Organisational bodies

Supervisory Board

Martin Burkert
Nuremberg
Chairman
Chairman of the Eisenbahn-
und Verkehrsgewerkschaft (EVG)
(from 12 May 2023)

Alexander Kirchner
Runkel
Chairman
Chairman of Eisenbahn- und
Verkehrsgewerkschaft (EVG) ret.
(to 12 May 2023)

Andreas Lösing
Ahaus
Deputy Chairman
CEO of the board
Sparda-Bank West eG
(from 12 May 2023)

Manfred Stevermann
Münster
Deputy Chairman
CEO of the board
Sparda-Bank West eG ret.
(to 12 May 2023)

Dr Daniela Gerd tom Markotten
Dallgow-Döberitz
Head of Digitisation & Technology
Deutsche Bahn AG

Helmut Petermann
Essen
Chairman of the General Works Council
DEVK Versicherungen ret.
(to 29 September 2023)

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

Aref Ramli
Mutlangen
Deputy Chair of the General
Works Council of DEVK Versicherungen
1st Clerk, Sales Service
DEVK Versicherungen,
Regional Management Unit for Stuttgart
(from 29 September 2023)

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. 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.

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

Economic development in Germany in 2023 was characterised in particular by inflation, the response of the central banks to this, and the resulting negative consequences for citizens and companies. At the same time, geopolitical tensions increased, which put additional pressure on the difficult capital market environment. Political conflicts within the federal government had an additional negative impact on economic development in Germany.

The European Central Bank raised the key interest rate from 2.50 % to 4.50 % in six steps up to September 2023, before deciding at its October meeting to pause interest rates for the first time since July 2022; a situation that lasted until the end of the year. The US Federal Reserve halted further interest rate hikes for the time being in September. At the same time, the inflation rate in Europe fell from 9.2 % at the beginning of the year to 2.9 % at the end of December. Risk-free interest rates (e.g. the 10-year euro swap rate) rose by around 40 basis points from the start of the year to their annual high of just over 3.5 % by the beginning of October, subject to strong fluctuations of 3.1 % in some cases, and then fell again by just under 70 basis points by the beginning of December – partly in response to the central banks' decision not to raise interest rates any further. Standing at 2.5 % at the end of 2023, the value was 57 basis points lower than at the start of the year. The yield on the 10-year German government bond showed simultaneous development in 2023 and, at 2.1 %, was at the level of the initial value at the beginning of the year. The sharp rise in the yield curve inversion at the start of 2023 eased towards the end of the year. For long-term investors (such as life insurance companies), the development at the long end of the yield curve is particularly important in order to adequately fulfil long-term technical obligations. The risk premiums on European investment-grade corporate bonds moved sideways with very little volatility over the course of the year (despite the weak economic development in the euro zone) even though corporate insolvencies in Germany increased compared to the previous year. The number of major insolvencies (companies with an annual turnover of at least 50 million euros) has also risen recently, with the property sector particularly affected by this.

Stock markets showed a predominantly positive trend in 2023. The global stock markets witnessed short-term distortions in March in the wake of the Silicon Valley Bank collapse. As a result, market participants speculated about a possible insolvency of Credit Suisse and a renewed global financial crisis, although this danger was averted under the influence of the Swiss supervisory authority, when UBS AG took over the ailing institution. During the course of the subsequent recovery, the leading German DAX index reached a new all-time high of 16,469.75 points at the end of July. As a result of the decisions of the central banks to hold out the prospect of further interest rate hikes in the summer, there was a correction of 10 % on average. The attack on Israel by Hamas at the beginning of October and the associated risk of an increasing escalation in the Middle East had a negative short-term impact on the stock markets. The fact that no political conflagration has yet broken out in the Middle East and the significant fall in inflation in some cases coupled with the associated interest rate pauses by the Fed and ECB laid the foundations for the start of a year-end rally, which took the DAX to a new all-time high of 17,003 points; the annual performance was 20.3 %.

High inflation combined with higher interest rates on loans and only gradually rising real wages had a noticeable negative impact on economic development in Germany. While price-adjusted gross domestic product increased by 0.3 % year-on-year in the first quarter, it fell by 0.4 % in the second quarter and a further 0.7 % in the third quarter. With a decline of 0.4 % in the last quarter of the year, the Federal Republic of Germany was in recession, while the majority of other EU countries had already returned to positive growth figures. Geopolitical uncertainties caused by the war in the Middle East and the judgement of the Federal Constitutional Court on a strict interpretation of the debt brake, in particular, had a lasting negative impact on economic development in the second half of the year. According to the Federal Statistical Office, the decline in real gross domestic product in Germany in 2023 was 0.3 %. Economists are forecasting a slight recovery in growth of 0.7 % for the following year. Companies are also cautious in their assessment of the economic situation. Although the Ifo Business Climate Index initially rose to its annual high of 93.1 points in April, it fell in the following months to an annual low of 85.8 points in August. This was followed by a low-level recovery to 86.4 points at the end of the year. Compared to the euro zone, Germany is showing poorer performance in terms of estimated GDP growth in both years (euro zone 2023: 0.6 %, 2024: 1.1 %). In a global comparison, following on from relatively strong growth of 2.5 % in 2023, some economists expect the US economy to decline to 1.6 % in 2024.

The extremely high temperatures witnessed in 2023 favoured weather disasters, with these disasters causing global damage totalling at least USD 250 billion and as such roughly the same amount as in the previous year (some brokers are even predicting losses of up to USD 380 billion). Around USD 125 billion of the losses were insured.

This was not driven by one major event; rather the frequency of events increased. Natural disasters were recorded on all continents. The severe earthquakes in Turkey and Syria in particular, which claimed over 58,000 lives, are still fresh in our memories. Europe witnessed severe flooding in Italy and Greece caused by Storm Daniel, a medicane (or Mediterranean hurricane). This event also caused severe damage in North Africa. The heavy rainfall in northern Germany in December and an unusually high number of thunderstorms caused further damage. Typhoon Doksuri devastated parts of the Philippines and China, while New Zealand suffered heavy rainfall in the Auckland region, followed by Cyclone Gabrielle, which also hit the North Island. Morocco experienced a severe earthquake, while Madagascar and Mozambique were hit by Cyclone Freddy, killing 1,400 people. Although the hurricane season in North America was unusually active, these storms tended to hit sparsely populated areas or did not make land. Conversely, two severe thunderstorms in the Midwest and Texas were among the most expensive losses of the year. Hurricane Otis, which hit Mexico, was also a remarkable storm.

