# Annual Report | 2013


GESAGT. GETAN. GEHOLFEN.

DEVK

DEVK Deutsche Eisenbahn Versicherung
Sach- und HUK-Versicherungsverein a.G.
Betriebliche Sozialeinrichtung der Deutschen Bahn

DEVK Rückversicherungs- und Beteiligungs-Aktiengesellschaft

DEVK Allgemeine Versicherungs-Aktiengesellschaft

DEVK Deutsche Eisenbahn Versicherung
Sach- und HUK-Versicherungsverein a.G.
Betriebliche Sozialeinrichtung der Deutschen Bahn
Group

## Business progress 1948/49 to 2013

of Sach-/HUKR-, Krankenversicherungs- und Pensionsfondsbereich of DEVK Versicherungen

| | Figures in € 000s | | | | | | |
|---|---|---|---|---|---|---|---|
| Year | Motor vehicles | Non-life [1] | Liability | Accident [2] | Legal protection | Health [3] | Premiums € millions |
| 1948/49 | – | 283 | – | – | – | – | 0,6 |
| 1954 | – | 450 | 242 | 37 | – | – | 1,7 |
| 1960 | 24 | 558 | 532 | 83 | – | – | 7,3 |
| 1965 | 196 | 629 | 651 | 94 | – | – | 23,6 |
| 1970 | 293 | 700 | 752 | 128 | – | – | 47,0 |
| 1975 | 509 | 819 | 913 | 201 | – | – | 130,8 |
| 1976 | 568 | 852 | 937 | 215 | – | – | 151,5 |
| 1977 | 625 | 882 | 947 | 231 | – | – | 182,3 |
| 1978 | 669 | 912 | 912 | 249 | – | – | 203,6 |
| 1979 | 699 | 948 | 926 | 276 | – | – | 233,6 |
| 1980 | 715 | 1,003 | 937 | 304 | 2 | – | 244,6 |
| 1981 | 710 | 1,052 | 954 | 306 | 65 | – | 262,0 |
| 1982 | 720 | 1,084 | 961 | 326 | 85 | – | 277,2 |
| 1983 | 740 | 1,135 | 969 | 340 | 101 | – | 298,6 |
| 1984 | 760 | 1,182 | 972 | 356 | 123 | – | 321,7 |
| 1985 | 782 | 1,227 | 992 | 369 | 141 | – | 351,7 |
| 1986 | 810 | 1,292 | 1,009 | 380 | 161 | – | 371,0 |
| 1987 | 845 | 1,370 | 1,019 | 394 | 183 | – | 404,7 |
| 1988 | 883 | 1,476 | 1,033 | 412 | 204 | – | 449,4 |
| 1989 | 923 | 1,569 | 1,049 | 434 | 223 | – | 488,6 |
| 1990 | 959 | 1,632 | 1,115 | 453 | 245 | – | 517,2 |
| 1991 | 1,269 | 1,740 | 1,183 | 490 | 278 | – | 592,9 |
| 1992 | 1,333 | 1,880 | 1,259 | 518 | 309 | – | 663,7 |
| 1993 | 1,437 | 1,988 | 1,314 | 547 | 346 | – | 753,2 |
| 1994 | 1,518 | 2,072 | 1,353 | 569 | 377 | 31 | 877,7 |
| 1995 | 1,635 | 2,155 | 1,388 | 585 | 403 | 158 | 953,3 |
| 1996 | 1,775 | 2,228 | 1,439 | 861 | 433 | 252 | 981,9 |
| 1997 | 1,872 | 2,289 | 1,467 | 879 | 457 | 362 | 1,019,3 |
| 1998 | 1,940 | 2,333 | 1,498 | 886 | 480 | 457 | 1,041,9 |
| 1999 | 1,971 | 2,370 | 1,514 | 880 | 504 | 515 | 1,065,1 |
| 2000 | 1,978 | 2,406 | 1,530 | 872 | 530 | 581 | 1,111,6 |
| 2001 | 2,013 | 2,435 | 1,535 | 864 | 550 | 630 | 1,158,2 |
| 2002 | 2,060 | 2,480 | 1,544 | 868 | 575 | 685 | 1,222,1 |
| 2003 | 2,107 | 2,527 | 1,554 | 877 | 596 | 717 | 1,273,1 |
| 2004 | 2,193 | 2,562 | 1,572 | 879 | 621 | 747 | 1,329,6 |
| 2005 | 2,235 | 2,586 | 1,584 | 889 | 650 | 777 | 1,349,1 |
| 2006 | 2,282 | 2,612 | 1,604 | 912 | 678 | 826 | 1,363,5 |
| 2007 | 2,293 | 2,636 | 1,616 | 950 | 702 | 885 | 1,383,6 |
| 2008 | 2,465 | 2,673 | 1,634 | 988 | 724 | 967 | 1,394,2 |
| 2009 | 2,617 | 2,730 | 1,658 | 1,022 | 754 | 1,041 | 1,566,2 |
| 2010 | 2,741 | 2,563 | 1,689 | 1,068 | 781 | 1,100 | 1,594,9 |
| 2011 | 2,755 | 2,584 | 1,715 | 1,105 | 800 | 1,150 | 1,679,8 |
| 2012 | 2,748 | 2,596 | 1,732 | 1,127 | 814 | 1,190 | 1,794,1 |
| **2013** | **2,762** | **2,604** | **1,745** | **1,145** | **829** | **1,309** | **1,956,3** |

[1] Changed payment method since 2010

[2] Including motor vehicle/accident since 1996

[3] Number of tariff policyholders

## Foreword

Dear Readers

During 2013, the German insurance industry as a whole registered 3 % growth in premium receipts. Non-life and accident insurance premium receipts were likewise up 3 %, after a rise of 3.7 % in 2012. In the life insurance segment (excluding pension funds), regular premium business was up 0.4 %, thus registering moderate growth in contributions for the third year in a row, while single premium business rose by 13.8 %.

All in all, 2013 was a successful year for DEVK Versicherungen. In fact, with over € 724 million in new business premiums (+ 7.7 %), it was the best year for sales in our company's history. At 6.3 %, DEVK's premium growth in the field of German primary insurance was well above the industry average of 3.0 %. Thus we have gained further market share and reinforced our position in the German primary insurance sector.

However, DEVK Sach- und HUK-Versicherungsverein's **consolidated financial statements** suffered under the impact of numerous adverse meteorological events. As well as DEVK's German primary insurers, these also incorporate the results of our foreign subsidiaries, our active reinsurance operations and other Group companies. Claims expenses in relation to flood, hail and storm damage rose more than premium receipts. As a result, in the non-life and accident insurance segment the ratio of claims expenses and costs to premium receipts worsened, rising from 93.9 % in 2012 to 97.9 % last year.

Before bonuses and rebates (premium refunds) and changes to the equalisation provision, the non-life and accident insurance underwriting result fell to € 17.4 million (2012: € 32.2 million). However, due to lower allocations to the provision for bonuses and rebates (premium refunds) (€ 1.5 million as against € 3.9 million in 2012) and the equalisation provision (€ 11.5 million as against € 29.1 million in 2012), the non-life and accident insurance underwriting result improved from € – 700,000 in 2012 to € 4.4 million in 2013.

Thanks to the strong stock market performance the non-technical account **investment income** rose sharply to € 182.8 million (2012: € 177.5 million). Based on the technical and non-technical result, the DEVK insurance Group recorded a profit from ordinary activities of € 140.7 million (2012: € 121.0 million). The after-tax net annual profit came to € 65.3 million (2012: € 60.4 million).

In an era when many financial market players have fallen into disrepute, trust is a valuable commodity. Good relationships are founded on trust, and we keep our promises – even in times when the claims mount up.

**Friedrich W. Gieseler**
Chairman of the Management Board DEVK Versicherungen

## 2013 financial year

## Abkürzungen

| | |
|---|---|
| i. ret. | in retirement |
| o.v. | Old version |
| mut. | Mutual |
| ABS | Asset-backed securities |
| Para. | Paragraph |
| AG | Aktiengesellschaft |
| AGG | German Anti-Discrimination Act |
| AktG | German Stock Corporations Act |
| ALM | Asset Liability Management |
| AltZertG | German Pension Contracts Certification Act |
| BaFin | German Financial Supervisory Authority |
| BGH | German Federal Court of Justice |
| BilMoG | German Act on Modernisation of Accounting Regulations |
| BMF | German Federal Finance Ministry |
| resp. | Respectively |
| ca | Circa |
| CHF | Swiss francs |
| DAV | Association of German Actuaries |
| DAX | German Share Index |
| DCF | Discounted Cash Flow |
| DeckRV | Regulation concerning accounting principles for premium reserves |
| Dr | Doctor |
| DRS | German Accounting Standards |
| e.V | Registered association (e.V) |
| EDP | Electronic data processing – IT |
| EGHGB | Introductory Act to the German Commercial Code |
| hon. | Honorary |
| EStG | German Income Tax Act |
| etc. | Et cetera |
| ECJ | European Court of Justice |
| EEC | European Economic Community |
| ECB | European Central Bank |
| FED | Federal Reserve System |
| f.o.a. | For own account (net of reinsurance – cf. Council Directive 91/674/EEC (Richtlinie 91/674/EWG) |
| GBP | British pound (sterling) |
| GDV | German Insurance Association |
| If nec. | If necessary |
| GmbH | German private limited company |
| GwG | German Money-Laundering Act |
| HGB | German Commercial Code |
| i. ret. | In retirement |
| a.s.i. | As specified in |

| | |
|---|---|
| a.p. | As per |
| i.c.w. | In conjunction with |
| IDW | Institute of Public Auditors in Germany |
| incl. | Including |
| ann. | Annually |
| Mot. veh. | Motor vehicle |
| KonTraG | German Control and Transparency in Business Act |
| KWG | German Banking Act |
| LAG | German State Labour Court |
| m. | Male |
| defin. | Definitive |
| max. | Maximum |
| m | Million(s) |
| mon. | Monthly |
| bn | Billions |
| n.v. | New version |
| No. | Number |
| NRW | North Rhine-Westphalia |
| a. ment. | Above-mentioned |
| OLG | German Higher Regional Court/Court of Appeal |
| p.a. | Per annum |
| PEP | Politically Exposed Person(s) |
| Prof. | Professor |
| PublG | German Company Disclosure Act |
| approx. | Approximately |
| RechVersV | German Regulation on Accounting in the Insurance Sector |
| RPR | Reserve for premium refund |
| sent. | Sentence |
| SEK | Swedish krona |
| p.s.g. | Pay scale group(s) |
| p.s.n. | Pay scale number |
| € 000s | Thousand(s) |
| a.o. | Among others |
| o.o. | In our opinion |
| VAG | German Insurance Undertakings Supervision Act |
| VVaG | Mutual insurance company |
| VVG | German Insurance Contracts Act |
| fem. | Female |
| WpHG | German Securities Trading Act |
| WSG | German Act to Strengthen Competition in Statutory Health Insurance |
| e.g. | For example |
| ZZR | Additional interest reserve |

## Company bodies

### Board of Members

**Helmut Diener**
Marktredwitz
**Chairman of the Board of Members**

**Wilhelm Bahndorf**
Obernburg am Main

**Heinz Bodammer**
Friedrichshafen

**Peter Bolsinger**
Linden

**Jörgen Boße**
Loddin

**Steffen Bosecker**
Hänichen

**Jürgen Brügmann**
Essen

**Sandra Bühler**
Bruchsal
(from 1 June 2013)

**Detlev Clever**
Hamm
(from 1 June 2013)

**Holger Conrad**
Zahna-Elster

**Gabriele Dengler**
Kaiserslautern

**Rainer Deters**
Holdorf

**Hans-Jürgen Dorneau**
Oerlinghausen

**Gerhard Ehrentraut**
Thannhausen

**Bernhard Elz**
Worms

**Rolf Frieling**
Drensteinfurt

**Heinz Fuhrmann**
Neu-Anspach
(until 29 May 2013)

**Johann Gebhardt**
Markt Erlbach

**Franz-Josef Groß**
Kindsbach

**Claus-Dieter Haas**
Ettlingen
(until 29 May 2013)

**Dieter Häfke**
Duisburg

**Rolf Hellmann**
Lustadt

**Frank Helms**
Erfurt

**Jörg Hensel**
Hamm
(until 29 May 2013)

**Helmut Heutz**
Erkelenz

**Berthold Hillebrand**
Kassel

**Jürgen Hoffmann**
Herten

**Hans-Peter Hurth**
Kornwestheim

**Ralf Ingwersen**
Hamburg

**Manfred John**
Stadtbergen

**Klaus-Dieter Just**
Forst (Lausitz)

**Axel Kleich**
Leipzig

**Hanka Knoche**
Idstein

**Dr Siegfried Krause**
Berlin

**Michael Krienke**
Hosenfeld
(from 1 January 2014)

**Axel Kroll**
Langgöns

**Günter Leckel**
Bad Endorf

**Manfred Leuthel**
Nuremberg

**Bernd Maderner**
Niefern-Öschelbronn

**Dr Ludwig Mandelartz**
Aachen

**Heinz-Werner Milde**
Gronau

**Hans-Joachim Möller**
Aschersleben

**Wolfgang Müller**
Gau-Bischofsheim

**Jessica Nohren**
Rösrath

**Hans-Jürgen Otto**
Brannenburg

**Marlies Pellny**
Düsseldorf

**Dieter Pielhop**
Wietzen

**Beate Rache**
Neu Wulmstorf

**Ernst Richardt**
Ronshausen

**Ulrich Rötzheim**
Idstein
(from 1 June 2013)

**Uwe Rosenberger**
Hagen

**Georg Sautmann**
Greven

**Hartmut Schaefer**
Lutherstadt Eisleben

**Klaus-Peter Schölzke**
Görlitz

**Alfred Schumann**
Biebertal
(deceased on 20 November 2013)

**Jens Schwarz**
Chemnitz

**Heino Seeger**
Hausham

**Martin Selig**
Ulm

**Peter Tröge**
Engstingen

**Richard Weisser**
Puschendorf

**Bernd Wernsdörfer**
Würzburg

**Thorsten Weske**
Germersheim

**Torsten Westphal**
Berlin

**Joachim Ziekau**
Stendal

## Supervisory Board

**Alexander Kirchner**
Runkel
**Chairman**
Chairman of the Eisenbahn- und Verkehrsgewerkschaft (EVG) (Railway and Transport Union)

