# Company bodies

## Supervisory Board

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

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

**Dr Daniela Gerd tom Markotten**
Dallgow-Döberitz
Head of Digitisation & Technology
Deutsche Bahn AG
(from 6 July 2022)

**Hans-Jörg Gittler**
Kestert
CEO of the Board
BAHN-BKK

**Helmut Petermann**
Essen
Chairman of
General Works Council
DEVK Versicherungen ret.

**Ronald Pofalla**
Essen
Member of the board
Gröner Group AG
(to 20 May 2022)

**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 and Freeyou Insurance AG (formerly 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.

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

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

### Delegation of functions and organisational cooperation

Under a service contract concluded with DEVK Sach- und HUK-Versicherungsverein a.G., the Group provides us with services, in particular in the fields of general administration, accounting, collections and disbursements, asset investment and management, personnel management and development, operational organisation, IT, controlling, auditing, law, taxation, sales, inventory management and processing claims and benefits.

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

## Business performance

### Economic conditions generally and in the industry

In the early stages of 2022, economic development in Germany got off to a positive start. During the first quarter, the gross domestic product rose by 3.9 %. However, due to ongoing disruptions in international supply chains, the worsening of the energy crisis caused by the onset of war in Ukraine and the resulting inflationary expectations, year-on-year growth had already fallen to 1.7 % in the second quarter of 2022. The third quarter witnessed a further slight slowdown in growth to 1.3 % compared to the previous year. Further to the existing challenges, the ECB's first interest rate hike of 50 base points in July is also likely to have had a negative impact on growth. Reinforced by further interest rate increases by the ECB and the sharp rise in inflation, the growth rate fell again in the fourth quarter to 0.5 % compared to the previous year. In 2022, this development was accompanied by a significant increase in inflation rates in Germany (sometimes to 8.8 %; annual average 6.9 %) and in the USA (average of 8.0 %). The Ifo Business Climate Index initially rose to its annual high of 98.8 points in February and fell in the following months to its annual low of 84.5 points in October. This was followed by a slight recovery to 88.6 points.

Political discussion in Germany in 2022 was dominated by the following topics: Support for Ukraine, state aid to cushion the increase in energy prices for private households and companies, and general energy security. Economists estimate that real GDP in Germany will decline to -0.4 % on average in 2023, following growth of 1.9 % in 2022. The general consensus among economists is that a recession can be expected in Germany in the coming year 2023. GDP growth in the USA stood at 2.1 % in 2022; the expectation for 2023 is 0.5 % on average.

The onset of war in Ukraine initially caused stock markets to plummet in February, with European indices being hit harder than American indices, for example, due to their geographical proximity. Rapid recovery followed during the course of March, although figures did not reach the levels witnessed at the beginning of the year. Rising inflation figures were seen by the market as an indication of stronger central bank reactions, making bonds a more attractive alternative to equity investments. The highly volatile stock market then reached its low for the year at the end of September. In the hope that peak inflation was imminent or had already been reached - and that the number and amount of interest rate steps by the central banks would thus ease - the stock market started a recovery movement from there until the beginning of December. The leading German index DAX fell by roughly 24.6 % to its low point in September and was able to recoup this loss significantly with an increase of about 21.3 % by the start of December. The annual performance of the DAX in 2022 was -12.3 %, while the EuroStoxx 50 was -11.7 % below its value at the beginning of the year and the S&P 500 fell by -19.4 % during the same period.

Continuing inflation concerns and the central banks' reactions to them shaped the bond market in 2022. After inflation had long been classified as temporary by the ECB, it finally raised the key interest rate for the first time in many years in July, much later than the FED. Never before in the history of the ECB have there been so many subsequent rate hikes in such a short period of time; in September and October by 75 base points each and in December by a further 0.5 %, bringing the ECB's key interest rate to 2.5 % at the end of the year. Accordingly, risk-free interest rates, as seen for the example with the 10-year Euro swap rate, rose by about 230 base points by mid-June. From there, however, the rate declined again by around 100 base points by the beginning of August, only to rise once more by about 170 base points to the high for the year in October. At the end of the year, on 31 December 2022, the 10-year euro swap rate reached a final value of 3.20 %. A similar development was also seen in the yield of the ten-year German government bond, which initially peaked at 1.65 % in June, then fell back to 0.75 %, subsequently reached its preliminary high for the year at around 2.4 % and - following a temporary decline until the beginning of December - then rose to its final high for the year on 31 December 2022 at 2.55 %. Risk premiums on European investment grade corporate bonds generally followed the interest rate movement with a slight time lag, but rose sharply from the beginning of the war in Ukraine in February until early March, only to fall again somewhat by the end of March. At their peak in October, risk premiums reached a plus of about 1.4 percentage points compared to the beginning of the year. In the course of the year, the inversion of the yield curve also intensified, so that higher interest rates were paid for short maturities than for long maturities.

As in previous years, a large number of major loss events occurred around the world in 2022. The winter storm series Eunice, Ylenia, Antonia in Europe and a series of hurricanes in the USA - in particular Hurricane Ian, but also Fiona and Nicole - resulted in major destruction. According to estimates, the season was one of the five most destructive since records began.

Furthermore, there were a number of earthquakes and major forest fires, although the cyclone season in Asia was contrastingly rather less severe than usual.

The toughening of the reinsurance market, which was already evident last year, continued. Some reinsurers withdrew completely from non-life business, others noticeably reduced their capacities, while further reinsurers were prepared to keep capacities stable, but only with noticeable price increases and modified programmes (higher retentions, improved and clear conditions for reinsurers). No additional capital flowed into the market from the capital markets, which further increased the upward pressure on prices.

However, a large number of insurers required higher natural disaster cover, mainly due to inflation - whereby they encountered a tight market. The increasing rates in the retrocession market further fuelled the hard market.

In almost all regions around the world, renewals were very late, complex and challenging, and from the reinsurers' perspective they led to increasingly adequate prices with stable, and in some cases even reduced, exposure.

Significant price increases were once again recorded, depending on the regions. Even loss-free programmes in Europe were forced to accept price increases of 20 % to 40 %; loss-affected programmes even more so. In the USA we witnessed a doubling of the rate in individual cases, while extreme exceptional cases even went beyond that.

## Business trends

In 2022, the gross premiums written for DEVK Rückversicherungs- und Beteiligungs-AG - DEVK RE were 14.0 % up at € 814.8 million. As such, the forecast growth of around 16 % for gross premiums written was not quite attained. The greatest absolute increases were recorded in engineering insurance and fire insurance. In the North America region (USA & Canada), the premium earned in 2022 increased from € 46.0 million to € 95.6 million. This figure also includes the planned expansion of our special business lines Agriculture, Engineering, Credit/Bond and Marine/Energy in the amount of € 39.5 million (previous year € 11.9 million).

The number of policies reinsured (non-DEVK only) on 31 December 2022 stood at 2,939 (previous year 2,519). Customer numbers rose to 560 (previous year 496).

Following on from the previous year, which was marked by a large number of natural disasters, the gross expenditure for claims in the financial year decreased by 5.6 % to € 569.2 million. In 2022, Storm Eunice, which hit the UK and Ireland with full force, a hail storm in France and a derecho in the USA had particularly noteworthy impacts. With an increase of 15.5 %, however, the expenses for insurance claims net of reinsurance remained below the increase in earned premiums net of reinsurance (+18.9 %).

