests	9,087,625			6,277
of which: from affiliated companies: € 6,902,138				5,012
b) Income from other investments	37,980,214			37,054
of which: from affiliated companies: € 2,479,135				1,469
c) Income from write-ups	13,051,888			12,629
d) Gains on the realisation of investments	12,710,796			35,649
e) Income from profit pooling, profit transfer and partial profit transfer agreements	159,216,758			115,271
		232,047,281		206,881
2. Investment expenses				
a) Investment management charges, interest expenses and other charges on capital investments	2,059,622			2,217
b) Write-downs on investments	7,958,944			28,009
c) Losses on the realisation of investments	160,157			13,066
d) Charges from loss transfer	9,152,440			10,551
		19,331,163		53,843
		212,716,118		153,038
3. Allocated interest		57,214		46
			212,658,904	152,992
4. Other income		39,588,676		38,168
5. Other charges		135,763,390		109,677
			-96,174,714	-71,509
6. Profit from ordinary activities			**89,736,829**	76,028
7. Taxes on income		55,434,531		30,520
8. Other taxes		1,368		7
			55,435,899	30,528
9. Net profit for the year/net retained earnings			**34,300,930**	45,500

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.

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 as-

sets, in which case they are depreciated over a five-year period, beginning from the year of acquisition. Otherwise they are recorded as operating expenses in their year of acquisition.

Apart from the advance payments of costs for future periods, **prepayments and accrued income** chiefly comprise the interest claims not yet due recognised at nominal values.

Technical provisions are calculated by application of the following principles:
Provisions for unearned premiums are recognised on the basis of the contracts with the primary insurers. When calculating the unearned premium provisions, we complied with the regulation laid down by the Finance Minister of North Rhine Westphalia on 30 April 1974. The gross provision for unearned premiums denominated in foreign currencies was calculated on the basis of the year-end exchange rates. Exchange rate gains/losses are recorded under the other income/expenses. The provision for unearned premiums attributable to the reinsurers is calculated on the basis of the contracts with the reinsurers.

The **premium reserve** was recorded in accordance with the reinsurance policies, using the details provided by the ceding companies.

The gross amounts for the **provisions for claims outstanding** were recorded on the basis of the details provided by the ceding companies. The gross provision denominated in foreign currencies was calculated on the basis of the year-end exchange rates. Exchange rate gains/losses are recorded under the other income/expenses. The reinsurance amount was calculated in accordance with the contractual agreements in this respect.

The **equalisation provision** was calculated in accordance with the annex to section 29 of the German Regulation on Accounting in the Insurance Sector (RechVersV). **Provisions similar to the equalisation provision** for insurance against pharmaceutical, nuclear facility and terrorist risks were formed in accordance with section 30 paragraphs 1, 2 and 2a of the German Regulation on Accounting in the Insurance Sector (RechVersV).

The **other technical provisions** include a cancellation provision for premium claims. These were balanced on the basis of details provided by the ceding companies.

The **other provisions** were formed on the following basis:
The **pension provision** is calculated according to the projected unit credit method on the basis of the HEUBECK 2018 G actuarial tables. The discounting interest rate was calculated as a 10-year average pursuant to the previously valid German Regulation on the Discounting of Provisions (Rückstellungsabzinsungsverordnung). It was set at 1.87 % (previous year 2.3 %) 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 %, 1.6 % 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 technical items shown in the financial statements include estimated figures. These are due to invoices from acquired and retroceded outside business, which were unavailable as of the balance sheet date. On presentation the following year, the balance sheet values will be adjusted by the differences from these estimates.

Calculations reveal deferred tax due to tax relief resulting from differences between accounting valuations and valuations for tax purposes. These are expected to diminish in future financial years. However, in exercise of our option under section 274 paragraph 1 HGB, we are not recognising any deferred tax asset.