It can be assumed that the frequency and intensity of natural disasters will remain high in the coming years.

The reinsurance markets stabilised. Sufficient capacity was available. Prices continued to rise, but at a much slower pace than in recent years and also on a more individual basis. While programmes without claims were only confronted with slight increases, contracts with claims had to fend off higher demands.

The demand for capacity in the natural disaster sector continued to rise, mainly due to inflation, although it was met by both new capital and an increased appetite for risk among some reinsurers.

However, the focus of reinsurers with respect to the 2024 renewal was noticeably on higher customer retentions and adjustments to the scope of cover. Above all, the clarity of the cover and tailored hours clauses were essential in order to obtain protection. Overall, although this renewal was late again, it was clearer and more balanced than last year.

Business trends

In 2023, the gross premiums written for DEVK Rückversicherungs- und Beteiligungs-AG - DEVK RE were 29.4 % up at € 1,054.3 million. The forecast premium growth of around 27 % was therefore exceeded. The greatest absolute increases were recorded in transport insurance and engineering insurance. In the North America region (USA & Canada), the premium earned in 2023 increased by € 51.9 million to € 147.5 million. At € 31.2 million, the majority of this growth is attributable to the planned expansion of our specialised divisions from € 39.5 million to € 70.6 million.

The number of contracts reinsured (non-DEVK only) on 31 December 2023 stood at 3,257 (previous year 2,939). Client numbers rose to 608 (previous year 560).

Due to the significant expansion of business, the gross expenditure for claims in the financial year increased by 20.2 % to € 683.9 million. In 2023, by far the largest loss event was the earthquake in Turkey, although hailstorms in Europe and the USA as well as flooding also had an impact. With an increase of 25.1 %, however, the expenses for insurance claims net of reinsurance remained below the increase in earned premiums net of reinsurance (+32.6 %).

The underwriting result before changes to the equalisation provision therefore improved to € 34.0 million (previous year € 7.4 million). As such, the forecast result of around € 40 million was not quite attained. Due to a very high allocation to the equalisation provision of € 45.1 million, the net underwriting result of € -11.1 million was well below last year's forecast of around € 30 million.

The gross income from investments stood at € 142.1 million in 2023 (previous year € 118.3 million). This development is primarily due to the increase in profits from the disposal of investments from € 5.6 million to € 20.6 million (of which € 17.5 million from derivatives). Contrary to the expected increase in income from profit and loss transfer agreements, these fell moderately in 2023 (from € 56.0 million to € 51.6 million). The primary reason for the decline is the profit transfer from DEVK Allgemeine Versicherungs-AG (€ 23.2 million after € 33.3 million), while the profit transfer from DEVK Vermögensvorsorge- und Beteiligungs-AG made a positive contribution to earnings of € 10.2 million (previous year € 5.4 million). Write-ups also had a positive effect on the company's gross income with an increase of € 1.8 million to € 3.7 million.

In 2023, total capital investment expenditures remained almost unchanged at € 52.3 million, following on from € 52.8 million in the previous year. Write-downs fell significantly in comparison to the previous year, from € 36.2 million to € 24.5 million. At the same time, the assumption of losses for freeyou AG and Freeyou Insurance AG increased from € 13.7 million to € 25.0 million.

Overall, net investment income increased significantly from € 65.5 million to € 89.7 million due to the effects described above. The investment portfolio increased moderately in 2023, from € 3,182.6 million to € 3,436.3 million. The net interest rate was 2.7 %, following on from 2.1 % in the previous year. Both earnings figures therefore exceeded our forecast from the previous year's annual report (previous year's forecast: 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 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 in order to counter the low interest rates prevailing at the time and to improve real value retention and as such the overall long-term earnings situation. Over the course of the year, the effective equity ratio at book value was increased significantly overall – with the exception of a counter-movement in autumn. However, the mid-term plan is to further build up the equity items. In 2023, the development of other long-term oriented real assets in the private equity and alternative investments sectors continued as planned. One exception is the property portfolio, which increased in absolute terms but fell relative to the growing investment portfolio.

Other income was roughly at the forecast level.

Overall, the result from ordinary activities came in at € 65.0 million (previous year € 27.5 million), significantly falling short of the forecast figure of € 130 to € 140 million.

The after-tax net annual profit came to € 44.5 million (previous year € -20.0 million). After equalisation of the loss carried forward, the balance sheet profit amounted to € 24.5 million.

Net assets, financial position and results of operations

Results of operations

	Financial year € 000s	Previous year € 000s	Change € 000s
Technical account	-11,054	-14,352	3,298
Investment result	89,700	65,651	24,049
Other result	-13,676	-23,803	10,127
Profit from ordinary activities	**64,970**	27,496	37,474
Taxes	20,450	47,485	-27,035
Annual net profit/loss	**44,520**	-19,989	64,509

Underwriting result, net of reinsurance

Gross premium receipts rose 34.6 % to € 1,077.1 million. Much of the growth came from business outside DEVK. Earned premiums net of reinsurance rose by 32.6 % to € 892.3 million (previous year € 672.9 million). Claims expenses net of reinsurance increased to € 619.8 million (previous year € 495.4 million). The ratio of net claims expenses to earned net premiums therefore improved to 69.5 % (previous year 73.6 %). The ratio of expenses on insurance operations net of reinsurance to earned premiums net of reinsurance stood at 26.0 % (previous year 25.1 %). The underwriting result before changes to the equalisation provision accordingly rose to € 34.0 million (previous year € 7.4 million). After a very high allocation to the equalisation provision of € 45.1 million (previous year € 21.7 million), the underwriting result net of reinsurance stood at € -11.1 million (previous year € -14.4 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	12,999	6,029	115.6 %	-	-	-1,587	1,599
Accident	48,966	46,126	6.2 %	-	-	12,102	11,301
Liability	30,876	21,200	45.6 %	-17,779	-14,331	-6,299	-4,257
Motor vehicle	283,905	249,884	13.6 %	-9,831	12,907	2,248	3,047
Fire and non-life	535,592	400,003	33.9 %	415	-19,377	-21,863	-32,775
of which:							
Fire	131,552	106,679	23.3 %	-65	2,405	-6,753	-4,030
Household contents	34,077	29,047	17.3 %	-	-	5,882	-966
Homeowners' building	160,429	130,775	22.7 %	-	6,125	-3,265	2,097
Other non-life	209,534	133,503	57.0 %	480	-27,907	-17,727	-29,875
Other	164,736	77,114	113.6 %	-17,895	-904	4,345	6,732
Total	**1,077,074**	800,357	34.6 %	**-45,090**	-21,704	**-11,054**	-14,352

In terms of actual amounts, the largest premium increases were recorded in transport insurance and engineering insurance. In the North America region (USA & Canada), the premium earned in 2023 increased from € 51.9 million to € 147.5 million. At € 31.2 million, the majority of this growth is attributable to the planned expansion of our specialised divisions from € 39.5 million to € 70.6 million. Before the change in the equalisation reserve, the accident, liability and motor vehicle lines of business made the largest positive contributions to the result.