The underwriting result before changes to the equalisation provision therefore improved to € 7.4 million (previous year € -13.2 million). However, 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 € 21.7 million, the net underwriting result of € -14.4 million remained below last year's forecast (close to zero).

The gross income from investments stood at € 118.3 million in 2022 (previous year € 232.1 million). In line with expectations, the income from profit transfer agreements fell significantly, from € 159.2 million to € 56.0 million. This was due in particular to the development in the profit transfer from DEVK Allgemeine Versicherungs-AG (€ 33.3 million after € 140.9 million). Write-ups also fell significantly, as expected, from € 13.1 million to € 1.8 million. Gains from disposals of investments in 2022 came to € 5.6 million (previous year € 12.8 million).

In 2022, total capital investment expenditures stood at € 52.8 million, following on from € 19.3 million in the previous year. Depreciation and amortisation increased significantly compared to the previous year - from € 8.0 million to € 36.2 million; losses from the disposal of investments from € 0.2 million to € 0.9 million. The background to these developments is market turbulence as a result of the Russia-Ukraine conflict.

Overall, net investment income declined significantly to € 65.5 million (previous year € 212.7 million). The investment portfolio increased moderately in 2022, from € 3,001.8 million to € 3,182.6 million. The net interest rate was 2.1 %, following on from 7.3 % in the previous year. This largely met with our expectations from the previous year's annual report (previous year's forecast: 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).

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 assets in the investment portfolio is intended on the one hand to counteract the low interest rate level and on the other hand to improve real value retention and therefore the long-term earnings situation overall. Following on from a significant reduction in the effective equity quota in the course of the year, it was moderately increased again from autumn 2022. At the end of the year, the effective equity ratio was significantly below the value at the beginning of the year. However, the mid-term plan is to further build up the equity items. The development of other long-term oriented real assets in the areas of private equity, alternative investments and real estate continued as planned in 2022.

Contrastingly, the "Other result" was significantly better than expected. The reason for this was a sharp drop in pension costs due to the rise in interest rates.

Overall, the result from ordinary activities came in at € 27.5 million (previous year € 89.7 million), falling short of the forecast figure of € 35 to € 45 million.

After taxes, there was a net loss for the year of around € -20.0 million (previous year net profit of € 34.3 million), which has been reported as a balance sheet loss.

## Net assets, financial position and results of operations

### Results of operations

| | Financial year € 000s | Previous year € 000s | Change € 000s |
|---|---|---|---|
| Technical account | -14,352 | -26,747 | 12,395 |
| Investment result | 65,651 | 212,716 | -147,065 |
| Other result | -23,803 | -96,232 | 72,429 |
| **Profit from ordinary activities** | **27,496** | 89,737 | -62,241 |
| Taxes | 47,485 | 55,436 | -7,951 |
| **Net profit for the year** | **-19,989** | 34,301 | -54,290 |

### Underwriting result, net of reinsurance

Gross premium receipts rose 10.0 % to € 800.4 million. The growth came almost exclusively from business outside DEVK. Earned premiums net of reinsurance rose by 18.9 % to € 672.9 million (previous year € 565.9 million). Claims expenses net of reinsurance increased to € 495.4 million (previous year € 429.0 million). The ratio of net claims expenses to earned net premiums therefore improved to 73.6 % (previous year 75.8 %). The ratio of expenses on insurance operations net of reinsurance to earned premiums net of reinsurance stood at 25.1 % (previous year 25.6 %). The underwriting result before changes to the equalisation provision accordingly rose to € 7.4 million (previous year € -13.2 million). After an allocation to the equalisation provision of € 21.7 million (previous year € 13.5 million), the underwriting result net of reinsurance stood at € -14.4 million (previous year € -26.7 million).

The individual insurance segments performed as follows:

**Underwriting result, net of reinsurance**

| Figures in € 000s | Gross premiums written | | | Change to the equalisation provision | | Technical result net of reinsurance | |
|---|---|---|---|---|---|---|---|
| Insurance class | Financial year | Previous year | Change | Financial year | Previous year | Financial year | Previous year |
| Life | 6,029 | 3,793 | 59.0 % | - | - | 1,599 | 940 |
| Accident | 46,126 | 45,210 | 2.0 % | - | - | 11,301 | 15,898 |
| Liability | 21,200 | 16,704 | 26.9 % | -14,331 | -6,789 | -4,257 | -4,078 |
| Motor vehicle | 249,884 | 282,218 | -11.5 % | 12,907 | -21,425 | 3,047 | -215 |
| Fire and non-life | 400,003 | 307,797 | 30.0 % | -19,377 | 24,688 | -32,775 | -24,109 |
| of which: | | | | | | | |
| Fire | 106,679 | 81,429 | 31.0 % | 2,405 | -3,393 | -4,030 | -3,251 |
| Household contents | 29,047 | 26,190 | 10.9 % | - | - | -966 | -198 |
| Homeowners' building | 130,775 | 111,208 | 17.6 % | 6,125 | 11,592 | 2,097 | 12,693 |
| Other non-life | 133,503 | 88,970 | 50.1 % | -27,907 | 16,488 | -29,875 | -33,352 |
| Other | 77,114 | 71,911 | 7.2 % | -904 | -9,998 | 6,732 | -15,185 |
| **Total** | **800,357** | 727,631 | 10.0 % | **-21,704** | -13,525 | **-14,352** | -26,747 |

The largest increases in premium amounts were recorded for fire, homeowners' building and other non-life insurance. The growth in other non-life is due to active third-party business. In addition to price increases, around 40 % of the growth is due to the planned expansion of the special lines of business from € 37.5 million to € 55.7 million. Before the change in the equalisation reserve, accident and liability made the largest positive contributions to the result.

### Investment result

At € 118.3 million, the investment result was significantly down on the previous year's figure (€ 232.1 million). This was due in particular to the lower revenues from profit transfer agreements with affiliated companies. The income from profit transfer agreements with affiliated companies totalled € 56.0 million (previous year € 159.2 million). Also included were € 5.6 million in profits from disposals of investments (previous year € 12.8 million), as well as € 1.8 million in write-ups (previous year € 13.1 million).

At € 52.8 million, investment expenses in 2022 were significantly higher than in the previous year (€ 19.3 million), in particular due to the negative development of the stock market. Decisive here was an increased write-down requirement on investment expenses (€ 36.2 million as against € 8.0 million in the previous year). Losses from disposals of investments came to € 0.9 million (previous year € 0.2 million). Charges from loss transfers in 2022 amounted to € 13.7 million, up from € 9.2 million in the previous year. The administration costs were € 1.9 million (previous year € 2.1 million).

Total net investment income therefore declined significantly to € 65.5 million (previous year € 212.7 million). This development in 2022 largely corresponds to our forecast from the previous year, as described above.

### Other result

The "Other" result, including the technical interest income, stood at € -23.8 million (previous year € -96.2 million). Heavily reduced pension costs contributed to this improvement.

### Profit from ordinary activities
The decline in the investment result was only partially offset by improvements in the technical result and other result. The result from ordinary activities, of € 27.5 million, was consequently down on the previous year's figure (€ 89.7 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. At € 47.5 million, tax expenses in 2022 were lower than in the previous year (€ 55.4 million).