Changes to Asset Items A., B. I. to II. during the 2021 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	1,011	347	-	-	-	274	1,084
2. Payments on account	44	1	-	-	-	-	45
3. Total A.	1,055	348	-	-	-	274	1,129
B. I. Investments in affiliated companies and participating interests							
1. Shares in affiliated companies	939,949	50,741	-	1,050	-	-	989,640
2. Loans to affiliated companies	236,843	163,130	-	129,083	-	-	270,890
3. Participating interests	97,914	49,341	-	4,272	1,356	3,192	141,147
4. Total B. I.	1,274,706	263,212	-	134,405	1,356	3,192	1,401,677
B. II. Other investments							
1. Shares, units or shares in investment funds and other variable-interest securities	340,694	84,027	-	37,272	10,669	4,636	393,482
2. Bearer bonds and other fixed-interest securities	607,555	35,548	-	50,177	1,027	-	593,953
3. Mortgage loans and annuity claims	37,750	35,000	-	35,000	-	-	37,750
4. Other loans							
a) Registered bonds	292,084	15,168	-	44,000	-	-	263,252
b) Notes receivable and loans	180,606	2,738	-	48	-	44	183,252
c) Other loans	65,007	135,000	-	96,007	-	-	104,000
5. Deposits with banks	-	1,695	-	1,695	-	-	-
6. Other investments	24,727	-	-	220	-	86	24,421
7. Total B. II.	1,548,423	309,176	-	264,419	11,696	4,766	1,600,110
Total	**2,824,184**	**572,736**	-	**398,824**	**13,052**	**8,232**	**3,002,916**

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 2021, 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	989,640,333	1,496,175,692
2. Loans to affiliated companies	270,889,964	270,889,964
3. Participating interests	141,146,919	145,968,660
B. II. Other investments		
1. Shares, units or shares in investment funds and other variable-interest securities	393,482,342	439,347,659
2. Bearer bonds and other fixed-interest securities	593,952,515	649,794,257
3. Mortgage loans and annuity claims	37,750,000	37,852,759
4. Other loans		
a) Registered bonds	263,252,051	269,942,542
b) Notes receivable and loans	183,251,642	198,145,121
c) Other loans	104,000,000	104,000,000
5. Other investments	24,420,738	34,310,356
Total	**3,001,786,504**	**3,646,427,010**
of which: Investments valued at costs of acquisition	2,711,536,505	3,350,327,298
of which: Investments in fixed assets pursuant to section 341b paragraph 2 HGB	680,730,160	744,211,348

The valuation reserves include hidden liabilities totalling € 6.8 million. These are attributable to shares, units or shares in investment funds and other non-interest-bearing securities, bearer bonds and other fixed-interest securities and registered bonds.

Depending on the investment type, a variety of different methods were used to calculate the current values.

The current value of shares in affiliated companies held by DEVK Allgemeine Versicherungs-AG, DEVK Rechtsschutz-Versicherungs-AG, DEVK Krankenversicherungs-AG, DEVK Vermögensvorsorge- und Beteiligungs-AG, DEVK Asset Management GmbH, DEVK Service GmbH, GAV Versicherungs-AG and SADA Assurances S.A. is calculated on the basis of earning power. DEVK Private Equity GmbH, HYBIL B.V. and Ictus GmbH were measured at their market values. 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.

Shares, units in investment funds and other non-fixed-income securities as well as fixed-income securities carried at cost were valued at the stock market year-end 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 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, units or shares in investment funds and other variable-interest securities	12,177	11,945
Bearer bonds and other fixed-interest securities	60,764	59,069
Registered bonds	90,000	85,172

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	8,370	329	174
Notes receivable	Swaptions	300,000	2,651	2,765

Valuation method		
Short options	European options	Black-Scholes
	American options	Barone-Adesi
Swaptions	Black-Scholes	