Investment result

At € 142.1 million, the investment result was significantly up on the previous year's figure (€ 118.3 million). This was due in particular to the higher gains from the disposal of investments. The income from profit transfer agreements with affiliated companies totalled € 51.6 million (previous year € 56.0 million). Write-ups were posted in the amount of € 3.7 million (previous year: € 1.8 million).

At € 52.4 million, investment expenses in 2023 are almost unchanged from the previous year (€ 52.8 million). This was mainly due to the fact that an increase in the assumption of losses (€ 25.0 million compared to € 13.7 million) and a decrease in the write-down requirement on investment expenses (€ 24.5 million compared to € 36.2 million in the previous year) almost cancelled each other out. Losses from disposals of investments came to € 0.2 million (previous year € 0.9 million). The administration costs rose from € 1.9 million to € 2.7 million, in part reflecting the high levels of inflation witnessed in 2023.

Total net investment income rose significantly to € 89.7 million (previous year € 65.5 million). This development in 2023 exceeded our forecast from the previous year, as described above.

Other result

The "Other" result, including the technical interest income, improved to € -13.7 million (previous year € -23.8 million). Heavily reduced pension costs contributed to this improvement.

Profit from ordinary activities

As a result of the improvements in the underwriting result, investment result and other earnings, the result from normal business activities of € 65.0 million was well above the previous year's level (€ 27.5 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 € 20.4 million, tax expenses in 2023 were lower than in the previous year (€ 47.5 million). The results of completed company audits have reduced expenses here.

Operating result and appropriation of profit

The after-tax net annual profit came to € 44.5 million (previous year € -20.0 million). After equalisation of the loss carried forward, the balance sheet profit amounted to € 24.5 million.

The Management Board proposes to the Annual General Meeting that the sum of € 10.0 million should be appropriated from the net retained earnings and paid as a dividend to DEVK Sach- und HUK-Versicherungsverein a.G., with the remaining amount being allocated to other retained earnings.

Financial position

Cash flow

Availability of the liquidity necessary to meet regular payment obligations is ensured through ongoing liquidity planning, which takes into account prospective liquidity movements over the coming twelve months. The company receives 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 € 99.5 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 2023. As in the years 2008 to 2022, 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 July 2023 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)	3,436,329	3,182,637	253,692
Deposit receivables	88,770	70,220	18,551
Receivables arising out of reinsurance operations	137,473	80,248	57,224
Other receivables	156,994	144,926	12,068
Other assets	71,858	25,366	46,493
Total assets	**3,891,424**	3,503,396	388,028
Equity	1,322,421	1,277,901	44,520
Technical provisions	1,354,637	1,106,925	247,712
Other provisions	1,036,255	1,021,878	14,377
Liabilities arising from reinsurance operations	145,381	80,682	64,700
Other liabilities	17,223	14,824	2,398
Accruals and deferred income	15,508	1,187	14,320
Total capital	**3,891,424**	3,503,396	388,028

Overall, there were no significant material changes in the composition of the 2023 investment portfolio at book value. The proportion of alternative investments and the equity block has increased.

The stronger orientation of the capital investment strategy towards real values is only reflected in the change in the capital investment portfolio to a small extent. On the one hand, this is due to the fact that the adjustment of the asset allocation is a medium-term process, particularly in the case of illiquid investments. On the other hand, a tactical adjustment of the capital investments is realised for risk management purposes. This can compensate for or reinforce adjustments.

Of the other receivables, € 56.1 million (previous year € 60.4 million) concerns receivables under profit transfer agreements. The remaining receivables are predominantly tax receivables and receivables from an intra-group clearing account.

The provision for claims outstanding (claims provision) and the equalisation provision (including similar provisions) account for the largest share of the technical provisions. € 45.1 million was added to the equalisation provision due to the positive development in the reinsurance business. The provision for claims outstanding was increased by € 175.6 million due to the increased business volume.

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.

A large company-wide employee and trainee survey was conducted in autumn 2023, during which all office staff and salaried field staff were invited to provide feedback on key topics. The survey featured a number of new elements including separately addressing employees in agile structures for the first time.

Employee satisfaction index		
	Financial year Points	Previous year Points
Actual	708	753
Target	763	791

The provisional target set for 2024 is 733 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 2023.

Outlook, opportunities and risks

Outlook

During 2024, we are anticipating a slight decline in premiums of around 3 % due to the reduction in intra-group acquisitions. Third-party business, on the other hand, will continue to expand, although to a much lesser extent than in previous years. According to current estimates, net underwriting income and expenses will increase at roughly the same rate. Before changes to the equalisation provision, we are therefore expecting the result in the technical account to be at the previous year's level. Following a lower allocation to the equalisation provision than in the previous year, we currently expect an underwriting result in the single-digit million range.

The development of (core) inflation will remain one of the main factors for the overall economic situation in the coming years. Lower key interest rates as a result of lower inflation rates could incentivise companies to invest and promote growth. Second-round effects arising due to high price increase rates (e.g. high wage increases) have a long-lasting effect on an economy. We expect the US Federal Reserve to make its first interest rate cuts at the end of the second quarter at the earliest, while we believe that the ECB will not follow suit until later in the year. Furthermore, an increase in private consumer spending resulting from rising real wages could have a positive impact on the trade and services sector. On the other hand, a continued sluggish recovery in China's economy could have a negative impact on economic development, which would affect German exports in particular. We also assume that the economic policy measures introduced in Germany to date will not be sufficient to achieve a sustainable recovery in energy-intensive industries. Key leading economic indicators such as purchasing managers' indices have continuously fallen over the course of 2023. However, there were signs of recovery towards the end of 2023. The Ifo Business Climate Index for Germany has also recently sent out positive signals. By contrast, producer prices stagnated at the end of the year, although this was mainly due to base effects resulting from the very high price levels witnessed in 2022 due to inflation.