### Operating result and appropriation of profit
After taxes, the net loss for the year stood at around € -20.0 million (previous year net profit of € 34.3 million). The annual net loss is shown as accumulated deficit.

The Management Board proposes to the Annual General Meeting to carry forward the accumulated loss of € 19,988,898 to new account.

## 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 an 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 € 135.7 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 2022. As in the years 2008 to 2021, 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 2022 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) | 3,182,637 | 3,001,787 | 180,850 |
| Deposit receivables | 70,220 | 69,712 | 507 |
| Receivables arising out of reinsurance operations | 80,248 | 130,216 | -49,968 |
| Other receivables | 144,926 | 266,884 | -121,958 |
| Other assets | 25,366 | 16,023 | 9,343 |
| **Total assets** | **3,503,396** | 3,484,622 | 18,775 |
| Equity | 1,277,901 | 1,302,889 | -24,989 |
| Technical provisions | 1,106,925 | 974,527 | 132,398 |
| Other provisions | 1,021,878 | 950,524 | 71,354 |
| Liabilities arising from reinsurance operations | 80,682 | 112,970 | -32,287 |
| Other liabilities | 14,824 | 143,378 | -128,555 |
| Accruals and deferred income | 1,187 | 333 | 854 |
| **Total capital** | **3,503,396** | 3,484,622 | 18,775 |

In 2022, there were shifts within the capital investments from the bond block to 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, € 60.4 million (previous year € 163.7 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.

We only conducted a short status survey in autumn 2022, because the employee survey will take place in an updated form from 2023. The survey was influenced by the uncertainties due to the Ukraine conflict and the associated effects on energy prices and inflation. Compared to the results of the employee surveys in 2020 and 2021, the overall satisfaction in 2022 was lower, but remained at a high level at 71 %.

| Employee satisfaction index | | |
| --- | --- | --- |
| | Financial year<br>Points | Previous year<br>Points |
| Actual | 753 | 791 |
| Target | 791 | 793 |

The target set for 2023 is 763 points.

### Overall verdict on the management report

Against the backdrop of the economic conditions, the company's overall net assets, financial position and results of operations developed in a satisfactory manner throughout 2022.

## Outlook, opportunities and risks

### Outlook

During 2023 we are anticipating strong premium growth of around 27 %. We expect the largest increases in values to come in the areas of fire and building insurance, marine/energy insurance and motor 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 around € 40 million. After an allocation to the equalisation provision, current estimates project that the underwriting result will be around € 30 million

The rate of inflation will be one of the main factors for the development on the capital markets in the coming years - in addition to the global political influencing factors. Furthermore, the development of energy prices is seen as a major driver of economic development. Alongside the majority of experts, we anticipate a mild recession at best. If, in addition, second-round effects lead to persistently high core inflation rates (e.g. through a wage-price spiral), this is likely to have a dampening effect on economic growth. For German companies in particular, a further escalation of the China-Taiwan conflict can be problematic due to their high economic dependence on China. Given the experience of the disrupted supply chains and against this background, we expect further deglobalisation trends, which are also likely to have an inflationary effect. Nonetheless, we assume that factors such as the central bank policy of the ECB and the FED to date will mean inflation has already reached its peak and will now fall again over time. We expect the stock market to remain highly volatile in 2023, in particular in the context of a recessionary development.

Key leading economic indicators, such as purchasing managers' indices, fell sharply and relatively continuously in 2022. However, towards the end of the year a trend reversal emerged that could point to a recovery in 2023. The first positive signals are also coming from the ifo business climate index for Germany and producer prices towards the end of the year, whereby this development supports our expectation that inflation has passed its peak. Additionally, some companies were able to exceed their earnings expectations, so that the reporting season at the turn of the year was not as bad as feared. During the course of the recovery at the end of the year, company valuations increased again somewhat, although they still lie below their long-term average. According to forecasts by the World Bank, the global economy is heading for weak economic growth of 1.7 % in 2023. Alongside the lockdowns arising due to China's zero-covid policy, the real estate market - which accounts for a large share of GDP - remains in crisis there. For 2023 and 2024, economists expect respective annual growth in China of just 5.1 % and 5.0 %.

Overall, we expect the capital market to remain volatile in 2023 due to the ongoing uncertainties.

In the field of investments, we expect income from profit transfer agreements to be above the previous year's level in 2023 for DEVK Rückversicherungs- und Beteiligungs-AG - DEVK RE. Furthermore, we assume that there will be a significant decline in the high level of depreciation. We expect that our net investment result in 2023 will be moderately up on last year. The investment portfolio and net interest should rise moderately in 2023. The forecast development may deviate negatively in the event of an escalation of the Russia-Ukraine conflict, a (resumed) increase in inflation or a tightening of the geopolitical situation around China.

We are forecasting profit from ordinary activities in 2023 to be in the order of € 130 million to € 140 million.

With regards to employee satisfaction, DEVK has set itself a target index value of 763 points. The target is therefore 10 points above the actual value in 2022.

## Opportunities report

The quality of our portfolio has further increased. Premiums have grown disproportionately compared to risk, and structural and wording improvements reinforce this trend.

We were one of (very) few reinsurers prepared to name prices and conditions at an early stage, a circumstance that was rewarded by our customers with corresponding conditions and, in some cases, higher shares.

Our underwriting discipline also led us to dispose of a few customer relationships where we saw no chance of sustainable economic success.

Our strategy of broadening our range of lines of business has brought us even more into focus with customers and brokers. Even in the current renewal, we succeeded in identifying a number of new offers that we had been interested in for some time.

The further improvement in our market standing, combined with our financial strength and continuity, leads us to expect stable and expandable business in the future.

In terms of investments, we see attractive investment opportunities in 2023 alongside the risks and despite the volatile market environment. As a general rule, risk premiums in the bond sector rise during recessions, so that even successful companies have to pay higher yields. This offers the opportunity to acquire attractive bonds from a risk-return perspective. In the context of declining inflation and a restricted interest rate hike policy (combined with recessionary developments) we also expect yields to fall in the medium term. Stock markets often end their downward trend at the start of a recession, so a recovery of prices in the course of 2023 cannot be ruled out. Notwithstanding the heightened volatilities, we continue to see a return advantage in real assets over bonds in the long term - despite the increased attractiveness of the latter in the short term.

The real estate market is likely to react with price declines if interest rates remain higher, combined with a recession. However, this could also create opportunities to acquire properties in (very) good locations with tenants with good long-term credit ratings at lower prices and thus secure the chance of higher returns in the long term. 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 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 decentralised risk session or the 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 risk management function 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 | % |
|---|---|---|---|
| 2013 | 72.6 | 2018 | 67.3 |
| 2014 | 68.6 | 2019 | 63.9 |
| 2015 | 65.3 | 2020 | 68.5 |
| 2016 | 66.2 | 2021 | 75.8 |
| 2017 | 70.8 | 2022 | 73.6 |

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 once again in 2022.

For 31 contracts with a run-off gain/loss of more than € 1 million, the net run-off result was € -9.9 million. For the remaining contracts with run-off results (quantity: 2,677), the run-off loss amounted to € 11.4 million, which corresponded to an average run-off loss of approximately € 4,300.

| Settlement result net of reinsurance as % of original provision | | | |
|---|---|---|---|
| Year | % | Year | % |
| 2013 | 13.7 | 2018 | 1.6 |
| 2014 | -4.1 | 2019 | 2.6 |
| 2015 | 2.4 | 2020 | -3.3 |
| 2016 | 3.0 | 2021 | -1.7 |
| 2017 | 3.2 | 2022 | -3.2 |

Our equalisation provisions provide an additional safety cushion that contributes to the smoothing of our underwriting results. As of 31 December 2022, their volume totalled € 258.9 million (previous year € 237.2 million).