**Günter Kirchheim**
Essen
**First Deputy Chairman**
Chairman of the Deutsche Bahn AG i.R. Group Works Council (until 29 May 2013)

**Jörg Hensel**
Hamm
**First Deputy Chairman**
Chairman of the European Works Council Deutsche Bahn AG (from 29 May 2013)

**Helmut Petermann***
Essen
**Second Deputy Chairman**
Chairman of the General Works Council, DEVK Versicherungen

**Christian Bormann**
Weimar
Chairman of the Works Council of DB Netz, AG Wahlbetrieb Erfurt
Member of the DB Netz AG General Works Council

**Doris Fohrn***
Wesseling
Chairwoman of the Works Council DEVK Versicherungen, Cologne Headquarters
Member of the General Works Council, DEVK Versicherungen

**Ralf Gajewski***
Berlin
Deputy Group Manager of KKC (Customer Service Centre) DEVK Versicherungen, Regional Management Unit

**Dr Rüdiger Grube**
Gechingen
CEO of Deutsche Bahn AG
CEO of DB Mobility Logistics AG

**Horst Hartkorn**
Hamburg
Chairman of the Regional Committee Eisenbahn- und Verkehrsgewerkschaft (EVG) (Railway and Transport Union) in Hamburg

**Martin Hettich**
Stuttgart
Chairman of of Sparda Bank Baden-Württemberg eG (from 1 January 2014)

**Klaus-Dieter Hommel**
Frankfurt am Main
Deputy Chairman of the Eisenbahn- und Verkehrsgewerkschaft (EVG) (Railway and Transport Union)

**Hans Leister**
Berlin
Head of the Centre for Nahverkehrs- und Qualitätsmanagement (Local Transport and Quality Management Centre)
VBB Verkehrsverbund Berlin-Brandenburg GmbH (Berlin-Brandenburg Transport Association)

**Jürgen Putschkun**
Fellbach
Executive Officer Motor Vehicle Operations and Sach/HU-Betrieb DEVK Versicherungen, Stuttgart Regional Management Unit

**Dr Karl-Friedrich Rausch**
Weiterstadt
Chairman of the DB Mobility Logistics AG Transport and Logistics Unit

**Dr Thomas Renner**
Honorary Senator
Karlsruhe
(until 31 December 2013)

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

**Ulrich Weber**
Krefeld
Personnel Director Deutsche Bahn AG
Personnel Director DB Mobility Logistics AG

* Employees' representatives

## Management Board

**Friedrich Wilhelm Gieseler**
Bergisch Gladbach
**Chairman**

**Engelbert Faßbender**
Hürth

**Gottfried Rüßmann**
Cologne

**Bernd Zens**
Königswinter

**Robert Etmans**
Eppstein
Deputy Board Member (until 31 December 2013)

**Dr Veronika Simons**
Walluf
Deputy Board Member (from 1 January 2014)

## Advisory Board

**Rudi Schäfer**
Bad Friedrichshall
**– Honorary Chairman –**
Chairman of the German
Railway Workers Union

**Hans-Jürgen Allerdissen**
Bad Schwalbach
Senior Manager,
DVA Deutsche Verkehrs-
Assekuranz-Vermittlungs GmbH

**Karl de Andrade-Huber**
Frankfurt am Main
Deputy Regional Chairman
of the German
Train Drivers' Union,
Frankfurt am Main

**Kay Uwe Arnecke**
Hamburg
Management Spokesman
of S-Bahn Hamburg GmbH
Managing Director of Autokraft GmbH

**Werner Bayreuther**
Heroldsberg
Lawyer
Managing Director of the German
Employers' and Business Association
of Mobility and Transport Service
Providers (e.V.), Berlin

**Peter Grothues**
Castrop-Rauxel
Director
Deutsche Rentenversicherung (German
statutory pension insurance scheme)
Knappschaft-Bahn-See

**Volker Hädrich**
Erfurt
Deutsche Bahn AG
Group Authorised Representative for the
Free State of Thuringia

**Johannes Houben**
Hückelhoven
Departmental Head at Eisenbahn- und
Verkehrsgewerkschaft (EVG),
Management Board Unit of Reiner Bieck

**Dr Volker Kefer**
Erlangen
Deutsche Bahn AG Director of Technology,
System Network and Services
Deutsche Bahn AG
Director of Infrastructure
Deutsche Bahn AG

**Bernhard Kessel**
Munich
Chairman of the Subgroup
Works Council (Track)
of Veolia Verkehr GmbH

**Klaus Koch**
Paderborn
Chairman of the Divisional Works Council
Services Division
DB Dienstleistungen GmbH

**Volker Köhler**
Nuremberg
CEO of the Management Board of
Sparda-Bank Nürnberg eG

**Detlef Kramp**
Cologne
Sports President of the German ACV
Automobil-Club-Verkehr
(Automobile Club Traffic)

**Volker Krombholz**
Neustrelitz
Deputy Regional Chairman of the
German Train Drivers' Union
Northern Region

**Armin Lauer**
Rödermark
Managing Director of
Vermögensverwaltung GmbH
at Eisenbahn- und
Verkehrsgewerkschaft (EVG)

**Dr Kristian Loroch**
Altenstadt
Department Head at Eisenbahn- und
Verkehrsgewerkschaft (EVG)
Management Board Unit of the
Chairman Alexander Kirchner

**Ronald R. F. Lünser**
Holzwickede
Managing Director and
Rail Operations Manager of
Abellio Rail NRW GmbH

**Rolf Lutzke**
Berlin
Managing director of
TRANSMIT GmbH

**Reiner Metz**
Kamp-Lintfort
Lawyer
Local Public Transport (ÖPNV) Director of
the Association of German
Transport Companies (VDV)

**Heike Moll**
Munich
Chairwoman of the
General Works Council,
DB Station & Service AG

**Beate Müller**
Heidelberg
Head of the Southern Office
of the Federal Office for Railway Assets

**Frank Nachtigall**
Frankfurt an der Oder
Regional Chairman of the German
Train Drivers' Union,
Berlin-Sachsen-Brandenburg Region

**Ottmar Netz**
Hohenahr
Director of the German Employers'
and Business Association
of Mobility and Transport Service
Providers (e.V.) (Agv MoVe)

**Günther von Niebelschütz**
Großen-Linden
Divisional President of the
Federal Office for Railway Assets

**Jürgen Niemann**
Berlin
Personnel Director,
DB Dienstleistungen GmbH

**Ute Plambeck**
Hamburg
DB Netz AG Personnel Director

**Bernhard Reinhart**
Munich
Managing Director of
ebm eisenbahner baugenossenschaft
münchen-Hauptbahnhof eG

**Peter Rothe**
Königs Wusterhausen
Head of Personnel Management
Regional Maintenance and Repair
RB Ost MAB Ost/Südost
DB Netz AG

**Wolfgang Schilling**
Bonn
Divisional President of the
Federal Office for Railway Assets

**Dirk Schlömer**
Hennef
Departmental Head at Eisenbahn- und
Verkehrsgewerkschaft (EVG)

**Marco Spange**
Nidderau
Federal Youth Officer of the German
Train Drivers' Union

**Klaus Vögele**
Ettenheim
Chairman of the General
Works Council, Schenker AG

# Management report

## Company foundations

### The Company's business model

DEVK Sach- und HUK-Versicherungsverein a.G. offers its members, who are predominantly railway workers and other transport sector employees, comprehensive bespoke, economically priced insurance cover. DEVK Sach- und HUK-Versicherungsverein a.G.'s inception was as a self-help organisation for railway workers, and to this day it is recognised as a company welfare scheme by Deutsche Bahn and the Federal Office for Railway Assets (Bundeseisenbahnvermögen).

DEVK exclusively undertakes direct non-life and accident insurance operations as well as direct travel insurance operations in Germany. Details of this can be found in the Notes to the Management Report.

The bulk of our sales is made by our field sales force, which comprises both our own salaried field sales agents and self-employed representatives. We also engage in a variety of sales cooperation arrangements. Of particular importance in this connection are our collaborations with the Sparda Bank Group and with the Association of German Transport Companies (VDV). Our central direct sales operation and corresponding links with brokers round off our sales channel mix.

Throughout Germany, the DEVK Group runs 19 subsidiaries and over 1,200 branch offices.

### Affiliated companies and participating interests

DEVK Sach- und HUK-Versicherungsverein and DEVK Lebensversicherungsverein are not affiliated companies within the meaning of section 271 paragraph 2 of the German Commerical Code (HGB). Details of our company's direct and indirect shareholdings in affiliated companies and participating interests are given in the Notes.

### Delegation of functions and organisational cooperation

Under the existing general agency contracts with other DEVK insurance companies, our company has been assigned overall responsibility for all DEVK insurance brokerage operations and associated tasks.

The general operational areas of accountancy, collection, EDP, asset management, personnel, auditing and general administration are centrally organised for all DEVK companies. As regards the Group insurance companies based in Cologne, this also applies to the areas of portfolio management and claims management (excluding DEVK Rechtsschutz-Versicherungs-AG). However, each company has separate lease contracts and its own inventory and equipment based on its own needs.

Under the existing joint contracts and service contracts, we provide the necessary internal staff for the Group companies DEVK Rückversicherungs- und Beteiligungs-AG, DEVK Allgemeine Versicherungs-AG, DEVK Rechtsschutz-Versicherungs-AG, DEVK Krankenversicherungs- AG, DEVK Allgemeine Lebensversicherungs-AG, DEVK Pensionsfonds-AG, DEVK Vermögensvorsorge- und Beteiligungs-AG and DEVK Service GmbH, as well as various smaller Group companies.

## Business performance

### Economic conditions generally and in the insurance industry

Most investors chalked up stock market gains during 2013, and their trust in the euro appears to have been restored. This is apparent both from falling risk premiums on the government bonds issued by the PIIGS countries and from the rising value of the euro against most other currencies, in particular the US dollar. Another reason for this confidence is the positive performance of eurozone stock markets, underpinned by the ECB's expansionary monetary policies. The performance of Germany's DAX share index was particularly encouraging, with its year's end level of 9,552.16 points representing a rise of over 25 %.

Meanwhile, bond market performance in 2013 continued to be dominated by central bank monetary policies. On the German bond market, the FED's announcement that it intended to scale back its ultra-loose monetary policy led to modest rises in returns. For instance, during the final quarter of 2013 returns on ten-year German government bonds rose by around 60 basis points to almost 2 %.

According to the German Insurance Association's provisional figures, gross non-life and accident insurance premium receipts are 3 % up on last year. Due to large numbers of weather-related claims, the combined ratio (the ratio of claims expenses and costs to premium receipts) rose to 102 % (2012: 97.2 %). Thus the non-life and accident insurance sector's profitability deteriorated as compared with 2012.

Motor vehicle insurance saw further industry-wide price rises during 2013. Accordingly, as in 2012, contributions grew by 5.4 % during the course of the year, while the combined ratio rose to 104 % (2012: 102.6 %).

### Business trends

During 2013, our overall portfolio of insurance policies fell by 0.5 % to 2,741,364. The motor vehicle liability insurance, comprehensive and partially comprehensive motor insurance (third-party, fire and theft) risks were counted separately here, and moped insurance policies were not taken into account.

The forecast of business trends set forth in the previous management report has largely been borne out. The sole discrepancy was gross premiums written, which at 4.3 % rose more sharply than expected last year, a development chiefly due to the motor vehicle insurance premium adjustments. However, building insurance and accident insurance also saw healthy increases of 5.9 % and 5.3 % respectively.

After a € 3.1 million withdrawal from the equalisation provision (2012: € 300,000 allocation), the underwriting result net of reinsurance improved to € – 4.1 million (2012: € – 6.0 million).

At € 45.2 million the investment result was slightly down on the 2012 figure of € 46.6 million.

Thanks to a lower tax burden the net profit rose to € 24.5 million (2012: € 22.5 million). In light of the poor claims performance due to adverse meteorological events, the net profit may be viewed as satisfactory.

## Net assets, financial position and results of operations

### Results of operations

| | 2013<br>€ 000s | 2012<br>€ 000s | Change<br>€ 000s |
|---|---|---|---|
| Technical account | – 4,110 | – 6,019 | 1,909 |
| Investment result | 45,174 | 46,636 | – 1,462 |
| Other result | – 8,486 | – 6,989 | – 1,497 |
| **Profit from normal business activity** | **32,578** | 33,628 | – 1,050 |
| Taxes | 8,078 | 11,128 | – 3,050 |
| **Net retained profit** | **24,500** | 22,500 | 2,000 |

#### Technical result, net of reinsurance

DEVK Sach- und HUK-Versicherungsverein a.G.'s **gross premiums** rose by 4.3 % to € 329.6 million. 2012 earned premiums net of reinsurance rose by 3.8 % to € 276.5 million. Claims incurred, net of reinsurance, were 7.6 % up at € 208.9 million, and their share of earned net premiums thus came to 75.5 % (2012: 72.9 %). At 25.9 %, the ratio of expenses on insurance business net of reinsurance to earned premiums net of reinsurance was slightly down on the 2012 figure of 27.3 %.

The year 2013 saw a plethora of claims. The floods in southern and eastern Germany during June, as well as widespread storm and hail damage, led to a 6.6 % rise in gross claims expenses for the year. In addition, profits from the settlement of previous years' claims were 24.9 % down on the 2012 figure. As a result, **gross claims expenses** rose disproportionately as compared with premium receipts, and the gross claims ratio rose to 78.2 % (2012: 71.3 %).

**Gross operating expenses** fell by 0.8 %, from € 82.9 million in 2012 to € 82.3 million in 2013, as additional portfolio commission expenses and higher IT costs were more than offset by lower overheads.

After a € 3.1 million withdrawal from the equalisation provision (2012: € 300,000), the **underwriting result** came to € – 4.1 million (2012: € – 6.0 million).

### Accident insurance

This item comprises both general accident insurance and motor vehicle accident insurance. As of 31 December 2013, the total number of accident insurance policies stood at 262,268 (2012: 261,783). Gross premiums rose by € 2,000,000 to € 39.6 million, while the underwriting result climbed to € 5.4 million (2012: € 2.7 million).

### Liability insurance

At the end of the year, our total liability insurance portfolio comprised 594,039 policies (2012: 597,757). This figure includes 85,557 employees' liability insurance policies, including railway workers' professional liability insurance. At € 34.1 million, 2013 gross premiums were unchanged (2012: € 34.1 million). After allocations in 2012 to the provision for bonuses and rebates and the equalisation provision of € 2.2 million and € 2.1 million respectively, in 2013 no contributions were made to these reserves. As a result, the underwriting result net of reinsurance rose to € 8.6 million (2012: € 6.3 million).