In our view, increasing military conflicts reinforce existing deglobalising tendencies, which in turn has an inflationary effect. Furthermore, an escalation in the Middle East in particular and the entry of further states into the military conflict could have a massive impact on the capital markets. In such a scenario, we also expect a significant rise in energy prices, which in turn would fuel inflation. We anticipate a volatile environment for the stock market in general in 2024. While the reporting season in autumn 2023 tended to be positive, valuations on the global markets must be viewed in a differentiated manner. German and European shares tend to have more favourable company valuations, while American company valuations are higher on average.

According to forecasts by the International Monetary Fund, the global economy is heading for economic growth of 3.1 % in 2024, which is weak in a historical context, and is therefore on a par with the 3.0 % recorded in 2023. In China, the property market – which accounts for a large proportion of GDP – remains in crisis. The IMF expects China to grow by 5.2 % in 2023 and 4.6 % in 2024. Such a development would put a damper on growth for export-driven countries like Germany in particular.

Overall, we expect the capital market to remain volatile in 2024 due to the uncertainties described above. In the context of lower inflation and an end to the interest rate hike policy, at least for the time being, we see yields falling in the short and medium-term maturity range in the mid-term. This would lead to a normalisation of the yield curve, so that short-term yields are once again lower than long-term yields. If, as we expect, the yield level for longer maturities does not fall as sharply, this would be advantageous for long-term investors such as life insurance companies when reflecting technical obligations in their capital investments.

For DEVK Rückversicherungs- und Beteiligungs-AG - DEVK RE, we expect a net result from profit transfers and loss assumptions in the area of investments in 2024 at around the previous year's level. Overall, we expect net investment income in 2024 to be significantly below the previous year's level and the investment portfolio to increase moderately, while the net interest rate should be significantly below the previous year's level. On the one hand, this is due to the expectation of falling income from equities resulting from existing uncertainties on the capital market and, on the other hand, we expect lagging effects in the property sector, which is reflected in a negative performance. Neither of these factors can be more than offset by increasing investment incentives as a result of falling inflation rates and the associated expected interest rate cuts by central banks. The forecast development may deviate negatively in the event of a renewed rise in inflation, a deeper and longer-lasting recession or the increasing escalation of global military conflicts. Earlier interest rate cuts by central banks, on the other hand, could have a positive impact on the result, in particular on the stock markets.

We are forecasting profit from ordinary activities in 2024 to be in the order of € 65 million to € 75 million.

With regards to employee satisfaction, DEVK has set itself a target index value of 733 points. The target for 2024 is therefore 25 points above the actual value in 2023.

Opportunities report

Thanks to a clear risk strategy and the definition of a target portfolio, we have been able to further improve the quality of our inventory.

We have deliberately parted company with some clients where either the prospective gains were too small or the (permanently) low volume did not justify the administration.

In line with the market, we have also emphasised both adjusted retentions and suitable cover concepts.

The focus was also on underwriting discipline; contracts with inadequate conditions were not accepted. We have been regularly able to enforce our price and cover requirements without straining the relationship with our clients.

Furthermore, we are a reinsurer that offers a broad range of lines of business, is in close contact with clients and maintains a good relationship with brokers.

The resulting reputation enjoyed with our partners will also offer us far-reaching opportunities for profitable growth in the future.

In terms of investments, we see attractive investment opportunities in 2024 alongside the risks and despite the volatile market environment. In a recessionary environment, the risk premiums on bonds in the market as a whole generally rise, meaning that even companies with good credit ratings have to pay higher yields. This offers the opportunity to acquire bonds with attractive yields from a risk-return perspective. An increasing normalisation of the risk-free yield curve would also have a positive effect on capital investments, such as real estate investments, that are (partly variable) debt-financed. As a result of the anticipated more expansive central bank policy, the stock market is likely to perform positively in the second half of the year at the latest, as we assume that the planned interest rate cuts will reduce existing economic concerns.

Prices on the property market will probably stabilise after initially expected value corrections as interest rates fall over the course of the year. In addition, there is a decrease in the risk of vacancies and the probability of default on rental incomes when interest rates fall or the economic outlook improves. There may be an opportunity to acquire properties in very good locations with long-term, creditworthy tenants that are currently valued at a low price and as such have the chance to realise higher returns in the long 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 and 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).

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	%
2014	68.6	2019	63.9
2015	65.3	2020	68.5
2016	66.2	2021	75.8
2017	70.8	2022	73.6
2018	67.3	2023	69.5

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 2023. For 55 contracts with a run-off gain/loss of more than € 1 million, the net run-off result was € -6.3 million. For the remaining contracts with run-off results (quantity: 3,570), the run-off loss amounted to € 22.7 million, which corresponded to an average run-off loss of approximately € 6,353.

Settlement result net of reinsurance as % of original provision

Year	%	Year	%
2014	-4.1	2019	2.6
2015	2.4	2020	-3.3
2016	3.0	2021	-1.7
2017	3.2	2022	-3.2
2018	1.6	2023	-3.7

Our equalisation provisions provide an additional safety cushion that contributes to the smoothing of our underwriting results. As of 31 December 2023, their volume totalled € 304.0 million (previous year € 258.9 million).

Risk of defaults by debtors arising from our insurance operations

Amounts receivable from reinsurance business at the end of the year came to € 137.5 million (previous year: € 80.2 million). These include receivables from reinsurers totalling € 11.48 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-	0.82
A+	2.50
A	2.29
A-	5.57
without	0.26

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.

Liquidity risk is countered by regularly determining the utilisation of the liquidity classes within the framework of the risk management process. This key figure is included in the limit system. Furthermore, liquidity stresses are calculated on the company's liquidity planning in order to take account of adverse events on the capital market or on the liabilities side. Sensitivity calculations are also performed for specific events.

On the balance sheet date of 31 December 2023 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 2023, 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
- Adjustment of equity risks via options trading.

Interest-bearing investments

As of 31 December 2023, the Company held interest-bearing investments with a total value of € 1.72 billion. On the reporting date, these interest-bearing investments had a negative valuation reserve of € 139.0 million (previous year: minus € 149.9 million). A total of € 744.3 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 € 733.8 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 € 46.0 million. This includes hidden liabilities to the value of € 51.5 million (previous year € 78.2 million) and hidden reserves of € 5.5 million (previous year € 1.3 million). As the development of the 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 entail a corresponding value change of up to € -83.3 million, or € 91.9 million respectively.