### Risk of defaults by debtors arising from our insurance operations

Amounts receivable from reinsurance business at the end of the year came to € 80.2 million. These include receivables from reinsurers totalling € 10.40 million. An overview of amounts receivable, broken down according to the ratings of our reinsurance partners, is given in the following table:

| Rating category | Receivables in € millions |
|---|---|
| AA+ | 0.04 |
| AA | 0.03 |
| AA- | 0.37 |
| A+ | 3.52 |
| A | 3.53 |
| A- | 2.57 |
| without | 0.34 |

### 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 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. 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 2022 we conducted our own investment stress test. This 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 2022, the following measures were in place to hedge against investment risks:

- Flexible management of the investment ratios in the special fund, in particular in the equities sphere, for instance via index futures and partially through the implementation of lower limits
- Currency-matched refinancing in the field of indirect real estate investments
- Use of bond forward purchases
- Adjustment of equity risks via options trading.

### Interest-bearing investments

As of 31 December 2022, the Company held interest-bearing investments with a total value of € 1.61 billion. As at the reporting date, this shows a negative valuation reserve of € 149.9 million; in the previous year the valuation reserves in the interest block amounted to € 78.0 million. A total of € 705.2 million of these investments are in bearer instruments (including the pure pension funds), which could be subject to write-downs if interest rates rise. Of these bearer instruments, pursuant to section 341b HGB we have assigned a volume of € 679.7 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 negative valuation reserve of € 78.2 million. This includes hidden liabilities to the value of € 79.5 million (previous year € 1.7 million) and hidden reserves of € 1.3 million (previous year € 55.7 million). As the increase in hidden liabilities is primarily due to the market interest rate movement and there are no indications of a deterioration in creditworthiness, there is no permanent impairment due to the intention to hold these until their final maturity. A change in returns of up to +/-1 % would result in a corresponding value change ranging from € -67.3 million to € 72.4 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. Where securities still include hidden reserves, these 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 widening of risk premiums in the first half of 2022 illustrates this. At the end of 2022, these were significantly above the initial value at the beginning of the year. As observed in 2022, there is a possibility in 2023 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 25.3 % of our total investments. At the end of 2022 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 2022 was on bearer bonds from government-related and supranational issuers, as well as international bearer bonds from companies. Our pension investments in particular involve bearer papers, predominantly assigned to the fixed assets, and also registered papers.

Turning to issuer risks, as proportions of our total investments, 4.2 % of the company's investments are in government bonds, 25.3 % in corporate bonds and 19.8 % 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 1.2 % 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 | 52.7 % | 47.2 % |
| A- to A+ | 30.5 % | 33.9 % |
| BBB- to BBB+ | 13.0 % | 17.2 % |
| BB+ or worse | 3.8 % | 1.7 % |

The company's rating distribution has improved slightly from last year. Overall, however, this has not significantly changed the risk situation. 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 € 33.0 million. The German share index, including dividends, showed an overall negative performance in a tough market environment in 2022, while the European share index performed only marginally better. 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 € 5.1 million have been assigned to the fixed assets. These shares are directly held stocks. The fixed-asset equities show valuation reserves of € -0.5 million. This figure includes no hidden reserves.

Against the background of our market assessment, we have actively reduced the effective equity quota significantly in 2022 with an upward trend towards the end of the year. Overall, the effective equity ratio at the end of the year lies significantly below the value at the start of the year. If economic problems should arise in the future, for example as a result of an intensification of the Russia-Ukraine conflict or a heightening of tensions between China and Taiwan, the equity quota can be actively adjusted. For example, we have already reduced the effective equity ratio through future hedging in a special fund due to the worsening of the Ukraine crisis at the start of 2022. We have no investments in Russian or Ukrainian shares.

### Real estate

On the balance sheet date, we held indirect mandates to a value of € 348.3 million. Of this, € 247.5 million was invested in direct property holdings and € 100.8 million in real estate funds. In 2022, the write-downs on these real estate investments stood at € 0.9 million. Real estate assets to a value of € 100.8 million have been assigned to the fixed assets. The valuation reserves in the fixed assets stand at € 11.5 million; there are no hidden liabilities. We do not see any extraordinary risks at real-estate fund level; in addition to the general real-estate risk, a currency risk also exists here, which is partially hedged insofar as possible by means of currency-congruent financing and currency forwards. Effects from a possible downturn on the real estate market are limited by existing hidden reserves, diversification and indexed 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 2022 the volume stood at € 100.0 million (previous year € 84.1 million). This corresponds to 3.1 % (previous year 2.8 %) of the total investments at book value. The portfolio is split almost 90:10 between infrastructure and other alternative investments. In the 2022 financial year, there were no write-downs on alternative investments (previous year: € 0.03 million) and write-ups of € 1.0 million (previous year: € 0.2 million). The ordinary income in 2022 stands at € 2.3 million (previous year € 0.8 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, human error or external events. Legal risks are part of operational risks, whereby these include compliance risks.

Management of the operational risks is ensured through the careful structuring of the internal monitoring system. Appropriate controls have been set up for the risks, in order to ensure that the operational processes function correctly. The functionality of these controls is continuously monitored, and any control weaknesses are assessed and remedied as necessary. Within the framework of the internal control system process, clear responsibilities are assigned for the regular identification, documentation and monitoring of relevant exposures to risk.

Operational risks are primarily recorded and described in the half-yearly risk inventory and continuously in the process documentation.

Supporting business processes by means of IT operations entails a variety of operational risks. The security of programs and data storage, as well as ongoing operations, is ensured by comprehensive access controls and safeguards, both in the internal data centres and in third-party data centres (cloud). DEVK's IT infrastructure is designed with redundancy. The two data centres are connected via two separate fibre optic cables. A large number of systems are operated on the cloud as part of the cloud strategy.

The stated security objectives of DEVK's information security strategy consist of the confidentiality, integrity and availability of data, applications and the IT infrastructure. The Information Security Board and the Information Security Officer are central elements of the information security management of DEVK. The Information Security Board serves to strategically manage the DEVK Group's information security and to prepare security-relevant decision papers for the Management Board. The Information Security Officer manages the information security process. In order to achieve a consistent and appropriate level of security, the security measures are aligned with the protection requirements and threats as set out in the security objectives. With regard to the German IT Security Act, DEVK is striving for certification readiness in accordance with ISO27001 for IT operations on the basis of IT basic protection as defined in the standard of the Federal Office for Information Security.

A further component of information security is the sensitisation of employees to the dangers arising from social engineering and data protection. Appropriate training courses are offered in this respect via our further education portal.

Emergency management (business continuity management) is part of the internal control system. This ensures that DEVK is able to continue its business operations at a defined minimum level (emergency operation) in the event of interruptions to time-critical activities and achieve the restoration of normal operations as quickly as possible. A central component of emergency management is the identification of time-critical and business-critical activities, including the necessary resources. Critical activities are all those activities whose failure could jeopardise the existence of the DEVK Group. Scenario-specific contingency plans are in place to ensure defined emergency operation and enable a swift return to normal operation. Emergency drills are used to test the effectiveness of the measures.