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	2,809	188,847	6,514	
Bond funds	692	29,572	432	
Mixed funds	51	26,376	2,284	
Real-estate funds	3,089	94,456	9,717	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	162,164,493	1,440,000
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	798,333,515[3]	35,288,482[3]
DEVK Omega GmbH, Cologne	50.00	27,882,117	784,280
DEVK Private Equity GmbH, Cologne	50.00	330,828,620	31,334,626
DEVK Saturn GmbH, Cologne	33.33	39,273,558	1,205,475
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	-
DEREIF Brüssel Carmen N.V., Brussels (B)	100.00	-2,709,891	-379,730
DEREIF Hungary Eiffel Palace Kft., Budapest (HU)	100.00	11,075,707	367,329
DEREIF Hungary Park Atrium Kft., Budapest (HU)	100.00	2,088,912	-1,115,289
DEREIF Immobilien 1 S.à.r.l., Luxembourg (L)	100.00	49,272,149	-2,139,212
DEREIF Lissabon Republica Unipessoal Lda, Lisbon (P)	100.00	4,526,701	193,494
DEREIF Luxembourg Glacier S.à.r.l. (formerly Sireo Immobilienfonds No. 4 Red Luxembourg Main Building S.à.r.l.), Luxembourg (L)	100.00	13,013,564	655,732
DEREIF Paris 6 rue Lamennais S.C.I., Yutz (F)	100.00	5,031,388	-137,126
DEREIF Paris 9 chemin du Cornillon Saint Denis S.C.I., Yutz (F)	100.00	6,292,461	66,183
DEREIF Paris 37-39, rue d'Anjou, Yutz (F)	100.00	10,727,832	-8,456,594
DEUSA Umbrella SCS SICAV-RAIF, Luxembourg (L)	100.00	33,529,608	810,238
DP7, Unipessoal Lda, Lisbon (P)	100.00	11,222,617	946,903
DRED S.C.S. SICAV-FIS, Luxembourg (L)	62.28	337,582,159	35,246,973
freeyou AG, Cologne	100.00	4,848,611	-
GAV Versicherungs-AG, Legden	100.00	17,214,426	-4,528,550
Grundversorgung S.C.S., Luxembourg, (L)	80.08	137,269,923[2]	13,261,620[2]
Hotelbetriebsgesellschaft SONNENHOF mbH, Bad Wörishofen	100.00	356,023	-
HYBIL B.V., Venlo (NL)	80.00	64,286,645	2,981,000
Ictus GmbH, Cologne	60.00	55,662,939	3,152,102
Infrastructure Access Portfolio-L 2 SCSp, Luxembourg (L)	7.20	221,152,096	6,957,726
Infrastructure Access Portfolio-L 3 SCSp, Luxembourg (L)	4.87	220,569,176	2,440,190
Kassos Ventures GmbH, Cologne	100.00	29,383,372	219,880
KLUGO GmbH, Cologne	100.00	2,595,662[2]	-1,191,015[2]
Lieb' Assur S.à.r.l., Nîmes (F)	100.00	391,776	2,661
Monega Kapitalanlagegesellschaft mbH, Cologne	45.00	7,044,169[2]	1,381,848[2]
Reisebüro Frenzen GmbH, Cologne	52.00	326,600	152,400
SADA Assurances S.A., Nîmes (F)	100.00	80,707,742	9,642,959
Sana Kliniken AG, Ismaning	0.70	1,127,640,000[2]	60,221,000[2]
Sireo Immobilienfonds No. 4 Edinburgh Ferry Road S.à.r.l., Luxembourg (L)	100.00	16,611,846	-664,116
Swiss Life Health Care III SIC (formerly Corpus Sireo Health Care III SICAV-FIS), Luxembourg (L)	1.70	138,442,207[2]	11,251,290[2]
		GBP	GBP
DEREIF London 10, St. Bride Street S.à.r.l., Luxembourg (L)	100.00	8,438,734	934,676
DEREIF London Birchin Court S.à.r.l., Luxembourg (L)	100.00	9,301,673	696,992
DEREIF London Coleman Street S.à.r.l., Luxembourg (L)	100.00	5,930,007	180,010
DEREIF London Eastcheap Court S.à.r.l., Luxembourg (L)	100.00	7,855,614	241,112
DEREIF London Lombard Street S.à r.l., Luxembourg (L)	100.00	6,089,743	-2,244,566
DEREIF London Lower Thames Street S.à.r.l., Luxembourg (L)	100.00	6,859,772	-1,746,310
DEREIF London Queen Street S.à.r.l., Luxembourg (L)	100.00	15,365,806	55,651
		CZK	CZK
DEREIF Prag Oasis s.r.o., Prague (CZ)	100.00	487,642,000	36,754,000
		SEK	SEK
DEREIF Malmö, Kronan 10 & 11 AB, Malmö (S)	100.00	42,257,000	16,064,000
DEREIF Stockholm, Vega 4 AB, Stockholm (S)	100.00	26,607,000	11,008,000
		USD	USD
GLL NY 1 SCS, Luxembourg (L)	18.42	172,127,491	-10,520,518

[2] Based on subgroup financial statements [3] Based on 2020 financial year

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

Re Assets B. II.