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 first. The exception to this is losses of value due to deteriorating credit ratings that may affect the issuers in question. These would be reflected, for example, in a short-term increase in risk premiums. However, they largely moved sideways in 2023. We consider it possible that risk premiums will increase in 2024 as a result of a deterioration in creditworthiness in an economic downturn, expectations of a prolonged recession and a renewed rise in inflation or a stock market correction.

Our interest-bearing investments are predominantly in covered bonds and bank bonds. We also invest in corporate bonds. Bonds from the European peripheral countries Ireland, Italy and Spain are held to a small extent. Bonds of issuers from Russia and Ukraine are neither present in the direct portfolio nor in screened special funds. In 2023 our bond investments focused on national and international bearer bonds issued by banks and government-related issuers. Our pension investments in particular involve bearer papers, predominantly assigned to the fixed assets, and also registered papers.

Turning to issuer risks, as proportions of our total investments, 5.9 % of the company's investments are in government bonds, 12.6 % in corporate bonds and 21.4 % 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 accounts for 1.1 % 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	56.2 %	52.7 %
A- to A+	27.5 %	30.5 %
BBB- to BBB+	12.5 %	13.0 %
BB+ or worse	3.8 %	3.8 %

Compared to the previous year, the rating distribution of the company has shifted slightly from "A- to A+" and "BBB- to BBB+" towards "AA- and better". Overall, this has slightly improved 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 € 33.5 million. The German share index, including dividends, performed positively in 2023, while the European share index performed only marginally worse. 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 € 4.0 million have been assigned to the fixed assets. These shares are held directly. The fixed-asset equities show valuation reserves of € -0.4 million. This figure includes no hidden reserves.

Against the background of our market assessment, we actively increased the effective equity ratio in the special fund in 2023, sometimes significantly, with a downward trend in autumn 2023. Overall, the effective equity ratio at the end of the year lies below the level at the start of the year. If economic problems should arise in the future as a result of an escalation of military conflicts or a deeper recession, for example, the equity ratio can be actively adjusted.

Real estate

On the balance sheet date, we held indirect mandates to a value of € 363.1 million. Of this, € 256.6 million was invested in direct property holdings and € 106.5 million in real estate funds. In 2023, the write-downs on these real estate investments stood at € 11.6 million. Real estate assets to a value of € 106.5 million have been assigned to the fixed assets. The valuation reserves in the fixed assets stand at € 5.7 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 this 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 2023 the volume stood at € 113.9 million (previous year € 100.0 million). This corresponds to 3.3 % (previous year 3.1 %) of the total investments at book value. The portfolio is split almost 90:10 between infrastructure and other alternative investments. In the 2023 financial year, write-downs on alternative investments of € 0.5 million (previous year: no write-downs) and write-ups of € 0.3 million (previous year: € 1.0 million) were posted. The ordinary income in 2023 stands at € 5.2 million (previous year € 2.3 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. 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, data protection and cyber crime. Appropriate training courses are offered in this respect via our further education portal or are mandatory.

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 restore 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 measures implemented.

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 2023 was again on the further automation of processes.

In 2023, DEVK Rückversicherungs- und Beteiligungs-AG - DEVK RE fulfilled all reporting obligations, such as the annual report, the report on the solvency and financial position, the Regular Supervisory Report (as an amendment report) and the report on the company's own risk and solvency assessment vis-à-vis the supervisory authority and the public. 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 2022 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, 8 March 2024

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
Financial 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 2023

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		588,741		891
II. Payments on account		88,088		48
			676,829	939
B. Investments				
I. Investments in affiliated companies and participating interests				
1. Shares in affiliated companies	1,204,647,738			1,071,830
2. Loans to affiliated companies	260,546,000			305,733
3. Participating interests	157,962,809			160,332
		1,623,156,547		1,537,895
II. Other investments				
1. Shares, units or shares in investment funds and other variable-interest securities	381,231,509			383,602
2. Bearer bonds and other fixed-interest securities	696,756,229			642,631
3. Mortgage loans and annuity claims	37,750,000			37,750
4. Other loans	664,642,240			556,713
5. Deposits with banks	9,000,000			-
6. Other investments	23,792,417			24,046
		1,813,172,395		1,644,742
III. Deposits with ceding companies		88,770,297		70,220
			3,525,099,239	3,252,857
C. Accounts receivable				
I. Receivables arising out of reinsurance operations of which:		137,472,642		80,248
Affiliated companies: € 343,865				266
II. Other receivables		156,993,580		144,925
of which:			**294,466,222**	225,174
Affiliated companies: € 90,203,771				105,347
D. Other assets				
I. Tangible assets and inventories		351,728		450
II. Cash at banks, cheques and cash in hand		54,951,023		12,128
III. Other assets		1,491,766		-
			56,794,517	12,578
E. Prepayments and accrued income				
I. Accrued interest and rent		13,817,654		11,713
II. Other prepayments and accrued income		569,258		135
			14,386,912	11,849
Total assets			**3,891,423,719**	3,503,396

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		797,367
IV. Balance sheet profit/loss		24,531,408		-19,989
			1,322,420,774	1,277,900
B. Technical provisions				
I. Provision for unearned premiums				
1. Gross amount	65,060,434			42,737
2. of which from: Reinsurance amount	93,736			32
		64,966,698		42,705
II. Premium reserve		13,948,292		13,355
III. Provision for claims outstanding				
1. Gross amount	1,105,584,367			929,842
2. of which from: Reinsurance amount	142,883,611			142,784
		962,700,756		787,058
IV. Equalisation provision and similar provisions		304,033,752		258,944
V. Other technical provisions				
1. Gross amount	9,010,165			4,924
2. of which from: Reinsurance amount	23,085			61
		8,987,080		4,863
			1,354,636,578	1,106,925
C. Other provisions				
I. Provisions for pensions and similar commitments		997,432,951		960,672
II. Provisions for taxation		22,979,956		39,387
III. Other provisions		15,842,149		21,818
			1,036,255,056	1,021,878
D. Other liabilities				
I. Liabilities arising out of reinsurance operations of which:		145,380,910		80,681
Against affiliated companies: € 29,743,807				20,532
II. Other liabilities		17,222,883		14,824
of which:			**162,603,793**	95,505
From taxes: € 1,183,420				1,182
Against affiliated companies: € 14,344,730				11,414
E. Prepayments and accrued income				
			15,507,518	1,187
Total liabilities			**3,891,423,719**	3,503,396