An IT Service Continuity Plan has been developed based on requirements. This consists of the following components:

- IT emergency manual
- Recovery plans for all business-critical application services and basic services
- Superordinate master recovery plan

The IT Service Continuity Plan is regularly tested to ensure that IT systems can be effectively restored.

The management of so-called "head monopolies" and key positions is fundamentally part of the DEVK Group's human resources strategy. Head monopolies and key positions are regularly surveyed as part of human resource planning. Knowledge is distributed among several employees in order to avoid head monopolies. Documentation supports the incorporation and distribution of knowledge.

The DEVK Group is countering the demographic risk with measures to improve its attractiveness as an employer. These include intensified personnel marketing and flexible working time models to improve the work-life balance. Active health management counteracts the risk of illness among employees.

Legal risks are part of operational risks. The risk of legal changes refers to risks that arise due to a change in the legal environment, including regulatory requirements. Consequences arising due to compliance risks include legal or regulatory sanctions and material financial losses resulting from non-compliance with external requirements or internal guidelines. DEVK has established a compliance management system designed to ensure compliance with both external requirements and internal guidelines.

### Solvency II

We have complied with the supervisory requirements of Solvency II. In order to optimise the realisation of requirements, the focus in 2022 was again on the further automation of processes.

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

### Summary of our risk status

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

Projections made in connection with the ORSA process as per 31 December 2021 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, 10 March 2023

**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 2022

| 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 | | 890,605 | | 1,084 |
| II. Payments on account | | 48,311 | | 45 |
| | | | **938,916** | 1,129 |
| **B. Investments** | | | | |
| I. Investments in affiliated companies and participating interests | | | | |
| 1. Shares in affiliated companies | 1,071,830,371 | | | 989,640 |
| 2. Loans to affiliated companies | 305,733,000 | | | 270,890 |
| 3. Participating interests | 160,331,536 | | | 141,147 |
| | | 1,537,894,907 | | 1,401,677 |
| II. Other investments | | | | |
| 1. Shares, units or shares in investment funds and other variable-interest securities | 383,601,589 | | | 393,482 |
| 2. Bearer bonds and other fixed-interest securities | 642,631,315 | | | 593,953 |
| 3. Mortgage loans and annuity claims | 37,750,000 | | | 37,750 |
| 4. Other loans | 556,712,739 | | | 550,504 |
| 5. Other investments | 24,046,328 | | | 24,421 |
| | | 1,644,741,971 | | 1,600,109 |
| III. Deposits with ceding companies | | 70,219,761 | | 69,712 |
| | | | **3,252,856,639** | 3,071,499 |
| **C. Accounts receivable** | | | | |
| I. Receivables arising out of reinsurance operations of which: | | 80,248,327 | | 130,216 |
| Affiliated companies: € 265,939 | | | | 1,059 |
| II. Other receivables | | 144,925,451 | | 266,883 |
| of which: | | | **225,173,778** | 397,100 |
| Affiliated companies: € 105,346,592 | | | | 230,227 |
| **D. Other assets** | | | | |
| I. Tangible assets and inventories | | 450,140 | | 500 |
| II. Cash at banks, cheques and cash in hand | | 12,127,688 | | 3,687 |
| | | | **12,577,828** | 4,187 |
| **E. Prepayments and accrued income** | | | | |
| I. Accrued interest and rent | | 11,713,368 | | 10,525 |
| II. Other prepayments and accrued income | | 135,432 | | 181 |
| | | | **11,848,800** | 10,706 |
| **Total assets** | | | **3,503,395,961** | 3,484,621 |

| 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 | | 797,367,176 | | 768,066 |
| IV. Balance sheet profit/loss | | -19,988,898 | | 34,301 |
| | | | **1,277,900,468** | 1,302,889 |
| **B. Technical provisions** | | | | |
| I. Provision for unearned premiums | | | | |
| 1. Gross amount | 42,737,374 | | | 57,387 |
| 2. of which from: Reinsurance amount | 32,446 | | | 29 |
| | | 42,704,928 | | 57,357 |
| II. Premium reserve | | 13,355,205 | | 13,951 |
| III. Provision for claims outstanding | | | | |
| 1. Gross amount | 929,841,969 | | | 802,403 |
| 2. of which from: Reinsurance amount | 142,783,914 | | | 141,381 |
| | | 787,058,055 | | 661,021 |
| IV. Equalisation provision and similar provisions | | 258,943,836 | | 237,240 |
| V. Other technical provisions | | | | |
| 1. Gross amount | 4,923,894 | | | 5,015 |
| 2. of which from: Reinsurance amount | 61,005 | | | 58 |
| | | 4,862,889 | | 4,957 |
| | | | **1,106,924,913** | 974,527 |
| **C. Other provisions** | | | | |
| I. Provisions for pensions and similar commitments | | 960,672,318 | | 883,237 |
| II. Provisions for taxation | | 39,387,447 | | 43,967 |
| III. Other provisions | | 21,818,105 | | 23,319 |
| | | | **1,021,877,870** | 950,524 |
| **D. Other liabilities** | | | | |
| I. Liabilities arising out of reinsurance operations of which: | | 80,681,474 | | 112,970 |
| Against affiliated companies: € 20,532,302 | | | | 42,499 |
| II. Liabilities to banks | | - | | 134,000 |
| III. Other liabilities | | 14,823,957 | | 9,378 |
| of which: | | | **95,505,431** | 256,348 |
| From taxes: € 1,182,171 | | | | 1,465 |
| Against affiliated companies: € 11,414,021 | | | | 4,580 |
| **E. Prepayments and accrued income** | | | | |
| | | | **1,187,279** | 333 |
| **Total liabilities** | | | **3,503,395,961** | 3,484,621 |

## Profit and loss account

for the period from 1 January to 31 December 2022

| Items | € | € | € | Previous year € 000s |
|---|---|---|---|---|
| **I. Technical account** | | | | |
| 1. Earned premiums net of reinsurance | | | | |
| a) Gross premiums written | 800,356,622 | | | 727,631 |
| b) Outward reinsurance premiums | 141,832,998 | | | 148,589 |
| | | 658,523,624 | | 579,042 |
| c) Change in the gross provision for unearned premiums | 14,403,212 | | | -13,095 |
| d) Change in the gross provision for unearned premiums, reinsurers' share | 3,243 | | | -21 |
| | | 14,406,455 | | -13,116 |
| | | | **672,930,079** | 565,926 |
| 2. Allocated interest, net of reinsurance | | | **49,222** | 57 |
| 3. Other technical income, net of reinsurance | | | **99** | 18 |
| 4. Claims incurred, net of reinsurance | | | | |
| a) Claims paid | | | | |
| aa) Gross amount | 461,263,265 | | | 398,191 |
| bb) Reinsurers' share | 98,888,231 | | | 115,272 |
| | | 362,375,034 | | 282,919 |
| b) Change in the provision for claims outstanding | | | | |
| aa) Gross amount | 134,355,226 | | | 209,972 |
| bb) Reinsurers' share | -1,325,552 | | | -63,921 |
| | | 133,029,674 | | 146,051 |
| | | | **495,404,708** | 428,970 |
| 5. Changes in other technical provisions, net of reinsurance | | | | |
| a) Premium reserve, net of reinsurance | | 596,144 | | 802 |
| b) Other technical provisions, net of reinsurance | | 94,471 | | -4,814 |
| | | | **690,615** | -4,012 |
| 6. Net operating expenses, net of reinsurance | | | | |
| a) Gross operating expenses for insurance operations | | 197,112,705 | | 176,452 |
| b) of which, from: Reinsurance commissions and profit participation | | 28,419,901 | | 31,661 |
| | | | **168,692,804** | 144,792 |
| 7. Other technical charges, net of reinsurance | | | **2,220,616** | 1,451 |
| 8. Subtotal | | | **7,351,887** | -13,223 |
| 9. Change to the equalisation provision and similar provisions | | | **-21,704,241** | -13,525 |
| 10. Technical result net of reinsurance | | | **-14,352,354** | -26,747 |
| Balance carried forward: | | | -14,352,354 | -26,747 |