### Motor vehicle liability insurance

As of 31 December 2013, our portfolio of motor vehicle liability insurance comprised 548,863 policies (2012: 548,281), plus 9,043 moped policies, and gross premium receipts rose 4.5 % to € 92.2 million. After the equalisation provision was released in full through a € 1.6 million withdrawal, the underwriting result came to € – 9.5 million (2012: € – 9.0 million).

### Other motor vehicle insurance

Other motor vehicle insurance comprises our comprehensive and partial comprehensive motor insurance (third-party, fire and theft). The total number of risks covered at the end of the year was 451,236 (2012: 452,805 policies), and we also managed 1,434 partial-coverage moped policies. Gross premium receipts rose by 6.3 % to € 71.3 million. As a result, the overall underwriting result came in at € – 8.3 million (2012: € – 9.0 million).

### Fire and non-life insurance

At the end of 2013, our fire and non-life-insurance portfolio comprised a total of 884,584 policies (2012: 892,742), while gross premium receipts rose 3.8 % to € 90.8 million. A total of € 3.0 million was withdrawn from the equalisation provision (2012: € 200,000 allocation), and the underwriting result fell to € – 500,000 (2012: € 3.1 million).

In detail, our individual fire and non-life segments performed as follows.

Our household contents insurance portfolio at the end of 2013 comprised 432,033 policies (2012: 435,783). Gross premium receipts increased by 3.0 % to € 36.0 million, and at € 1.7 million the underwriting result was down on the 2012 figure of € 2.1 million.

Our building insurance portfolio increased to a total of 177,989 policies (2012: 176,149), while gross premium receipts rose 5.9 % to € 40.9 million. After a € 1.8 million withdrawal from the equalisation provision (2012: € 400,000 allocation), the underwriting result net of reinsurance stood at € – 2.3 million, little changed from the 2012 figure of € – 2.1 million.

In the other fire and non-life insurance classes, our end-of-year portfolio comprised 274,562 policies (2012: 280,810). Premium receipts fell minimally (by 0.1 %) to € 14.0 million (2012: € 14.0 million). After a € 1.2 million withdrawal from the equalisation provision (2012: € 500,000 allocation), the underwriting result net of reinsurance came to € 200,000 (2012: € 1.6 million).

### Other insurance policies

"Other insurance policies" comprises the results of our cheque card, breakdown service and travel sickness insurance policies. Gross premium receipts rose 6.4 % to € 1.5 million, while the underwriting result net of reinsurance came to € 200,000 (2012: € – 200,000).

## Investment result

The 2013 investment result was a slight improvement on 2012, a fact down both to the good stock market performance and to one-off effects arising from the payment of interest in arrears and the restructuring of participating interests on the one hand, and to the knock-on effects of falling property prices in southern Europe and the Netherlands on the other hand.

At € 64.1 million, investment income was up on the 2012 figure of € 60.6 million. As in 2012, the figure included a € 15 million dividend payment from DEVK Rückversicherungs- und Beteiligungs-AG. Also included were € 12.0 million in profits from disposals of investments (2012: € 6.7 million) as well as € 2.9 million in write-ups (2012: € 3.6 million).

At € 18.9 million, investment expenses were significantly higher than in 2012 (€ 13.9 million). This was chiefly due to losses on disposals of investments, which at € 4.4 million were significantly higher than in 2012 (€ 200,000), and at € 10.7 million, 2013 write-downs were also slightly up (2012: € 10.1 million).

On balance, our net investment income was a little down on the previous year's figure at € 45.2 million (2012: 46.6 million).

## Other result

The "Other" result, which includes technical interest income, stood at € – 8.5 million (2012: € – 7.0 million).

## Tax expenditure

Large parts of our income are subject to a low tax rate, and we also received rebates on previous years' taxation. As a result, our 2013 tax bill was lower than in 2012.

### Operating result and appropriation of retained earnings

Thanks to the significantly lower tax burden, the net profit increased to € 24.5 million (2012: € 22.5 million). Pursuant to section 37 of the German Insurance Supervision Act (VAG – (Versicherungsaufsichtsgesetz), € 4.9 million of the net profit was allocated to the loss reserve and € 19.6 million thereof to other retained earnings.

### Return on sales

A key company management figure we use is the "adjusted return on sales" in relation to our direct insurance operations. This is defined as the ratio between the net profit, less bonus and rebate expenses and the reinsurance balance, as well as changes to the equalisation provision and the DEVK Rückversicherungs- und Beteiligungs-AG on the one hand, and gross premium receipts on the other hand.

The 2013 return on sales came to 2.6 % (2012: 9.6 %), with a drop attributable to the significantly worse claims situation during 2013.

## 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 12 months. DEVK receives a continuous influx of liquid funds in the form of regular premium receipts, investment income and return flows from investments of capital. In the current financial year, the cash flow from investments – that is, the funds required for the net investment volume – amounted to € 65.7 million. The necessary funds were generated by the company's ongoing operations (€ 71.1 million).

### Solvency

The company's own funds, proof of which must be furnished pursuant to section 53c VAG in order to demonstrate our long-term ability to meet policy liabilities, provide a very high level of excess cover. Total investment income came to € 938.1 million (2012: € 914.1 million), a figure far exceeding the required solvency margin of € 47.3 million (2012: € 46.5 million). The capital investment (re)valuation reserves were not taken into consideration in making the solvency calculations.

### Ratings

The ratings, commissioned by Standard & Poor's for the first time in 2008, are updated each year. As in the years 2008 to 2012, in 2013 DEVK Sach- und HUK-Versicherungsverein a.G., DEVK Allgemeine Versicherungs-AG, DEVK Allgemeine Lebensversicherungs-AG and DEVK Rückversicherungs- und Beteiligungs-AG were all once again assigned ratings of A+. Standard & Poor's assesses our future outlook as "stable", thus confirming the very sound financial position enjoyed by DEVK companies generally.

Meanwhile, the rating agency Fitch came to the same conclusion, with its 2013 rating of the financial strength of DEVK's core companies remaining unaltered at A+. Alongside our company, the individual companies rated were DEVK Allgemeine Versicherungs-AG, DEVK Rückversicherungs- und Beteiligungs-AG, DEVK Rechtsschutz-Versicherungs-AG, DEVK Krankenversicherungs-AG and the two life assurance companies DEVK Lebensversicherungsverein a.G. and DEVK Allgemeine Lebensversicherungs-AG. Their outlook too is rated as stable.

The ASSEKURATA Assekuranz rating agency once again gave outstanding ratings to DEVK Sach- und HUK-Versicherungsverein a.G. and DEVK Allgemeine Versicherungs-AG in February 2014, with both companies for the 14th time receiving the top mark of A++ (excellent).

**Assets position**

| | 2013<br>€ 000s | 2012<br>€ 000s | Change<br>€ 000s |
|---|---|---|---|
| Investments | 1,391,498 | 1,330,297 | 61,201 |
| Receivables arising out of direct insurance operations | 19,253 | 22,633 | – 3,380 |
| Receivables arising out of reinsurance operations | 9,253 | 4,157 | 5,096 |
| Other receivables | 164,219 | 199,581 | – 35,362 |
| Means of payment | 28,525 | 23,160 | 5,365 |
| Other assets | 33,008 | 32,530 | 478 |
| **Total assets** | **1,645,756** | 1,612,358 | 33,398 |
| Equity | 950,031 | 925,531 | 24,500 |
| Technical provisions | 372,086 | 361,980 | 10,106 |
| Other provisions | 75,204 | 66,242 | 8,962 |
| Deposits received from reinsurers | 59,692 | 59,129 | 563 |
| Liabilities arising out of direct insurance operations | 23,589 | 22,420 | 1,169 |
| Liabilities arising out of reinsurance operations | 807 | 1,088 | – 281 |
| Other liabilities | 164,230 | 175,849 | – 11,619 |
| Accruals and deferred income | 117 | 119 | – 2 |
| **Total capital** | **1,645,756** | 1,612,358 | 33,398 |

There were no significant material changes in the composition of the investment portfolio.

Of the accounts receivable from reinsurance business, in 2013 € 6,337,000 (2012: € 3,512,000) were due from DEVK Rückversicherungs- und Beteiligungs-AG. The other receivables related to various domestic and international reinsurers.

The other receivables and payables arose predominantly from liquidity netting within the DEVK Group.

### Non-financial performance indicators

#### Customer satisfaction

In its latest ratings from February 2014, the ASSEKURATA Assekuranz rating agency gave our company a score of “very good” for customer orientation. This assessment was based, among other things, on customer surveys conducted in November 2011 which revealed very high levels of customer satisfaction.

#### Employee satisfaction

At DEVK the opinion of our employees is important to us, which is why we conducted a survey of all personnel for the first time in 2012, investigating topics such as employee satisfaction. A total of 80 % of our workforce participated in the survey. We then staged over 200 workshops to devise improvements, and the company is now working on their implementation. In future the employee survey will be conducted every two years. In 2014 our employees will be surveyed during April and May.

#### Personnel and sales staff numbers

Personnel are employed by DEVK Sach- und HUK-Versicherungsverein on the basis of joint contracts and service contracts whereby they also work for DEVK subsidiary companies. In cases where staff work for both DEVK Sach- und HUK-Versicherungsverein and DEVK Lebensversicherungsverein, this takes place within the ambit of dual employment contracts and, as such, no services are rendered between the two companies.

The company employed an average of 2,715 people internally in 2013, of whom 2,622 had their contracts of employment with DEVK Sach- und HUK-Versicherungsverein. These figures do not include any inactive employment contracts, while part-time employees are recorded as full-time equivalents on the basis of their working hours.

At the end of 2013, 2,125 self-employed personnel worked for DEVK (2012: 2,168), on top of which 607 field sales agents were directly employed by DEVK Sach- und HUK-Versicherungsverein (2012: 588). However, the entire field sales force also operates on behalf of the various other DEVK companies.

## 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.

## Outlook, opportunities and risks

### Outlook

During 2014 we are expecting premium growth of over 3 %. After gross claims expenditure rose 14.4 % during 2013, chiefly due to adverse weather events, we are expecting a fall of around 3 % during 2014. Before changes to the equalisation provision and any allocations to the bonuses and rebates provision, we are therefore expecting 2014 to see an improvement in the technical account as compared with 2013, but do not currently anticipate sufficient improvement for it to make a positive contribution to the result. After allocations to the equalisation provision, we are currently expecting a loss of approximately five to ten million euros.

Most of the early indicators currently point to a continuing slow recovery of the global economy during 2014. The engine driving this growth is the USA. With the economic situation brightening during the course of the year, the FED will, as announced, continue scaling back its bond purchasing programme step by step. However, we do not expect the FED to raise interest rates in 2014. This change in US monetary policy could prove an additional strain for emerging market economies, though. Alongside falls in their domestic bond and equity markets, the associated outflows of funds are leading to sharp drops in the value of their various currencies. Though this does create room for manoeuvre on the export side, it also means less capital is available for investment purposes. If weak growth persists in these countries, it would undermine the entire global economy.

Recent years have been dominated by the financial and government debt crisis. After Mario Draghi announced that the ECB would do “whatever it takes” to save the euro, the issues of government debt and the collapse of the euro receded into the background last year. However, the debt situation, particularly in the PIIGS countries, is tending to deteriorate further because growth is not strong enough to generate the tax revenues needed to reduce levels of indebtedness.

Thus the eurozone’s recovery remains predicated on a low interest rate, in which both the individual countries and the ECB have a strong interest. Every new crisis on the world’s capital markets leads to a resurgence of the demand for German government bonds, resulting in falling yields. Accordingly we are not counting on sustained interest rate rises, but rather with a continuation of the low interest phase.

In 2014, we expect DEVK Sach- und HUK-Versicherungsverein AG to register little or no change in its absolute result despite a growing investment portfolio. However, in our view, the low interest rates available on new assets and repeat investments will lead to a slight reduction in the net interest rates they attract.

All in all, we are expecting the 2014 profit from normal business activities to come in at around 25 to 30 million euros.

## Opportunities report

Opportunities to achieve growth which outstrips the average levels achieved by our competitors are generated if customer demands for quality, service and transparency at attractive prices are met in full measure.

We are available for our customers throughout Germany via our regional management units and from our headquarters in Cologne, both by telephone and face-to-face. Communication takes place via all available media. The Internet is of ever growing importance here, and we are well positioned in this respect thanks to the continuous revision and upgrading of our offer.

Our three-product-line approach (Active, Comfort and Premium cover) has met with a very positive response.

In KUBUS, a comprehensive survey of the insurance market carried out in 2013, our customers rated the value for money we offer as excellent.

Through the continuous optimisation of our processes, we ensure that we can execute our business effectively and efficiently.

Thanks to the interplay of competitive products, good service and our efficient sales operation we view ourselves as very well placed to compete effectively.

## Risk report

In accordance with the German Control and Transparency in Business Act (KonTraG), and the minimum risk management requirements laid down in section 64a VAG, we are hereby reporting the risks posed by future developments.

### Risk management system

A risk management system is employed within the DEVK Group to identify and assess risks at an early stage. The system is based on a risk-bearing capacity model that guarantees adequate coverage of all significant risks via the company's own funds. To control risks, DEVK has put in place a consistent system of limits whereby the limit capacity is portrayed in the form of risk ratios. The risk ratios break down the risk limits set by the risk strategy according to DEVK's most important organisational areas. On top of this, a comprehensive risk inventory is compiled every six months, in which risks are recorded and classified according to risk categories with the aid of a questionnaire. Wherever possible, risks are quantified and the action necessary to manage the risks is recorded. This system enables us to react immediately and appropriately to developments that pose a risk to the Group. The system's effectiveness and suitability are monitored by the Internal Auditing unit.

DEVK's risk management organisation is both centralised and decentralised at one and the same time. By "decentralised risk management", we mean the risk responsibility borne by individual departments. Thus, departmental and process managers are in charge of and responsible for risk management within their specific operational areas. Meanwhile, central risk management is the task of the independent risk controlling function, which is responsible for dealing with the cross-departmental risks 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.

The Risk Committee assesses the risk situation faced by individual companies and by the Group as a whole on the basis of the risk reports it receives, taking into account all discernible significant risks, as well as limit capacities and current risk drivers. Finally, a Management Board submission is prepared in which the results are reported to the Management Board members responsible for the various risk areas. The risk report and the risk control process (identification, analysis, evaluation, management and monitoring) are updated on a quarterly basis. Reports are submitted both to the Risk Committee and members of the Management Board.