Other investments

The **other loans** include loans.

Re Assets E. II.

Other prepayments and accrued income

Advance payments for future services	**€ 181,261**

Re Liabilities A. I.

Subscribed capital

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

Re Liabilities A. III.

Retained earnings

- Other retained earnings	
31/12/2020	€ 732,566,246
Allocation from retained profit of the previous year 31/12/2021	€ 35,500,000
	€ 768,066,246

Re Liabilities B. III.

Provision for claims outstanding

The settlement result net of reinsurance for the financial year stands at € -1.74 million (previous year € -13.66 million).

Re Liabilities E.

Accruals and deferred income

Discount points on registered bonds	**€ 333,122**

Notes to the profit and loss account

Reinsurance coverage provided	Financial year € 000s	Previous year € 000s
Gross premiums written		
- Life	3,793	6,188
- Non-life/accident	723,838	648,611
Total	**727,631**	654,799

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	389	413
4. Social-security contributions and social-insurance costs	-	-
5. Retirement pension costs	-	-
Total	**389**	413

During the year under review, Management Board remuneration totalled € 399,464. The retirement pensions of former Management Board members and their surviving dependants totalled € 259,922. As of 31 December 2021, a pension provision of € 3,637,486 was capitalised for this group of people. The Supervisory Board remuneration totalled € 155,518.

Of the other income, € 5,783,302 (previous year € 9,055,010) is attributable to currency conversion. Other expenses include € 12,680,887 (previous year € 4,832,073) from currency conversion.

Appropriation of profit

The overall net annual profit came to around € 34.3 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 € 5.0 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 roughly € 29.3 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 € 162,961 was paid (including € 30,855 in reduced expenditure for 2020). 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 € 96.4 million (previous year € 113.7 million). This was due to the pension provision.

Parent company guarantee

Explanations exist to secure real estate loans of DEREIF SICAV-FIS and its subsidiaries in the amount of GBP 36.1 million, as well as of DRED SICAV-FIS in the amount of € 19.2 million. Currently, there are no indications of a short-term utilisation of the letters of comfort.

Contingent liabilities and other financial obligations

On the balance sheet date, there were financial obligations totalling € 164.2 million to secure the real estate loans of DEREIF SICAF-FIS and € 8.4 million from open short options.

At the end of the year, other financial obligations arising from real estate holdings, fund units, shares in affiliated companies and participating interests totalled € 340.8 million. This includes obligations towards affiliated companies amounting to € 201.7 million.

In order to secure a bank endorsement of USD 50.0 million, DEVK Rückversicherungs- und Beteiligungs-AG - DEVK RE issued a securities deposit with a value of € 26.0 million. Furthermore, redemption obligations from assignments of receivables exist in the amount of € 74 million.

Supplementary report

War broke out in Ukraine after the end of the financial year. For DEVK, the economic consequences of the war result in particular from the increasing uncertainty on the capital markets. The effects on the future net assets, financial position and results of operations are difficult to assess at the moment.

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, 11 March 2022

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 2021, the profit and loss account for the financial year from 1 January to 31 December 2021, 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 2021.

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 2021, and of its financial performance for the financial year from 1 January to 31 December 2021, 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.

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

Basis for the opinions

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

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters which, in our professional judgement, were of greatest significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2021. These matters were addressed in conjunction with our audit of the annual financial statements as a whole, and in forming our audit opinion in this regard; we do not provide a separate audit opinion on these matters.