| Items | € | € | € | Previous year € 000s |
|---|---|---|---|---|
| Balance carried forward: | | | -14,352,354 | -26,747 |
| **II. Non-technical account** | | | | |
| 1. Income from investments | | | | |
| a) Income from participating interests | 12,726,126 | | | 9,088 |
| of which: from affiliated companies: € 8,761,703 | | | | 6,902 |
| b) Income from other investments | 42,251,145 | | | 37,980 |
| of which: from affiliated companies: € 3,139,882 | | | | 2,479 |
| c) Income from write-ups | 1,838,573 | | | 13,052 |
| d) Gains on the realisation of investments | 5,638,014 | | | 12,711 |
| e) Income from profit pooling, profit transfer and partial profit transfer agreements | 55,951,561 | | | 159,217 |
| | | 118,405,419 | | 232,047 |
| 2. Investment expenses | | | | |
| a) Investment management charges, interest expenses and other charges on capital investments | 1,875,523 | | | 2,060 |
| b) Write-downs on investments | 36,222,043 | | | 7,959 |
| c) Losses on the realisation of investments | 927,065 | | | 160 |
| d) Charges from loss transfer | 13,730,171 | | | 9,152 |
| | | 52,754,802 | | 19,331 |
| | | 65,650,617 | | 212,716 |
| 3. Allocated interest | | 49,222 | | 57 |
| | | | **65,601,395** | 212,659 |
| 4. Other income | | 98,429,846 | | 39,589 |
| 5. Other charges | | 122,183,001 | | 135,763 |
| | | | **-23,753,155** | -96,175 |
| 6. Profit from ordinary activities | | | **27,495,886** | 89,737 |
| 7. Taxes on income | | 47,483,814 | | 55,435 |
| 8. Other taxes | | 970 | | 1 |
| | | | **47,484,784** | 55,436 |
| **9. Annual net profit/loss, balance sheet profit/loss** | | | **-19,988,898** | 34,301 |

## 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.

During the financial year, one security within shares, units or shares in investment funds and other variable-yield securities was reclassified from current assets to fixed assets, because the intention is to hold onto this permanently. As a result, unscheduled depreciation in the amount of € 4.2 million was not necessary.

Derivatives were valued at their costs of acquisition or their fair value, depending on which was lower. When determining the fair value, the market value was applied. For stock options with a value on the balance sheet date of more than the reported liability, a provision was recorded for the impending losses from pending transactions. The settlement method was applied for the calculation.

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

**Registered bonds** are recorded on the balance sheet at their nominal values. Premium and discount points are distributed over the term of the loans via deferrals and accruals.

**Notes receivable and loans** are recognised at their amortised cost plus or minus the cumulative amortisation of the difference between the cost of acquisition and the redemption amounts, applying the effective interest method.

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

**Deposits with ceding companies** are recorded using the details provided by the ceding companies.

**Receivables from reinsurance operations** are based on the reinsurance contracts and are recognised at their nominal values less necessary individual value adjustments.

**Other receivables** are shown at their nominal values.

**Other assets**, excluding operating or office equipment, are recognised at their nominal values. Operating and office equipment is shown at its cost of acquisition or production, reduced by scheduled depreciation. Depreciation was calculated according to the straight-line method. Low-value assets are either assigned to a pool of such assets, in which case they are depreciated over a five-year period, beginning from the year of acquisition. Otherwise they are recorded as operating expenses in their year of acquisition.

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 1.78 % (previous year 1.87 %) 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 2.0 % p.a., and the rate of pension increase at 2.0 %, 2.0 % or 1.0 % 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 2022 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 | 1,084 | 133 | - | - | - | 326 | 891 |
| 2. Payments on account | 45 | 3 | - | - | - | - | 48 |
| 3. Total A. | 1,129 | 136 | - | - | - | 326 | 939 |
| **B. I. Investments in affiliated companies and participating interests** | | | | | | | |
| 1. Shares in affiliated companies | 989,640 | 92,061 | - | 9,871 | - | - | 1,071,830 |
| 2. Loans to affiliated companies | 270,890 | 255,500 | - | 220,657 | - | - | 305,733 |
| 3. Participating interests | 141,147 | 22,598 | - | 4,212 | 1,698 | 899 | 160,332 |
| 4. Total B. I. | 1,401,677 | 370,159 | - | 234,740 | 1,698 | 899 | 1,537,895 |
| **B. II. Other investments** | | | | | | | |
| 1. Shares, units or shares in investment funds and other variable-interest securities | 393,482 | 77,883 | - | 53,671 | 96 | 34,188 | 383,602 |
| 2. Bearer bonds and other fixed-interest securities | 593,953 | 57,798 | - | 8,038 | - | 1,082 | 642,631 |
| 3. Mortgage loans and annuity claims | 37,750 | 37,750 | - | 37,750 | - | - | 37,750 |
| 4. Other loans | | | | | | | |
| a) Registered bonds | 263,252 | 4,171 | - | 15,000 | - | - | 252,423 |
| b) Notes receivable and loans | 183,252 | 44 | - | 50 | 44 | - | 183,290 |
| c) Other loans | 104,000 | 306,000 | - | 289,000 | - | - | 121,000 |
| 5. Deposits with banks | - | - | - | - | - | - | - |
| 6. Other investments | 24,421 | - | - | 323 | - | 52 | 24,046 |
| 7. Total B. II. | 1,600,110 | 483,646 | - | 403,832 | 140 | 35,322 | 1,644,742 |
| **Total** | **3,002,916** | **853,941** | - | **638,572** | **1,838** | **36,547** | **3,183,576** |

The amortisation of intangible assets is scheduled in nature. Impairment losses of € 0.09 million were recognised on fixed assets due to expected permanent impairments in value.

# Notes on 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 2022, 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 | 1,071,830,371 | 1,493,805,037 |
| 2. Loans to affiliated companies | 305,733,000 | 305,733,000 |
| 3. Participating interests | 160,331,536 | 170,095,118 |
| B. II. Other investments | | |
| 1. Shares, units or shares in investment funds and other variable-interest securities | 383,601,589 | 414,814,612 |
| 2. Bearer bonds and other fixed-interest securities | 642,631,315 | 568,731,251 |
| 3. Mortgage loans and annuity claims | 37,750,000 | 23,898,782 |
| 4. Other loans | | |
| a) Registered bonds | 252,423,262 | 190,328,739 |
| b) Notes receivable and loans | 183,289,477 | 187,300,229 |
| c) Other loans | 121,000,000 | 121,000,000 |
| 5. Other investments | 24,046,328 | 37,685,299 |
| **Total** | **3,182,636,878** | **3,513,392,067** |
| of which: Investments valued at costs of acquisition | 2,903,386,879 | 3,309,108,459 |
| of which: Investments in fixed assets pursuant to section 341b paragraph 2 HGB | 785,567,718 | 718,424,264 |

The valuation reserves include hidden liabilities totalling € 174.2 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, mortgage, land charge and annuity debt claims, registered bonds and promissory notes and loans.