Profit and loss account

for the period from 1 January to 31 December 2023

Items	€	€	€	Previous year € 000s
I. Technical account				
1. Earned premiums net of reinsurance				
a) Gross premiums written	1,077,074,101			800,357
b) Outward reinsurance premiums	162,070,831			141,833
		915,003,270		658,524
c) Change in the gross provision for unearned premiums	-22,808,185			14,403
d) Change in the gross provision for unearned premiums, reinsurers' share	61,290			3
		-22,746,895		14,406
			892,256,375	672,930
2. Allocated interest, net of reinsurance			**39,228**	49
3. Other technical income, net of reinsurance			**125**	-
4. Claims incurred, net of reinsurance				
a) Claims paid				
aa) Gross amount	544,109,740			461,263
bb) Reinsurers' share	99,891,479			98,888
		444,218,261		362,375
b) Change in the provision for claims outstanding				
aa) Gross amount	175,647,954			134,355
bb) Reinsurers' share	-103,198			-1,326
		175,544,756		133,030
			619,763,017	495,405
5. Changes in other technical provisions, net of reinsurance				
a) Premium reserve, net of reinsurance		-593,087		596
b) Other technical provisions, net of reinsurance		-4,124,191		94
			-4,717,278	691
6. Net operating expenses, net of reinsurance				
a) Gross operating expenses for insurance operations		260,572,081		197,113
b) of which, from: Reinsurance commissions and profit participation		28,993,963		28,420
			231,578,118	168,693
7. Other technical charges, net of reinsurance			**2,201,067**	2,221
8. Subtotal			**34,036,248**	7,352
9. Change to the equalisation provision and similar provisions			**-45,089,917**	-21,704
10. Technical result net of reinsurance			**-11,053,669**	-14,352
Balance carried forward:			-11,053,669	-14,352

Items	€	€	€	Previous year € 000s
Balance carried forward:			-11,053,669	-14,352
II. Non-technical account				
1. Income from investments				
a) Income from participating interests	12,685,423			12,726
of which: from affiliated companies: € 6,234,858				8,762
b) Income from other investments	53,504,281			42,251
of which: from affiliated companies: € 9,783,286				3,140
c) Income from write-ups	3,745,228			1,839
d) Gains on the realisation of investments	20,571,835			5,638
e) Income from profit pooling, profit transfer and partial profit transfer agreements	51,604,517			55,952
		142,111,284		118,405
2. Investment charges				
a) Investment management charges, interest expenses and other charges on capital investments	2,747,617			1,876
b) Write-downs on investments	24,529,747			36,222
c) Losses on the realisation of investments	155,665			927
d) Charges from loss transfer	24,978,423			13,730
		52,411,452		52,755
		89,699,832		65,651
3. Allocated interest		39,228		49
			89,660,604	65,601
4. Other income		83,145,875		98,430
5. Other charges		96,782,549		122,183
			-13,636,674	-23,753
6. Profit from ordinary activities			**64,970,261**	27,496
7. Taxes on income		20,448,469		47,484
8. Other taxes		1,486		1
			20,449,955	47,485
9. Annual net profit/loss			**44,520,306**	-19,989
10. Loss carried forward from the previous year			**-19,988,898**	-
11. Balance sheet profit/loss			**24,531,408**	-19,989

Notes to the accounts

Accounting and valuation methods

Intangible assets (IT software) are recognised at their costs of acquisition and, with the exception of advance payments, subjected to scheduled depreciation. Low-value assets are either assigned to a pool of such assets, in which case they are depreciated over a five-year period, beginning from the year of acquisition. Otherwise they are recorded as operating expenses in their year of acquisition.

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

Equities, fund units or shares and other variable-yield securities, the **bearer bonds and other fixed-interest securities** are shown at the lower of their costs of acquisition or market prices. Investments assigned to the fixed assets pursuant to section 341b paragraph 2 HGB are valued according to the diluted lower value principle. Investments assigned to the current assets were valued according to the strict lower value principle. Where a write-down to a lower value took place in previous years, a corresponding write-up subsequently took place if this asset could then be assigned a higher value on the balance sheet date. These write-ups took place to the lower of the acquisition cost or market value.

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

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

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

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

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

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

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

Other receivables are shown at their nominal values.

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

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 1.83 % for Management Board members and 1.82 % (previous year: 1.78 %) for employees 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., the trend towards the contribution assessment ceiling was set at 3.0 % p.a., and the rate of pension increase at 1.0 %, 2.0 % or 2.1 % p.a. depending on undertaking.

The **tax provisions** and **other provisions**, calculated according to anticipated requirement, were formed for the current financial year and set at the levels necessary to the best of our commercial judgement.

Liabilities arising from reinsurance operations are based on the reinsurance contracts and are recognised at the settlement value.

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.

The 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 2023 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	891	21	2	-	-	325	589
2. Payments on account	48	42	-2	-	-	-	88
3. Total A.	939	63	-	-	-	325	677
B. I. Investments in affiliated companies and participating interests							
1. Shares in affiliated companies	1,071,830	135,534	-	-	-	2,717	1,204,647
2. Loans to affiliated companies	305,733	31,750	-	76,937	-	-	260,546
3. Participating interests	160,332	15,145	-	6,173	330	11,671	157,963
4. Total B. I.	1,537,895	182,429	-	83,110	330	14,388	1,623,156
B. II. Other investments							
1. Shares, units or shares in investment funds and other variable-interest securities	383,602	40,575	-	37,800	3,415	8,560	381,232
2. Bearer bonds and other fixed-interest securities	642,631	62,587	-	6,902	-	1,560	696,756
3. Mortgage loans and annuity claims	37,750	-	-	-	-	-	37,750
4. Other loans							
a) Registered bonds	252,423	98,175	-	-	-	-	350,598
b) Notes receivable and loans	183,290	33,501	-	7,747	-	-	209,044
c) Other loans	121,000	361,000	-	377,000	-	-	105,000
5. Deposits with banks	-	1,322,000	-	1,313,000	-	-	9,000
6. Other investments	24,046	-	-	233	-	21	23,792
7. Total B. II.	1,644,742	1,917,838	-	1,742,682	3,415	10,141	1,813,172
Total	**3,183,576**	**2,100,330**	-	**1,825,792**	**3,745**	**24,854**	**3,437,005**