Our reinsurance business was distributed between several external reinsurers and our Group-internal reinsurer DEVK Rückversicherungs- und Beteiligungs-AG. Our choice of reinsurers took their ratings into account.

### Technical risks

Principal among the technical risks in non-life and accident insurance are the premium/claims risk and the reserves risk.

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

**Claims ratio net of reinsurance**

| Year | % | Year | % |
|---|---|---|---|
| 2004 | 66.3 | 2009 | 71.1 |
| 2005 | 67.9 | 2010 | 76.4 |
| 2006 | 68.9 | 2011 | 71.5 |
| 2007 | 68.2 | 2012 | 72.9 |
| 2008 | 67.2 | 2013 | 75.5 |

As we can see, over the ten-year period considered here the range of fluctuation is low. Among other things, this is due to the fact that, in line with the reasonable acceptance guidelines we apply, we generally only underwrite straightforward, standardised business. Where particularly large volumes of insurance are involved, we limit our risk through co-insurance or reinsurance contracts.

Our outward reinsurance business was distributed between several external reinsurers and our Group-internal reinsurer DEVK Rückversicherungs- und Beteiligungs-AG. Our choice of reinsurers took their ratings into account.

We measure our provision for claims outstanding through the prudent valuation of claims already filed, in addition to establishing additional reserves to meet claims that are statistically likely but have not yet been filed on the balance sheet date, as well as for claims that will have to be reopened after the balance sheet date. Thus we take the reserve risk duly into account, as also demonstrated by our settlement results for the past ten years.

**Settlement result. net of reinsurance, as % of original provision**

| Year | % | Year | % |
|---|---|---|---|
| 2004 | 18.9 | 2009 | 16.0 |
| 2005 | 16.3 | 2010 | 18.4 |
| 2006 | 13.2 | 2011 | 17.5 |
| 2007 | 15.9 | 2012 | 16.8 |
| 2008 | 16.0 | 2013 | 15.1 |

Our equalisation provisions provide an additional safety cushion that contributes to the smoothing of our underwriting results. As of 31 December 2013, their volume totalled € 21.6 million (2012: € 24.7 million).

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

The risk of defaults by debtors from insurance operations arises from the primary insurance of claims against policyholders, intermediaries and reinsurers.

Over the review period (the past three years), our overdue debts from insurance business averaged 9.7 % of booked gross premiums. Of these, an average of 3.1 % had to be written off. In relation to the booked gross premiums, the average default rate over the past three years was 0.3 %. Accordingly, default risk is of minimal importance for DEVK.

Amounts receivable from reinsurance at the end of the year came to € 9.3 million, of which € 6.3 million apply to DEVK Rückversicherungs- und Beteiligungs-AG, which is rated as A+ by Standard & Poor's. An overview of amounts receivable broken down according to the ratings assigned to our reinsurance partners by Standard & Poor's is given in the following table:

| Rating category | Receivables in € millions |
|---|---|
| AA | 0.12 |
| AA– | 0.40 |
| A+ | 7.50 |
| A | 0.39 |
| A– | 0.44 |
| BBB pi | 0.03 |
| No rating | 0.37 |

### Investment risks

The risks stemming from investments comprise:

– the risk of unfavourable interest rate, equity, real estate and exchange rate movements (market price risks),
– counterparty risk (credit risk),
– the risk of strongly correlated risks that in turn increase counterparty risk (concentration risk),
– liquidity risk; that is, the risk of not always being able to meet payment obligations.

Our capital investments comply with the German Ordinance on the Investment of Restricted Assets of Insurance Undertakings (AnlV). We counteract exchange/market price risk and interest rate risk by maintaining a balanced mix of investment types. Active portfolio management allows us to exploit opportunities arising from market movements to improve our results, while we limit credit risk and concentration risk by imposing very stringent rating requirements and continually monitoring the issuers we select, thus avoiding any potentially ruinous dependence on individual debtors. We ensure a continuous influx of liquidity by maintaining a portfolio of interest-bearing investments with a balanced maturity structure. An ongoing ALM process ensures that we are able at all times to meet existing and future obligations.

### Interest-bearing investments

As of 31 December 2013, the Group held interest-bearing investments to a total value of € 537.0 million. A total of € 206.3 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 € 140.8 million to the fixed assets since we intend to hold this paper until maturity and their current market fluctuations are viewed as temporary. Should this second view in particular prove wide of the mark, we shall undertake the necessary write-downs in a timely fashion. These capital investments show a positive valuation reserve of € 5.2 million, a figure that includes € 1.8 million in hidden charges. A change in returns of up to +/– 1 % would entail a corresponding value change ranging from € – 29.5 million to € 31.7 million.

This disclosure of the impact of a 1 % interest rate rise only gives an approximate idea of the potential effect on our profitability. The reason for this is that over a year, all things being equal, the portfolio's average time to maturity diminishes, and the stated change in value thus also decreases accordingly. On top of this, the bulk of our investments is either in registered paper or bearer bonds and, in their cases, interest rate rises do not lead to write-downs since they are recognised on the balance sheet at their nominal values. The securities currently include hidden reserves which will be reduced in the near future. The exception to this is losses of value due to deteriorating credit ratings that may affect the issuers in question.

Apart from real estate financing, which in total represents 4 % of our overall investments, our interest-bearing investments are predominantly in Pfandbriefe (German covered bonds) and notes receivable. We also invest in corporate bonds and, on a small scale, in asset-backed securities (ABS). Our direct corporate bond holdings make up 4 % of our total investments, while directly held asset-backed securities make up just 1.8 %. In 2013, our bond investments focused on international bearer bonds issued by banks and companies, both due to their attractive risk premiums and on diversification grounds. These chiefly involved bearer papers that were assigned to the fixed assets.

We continue to have minimal investment exposure to the eurozone countries currently under the microscope, namely Portugal, Italy, Ireland, Greece and Spain.

As regards issuer risks, as proportions of our total investments, 5 % of the company's investments are in government bonds, 4 % in corporate bonds and 26 % 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 involve interest-bearing securities that are protected in law by special guarantee funds.

Possible capital write-downs of hybrid investments were largely accounted for in past years via value adjustments in the annual financial statements.

The ratings of the issuers of our interest-bearing investments break down as follows (2012):

| | | |
|---|---|---|
| AA or better | 49.7 % | (50.1 %) |
| A | 36.3 % | (35.9 %) |
| BBB | 11.7 % | (11.8 %) |
| BB or worse | 2.3 % | (2.2 %) |

The company's rating distribution remains much the same as it was last year. We shall continue to make virtually all our new and repeat investments in interest-bearing securities with strong credit ratings.

### Equity investments

The bulk of our equity investments is in EuroStoxx50 companies, as a result of which our portfolio's performance very closely matches that of this index. A 20 % change in market prices would alter the value of our equity portfolio by € 44.5 million. The European share index EuroStoxx50 gained value during 2013, and provided we are spared any exogenous shocks, we expect this positive performance to continue. We have applied a value protection model to our equity investments in order to limit market risks.

In light of the uncertain economic situation, we actively managed our ratio of equity investments throughout the year. There has been an upward trend in the ratio as compared with 2012. Should growing economic problems, such as a deepening of the eurozone crisis, lead to a significant downturn, various courses of action are open to us.

The fixed-asset equities and equity funds show a positive valuation reserve of € 8.1 million and contain no hidden liabilities.

### Real estate

On the balance sheet date, our real-estate investments totalled € 62.2 million. Of this total, € 50 million are invested in indirect mandates, including restricted special funds in office and other commercial real estate. Our direct holdings worth € 12.2 million are subject to scheduled annual depreciation of approximately € 600,000. No risks are currently discernible in connection with these real estate holdings.

BaFin Circular 1/2004 (VA) requires us to subject our investment portfolio to a stress test, which we carried out on the balance sheet date of 31 December 2013, using the BaFin-specified modified stress test model from the German Insurance Association (GDV). All of the scenarios contained therein were passed successfully. The stress test determines whether an insurance undertaking would be in a position to meet its obligations towards its policyholders even if the capital markets underwent a protracted crisis. The 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 stress test assumes the following scenarios: 1) a downturn on the equity markets while the bond market remains stable, 2) a downturn on the bond market while the equity market remains stable, 3) a simultaneous crash on the equity and bond markets and 4) a simultaneous crash on the equity and real-estate markets.

## Operational risks

Operational risks may stem from inadequate or failed operational processes, the breakdown of technical systems, external variables, employee-related incidents and changes in the legal framework. However, the main focus of the half-yearly risk inventory is on operational risks.

DEVK's operating procedures are based on internal guidelines. The risk of employee-related incidents is limited via regulations governing authorisation and powers of representation as well as wide-ranging automated backup for operating procedures, while the efficacy and functionality of in-house controls are monitored by the Internal Auditing unit.

Comprehensive access controls and preventive measures are in place in the IT field to ensure the security and integrity of programmes, data and ongoing operations, and links between internal and external networks are suitably protected by state-of-the-art systems.

Crisis management guidelines have been drawn up on the basis of a corporate emergency analysis. The guidelines set out goals and terms of reference for the prevention of emergencies and dealing with them should they arise.

## Summary of our risk status

To sum up, currently there are no discernible developments that could lead to a significant impairment of the Group's net assets, financial position and results of operations and thus jeopardise its continuing existence.

Cologne, 17 April 2014

**The Management Board**

**Gieseler** **Faßbender** **Rüßmann** **Dr Simons** **Zens**

## Notes to the management report

### List of insurance classes covered during the financial year

**Accident insurance**
General accident insurance
Motor vehicle accident insurance

**Liability insurance**

**Motor vehicle liability insurance**

**Other motor vehicle insurance**
Fully comprehensive motor insurance
Partial comprehensive motor insurance
(third-party, fire and theft)

**Fire and non-life insurance**
Fire insurance
Burglary and theft insurance
Water damage insurance
Glass insurance
Windstorm insurance
Household contents insurance
Homeowners' building insurance
Engineering insurance
Universal caravan insurance
Extended coverage insurance
Travel baggage insurance
All-risk insurance

**Other insurance policies**
Breakdown service insurance
Cheque card insurance

**Travel insurance**

## Financial statements

### Balance sheet to 31 December 2013

| Assets | € | € | € | 2012, € 000s |
|---|---|---|---|---|
| **A. Intangible assets** | | | | |
| I. Licenses, industrial property rights and similar rights and assets acquired for valuable consideration, as well as licenses in such rights and assets | | 10,865,129 | | 9,276 |
| II. Payments on account | | 1,020,629 | | 2,105 |
| | | | **11,885,758** | 11,381 |
| **B. Investments** | | | | |
| I. Real estate and similar land rights, including buildings on third-party land | | 12,154,902 | | 12,789 |
| II. Investments in affiliated companies and participating interests | | | | |
| 1. Shares in affiliated companies | 603,884,295 | | | 575,827 |
| 2. Participating interests | 10,056,554 | | | 9,398 |
| | | 613,940,849 | | 585,225 |
| III. Other investments | | | | |
| 1. Equities, fund units and other variable-yield securities | 262,577,133 | | | 271,387 |
| 2. Bearer bonds and other fixed-interest securities | 160,312,229 | | | 87,424 |
| 3. Mortgage loans and annuity claims | 59,737,851 | | | 58,427 |
| 4. Other loans | 260,823,189 | | | 293,513 |
| 5. Other investments | 21,951,958 | | | 21,531 |
| | | 765,402,360 | | 732,282 |
| | | | **1,391,498,111** | 1,330,296 |
| **C. Accounts receivable** | | | | |
| I. Receivables arising out of direct insurance operations: | | | | |
| 1. Policyholders | 773,106 | | | 1,549 |
| 2. Intermediaries | 18,479,562 | | | 21,084 |
| | | 19,252,668 | | 22,633 |
| II. Receivables arising out of reinsurance operations | | 9,252,506 | | 4,157 |
| of which: | | | | |
| Affiliated companies: €6,336,775 | | | | 3,512 |
| III. Other receivables | | 164,218,951 | | 199,582 |
| of which: | | | **192,724,125** | 226,372 |
| Affiliated companies: 148,212,336 € | | | | 140,343 |
| **D. Other assets** | | | | |
| I. Tangible assets and inventories | | 7,903,779 | | 9,879 |
| II. Cash at banks, cheques and cash in hand | | 28,525,089 | | 23,161 |
| III. Other assets | | 168,333 | | 288 |
| | | | **36,597,201** | 33,328 |
| **E. Prepayments and accrued income** | | | | |
| I. Accrued interest and rent | | 8,365,762 | | 8,178 |
| II. Other prepayments and accrued income | | 4,684,665 | | 2,803 |
| | | | **13,050,427** | 10,981 |
| **Total assets** | | | **1,645,755,622** | 1,612,358 |

I hereby confirm that the premium provision of € 9,817,999.12, recorded on the balance sheet under item B.II or B.III. of the liabilities and shareholders' equity, has been calculated in compliance with sections 341f and 341g of the German Commercial Code (HGB) as well as the Regulation issued pursuant to section 65 paragraph 1 of the Insurance Supervision Act.

Cologne, 16 April 2014 **The Actuary in Charge | Weiler**

Pursuant to section 73 of the German Insurance Supervision Act (VAG), I hereby attest that the assets detailed in the list of coverage assets are properly invested and secured in accordance with statutory and supervisory authority requirements.