Valuation of shares in affiliated insurance companies and their holding company

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

Shares in affiliated companies are reported under investments in affiliated companies, and participations as of the balance sheet date as shares in affiliated companies with a book value of € 989.6 million. This figure equates to 28.4 % of the balance sheet total. The shares in affiliated insurance companies and their holding company make up a substantial proportion of this figure, resulting in a significant influence on the financial position of the company. The shares in affiliated insurance companies and their holding company are recognised at acquisition cost or, in the event of a probable permanent impairment, at the lower fair value. If the fair value exceeds the book value, a write-up takes place - in the case of a previous unscheduled depreciation - up to a maximum of the original acquisition costs, provided the reasons for the unscheduled depreciation no longer apply.

The shares in affiliated insurance companies and their holding company are not listed on an active market. The company determines the fair value for shares in affiliated insurance companies and their holding company using the income capitalisation method.

The distributable earnings used for the income capitalisation method are based on individual investment plans, which are updated with assumptions about long-term growth rates. The respective capitalisation interest rate is derived from the return of a risk-adequate alternative investment. If the fair value is lower than the book value, qualitative and quantitative criteria are used to determine whether the impairment is expected to be permanent.

The calculation of the fair value according to the income capitalisation method is complex and - in terms of the assumptions made - is highly dependent on the Company's estimates and judgements. This applies in particular to the estimation of future distributable earnings as well as the determination of capitalisation rates

With regards to the annual financial statements, there is a risk that the fair value of shares in affiliated insurance companies and their holding company is not determined appropriately on the balance sheet date, and that necessary write-downs to the lower fair value are therefore not actioned or that write-ups are actioned or omitted without justification or to an inappropriate amount.

An increased risk exists in particular because the fair values cannot be derived directly from active markets on the balance sheet date.

OUR AUDIT APPROACH

When auditing the shares in affiliated insurance companies and their holding company, we performed the following principal audit activities in particular on a risk-oriented basis:

- Firstly, based on the information obtained during the course of our audit, we assessed for which shares in affiliated insurance companies and their holding company there were indications of a need for write-downs.
- For selected valuations, we performed a critical assessment of the adequacy of the assumptions used for the projections of the distributable earnings in light of our knowledge of information from the client as well as publicly available information, our understanding of the business and industry, and macroeconomic developments. We have acknowledged the explanations and documents received.
- We have assessed the appropriateness of the valuation process used.

- In determining the fair value, we assessed in particular the most significant planning assumptions as part of the plausibility check of the corporate planning.
- In doing so, we compared the plans submitted to us with the plans approved by the responsible boards. In order to assess the quality of the internal forecasting process, we have compared the planning of previous years with the results already realised.
- We have audited the capitalisation rates applied for discounting and their determination in accordance with the Capital Asset Pricing Model. This concerned the base rate and the market risk premium, as well as the beta factors and growth discounts to be determined individually. We compared these with our own assumptions as well as publicly available data.
- To ensure the mathematical accuracy of the valuation models used, we reproduced the company's calculations for selected elements.
- Furthermore, we critically assessed the interest rates used for discounting and reconciled the parameters observable on the market with independent sources.

OUR OBSERVATIONS

The methods used to determine the fair values of the shares in affiliated insurance companies and their holding company are appropriate and consistent with the applicable valuation principles. The assumptions and data used were appropriately derived.

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 Supervisory Board is responsible for the other information "Supervisory Board 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 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 appro-

priately 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 2021. Furthermore, we were engaged by the Supervisory Board on 30 April 2021. 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),
- Tax appraisal and advice on individual accounting matters (until 31 December 2021), and
- Project-related audit services, legal and IT consulting services.

Chief auditor

The auditor in charge of the audit is Thorsten Klitsch.

Cologne, 25 March 2022

KPMG AG
Wirtschaftsprüfungsgesellschaft

Klitsch	**Hansen**
Auditor	Auditor

Supervisory Board report

During 2021, 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 2021 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.

Following preparation by the Audit Committee, the Supervisory Board examined and approved the annual financial statements and management report prepared by the Management Board. The annual financial statements for 2021 are thus duly adopted.

The Supervisory Board agrees with the Management Board's proposal concerning the appropriation of the 2021 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, 20 May 2022

The Supervisory Board

Kirchner
Chairman