The amortisation of intangible assets is scheduled in nature. Impairment losses of € 5.9 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 2023, 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	1,204,647,738	1,904,292,717
2. Loans to affiliated companies	260,546,000	260,546,000
3. Participating interests	157,962,809	176,891,920
B. II. Other investments		
1. Shares, units or shares in investment funds and other variable-interest securities	381,231,509	414,756,596
2. Bearer bonds and other fixed-interest securities	696,756,229	654,080,560
3. Mortgage loans and annuity claims	37,750,000	25,088,836
4. Other loans		
a) Registered bonds	350,598,424	284,800,739
b) Notes receivable and loans	209,043,816	193,957,384
c) Other loans	105,000,000	105,000,000
5. Deposits with banks	9,000,000	9,000,000
6. Other investments	23,792,417	38,015,414
Total	**3,436,328,942**	**4,066,430,166**
of which: Investments valued at costs of acquisition	3,050,078,942	3,758,098,925
of which: Investments in fixed assets pursuant to section 341b paragraph 2 HGB	844,231,230	803,550,434

The valuation reserves include hidden liabilities totalling € 147.3 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	27,100	23,616
Bearer bonds and other fixed-interest securities	564,996	516,591
Mortgage loans and annuity claims	37,750	25,089
Registered bonds	305,598	238,420
Notes receivable and loans	192,902	177,323

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
Shares, units or shares in investment funds and other variable-interest securities	Long put options	1,860	91	59
	Long call options	2,000	139	146
Other liabilities	Short put options	6,087	306	204
	Short call options	3,980	93	125

Valuation method		
Options:	European options	Black-Scholes
	American options	Barone-Adesi

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

Investment goal	Dividends € 000s	Fair value € 000s	Hidden reserves/ hidden charges € 000s	Limitation on daily redemption
Equity funds	3,684	165,501	1,849	
Bond funds	222	22,378	316	
Mixed funds	197	11,192	1,109	
Real-estate funds	3,755	112,185	5,701	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	417,170,794	-
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)	59.83	769,583,743[2]	-20,209,663[2]
DEVK Omega GmbH, Cologne	50.00	35,310,224	40,901
DEVK Private Equity GmbH, Cologne	50.00	419,895,199	33,079,935
DEVK Saturn GmbH, Cologne	33.33	64,094,390	971,784
DEVK Service GmbH, Cologne	74.00	1,470,379	-
DEVK Zeta GmbH, Cologne	100.00	775,000	-
DEREIF Barcelona Pamplona S.à r.l., Luxembourg (L)	100.00	14,516,833	304,833
DEREIF Brüssel Carmen N.V., Brussels (B)	100.00	-2,706,277[4]	-199,041
DEREIF Dublin Harcourt Road S.à r.l., Luxembourg (L)	100.00	8,648,370	-7,151,630
DEREIF Hungary Eiffel Palace Kft., Budapest (HU)	100.00	11,155,937	-92,573
DEREIF Hungary Park Atrium Kft., Budapest (HU)	100.00	2,237,257	-1,150,855
DEREIF Immobilien 1 S.à.r.l., Luxembourg (L)	100.00	81,466,390	-18,240,229
DEREIF Lissabon Republica Unipessoal Lda, Lisbon (P)	100.00	3,892,571	-210,936
DEREIF Luxembourg Glacier S.à.r.l., Luxembourg (L)	100.00	13,248,473	345,771
DEREIF Paris 6 rue Lamennais S.C.I., Yutz (F)	100.00	4,825,930	-109,799
DEREIF Paris 9 chemin du Cornillon Saint Denis S.C.I., Yutz (F)	100.00	6,506,040	-12,106
DEREIF Paris 37-39, rue d'Anjou, Yutz (F)	100.00	22,384,149	-2,722,894
DEREIF Vilnius Konstitucijos UAB, Vilnius (LI)	100.00	8,327,315	-19,248
DEUSA Umbrella SCS SICAV-RAIF, Luxembourg (L)	100.00	91,809,235	-20,059,581
DP7, Unipessoal Lda, Lisbon (P)	100.00	8,675,962	-796,786
DRED S.C.S. SICAV-FIS, Luxembourg (L)	62.28	575,999,072	-25,548,369
freeyou AG, Cologne	100.00	4,848,611	-
Freeyou Insurance AG, Legden	100.00	20,714,426	-
Grundversorgung S.C.S., Luxembourg, (L)	83.57	173,155,206[2]	1,838,068[2]
Hotelbetriebsgesellschaft SONNENHOF mbH, Bad Wörishofen	100.00	356,023	-
HYBIL B.V., Venlo (NL)	80.00	83,756,744	-101,351
HyLane GmbH, Cologne	100.00	21,468,815	-1,535,191
Infrastructure Access Portfolio-L 2 SCSp, Luxembourg (L)	7.20	220,513,262	11,074,352
Kassos Ventures GmbH, Cologne	100.00	36,839,315	-4,375,107
KLUGO GmbH, Cologne	100.00	1,246,962	202,439
SADA Assurances S.A., Nîmes (F)	100.00	97,419,791	7,604,800
Sana Kliniken AG, Ismaning	0.58	1,178,831,000[3]	54,944,000[3]
Sireo Immobilienfonds No. 4 Edinburgh Ferry Road S.à.r.l., Luxembourg (L)	89.90	15,685,044	-917,415
		CZK	CZK
DEREIF Prag Oasis s.r.o., Prague (CZ)	100.00	488,279,000	11,307,000
		DKK	DKK
DEREIF Copenhagen V ApS, Copenhagen (DK)	100.00	93,782,042	-8,487,406
		GBP	GBP
DEREIF London 10, St. Bride Street S.à.r.l., Luxembourg (L)	100.00	4,588,282	-1,305,712
DEREIF London Birchin Court S.à.r.l., Luxembourg (L)	100.00	6,983,399	-730,917
DEREIF London Coleman Street S.à.r.l., Luxembourg (L)	100.00	5,561,470	-163,243
DEREIF London Eastcheap Court S.à.r.l., Luxembourg (L)	100.00	14,280,527	-2,349,017
DEREIF London Lombard Street S.à r.l., Luxembourg (L)	100.00	1,971,665	-1,725,100
DEREIF London Lower Thames Street S.à.r.l., Luxembourg (L)	100.00	6,565,520	-1,761,272
DEREIF London Queen Street S.à.r.l., Luxembourg (L)	100.00	15,579,730	-79,329
		SEK	SEK
DEREIF Malmö, Kronan 10 & 11 AB, Malmö (S)	100.00	-14,027,000[4]	-11,954,000
DEREIF Stockholm, Vega 4 AB, Stockholm (S)	100.00	14,231,000	7,583,000

[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

Other investments comprise fund units.