Cologne, 16 April 2014 **The Trustee | Krumpen**

| Liabilities and shareholders' equity | € | € | € | 2012, € 000s |
|---|---|---|---|---|
| **A. Capital and reserves** | | | | |
| – Retained earnings | | | | |
| 1. Loss reserve pursuant to section 37 of the Insurance Supervision Act | | 162,566,441 | | 157,667 |
| 2. Other retained earnings | | 787,464,200 | | 767,864 |
| | | | **950,030,641** | 925,531 |
| **B. Technical provisions** | | | | |
| I. Provision for unearned premiums | | | | |
| 1. Gross amount | 88,088 | | | 99 |
| 2. of which: | | | | |
| Reinsurance amount | 5,357 | | | 6 |
| | | 82,731 | | 93 |
| II. Premium reserve | | 9,231 | | 9 |
| III. Provision for claims outstanding: | | | | |
| 1. Gross amount | 478,033,869 | | | 450,011 |
| 2. of which: | | | | |
| Reinsurance amount | 142,908,337 | | | 130,461 |
| | | 335,125,532 | | 319,550 |
| IV. Provision for bonuses and rebates | | 13,660,126 | | 16,323 |
| V. Equalisation provision and similar provisions | | 21,595,886 | | 24,663 |
| VI. Other technical provisions | | | | |
| 1. Gross amount | 1,734,371 | | | 1,462 |
| 2. of which: | | | | |
| Reinsurance amount | 122,186 | | | 120 |
| | | 1,612,185 | | 1,342 |
| | | | **372,085,691** | 361,980 |
| **C. Provisions for other risks and charges** | | | | |
| I. Provisions for taxation | | 32,956,377 | | 27,955 |
| II. Other provisions | | 42,247,206 | | 38,287 |
| | | | **75,203,583** | 66,242 |
| **D. Deposits received from reinsurers** | | | | |
| | | | **59,691,727** | 59,129 |
| **E. Other liabilities** | | | | |
| I. Liabilities arising out of direct insurance operations | | | | |
| 1. Policyholders | 23,079,070 | | | 21,963 |
| 2. Intermediaries | 510,033 | | | 456 |
| | | 23,589,103 | | 22,419 |
| II. Liabilities arising from reinsurance operations | | 806,670 | | 1,088 |
| of which: | | | | |
| Affiliated companies: €501,224 | | | | 462 |
| III. Other liabilities | | 164,230,620 | | 175,849 |
| of which: | | | **188,626,393** | 199,356 |
| Tax: €7,252,200 | | | | 7,042 |
| Affiliated companies: €114,856,438 | | | | 150,284 |
| **F. Accruals and deferred income** | | | | |
| | | | **117,587** | 120 |
| **Total liabilities** | | | **1,645,755,622** | 1,612,358 |

## Profit and loss account

for the period from 1 January to 31 December 2013

| Items | € | € | € | 2012, € 000s |
|---|---|---|---|---|
| **I. Technical account** | | | | |
| 1. Earned premiums, net of reinsurance | | | | |
| a) Gross premiums written | 329,637,686 | | | 316,108 |
| b) Outward reinsurance premiums | 53,111,335 | | | 49,642 |
| | | 276,526,351 | | 266,466 |
| c) Change in the gross provision for unearned premiums | 10,571 | | | 4 |
| d) Change in the provision for unearned premiums, reinsurers' share | – 524 | | | 5 |
| | | 10,047 | | 9 |
| | | | **276,536,398** | 266,475 |
| 2. Allocated investment return transferred from the non-technical account, net of reinsurance | | | **48,183** | 21 |
| 3. Other technical income, net of reinsurance | | | **142,585** | 144 |
| 4. Claims incurred, net of reinsurance | | | | |
| a) Claims paid | | | | |
| aa) Gross amount | 229,816,382 | | | 216,732 |
| bb) Reinsurers' share | 36,514,427 | | | 30,885 |
| | | 193,301,955 | | 185,847 |
| b) Change in the provision for claims | | | | |
| aa) Gross amount | 28,022,184 | | | 8,568 |
| bb) Reinsurers' share | – 12,447,094 | | | – 285 |
| | | 15,575,090 | | 8,283 |
| | | | **208,877,045** | 194,130 |
| 5. Changes in other technical provisions, net of reinsurance | | | | |
| a) Premium reserve, net of reinsurance | | – 730 | | 3 |
| b) Other technical provisions, net of reinsurance | | – 287,137 | | 344 |
| | | | **– 287,867** | 347 |
| 6. Bonuses and rebates, net of reinsurance | | | **1,204,930** | 3,833 |
| 7. Net operating expenses | | | | |
| a) Gross operating expenses | | 82,273,816 | | 82,920 |
| b) of which: Reinsurance commissions and profit participation | | 10,657,063 | | 10,103 |
| | | | **71,616,753** | 72,817 |
| 8. Other technical charges, net of reinsurance | | | **1,917,968** | 1,908 |
| 9. Subtotal | | | **– 7,177,397** | – 5,701 |
| 10. Change in the equalisation provision and similar provisions | | | **3,067,313** | – 318 |
| 11. Technical result, net of reinsurance | | | **– 4,110,084** | – 6,019 |
| Balance carried forward: | | | – 4,110,084 | – 6,019 |

| Items | € | € | € | € | 2012, € 000s |
|---|---|---|---|---|---|
| Balance carried forward: | | | | – 4,110,084 | – 6,019 |
| **II. Non-technical account** | | | | | |
| 1. Income from other investments | | | | | |
| a) Income from participating interests | | 18,079,783 | | | 16,017 |
| of which: | | | | | |
| from affiliated companies: € 17,739,867 | | | | | 15,570 |
| b) Income from other investments | | | | | |
| aa) Income from real estate and similar land rights, including buildings on third-party land | 2,217,347 | | | | 2,296 |
| bb) Income from other investments | 28,892,606 | | | | 31,875 |
| | | 31,109,953 | | | 34,171 |
| c) Income from write-ups | | 2,928,883 | | | 3,650 |
| d) Gains on the realisation of investments | | 11,987,344 | | | 6,742 |
| | | | 64,105,963 | | 60,580 |
| 2. Investment charges | | | | | |
| a) Investment management charges, interest expenses and other charges on capital investments | | 3,787,578 | | | 3,623 |
| b) Write-downs on investments | | 10,732,172 | | | 10,148 |
| c) Losses on the realisation of investments | | 4,412,218 | | | 174 |
| | | | 18,931,968 | | 13,945 |
| | | | 45,173,995 | | 46,635 |
| 3. Allocated investment return transferred from the non-technical account | | | 1,077,107 | | 1,099 |
| | | | | **44,096,887** | 45,536 |
| 4. Other income | | | 368,894,706 | | 349,702 |
| 5. Other charges | | | 376,304,003 | | 355,591 |
| | | | | **– 7,409,297** | – 5,889 |
| 6. Profit from normal business activity | | | | **32,577,507** | 33,628 |
| 7. Taxes on income | | | 7,445,624 | | 10,463 |
| 8. Other taxes | | | 631,883 | | 665 |
| | | | | **8,077,507** | 11,128 |
| 9. Net profit for the year | | | | **24,500,000** | 22,500 |
| 10. Allocation to retained earnings | | | | | |
| a) to the loss reserve pursuant to section 37 of the Insurance Supervision Act | | | 4,900,000 | | 4,500 |
| b) to other retained earnings | | | 19,600,000 | | 18,000 |
| | | | | **24,500,000** | 22,500 |
| **11. Net retained profit** | | | | **–** | – |

## 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, or they are recorded as operating expenses in their year of acquisition.

**Land, land rights and buildings including buildings on third-party land** are recorded at their costs of acquisition or production and subjected to scheduled depreciation.

**Shares in affiliated companies** and **participating interests** are shown either at their costs of acquisition or at the lower of cost or market value.

**Shares, fund units and other variable-yield securities**, **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. Said write-ups were to the lower of cost or market value.

**Mortgage loans and annuity claims** are recognised at their costs of acquisition less an individual value adjustment for the potential default risks. The cumulative amortisation is recognised as revenue over the mortgage term.

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

**Notes receivable, loans** and **other loans** are recognised at their amortised cost plus or minus the cumulative amortisation of the difference between the cost of acquisition and the redemption amounts, applying the effective interest method.
Zero notes receivable were capitalised at their costs of acquisition plus the interest entitlement as determined on the basis of the capital volume and the interest agreement.

**Other investments** are recognised at the lower of cost or market value.

**Receivables from direct insurance operations** are capitalised at their nominal values less individual value adjustments plus a general write-down to cover the potential default risk.

**Receivables from reinsurance operations** are based on the reinsurance contracts and are recognised at their nominal values.

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

**Other assets** not constituting operating or office equipment are recognised at their nominal values. Operating or office equipment is shown at its cost of acquisition or production as reduced by scheduled depreciation. Depreciation was calculated according to the straight-line method. Low-value assets were written off in the year of acquisition. Low-value assets were 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, or they are recorded as operating expenses in their year of acquisition.

Interest claims not yet due were recorded at their nominal values under **Prepayments and accrued income**.

**Technical provisions** are calculated by application of the following principles:
For moped insurance, a **provision for unearned premiums** was calculated for January and February of the following year. The premium shares assignable to these two months are calculated, depending on the insurance policy terms, as unearned premium provisions from the premiums booked each month. 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. Provisions for unearned premiums did not have to be set up with respect to other classes of insurance since the policy year and calendar year are identical in these cases.

The **premium reserve** required for the child accident insurance was calculated individually according to the prospective method, taking implicit recognised costs duly into account on the basis of the DAV 2006 HUR, 4.0 % mortality tables. An assumed rate of interest of 3.25 % was applied with respect to claims for which provisions first had to be established during the period from 31 December 2000 to 31 December 2003, as against a technical rate of 2.75 % with respect to claims for which provisions first had to be established during the period from 31 December 2004 to 31 December 2006, 2.25 % with respect to claims for which provisions first had to be established between 31 December 2007 and 31 December 2011, and 1.75 % for all later claims.

The **provision for claims outstanding** is calculated individually for each claim. A provision for IBNR losses is established according to general blanket criteria. The provision includes amounts designated for claims settlement.

The **pensions premium reserve** was calculated in accordance with sections 341f and 341g HGB on the basis of the DAV 2006 HUR mortality table, applying an assumed interest rate of 4.0 %. In the case of claims for which provisions first had to be established during the period from 31 December 2000 to 31 December 2003, the assumed interest rate applied was 3.25 %, as against a technical rate of 2.75 % with respect to claims for which provisions first had to be established during the period from 31 December 2004 to 31 December 2006, 2.25 % with respect to claims for which provisions first had to be established between 31 December 2007 and 31 December 2011, and 1.75 % for all later claims.
The reinsurance amount was calculated in accordance with the contractual agreements in this respect.

The allocation to the **provision for bonuses** was made on the basis of Executive Board and Supervisory Board decisions that took tax regulations duly into account.

The **provision for rebates** was established on the basis of contractual agreements with policyholders.

The **equalisation provision** was calculated in accordance with the annex to section 29 of the German Regulation on Accounting in the Insurance Sector (RechVersV).

The **other technical provisions** include unused amounts from dormant motor insurance policies, the provision for road traffic victims ceded by Verkehrsopferhilfe e.V. (the Road Accident Victims Aid Association), a cancellation provision for premium claims, a provision for premiums already received and for premium obligations, and also cancellation provisions for reinsurance contracts. These provisions are either estimated or as far as possible calculated on the basis of mathematical models, based on past figures where applicable.

The **other provisions** are formed on the following basis:
The **tax provisions** and **other provisions** (with the exception of the provision for partial retirement benefit obligations and anniversary payments) are calculated according to anticipated needs and set at the levels necessary to the best of our commercial judgement. Pursuant to section 253 paragraph 2 HGB, **other provisions** with a residual term of more than one year are discounted at an average market interest rate corresponding to their residual terms.

The provision for **partial retirement benefit obligations** is calculated according to the projected unit credit method. Biometric calculation principles were not applied. Discounting was done at the average market interest rate published by Deutsche Bundesbank, to wit 3.62 % (2012: 3.95 %), as arrived at assuming a residual term of three years (cf. section 253 paragraph 2 sentence 1 HGB). The financing age on expiry corresponds with the contractual age on expiry. The rate of pay increase was set at 1.95 % p.a.

The **anniversary payments provision** was also calculated according to the projected unit credit method, on the basis of Professor Klaus Heubeck's 2005G actuarial tables. Discounting was done at the average market interest rate published by Deutsche Bundesbank, to wit 4.89 % (2012: 5.05 %), as arrived at assuming a residual term of 15 years (cf. section 253 paragraph 2 sentence 2 HGB). The financing age on expiry corresponds with the age at which an anniversary payment becomes due. The rate of pay increase (including career trend) was set at 2.1 % p.a.

The **deposits received from reinsurers** result from a reinsurance agreement to cover claims and pensions provisions, valued at the compliance amounts.

**Liabilities arising out of direct insurance operations** and **other liabilities** are valued at the compliance amounts.

**Liabilities arising out of reinsurance operations** result from the reinsurance contracts and are recognised at their compliance amounts.

**Accruals and deferred income** comprise the discount points on registered bonds and advance rent receipts.

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

The **allocated investment return for own account** was set at 4.0 %, 3.25 %, 2.75 %, 2.25 % or 1.75 % of the respective arithmetical means of the initial and final amounts in the gross pension coverage provisions for accident, liability, motor vehicle liability and motor vehicle accident insurance.

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 III. during the 2013 financial year

| Assets | Balance sheet value 2012 € 000s | Additions € 000s | Transfers € 000s | Disposals € 000s | Write-ups € 000s | Write-downs € 000s | Balance sheet value 2013 € 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 | 9,276 | 1,609 | 2,101 | – | – | 2,121 | 10,865 |
| 2. Payments on account | 2,105 | 1,016 | – 2,101 | – | – | – | 1,020 |
| 3. Total A. | 11,381 | 2,625 | – | – | – | 2,121 | 11,885 |
| **B.I. Real estate and similar land rights, including buildings on third-party land** | | | | | | | |
| | 12,789 | – | – | – | – | 634 | 12,155 |
| **B.II. Investments in affiliated companies and participating interests** | | | | | | | |
| 1. Shares in affiliated companies | 575,827 | 41,957 | – | 13,900 | – | – | 603,884 |
| 2. Participating interests | 9,398 | 2,100 | – | 264 | – | 1,177 | 10,057 |
| 3. Total B.II. | 585,225 | 44,057 | – | 14,164 | – | 1,177 | 613,941 |
| **B.III. Other investments** | | | | | | | |
| 1. Equities, fund units and other variable-yield securities | 271,387 | 62,398 | – | 65,339 | 2,929 | 8,798 | 262,577 |
| 2. Bearer bonds and other fixed-interest securities | 87,424 | 72,966 | – | – | – | 77 | 160,313 |
| 3. Mortgage loans and annuity claims | 58,427 | 10,545 | – | 9,189 | – | 45 | 59,738 |
| 4. Other loans | | | | | | | |
| a) Registered bonds | 82,000 | – | – | – | – | – | 82,000 |
| b) Notes receivable and loans | 203,926 | 6,615 | – | 39,296 | – | – | 171,245 |
| c) Other loans | 7,587 | – | – | 9 | – | – | 7,578 |
| 5. Other investments | 21,531 | 1,661 | – | 1,240 | – | – | 21,952 |
| 6. Total B.III. | 732,282 | 154,185 | – | 115,073 | 2,929 | 8,920 | 765,403 |
| **Total** | **1,341,677** | **200,867** | **–** | **129,237** | **2,929** | **12,852** | **1,403,384** |

## Notes to the balance sheet

### Re Assets B.

**Investments**

Pursuant to section 341b paragraph 2 HGB, we have assigned investments for long-term retention in the investment portfolio. As of 31 December 2013, our investments had the following book and current values:

**Investments**

| | Book value € | Current value € |
|---|---|---|
| B.I. Real estate and similar land rights, including buildings on third-party land | 12,154,902 | 25,965,000 |
| B.II. Investments in affiliated companies and participating interests | | |
| 1. Shares in affiliated companies | 603,884,295 | 1,630,215,522 |
| 2. Participating interests | 10,056,554 | 10,690,110 |
| B.III. Other investments | | |
| 1. Equities, fund units and other variable-yield securities | 262,577,133 | 299,862,414 |
| 2. Bearer bonds and other fixed-interest securities | 160,312,229 | 169,561,298 |
| 3. Mortgage loans and annuity claims | 59,737,851 | 64,046,045 |
| 4. Other loans | | |
| a) Registered bonds | 82,000,000 | 93,574,887 |
| b) Notes receivable and loans | 171,245,394 | 174,178,588 |
| c) Other loans | 7,577,795 | 7,763,442 |
| 5. Other investments | 21,951,958 | 24,553,189 |
| **Total** | **1,391,498,111** | **2,500,410,495** |
| of which: | | |
| Investments valued at costs of acquisition | 1,309,498,111 | 2,406,835,608 |
| of which: | | |
| Investments in fixed assets pursuant to section 341b paragraph 2 HGB | 251,627,711 | 264,995,056 |

The revaluation reserves include hidden liabilities totalling € 10.9 million. These relate to real estate, mortgage loans, notes receivable and loans, bearer bonds and securities capitalised at their nominal values pursuant to section 341c HGB.