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, Freeyou Insurance 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 | 27,070 | 22,423 |
| Bearer bonds and other fixed-interest securities | 578,633 | 503,280 |
| Mortgage loans and annuity claims | 37,750 | 23,899 |
| Registered bonds | 242,423 | 180,312 |
| Notes receivable and loans | 104,401 | 86,196 |

Depreciation was not applied because these are not expected to be permanent impairments. The intention is to hold these securities until maturity or, according to our valuation tool or analyses, to assume only a temporary impairment.

**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 call options | 3,600 | 99 | 51 |
| | Short put options | 4,430 | 235 | 90 |
| Notes receivable | Swaptions | 300,000 | 2,695 | 23,687 |
| Registered bonds | Forward purchases | 10,000 | - | -1,110 |

| Valuation method | | |
|---|---|---|
| Short options | European options | Black-Scholes |
| | American options | Barone-Adesi |
| Swaptions | Hull-White interest rate model | |
| Forward purchases | Bloomberg or our own calculations based on market data | |

**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 | 2,938 | 151,973 | 777 | |
| Bond funds | 927 | 37,069 | 75 | |
| Mixed funds | 34 | 21,450 | 956 | |
| Real-estate funds | 6,523 | 112,392 | 11,586 | 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 | - |
| 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 | 19,333,766 | - |
| 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 | 818,839,458[3] | 28,388,893[3] |
| DEVK Omega GmbH, Cologne | 50.00 | 35,969,323 | 787,206 |
| DEVK Private Equity GmbH, Cologne | 50.00 | 363,165,265 | 64,656,645 |
| DEVK Saturn GmbH, Cologne | 33.33 | 42,122,606 | 1,849,048 |
| DEVK Service GmbH, Cologne | 74.00 | 1,470,379 | - |
| DEVK Zeta GmbH, Cologne | 100.00 | 775,000 | - |
| DEREIF Brüssel Carmen N.V., Brussels (B) | 100.00 | -2,905,317[4] | -195,426 |
| DEREIF Dublin Harcourt Road S.à r.l., Luxembourg (L) | 100.00 | 16,004,427 | 204,427 |
| DEREIF Hungary Eiffel Palace Kft., Budapest (HU) | 100.00 | 11,248,510 | 150,695 |
| DEREIF Hungary Park Atrium Kft., Budapest (HU) | 100.00 | 3,388,112 | -2,452,818 |
| DEREIF Immobilien 1 S.à.r.l., Luxembourg (L) | 100.00 | 61,086,609 | -6,555,540 |
| DEREIF Lissabon Republica Unipessoal Lda, Lisbon (P) | 100.00 | 4,103,507 | 229,701 |
| DEREIF Luxembourg Glacier S.à.r.l., Luxembourg (L) | 100.00 | 12,902,702 | -110,862 |
| DEREIF 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 | 4,935,729 | -95,659 |
| DEREIF Paris 9 chemin du Cornillon Saint Denis S.C.I., Yutz (F) | 100.00 | 6,518,146 | 225,685 |
| DEREIF Paris 37-39, rue d'Anjou, Yutz (F) | 100.00 | 20,107,044 | -2,620,789 |
| DEREIF Vilnius Konstitucijos UAB, Vilnius (LI) | 100.00 | 8,911,563 | 568,813 |
| DEUSA Umbrella SCS SICAV-RAIF, Luxembourg (L) | 100.00 | 117,320,749 | 15,858,775 |
| DP7, Unipessoal Lda, Lisbon (P) | 100.00 | 9,472,749 | 802,965 |
| DRED S.C.S. SICAV-FIS, Luxembourg (L) | 62.28 | 517,246,243 | 47,464,083 |
| freeyou AG, Cologne | 100.00 | 4,848,611 | - |
| Freeyou Insurance AG (formerly GAV Versicherungs-AG), Legden | 100.00 | 20,714,426 | - |
| Grundversorgung S.C.S., Luxembourg, (L) | 80.08 | 165,688,149[2] | 17,924,136[2] |
| Hotelbetriebsgesellschaft SONNENHOF mbH, Bad Wörishofen | 100.00 | 356,023 | - |
| HYBIL B.V., Venlo (NL) | 80.00 | 83,858,096 | 1,571,451 |
| Ictus GmbH, Cologne | 60.00 | 48,032,270 | -5,130,669 |
| Infrastructure Access Portfolio-L 2 SCSp, Luxembourg (L) | 7.20 | 220,534,709 | 27,122,113 |
| Kassos Ventures GmbH, Cologne | 100.00 | 33,214,422 | 31,049 |
| KLUGO GmbH, Cologne | 100.00 | 1,044,523 | -291,444 |
| SADA Assurances S.A., Nîmes (F) | 100.00 | 90,263,321 | 10,003,909 |
| Sana Kliniken AG, Ismaning | 0.70 | 1,139,149,000[3] | 67,648,000[3] |
| Sireo Immobilienfonds No. 4 Edinburgh Ferry Road S.à.r.l., Luxembourg (L) | 95.25 | 15,852,459 | -564,066 |
| Swiss Life Health Care III SIC, Luxembourg (L) | 1.70 | 176,420,200[2] | 13,346,615[2] |
| Terra Estate GmbH & Co. KG, Cologne | 35.00 | 130,421,893 | 1,719,765 |
| | | CZK | CZK |
| DEREIF Prag Oasis s.r.o., Prague (CZ) | 100.00 | 508,186,000 | 48,752,000 |
| | | DKK | DKK |
| DEREIF Copenhagen V ApS, Copenhagen (DK) | 100.00 | 102,269,448 | 2,609,291 |
| | | GBP | GBP |
| DEREIF London 10, St. Bride Street S.à.r.l., Luxembourg (L) | 100.00 | 5,893,994 | -1,794,740 |
| DEREIF London Birchin Court S.à.r.l., Luxembourg (L) | 100.00 | 6,864,316 | -1,777,357 |
| DEREIF London Coleman Street S.à.r.l., Luxembourg (L) | 100.00 | 5,724,713 | -95,294 |
| DEREIF London Eastcheap Court S.à.r.l., Luxembourg (L) | 100.00 | 7,379,544 | -2,376,070 |
| DEREIF London Lombard Street S.à r.l., Luxembourg (L) | 100.00 | 3,696,765 | -2,392,978 |
| DEREIF London Lower Thames Street S.à.r.l., Luxembourg (L) | 100.00 | 6,326,791 | -532,980 |
| DEREIF London Queen Street S.à.r.l., Luxembourg (L) | 100.00 | 15,659,059 | 348,903 |
| | | SEK | SEK |
| DEREIF Malmö, Kronan 10 & 11 AB, Malmö (S) | 100.00 | -2,073,000[4] | -6,096,000 |
| DEREIF Stockholm, Vega 4 AB, Stockholm (S) | 100.00 | 21,147,000 | 12,896,000 |

[2] Based on subgroup financial statements [3] Based on 2021 financial year [4] Deficit not covered by equity capital

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 | **€ 135,432** |

## 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 | |
| 31/12/2021 | € 768,066,246 |
| Allocation from retained profit of the previous year | € 29,300,930 |
| 31/12/2022 | **€ 797,367,176** |

## Re Liabilities B. III.

**Provision for claims outstanding**

The settlement result net of reinsurance for the financial year stands at € -21.3 million (previous year € -1.74 million).