Re Assets E. II.

Other prepayments and accrued income	
Premium on registered bonds	€ 440,043
Advance payments for future services	€ 129,215
	€ 569,258

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.

Balance sheet profit/loss

The balance sheet profit of € 24,531,408 resulted after equalisation of the loss carried forward from the previous year of € -19,988,898.

Re Liabilities B. III.

Provision for claims outstanding

The settlement result net of reinsurance for the financial year stands at € -29.0 million (previous year € -21.3 million).

Re Liabilities E.

Accruals and deferred income	
Discount points on registered bonds	**€ 15,507,518**

Notes to the profit and loss account

Reinsurance coverage provided		
	Financial year € 000s	Previous year € 000s
Gross premiums written		
- Life	12,999	6,029
- Non-life/accident	1,064,075	794,328
Total	**1,077,074**	800,357

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	396	380
4. Social-security contributions and social-insurance costs	-	-
5. Retirement pension costs	480	-
Total	**876**	380

During the year under review, Management Board remuneration totalled € 403,537. The retirement pensions of former Management Board members and their surviving dependants totalled € 190,365. As of 31 December 2023, a pension provision of € 2,847,332 was capitalised for this group of people. The Supervisory Board remuneration totalled € 195,769.

Of the other income, € 11,663,744 (previous year € 20,658,490) is attributable to currency conversion. Other expenses include € 15,393,037 (previous year € 13,520,186) from currency conversion.

Appropriation of profit

The overall balance sheet profit came to around € 24.53 million.

The Management Board proposes to the Annual General Meeting that the sum of € 10.0 million should be appropriated from the net retained earnings of € 24,531,408 and paid as a dividend to DEVK Sach- und HUK-Versicherungsverein a.G., with the remaining € 14,531,408 being allocated to other retained earnings.

Auditors' fees

For services rendered by the auditors (KPMG AG Wirtschaftsprüfungsgesellschaft) for the company in the financial year, a fee of € 106,721 was paid (including € 44,410 in reduced expenditure for 2022). 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 € 15.9 million (previous year € 69.7 million). This was due to the pension provision.

Parent company guarantee

Explanations exist to secure real estate loans of DEREIF SICAV-FIS and its subsidiaries in the amount of GBP 35.8 million, as well as of DRED SICAV-FIS in the amount of € 51.7 million. Currently, there are no indications of a short-term utilisation of the letters of comfort.

Contingencies and other financial obligations

On the balance sheet date, there were financial obligations totalling € 51.7 million to secure the real estate loans of DRED SICAF-FIS and € 10.1 million from open short options.

At the end of the year, other financial obligations arising from real estate, real estate holdings, fund units, shares in affiliated companies and participating interests totalled € 209.5 million. This includes obligations towards affiliated companies amounting to € 163.3 million.

In order to secure a bank endorsement of USD 111.6 million, DEVK Rückversicherungs- und Beteiligungs-AG - DEVK RE issued a securities deposit with a value of € 112.5 million. Furthermore, redemption obligations from assignments of receivables exist in the amount of € 55 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.

Effects of the minimum tax act (MinStG)

MinStG, which was finally adopted by the Federal Council on 15 December 2023, is part of the minimum taxation directive implementation act (MinBestRL-UmsG), which serves the national implementation of the European Council Directive (EU) 2022/2523 of 14 December 2022 to ensure global effective minimum taxation for multinational enterprise groups and large domestic groups in the European Union. MinStG will generally apply to financial years beginning after 30 December 2023.

As set out in section 4 paragraph 3 MinStG, the parent company of the German minimum tax group and at the same time the ultimate parent company is DEVK Deutsche Eisenbahn Versicherung Sach- und HUK-Versicherungsverein a.G. Betriebliche Sozialeinrichtung der Deutschen Bahn. Effects from the applicability of MinStG are therefore not expected at the level of the reporting company.

In order to analyse the potential burden on the group, a project to analyse the impact and subsequent implementation of the regulations will be initiated on 1 January 2024. A possible burden with additional tax amounts is currently neither known nor quantifiable.

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 the company register.

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 company register.

Cologne, 8 March 2024

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 2023, the profit and loss account for the financial year from 1 January to 31 December 2023, as well as the notes, including the statement of the accounting policies. In addition, we have audited the management report of DEVK Rückversicherungs- und Beteiligungs-Aktiengesellschaft - DEVK RE for the financial year from 1 January to 31 December 2023. 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 2023, and of its financial performance for the financial year from 1 January to 31 December 2023, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, the management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future developments.

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

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 2023. 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 € 1,204.6 million. This figure equates to 31.0 % 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 small surplus 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 random sample of contracts, we also retraced the estimates for the reporting year and, on the basis of a deliberate selection, the true-up of 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
The estimates of the gross premiums written and the provisions for claims outstanding in the group-external assumed insurance business are appropriate overall.

Other information
- The Supervisory Board is responsible for the other information "Supervisory Board report".

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

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

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

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

The management is responsible for the preparation of annual financial statements that comply, in all material respects, with the prevailing provisions of German commercial law as applied to insurance undertakings and for ensuring that the annual financial statements, in compliance with German principles of proper accounting, give a true and fair view of the Company's assets and liabilities, financial position and financial performance. In addition, the management is responsible for 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 12 May 2023. Furthermore, we were engaged by the Supervisory Board on 5 June 2023. 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 Colin Schenke.

Cologne, 27 March 2024

KPMG AG
Wirtschaftsprüfungsgesellschaft

Schenke	**Bramkamp**
Auditor	Auditor

Supervisory Board report

During 2023, 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 2023 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 2023 are thus duly adopted.

The Supervisory Board agrees with the Management Board's proposal concerning the appropriation of the 2023 net retained earnings and hereby recommends that the Annual General Meeting passes a corresponding resolution.

We have been furnished with and have studied the report prepared by the Management Board on relationships with affiliated companies and also the audit report on this prepared by KPMG AG Wirtschaftsprüfungsgesellschaft. The auditor has issued the following audit certificate of the Management Board's report on relationships with affiliated companies:

"After our statutory audit and evaluation, we hereby confirm that
1. the material details in the report are correct, and
2. the payments made by the company in connection with the legal transactions discussed in the report were not excessive.
3. for the measures cited in the report, there are no circumstances in favour of a materially different assessment to that of the Management Board."

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 all employees for their hard work and commitment.

Cologne, 17 May 2024

The Supervisory Board

Burkert
Chairman