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

Real estate is valued according to the gross rental method. All real estate held on 31 December 2013 was revalued with effect from that date.

The current value of shares in affiliated companies and participating interests is calculated either on the basis of gross rental values, at market prices or book value equals market value. The participating interests in DEVK Jupiter Vier GmbH and Ictus GmbH were recognised at their book values.

Both dividend-bearing securities and fixed-interest securities capitalised at their costs of acquisition are valued using the year-end market prices. Pursuant to section 56 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 the zero notes payable and other investments was calculated on the basis of the year's-end prices reported by an independent financial enterprise.

Lien on real estate was valued using the most up-to-date yield curve, while taking default and property risk duly into account.

The current values of the other loans and silent participating interests within the meaning of the German Banking Act (KWG) (equity surrogates) were calculated on the basis of the discounted cash flow method in line with the current euro swap curve plus a risk premium, which take into account the anticipated future payment streams in light of debtor-specific assumptions.

The market values of investments denominated in foreign currencies were calculated on the basis of the mean year's-end exchange rates.

**Details of financial instruments within the meaning of section 285 paragraph 18 HGB that are capitalised at their fair value**

| | Book value<br>€ 000s | Fair value<br>€ 000s |
|---|---|---|
| Fixed-asset securities | 60,263 | 58,449 |
| Mortgage loans | 5,566 | 5,483 |
| Other loans | 56,284 | 47,917 |

We have refrained from making any write-downs in accordance with section 253 paragraph 3 sentence 4 HGB as we either intend to hold various securities until maturity or are assuming that any fall in value is only temporary.

| Details of derivative financial instruments and forward purchases in accordance with section 285 paragraph 19 HGB | | | | |
|---|---|---|---|---|
| | Type | Nominal volume € 000s | Book value premium € 000s | Fair value of premium € 000s |
| Other liabilities | Short-Put-Optionen | 4,085 | 240 | 118 |

Valuation methods

| | | |
|---|---|---|
| Short put options: | European options | Black-Scholes |
| | American options | Barone-Adesi |

| Details of units or shareholdings in domestic investment funds in accordance with section 285 paragraph 26 HGB | | | | |
|---|---|---|---|---|
| Investment goal | Dividends € 000s | Current value € 000s | Hidden reserves/ hidden charges € 000s | Limitation on daily redemption |
| Equity funds | 2,910 | 143,748 | 12,814 | |
| Bond funds | 509 | 23,631 | – | |
| Mixed funds | 1,105 | 22,673 | 309 | |
| Real-estate funds | 863 | 33,735 | 1,227 | once a month up to € 50,000 or 6 months |

## Re Assets B.I.

**Real estate and similar land rights, including buildings on third-party land**

Real estate to a book value of € 1,682,135 is predominantly used by DEVK Sach- und HUK-Versicherungsverein a.G. and other DEVK Group companies. The proportion of each property used by the DEVK Group in square metres is calculated by deducting the area used by third parties from the overall area.

## Re Assets B.II.

### Investments in affiliated companies and participating interests

| | Subscribed capital € | % share | Checked % share | Equity € | Results from previous financial year € |
|---|---|---|---|---|---|
| DEVK Rückversicherungs- und Beteiligungs-AG, Cologne | 306,775,129 | 100.00 | 100.00 | 1,012,088,436 | 51,300,000 |
| DEVK Allgemeine Versicherungs-AG, Cologne | 195,000,000 | 100.00 | 100.00 | 332,170,794 | – |
| DEVK Rechtsschutz Versicherungs-AG, Cologne | 21,000,000 | 100.00 | 100.00 | 36,563,459 | – |
| DEVK Krankenversicherungs-AG, Cologne | 8,000,000 | 100.00 | 100.00 | 16,177,128 | 71,837 |
| DEVK Allgemeine Lebensversicherungs-AG, Cologne | 8,000,000 | 100.00 | 51.00 | 102,964,493 | 84,191 |
| DEVK Pensionsfonds AG, Cologne | 5,000,000 | 100.00 | 51.00 | 12,273,766 | 20,000 |
| DEVK Vermögensvorsorge- und Beteiligungs-AG, Cologne | 20,000,000 | 51.00 | 51.00 | 149,000,000 | – |
| DEVK Alpha GmbH, Cologne | 25,000 | 100.00 | 51.00 | 26,491 | 318 |
| DEVK Asset Management GmbH, Cologne | 750,000 | 100.00 | 100.00 | 750,000 | – |
| DEVK Beta GmbH, Cologne | 25,000 | 100.00 | 100.00 | 34,845 | 398 |
| DEVK Europa Real Estate Investment Fonds SICAV-FIS, Luxembourg, (L) [2] | 154,031,000 | 68.00 | 52.32 | 154,859,461 | 835,019 |
| DEVK Gamma GmbH, Cologne | 25,000 | 100.00 | 100.00 | 25,144 | 310 |
| DEVK Omega GmbH, Cologne | 25,000 | 100.00 | 100.00 | 25,184,536 | 274 |
| DEVK Private Equity GmbH, Cologne | 10,000,000 | 65.00 | 57.65 | 151,577,222 | 10,873,052 |
| DEVK Saturn GmbH, Cologne | 25,000 | 100.00 | 100.00 | 26,864,377 | 270 |
| DEVK Service GmbH, Cologne | 260,000 | 74.00 | 74.00 | 1,470,379 | – |
| DEVK Unterstützungskasse GmbH, Cologne | 25,000 | 100.00 | 51.00 | 26,367 | 834 |
| DEVK Versorgungskasse GmbH, Cologne | 25,000 | 100.00 | 51.00 | 24,807 | 761 |
| DEVK Web GmbH, Cologne | 25,000 | 100.00 | 100.00 | 25,000 | – |
| DEVK Zeta GmbH, Cologne | 25,000 | 100.00 | 51.00 | 775,000 | 188,675 |
| DEVK Zeus Vermögensverwaltungs-AG, Cologne | 50,000 | 100.00 | 100.00 | 51,527 | 630 |
| Assistance Service GmbH, Coesfeld | 52,000 | 100.00 | 100.00 | 3,560,508 [1] | – 1,112,315 |
| DEREIF Immobilien 1 S.a.r.l., Luxembourg, (L) | 250,000 | 100.00 | 52.32 | 1,881,556 | – 318,444 |
| DEREIF Paris 6, rue Lammenais, S.C.I., Yutz, (F) | 768,220 | 100.00 | 52.32 | 5,700,208 | – 1,972,992 |
| DEREIF Paris 9, chemin du Cornillon Saint-Denis, S.C.I., Yutz, (F) | 637,810 | 100.00 | 52.32 | 6,373,394 | 4,294 |
| DEREIF Paris 37–39, rue d’Anjou, Yutz, (F) | 1,145,850 | 100.00 | 52.32 | 9,367,793 | – 2,081,707 |
| German Assistance Versicherung AG, Coesfeld | 1,462,500 | 100.00 | 100.00 | 3,194,329 | – |
| Hotelbetriebsgesellschaft SONNENHOF mbH, Bad Wörishofen | 375,000 | 100.00 | 51.00 | 356,023 | – |
| HYBIL B.V., Venlo (NL) | 400,000 | 90.00 | 85.10 | 56,798,568 | 4,050,957 |
| Ictus GmbH, Cologne | 5,000,000 | 75.00 | 65.20 | 29,847,361 | 2,412,653 |
| JUPITER VIER GmbH, Cologne | 25,000 | 100.00 | 100.00 | 4,428,598 | 2,377,430 |
| KASSOS Beteiligungs- und Verwaltungs-GmbH, Cologne | 25,000 | 100.00 | 100.00 | 32,402 | 96 |
| Lieb’ Assur S.A.R.L., Nîmes (F) | 250,000 | 100.00 | 100.00 | 303,860 | 20,382 |
| OUTCOME Unternehmensberatung GmbH, Cologne | 525,000 | 100.00 | 100.00 | 756,376 [1] | 1,136,461 |
| Reisebüro Frenzen GmbH, Cologne | 25,000 | 52.00 | 52.00 | 375,371 | 72,013 |
| SADA Assurances S.A., Nîmes (F) | 24,721,000 | 100.00 | 100.00 | 16,887,518 | 1,086,698 |
| Terra Estate GmbH & Co. KG, Landolfshausen | 1,500,000 | 24.38 | 24.38 | 28,509,672 | 78,238 |
| Terra Management GmbH, Landolfshausen | 25,000 | 25.00 | 25.00 | 25,603 | 1,138 |
| | GBP | | | GBP | GBP |
| DEREIF London Eastcheap Court S.a.r.l., Luxembourg, (L) | 21,250 | 100.00 | 52.32 | 6,407,978 | – 1,501,383 |
| DEREIF London 10, St. Bride Street S.a.r.l., Luxembourg, (L) | 21,250 | 100.00 | 52.32 | 6,670,977 | – 543,756 |
| | SEK | | | SEK | SEK |
| DEREIF Malmö, Kronan, (S) | 100 | 100.00 | 52.32 | 19,023 | 1,015 |
| | CHF | | | CHF | CHF |
| ECHO Rückversicherungs-AG, Zurich (CH) | 50,000,000 | 100.00 | 100.00 | 65,360,044 | 1,207,339 |

[1] Shortfall not covered by capital contribution
[2] Based on subgroup financial statements

Pursuant to section 285 paragraph 11 HGB, only investments in affiliated companies and participating interests involving holdings of at least 20 % have been included here.

## Re Assets B.III.

**Other investments**
**Other loans** exclusively comprise registered participation certificates.
**Other investments** comprise fund units and silent partnerships within the meaning of KWG and cooperative shares.

## Re Liabilities A.–.

**Retained earnings**

1. Loss reserve pursuant to section 37 VAG

| | |
|---|---|
| 31.12.2012 | € 157,666,441 |
| Allocation | € 4,900,000 |
| 31.12.2013 | **€ 162,566,441** |

2. Other retained earnings

| | |
|---|---|
| 31.12.2012 | € 767,864,200 |
| Allocation | € 19,600,000 |
| 31.12.2013 | **€ 787,464,200** |

## Re Liabilities B.

**Technical provisions**

| Figures in € 000s | Total gross provision | | of which: Provision for claims outstanding | | of which: Equalisation provision and similar provisions | |
|---|---|---|---|---|---|---|
| Insurance class | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Accident | 71,199 | 67,295 | 67,778 | 64,987 | – | – |
| Liability | 44,905 | 50,168 | 34,213 | 35,643 | 10,261 | 10,331 |
| Motor vehicle liability | 337,726 | 318,300 | 336,804 | 317,370 | – | – |
| Other motor vehicle | 22,198 | 20,322 | 12,076 | 11,276 | – | – |
| Fire and non-life | 38,890 | 36,217 | 26,010 | 20,521 | 11,335 | 14,332 |
| of which: | | | | | | |
| Fire | 867 | 586 | 486 | 317 | 382 | 269 |
| Household contents | 7,625 | 7,015 | 6,516 | 5,933 | – | – |
| Homeowners' building | 22,144 | 19,584 | 14,645 | 10,400 | 7,105 | 8,941 |
| Other non-life | 8,254 | 9,032 | 4,363 | 3,871 | 3,849 | 5,122 |
| Other | 203 | 265 | 154 | 215 | – | – |
| **Total** | **515,121** | 492,567 | **477,035** | 450,012 | **21,596** | 24,663 |

## Re Liabilities B.IV.

**Provision for bonuses and rebates**

a) Bonuses

| | |
|---|---|
| 31.12.2012 | € 16,048,778 |
| Withdrawal | € 3,764,27 |
| Allocation | € 1,111,697 |
| 31.12.2013 | **€ 13,396,204** |

b) Rebates

| | |
|---|---|
| 31.12.2012 | € 274,000 |
| Withdrawal | € 102,897 |
| Allocation | € 92,819 |
| 31.12.2013 | **€ 263,922** |

## Re Liabilities F.

**Accruals and deferred income**

| | |
|---|---|
| Discount points on registered bonds | € 102,029 |
| Advance rental receipts | € 15,558 |
| | **€ 117,587** |