## Re Liabilities E.

| | |
|---|---|
| **Accruals and deferred income** | |
| Discount points on registered bonds | **€ 1,187,279** |

## Notes to the profit and loss account

| Reinsurance coverage provided | | |
|---|---|---|
| | Financial year € 000s | Previous year € 000s |
| Gross premiums written | | |
| - Life | 6,029 | 3,793 |
| - Non-life/accident | 794,328 | 723,838 |
| **Total** | **800,357** | 727,631 |

| 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 | 380 | 389 |
| 4. Social-security contributions and social-insurance costs | - | - |
| 5. Retirement pension costs | - | - |
| **Total** | **380** | 389 |

During the year under review, Management Board remuneration totalled € 387,786. The retirement pensions of former Management Board members and their surviving dependants totalled € 238,388. As of 31 December 2022, a pension provision of € 2,811,476 was capitalised for this group of people. The Supervisory Board remuneration totalled € 145,298.

Of the other income, € 20,658,490 (previous year € 5,783,302) is attributable to currency conversion. Other expenses include € 13,520,186 (previous year € 12,680,887) from currency conversion.

### Appropriation of profit

The overall net annual loss came to around € 19.99 million. The annual net loss is shown as accumulated deficit.

The Management Board proposes to the Annual General Meeting to carry forward the accumulated loss of € 19,988,898 to new account.

### Auditors' fees

For services rendered by the auditors (KPMG AG Wirtschaftsprüfungsgesellschaft) for the company in the financial year, a fee of € 90,469 was paid (including € 59,840 in reduced expenditure for 2021). 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 € 69.7 million (previous year € 96.4 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 36.0 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 € 145.0 million to secure the real estate loans of DRED SICAF-FIS, € 10.0 million from forward purchases and € 8.0 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 € 233.2 million. This includes obligations towards affiliated companies amounting to € 172.7 million.

In order to secure a bank endorsement of USD 59.0 million, DEVK Rückversicherungs- und Beteiligungs-AG - DEVK RE issued a securities deposit with a value of € 58.7 million. Furthermore, redemption obligations from assignments of receivables exist in the amount of € 71 million.

### Supplementary report

No occurrences or events took place after the reporting date that could significantly affect the company's future net assets, financial position or results of operations.

### General information

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

Lists of the members of the Management Board and Supervisory Board are given prior to the management report.

Our company does not itself employ any personnel.

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

As required by law, the annual financial statements are published in Germany's Electronic Federal Gazette.

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

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

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

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

Cologne, 10 March 2023

**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 2022, the profit and loss account for the financial year from 1 January to 31 December 2022, as well as the notes, including the statement of the accounting policies. We have also audited the management report of DEVK Rückversicherungs- und Beteiligungs-Aktiengesellschaft - DEVK RE for the financial year from 1 January to 31 December 2022. We have not audited the contents of the components of the management report mentioned in the "Other information" section of our audit opinion in accordance with German legal requirements.

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 2022, and of its financial performance for the financial year from 1 January to 31 December 2022, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, the management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future developments. Our opinion on the management report does not extend to the contents of the management report components mentioned in the "Other information" section.

Pursuant to § 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 2022. These matters were addressed in conjunction with our audit of the annual financial statements as a whole, and in forming our audit opinion in this regard; we do not provide a separate audit opinion on these matters.

### Valuation of the shares in affiliated insurance companies

With regards to the applied accounting policies, valuation and calculation methods we refer to the explanations given in the notes to the annual report of the Company in the section "Accounting and valuation methods". For the presentation of fair values and valuation reserves, as well as with regard to the presentation of shareholdings, we refer to the explanations given in the notes to the company's financial statements. 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 € 1,071.8 million. This figure equates to 30.6 % of the balance sheet total. The shares in affiliated insurance companies 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 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 are not listed on an active market. The company determines the fair value for shares in affiliated insurance companies 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 is not determined appropriately on the balance sheet date, and that necessary write-downs to the lower fair value are therefore not actioned.

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, we performed the following principal audit procedures in particular on a risk-oriented basis:

- Initially, based on the information obtained in the course of our audit, we assessed for which shares in affiliated insurance companies there are indications of a need for write-downs due to a minor difference between the fair value and the carrying amount.
- 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 committees. 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 have either critically assessed these based on our own assumptions or, in the case of parameters observable on the market, reconciled these with independent sources.
- To ensure the mathematical accuracy of the valuation models used, we reproduced the company's calculations for selected elements.

OUR OBSERVATIONS
The methods used to determine the fair values of the shares in affiliated insurance companies 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 as well as within the provisions for claims outstanding in the assumed outside insurance business undertaken comprise a significant proportion of these closing items on the balance sheet and income statement.

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

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

OUR AUDIT APPROACH

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

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

OUR OBSERVATIONS

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

**Other information**

The Management or Supervisory Board is responsible for the other information. The other information comprises the following components of the management report, the contents of which have not been audited:

- The details in the management report marked as unaudited.

The other information also includes the remaining parts of the annual report. Other information does not include the annual financial statements, the management report information audited in substance and our associated auditor's report.

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

In connection with our audit, our responsibility is to read the 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 such internal control 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 fraudulent actions (i.e. manipulation of the accounting system or misstatement of assets) 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 fraudulent actions or error, and whether the management report as a whole provides an appropriate view of the company's position and is consistent in all material respects with the annual financial statements and the knowledge obtained in the audit, complies with German legal provisions and appropriately presents the opportunities and risks of future developments, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and supplementary compliance with the ISAs will always detect a material misstatement. Misstatements may arise from fraudulent actions or errors 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 fraudulent actions or errors, 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 failing to detect material misstatements resulting from fraud is higher than the risk of failing to detect material misstatements resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misleading representations or the override 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 confirming 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 actions taken or safeguards implemented to address independence threats.

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 Annual General Meeting on 20 May 2022. Furthermore, we were engaged by the Supervisory Board on 13 June 2022. We have acted as the auditor of DEVK Rückversicherungs- und Beteiligungs-Aktiengesellschaft - DEVK RE without interruption since the 1998 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).

We also rendered the following services, which are not stated in the annual financial statements or the management report of the audited company, in addition to the audit of the financial statements of the audited company or the companies controlled by it:

- 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).

## Chief auditor

The auditor in charge of the audit is Thorsten Klitsch.

Cologne, 28 March 2023

**KPMG AG**
**Wirtschaftsprüfungsgesellschaft**

| | |
|---|---|
| **Klitsch** | **Bramkamp** |
| Auditor | Auditor |

## Supervisory Board report

During 2022, 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 2022 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 2022 are thus duly adopted.

The Supervisory Board agrees with the Management Board's proposal concerning the appropriation of the 2022 net retained loss 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, 12 May 2023

**The Supervisory Board**

**Kirchner**
Chairman