## Notes to the profit and loss account

**Direct insurance operations and reinsurance coverage provided**

| 2013, € 000s | Gross booked premiums | Gross premiums earned | Net premiums earned | Gross expenses on: Insurance claims | Gross expenses on: Insurance operations | Reinsurance balance | Underwriting result, net of reinsurance |
|---|---|---|---|---|---|---|---|
| Accident insurance | 39,650 | 39,650 | 30,599 | 18,401 | 13,006 | – 2,051 | 5,389 |
| Liability insurance | 34,067 | 34,067 | 33,337 | 9,752 | 14,648 | – 1,166 | 8,580 |
| Motor vehicle liability | 92,210 | 92,220 | 83,623 | 97,849 | 11,874 | 8,191 | – 9,539 |
| Other motor vehicle | 71,329 | 71,329 | 52,287 | 71,266 | 9,814 | 1,529 | – 8,320 |
| Fire and non-life | 90,841 | 90,841 | 75,460 | 59,590 | 32,804 | 201 | – 457 |
| of which: | | | | | | | |
| Fire | 1,002 | 1,002 | 567 | 215 | 380 | – 352 | – 126 |
| Household contents | 35,963 | 35,963 | 35,229 | 18,752 | 14,149 | – 323 | 1,699 |
| Homeowners' building | 40,866 | 40,866 | 28,981 | 34,226 | 11,970 | 2,124 | – 2,339 |
| Other non-life | 13,010 | 13,010 | 10,683 | 6,397 | 6,305 | – 1,248 | 309 |
| Other | 1,540 | 1,540 | 1,230 | 981 | 128 | – 196 | 237 |
| **Total** | **329,637** | **329,647** | **276,536** | **257,839** | **82,274** | **6,508** | **– 4,110** |

| 2012, € 000s | Gross booked premiums | Gross premiums earned | Net premiums earned | Gross expenses on: Insurance claims | Gross expenses on: Insurance operations | Reinsurance balance | Underwriting result, net of reinsurance |
|---|---|---|---|---|---|---|---|
| Accident insurance | 37,652 | 37,652 | 29,125 | 19,273 | 12,599 | – 1,807 | 2,743 |
| Liability insurance | 34,103 | 34,103 | 33,369 | 7,403 | 14,811 | – 1,335 | 6,301 |
| Motor vehicle liability | 88,275 | 88,279 | 80,084 | 86,767 | 12,346 | 484 | – 8,954 |
| Other motor vehicle | 67,102 | 67,102 | 49,135 | 65,244 | 10,404 | – 531 | – 9,032 |
| Fire and non-life | 87,529 | 87,529 | 73,620 | 45,535 | 32,401 | – 4,984 | 3,102 |
| of which: | | | | | | | |
| Fire | 965 | 965 | 552 | – 1,629 | 393 | – 340 | 1,527 |
| Household contents | 34,923 | 34,923 | 34,195 | 16,881 | 14,223 | – 686 | 2,085 |
| Homeowners' building | 38,584 | 38,584 | 27,425 | 25,375 | 11,509 | – 2,841 | – 2,065 |
| Other non-life | 13,057 | 13,057 | 11,448 | 4,908 | 6,276 | – 1,117 | 1,555 |
| Other | 1,448 | 1,448 | 1,142 | 1,078 | 359 | – 191 | – 179 |
| Total | 316,109 | 316,113 | 266,475 | 225,300 | 82,920 | – 8,364 | – 6,019 |

The gross overall expenses on all insurance operations were as follows:

| | |
|---|---|
| Acquisition expenses | € 40,967,545 |
| Administration costs | € 41,306,271 |

| Insurance agents' commission and other remuneration, personnel expenses | 2013 € 000s | 2012 € 000s |
|---|---|---|
| 1. Insurance agents' commission of all types within the meaning of section 92 HGB for direct insurance operations | 28,558 | 27,507 |
| 2. Other insurance agents' remuneration within the meaning of section 92 HGB | 1,674 | 1,451 |
| 3. Wages and salaries | 190,548 | 185,316 |
| 4. Social-security contributions and social-insurance costs | 32,478 | 31,876 |
| 5. Retirement pension costs | 20,072 | 15,520 |
| **Total** | **273,330** | 261,670 |

The pension provision for DEVK Sach- und HUK-Versicherungsverein AG employees is shown on the balance sheet of DEVK Rückversicherungs- und Beteiligungs-AG. The wages and salaries, social-security contributions and social-insurance costs and the allocation to the pension provision, with the exception of the interest allocation, are charged to DEVK Sach- und HUK-Versicherungsverein AG. The personnel expenses for employees seconded to subsidiary companies under the Cooperative Agreement are allocated according to the costs-by-cause principle.

During the year under review, Management Board remuneration totalled € 725,381. The retirement pensions of former Management Board members and their surviving dependants totalled € 942,227. On 31 December 2013, DEVK Rückversicherungs- und Beteiligungs-AG capitalised a pension provision of € 10,257,088. The Supervisory Board remuneration totalled € 377,160, and payments to the Advisory Board came to € 76,760.

## Other information

### Contingencies and other financial obligations

On the balance sheet date, there were financial obligations totalling € 4.1 million from open short options and € 25.0 million from multi-tranche notes payable. The payment obligations in relation to approved mortgage loans not yet paid out totalled € 23.1 million.

At the end of the year, other financial obligations arising from real-estate holdings, fund units, shares in affiliated companies and participating interests totalled € 33.0 million. This includes obligations towards affiliated companies amounting to € 10.9 million.

Under an assumption of debt agreement, the pension provisions for all employees in the DEVK Group have been assigned to DEVK Rückversicherungs- und Beteiligungs-AG in return for the transfer of corresponding investments, thereby bundling all of the DEVK Group's pension commitments with a single risk bearer and improving the protection in place for employees' pension rights.
The joint and several liability for the pension commitments capitalised on the DEVK Rückversicherungs- und Beteiligungs-AG balance sheet has given rise to benefit obligations totalling € 366.4 million.

## General information

| Number of insurance contracts concluded directly by the Group with a term of at least one year | 2013 | 2012 |
|---|---|---|
| Accident | 262,268 | 261,783 |
| Liability | 594,039 | 597,757 |
| Motor vehicle liability | 548,863 | 548,281 |
| Other motor vehicle | 451,236 | 452,805 |
| Fire and non-life | 884,584 | 892,742 |
| of which: | | |
| Fire | 2,344 | 2,264 |
| Household contents | 432,033 | 435,783 |
| Homeowners' building | 177,989 | 176,149 |
| Other non-life | 272,218 | 278,546 |
| Other | 373 | 490 |
| **Total** | **2,741,364** | 2,753,858 |

Lists of the members of the Management Board, Supervisory Board and Advisory Board are given prior to the Management Report.

During the year under review, the average number of employees, disregarding inactive employment contracts and after converting part-time employees to full-time equivalents, came to 3,234, made up of 68 executives and 3,166 salaried employees.

Pursuant to section 285 paragraph 17 HGB, details of the auditors' fees are given in the consolidated notes.

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

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

Cologne, 17 April 2014

**The Management Board**

**Gieseler** **Faßbender** **Rüßmann** **Dr Simons** **Zens**

## Audit certificate

We have audited the annual financial statements, comprising the balance sheet, income statement and notes, as well as the accounting and management report of **DEVK Deutsche Eisenbahn Versicherung Sach- und HUK-Versicherungsverein a.G. Betriebliche Sozialeinrichtung der Deutschen Bahn**, Cologne, for the financial year from 1 January to 31 December 2013. The accounting and the preparation of the annual financial statements and management report in accordance with German commercial regulations and the supplementary provisions of the articles of association are the responsibility of the company's Management Board. Our remit is to express an opinion on the annual financial statements, accounting and management report on the basis of our audit.

We conducted our audit pursuant to section 317 of the German Commercial Code (HGB) and the generally accepted standards for auditing financial statements promulgated by the German Institute of Auditors (IDW), which require us to plan and perform the audit in such a way that misstatements materially affecting the presentation of assets, finances and earnings in the annual financial statements in accordance with the German principles of proper accounting and in the management report are detected with reasonable certainty. Knowledge of the company's business activities, the economic and legal circumstances, and expectations concerning possible errors are taken into account when determining the audit activities. The effectiveness of the internal auditing system and the accuracy of the evidence supporting the information contained in the accounting, annual financial statements and management report are predominantly tested on the basis of random sampling. The audit includes an evaluation of the accounting principles applied and the principal estimates made by the Executive Board, as well as an appraisal of the overall view conveyed by the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any objections.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal regulations, and convey an accurate and fair view of the company's assets, finances and earnings in keeping with generally accepted accounting principles. Furthermore, the management report is in conformity with the annual financial statements, provides an accurate description of the company's overall position, and accurately sets out the risks and opportunities inherent in future developments.

Cologne, 25 April 2014

**KPMG AG**
**Wirtschaftsprüfungsgesellschaft**

| | |
|---|---|
| **Dr Ellenbürger** | **Dr Hübner** |
| Auditor | Auditor |

## Bericht des Aufsichtsrats

During 2013, 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 2013 annual financial statements and management report prepared by the Management Board. Their audit did not reveal any irregularities and an unqualified audit certificate was granted. The Supervisory Board has duly acknowledged and agrees with the audit findings.

The Supervisory Board's own audit of the annual financial statements and management report likewise revealed no irregularities, and accordingly the Supervisory Board hereby approves the 2013 financial statements, which are thus duly adopted.

The Supervisory Board would like to thank the Management Board and employees for all their hard work and commitment.

Cologne, 14 May 2014

**The Supervisory Board**

**Kirchner**
Chairman

## Company bodies

### Supervisory Board

**Alexander Kirchner**
Runkel
**Chairman**
Chairman of the Eisenbahn- und
Verkehrsgewerkschaft (EVG)
(Railway and Transport Union)

**Jürgen Thurau**
Homberg
**Deputy Chairman**
Chairman of the Management Board
of Sparda-Bank West eG i.R.
(until 17 May 2013)

**Manfred Stevermann**
Selm-Bork
**Deputy Chairman**
Chairman of the Management Board
Sparda-Bank West eG
(from 17 May 2013)

**Gerd Becht**
Bad Homburg
Director of Compliance, Data Protection
and Legal Affairs at
Deutsche Bahn AG and
DB Mobility Logistics AG

**Heinz Fuhrmann**
Neu-Anspach
Member of the Management
Board of the Eisenbahn- und
Verkehrsgewerkschaft (EVG) i.R.
(until 17 May 2013)

**Hans-Jörg Gittler**
Kestert
CEO of the Management Board
of Bahn-BKK

**Helmut Petermann**
Essen
Chairman of the
General Works Council of
DEVK Versicherungen

**Andrea Tesch**
Zittow
Deputy Group Manager
Sach/HU-Betrieb and
Head of SHU Unit
DEVK Versicherungen,
Schwerin Regional Management Unit
(from 17 May 2013)

### Management Board

**Friedrich Wilhelm Gieseler**
Bergisch Gladbach
**Chairman**

**Gottfried Rüßmann**
Cologne

**Bernd Zens**
Königswinter

# Management report

## Company foundations

### The company's 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- and HUK Insurance Group, 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 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.

Our company's share capital of approximately € 307 million is fully paid up and is 100 % held by DEVK Deutsche Eisenbahn Versicherung Sach- und HUK-Versicherungsverein a.G. Betriebliche Sozialeinrichtung der Deutschen Bahn, Cologne.

There are control and profit transfer agreements with DEVK Allgemeine Versicherungs-AG, DEVK Rechtsschutz-Versicherungs-AG, DEVK Krankenversicherungs-AG, DEVK Vermögensvorsorge- und Beteiligungs-AG, DEVK Service GmbH, DEVK Web-GmbH and OUTCOME Unternehmensberatung GmbH. Furthermore, there is a profit transfer agreement with DEVK Asset Management GmbH and a control agreement with German Assistance Versicherung AG.

Details of our company's direct shareholdings in affiliated companies and participating interests are given in the Notes.

Pursuant to section 312 AktG, the Management Board is required to prepare a report on its relationships with affiliated companies. At the end of the report, the Management Board states that, in light of the circumstances of which it was aware at the time of undertaking legal transactions with affiliated companies, it received appropriate consideration for all such transactions. No action requiring reporting had to be taken in the 2013 financial year.

### 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, investments and investment management, personnel management and development, operational organisation, IT, controlling, auditing, law, taxation, sales, inventory management and processing claims and benefits.

However, our company has separate lease contracts and its own inventory and equipment based on our own needs.

## Business performance

### Economic conditions generally and in the industry

Most investors chalked up stock market gains during 2013, and their trust in the euro appears to have been restored. This is apparent both from falling risk premiums on the government bonds issued by the PIIGS countries and from the rising value of the euro against most other currencies, in particular the US dollar. Another reason for this confidence is the positive performance of eurozone stock markets, underpinned by the ECB's expansionary monetary policies. The performance of Germany's DAX share index was particularly encouraging, with its year's end level of 9,552.16 points representing a rise of over 25 %.

Meanwhile, bond market performance in 2013 continued to be dominated by central bank monetary policies. On the German bond market, the FED's announcement that it intended to scale back its ultra-loose monetary policy led to modest rises in returns. For instance, during the final quarter of 2013 returns on ten-year German government bonds rose by around 60 basis points to almost 2 %.

There was sufficient capacity in all segments of the reinsurance market, not least due to the market entry of new reinsurance companies. Major loss events such as Superstorm Sandy and the earthquake in Italy did not have an inordinate impact on the reinsurance market. All in all, the 2013 market environment was a benign one.

### Business trends

In 2013, gross premiums written were up 20.3 % at € 349.5 million. By far the greatest portion of this growth is attributable to non-DEVK business, which was sharply up at € 160.0 million (2012: € 107.0 million), with the number of policies reinsured rising from 1,102 in 2012 to 1,222 last year. Customer numbers as at 31 December had increased to 263 (2012: 237).

Contrary to our original planning, business with DEVK's two life insurance companies was not further developed. As a result, instead of the loss forecast in last year's management report, the netted-out underwriting result before changes to the equalisation provision showed a profit of € 700,000 (2012: € – 31.3 million). After a € 4.8 million allocation to the equalisation provision (2012: € 22.5 million), the underwriting result net of reinsurance stood at € – 4.1 million (2012: € – 53.8 million), and at € 148.2 million the investment result was as expected down on the 2012 figure of € 161.9 million.

Other profits or losses were somewhat below the 2012 level, and after taking them into account the profit from ordinary activities stood at € 112.0 million (2012: € 81.0 million).

The after-tax net profit for the year of € 51.3 million (2012: € 38.0 million) is shown as net retained earnings.

## Net assets, financial position and results of operations

### Results of operations

| | 2013<br>€ 000s | 2012<br>€ 000s | Change<br>€ 000s |
|---|---|---|---|
| Technical result | – 4,132 | – 53,841 | 49,709 |
| Investment result | 148,192 | 161,887 | – 13,695 |
| Other result | – 32,016 | – 27,024 | – 4,992 |
| **Profit from normal business activity** | **112,044** | 81,022 | 31,022 |
| Taxes | 60,744 | 43,022 | 17,722 |
| **Net profit for the year** | **51,300** | 38,000 | 13,300 |

#### Technical result, net of reinsurance

**Gross premium receipts** rose 20.3 % to € 349.5 million. Earned premiums net of reinsurance totalled € 217.2 million (2012: € 184.8 million), and claims expenses net of reinsurance came to € 157.7 million (2012: € 126.0 million). The ratio of net claims expenses to earned net premiums thus rose to 72.7 % (2012: 68.2 %), while the ratio of expenses on insurance operations net of reinsurance to earned premiums net of reinsurance climbed to 26.4 % (2012: 23.6 %).

The company faced a plethora of claims in 2013, with claims expenditure for major losses and natural disasters totalling € 32.5 million, as against a mere € 5.0 million in 2012. The impact of the hail damage events "Andreas" and "Bernd" in May and June, the flood disaster in central and eastern Europe in June and the storm dubbed "Christian" in October was particularly severe. As a result, gross 2013 claims expenses rose by 31.6 %, and the gross claims ratio was up to 71.3 % (2012: 66.3 %).

The **gross operating expenses**, which predominantly comprise reinsurance commission, rose by 26.9 %, from € 68.0 million in 2012 to € 86.3 million in 2013.

After a € 4.8 million allocation to the equalisation provision (2012: € 22.5 million), the **underwriting result net of reinsurance** improved to € – 4.1 million (2012: € – 53.8 million).

Life assurance

By far the greatest contribution to the results for this segment was made by reinsurance contracts with DEVK Lebensversicherungsverein a.G. and DEVK Allgemeine Lebensversicherungs-AG. Gross premiums written came to € 14.1 million (2012: € 12.1 million), and the underwriting result came to € 700,000 (2012: € – 46.9 million).

### Accident insurance
Gross booked premium receipts amounted to € 32.9 million (2012: € 31.3 million). The underwriting result stood at € 2.2 million (2012: € 2.0 million).

### Liability insurance
With gross premiums written of € 4.5 million (2012: € 2.4 million), and after the formation of an equalisation provision of € 1.4 million, the underwriting loss came to € 900,000 (2012: € – 4.5 million).

### Motor vehicle liability insurance
Gross motor vehicle liability insurance receipts totalled € 54.7 million (2012: € 49.7 million). After a € 200,000 allocation to the equalisation provision (2012: € 1.5 million), the underwriting result net of reinsurance came to € 1.0 million (2012: € – 1.8 million).

### Other motor vehicle insurance
Other motor vehicle insurance comprises our comprehensive and partial comprehensive motor insurance (third-party, fire and theft). Gross premiums written rose to € 76.8 million (2012: € 65.5 million). The underwriting result came to € – 2.2 million (2012: € 1.2 million).

### Fire and non-life insurance
Total gross booked fire and non-life insurance premiums rose to € 149.9 million (2012: € 117.4 million). In detail, our individual fire and non-life segments performed as follows.

Gross household contents insurance premiums amounted to € 17.7 million, up on the 2012 figure of € 16.3 million. The underwriting result stood at € 2.6 million (2012: € 3.6 million).

With premium receipts of € 65.1 million (2012: € 42.1 million), and after a € 500,000 allocation to the equalisation provision (2012: € 1.9 million), our combined property insurance registered an underwriting profit of € 3.2 million (2012: € 4.4 million).

In the other classes of fire and non-life insurance, gross premiums written totalled € 67.1 million (2012: € 59.0 million). After a € 2.8 million allocation to the equalisation provision (2012: € 17.7 million), the underwriting result was a loss of € 10.3 million (2012: € – 12.6 million).

### Other insurance policies
With premium receipts of € 15.9 million (2012: € 11.6 million), despite a € 100,000 withdrawal from the equalisation provision (2012: € 900,000 allocation), the underwriting result came in at € – 500,000, below the 2012 figure of € 700,000.

## Investment result
Due to lower income from write-ups and other investments, at € 164.2 million the investment income was around € 10 million down on the 2012 figure of € 174.3 million. This figure included income from profit transfer agreements with affiliated companies totalling € 105.2 million (2012: € 103.6 million). Also included were € 3.0 million in profits from disposals of investments (2012: € 2.5 million) as well as € 4.9 million in write-ups (2012: € 10.0 million).

At € 16.0 million, investment expenses were significantly higher than in 2012 (€ 12.5 million). This was chiefly due to write-downs on investments, which at € 11.5 million were up on the 2012 figure of € 9.8 million. Meanwhile, losses from disposals of investments also rose to € 1.4 million from € 100,000 in 2012. Charges from loss transfers came to € 400,000 (2012: € 300,000).

On balance, our net investment income was down on the previous year's figure at € 148.2 million (2012: € 161.9 million).

### Other result

The "Other" result, which includes technical interest income, stood at € – 32.0 million (2012: € – 27.0 million). The additional expenditure resulted chiefly from interest on back payments which had been deferred in connection with the ongoing tax audit.

### Tax expenditure

As the parent company of a fiscal unit for trade tax and corporation tax purposes, DEVK Rückversicherungs- und Beteiligungs-AG assumes the tax expenses incurred by the Group companies.

### Operating result and appropriation of retained earnings

Due to the significantly improved underwriting result, the net profit for the year rose to € 51.3 million (2012: 38.0 million), which will be shown as net retained profit.

The Management Board hereby proposes to the Annual General Meeting that the sum of € 15.0 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 € 36.3 million being allocated to other retained earnings.

## Financial position

### Cash flow

Availability of the liquidity necessary to meet regular payment obligations is ensured through ongoing liquidity planning which takes into account prospective liquidity movements over the coming 12 months. The company receives a continuous influx of liquid funds in the form of regular premium receipts, investment income and return flows from investments of capital. In the current financial year, the cash flow from investments, i.e. the funds required for the net investment volume, amounted to € 68.1 million (2012: € 121.3 million). The necessary funds were generated by the company's ongoing operations.

### Solvency

The company's own funds, proof of which must be furnished pursuant to section 53c VAG in order to demonstrate our long-term ability to meet policy liabilities, provide a very high level of excess cover. Total own funds came to € 991.8 million (2012: € 955.7 million), a figure far exceeding the required solvency margin of € 36.6 million (2012: € 30.4 million). The capital investment (re)valuation reserves were not taken into consideration in making the solvency calculations.

## Ratings

The ratings, commissioned by Standard & Poor’s for the first time in 2008, are updated each year. As in the years 2008 to 2012, in 2013 DEVK Sach- und HUK-Versicherungsverein a.G., DEVK Allgemeine Versicherungs-AG, DEVK Allgemeine Lebensversicherungs-AG and DEVK Rückversicherungs- und Beteiligungs-AG were all once again assigned ratings of A+. Standard & Poor’s assesses our future outlook as “stable”, thus confirming the very sound financial position enjoyed by DEVK companies generally.

Meanwhile, the rating agency Fitch came to the same conclusion, with its 2013 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. Their outlook too is rated as stable.

### Assets position

| | 2013<br>€ 000s | 2012<br>€ 000s | Change<br>€ 000s |
|---|---:|---:|---:|
| Investments (excluding deposits with ceding companies) | 1,650,726 | 1,587,882 | 62,844 |
| Deposits with ceding companies | 202,897 | 184,558 | 18,339 |
| Receivables arising out of reinsurance operations | 24,936 | 16,441 | 8,495 |
| Other receivables | 185,690 | 216,851 | – 31,161 |
| Other assets | 17,186 | 18,516 | – 1,330 |
| **Total assets** | **2,081,435** | 2,024,248 | 57,187 |
| Equity | 1,012,089 | 975,788 | 36,301 |
| Technical provisions net of reinsurance | 414,885 | 378,545 | 36,340 |
| Other provisions | 526,840 | 579,013 | – 52,173 |
| Deposits received from reinsurers | – | 1,500 | – 1,500 |
| Liabilities arising out of reinsurance operations | 113,329 | 83,860 | 29,469 |
| Other liabilities | 13,889 | 5,063 | 8,826 |
| Accruals and deferred income | 403 | 479 | – 76 |
| **Total capital** | **2,081,435** | 2,024,248 | 57,187 |

There were no significant material changes in the composition of the investment portfolio.

The deposits arise chiefly from intra-Group life reinsurance contracts with DEVK’s two life insurance companies.

Of the other receivables, € 109.7 million (2012: € 107.8 million) concern receivables under profit transfer agreements. The other receivables arose predominantly from liquidity offsetting within the DEVK Group.

### Non-financial performance indicators

#### Employee satisfaction

At DEVK the opinion of our employees is important to us, which is why we conducted a survey of all personnel during 2012, investigating topics such as employee satisfaction. A total of 80 % of our workforce participated in the survey. We then staged over 200 workshops to devise improvements, and the company is now working on their implementation. In future the employee survey will be conducted every two years. In 2014 our employees will be surveyed during April and May.

## 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.

## Outlook, opportunities and risks

### Outlook

During 2014 we are expecting premium growth of around 5 %. After the unusually high gross claims expenses in 2013, we are expecting a slight fall in 2014. In view of this, before changes to the equalisation provision, we are expecting a significant improvement in the technical account of over € 10 million. Depending on the claims situation in the various segments, allocations to the equalisation provision in excess of € 10 million are possible. We are currently expecting the underwriting result to come in as a loss in the order of € 5 to € 10 million.

Most of the early indicators currently point to a continuing slow recovery of the global economy during 2014. The engine driving this growth is the USA. With the economic situation brightening during the course of the year, the FED will, as announced, continue scaling back its bond purchasing programme step by step. However, we do not expect the FED to raise interest rates in 2014. This change in US monetary policy could prove an additional strain for emerging market economies, though. Alongside falls in their domestic bond and equity markets, the associated outflows of funds are leading to sharp drops in the value of their various currencies. Though this does create room for manoeuvre on the export side, it also means less capital is available for investment purposes. If weak growth persists in these countries, it would undermine the entire global economy.

Recent years have been dominated by the financial and government debt crisis. After Mario Draghi announced that the ECB would do "whatever it takes" to save the euro, the issues of government debt and the collapse of the euro receded into the background last year. However, the debt situation, particularly in the PIIGS countries, is tending to deteriorate further because growth is not strong enough to generate the tax revenues needed to reduce levels of indebtedness.

Thus the eurozone's recovery remains predicated on a low interest rate, in which both the individual countries and the ECB have a strong interest. Every new crisis on the world's capital markets leads to a resurgence of the demand for German government bonds, resulting in falling yields. Accordingly we are not counting on sustained interest rate rises, but rather with a continuation of the low interest phase.

In the field of investments, we expect fewer write-ups for DEVK Rückversicherungs- und Beteiligungs-AG and a trend towards lower income from profit transfer agreements. However, this may be offset to some extent by lower write-downs provided the financial markets remain more stable.

All in all, we expect the 2014 result from ordinary activities to come in at slightly over € 100 million.

## Opportunities report

Thanks to the company's good ratings, its growth opportunities as a volume provider on the reinsurance market remain good, because for many business partners such a rating is now a precondition for doing business. In our view, there remains a strong demand for a partner with a traditional market presence, especially one coming from the mutual insurance sector. This demand exists not only in Germany but also in most other European countries.

## Risk report

In accordance with the German Control and Transparency in Business Act (KonTraG), and the minimum risk management requirements laid down in section 64a VAG, we are hereby reporting the risks posed by future developments.

### Technical risks

Principal among the technical risks are the premium/claims risk and the reserves risk.

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

**Claims ratio net of reinsurance**

| Year | % | Year | % |
|---|---|---|---|
| 2004 | 62.7 | 2009 | 73.5 |
| 2005 | 60.4 | 2010 | 72.6 |
| 2006 | 61.6 | 2011 | 70.8 |
| 2007 | 66.1 | 2012 | 68.2 |
| 2008 | 68.7 | 2013 | 72.6 |

In line with suitable assumption guidelines, as a rule we only underwrite straightforward, standardised business, while counteracting the risk of unusually high claims expenses attendant upon extraordinary loss events through a corresponding retrocession policy.

The reinsurance of our business was distributed among several external reinsurers. Our choice of reinsurers took their ratings into account.

| Settlement result, net of reinsurance, as % of original provision | | | |
|---|---|---|---|
| Year | % | Year | % |
| 2004 | 32.5 | 2009 | – 15.9 |
| 2005 | 7.1 | 2010 | 1.2 |
| 2006 | 11.3 | 2011 | 2.2 |
| 2007 | 7.2 | 2012 | 2.8 |
| 2008 | 10.0 | 2013 | 13.7 |

The negative settlement result in 2009 was affected by the discontinuation of the deferred accounting of non-Group insurance business.

Our equalisation provisions provide an additional safety cushion that contributes to the smoothing of our underwriting results. As of 31 December 2013, their volume totalled € 53.6 million (2012: € 48.8 million).

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

Amounts receivable from reinsurance at the end of the year came to € 24.9 million. An overview of amounts receivable broken down according to the ratings assigned to our reinsurance partners by Standard & Poor's is given in the following table:

| Rating category | Receivables in € millions |
|---|---|
| AAA+ | 0.01 |
| AA | 0.75 |
| AA– | 1.81 |
| A+ | 3.92 |
| A | 0.57 |
| A– | 1.58 |
| BBB+ | 0.18 |
| BBB | 0.31 |
| BBB pi | 1.20 |
| BBB– | 0.04 |
| No rating | 14.56 |

### Investment risks

In the investment sphere, DEVK Rückversicherungs- und Beteiligungs-AG is exposed above all to equity holding risk. This arises from its 100 % participating interests, and specifically from the company's obligation under various control agreements to assume any annual losses suffered by its subsidiaries.

Further risks stemming from investments include:
- the risk of unfavourable interest rate, equity price, real estate value or exchange rate movements (market price risks),
- counterparty risk (credit risk),
- the risk of strongly correlated risks that in turn increase counterparty risk (concentration risk),
- liquidity risk; that is, the risk of not always being able to meet payment obligations.

We counteract exchange/market price risk and interest rate risk by maintaining a balanced mix of investment types. Active portfolio management allows us to exploit opportunities arising from market movements to improve our results, while we limit credit risk and concentration risk by imposing very stringent rating requirements and continually monitoring the issuers we select, thus avoiding any potentially ruinous dependence on individual debtors. We ensure a continuous influx of liquidity by maintaining a portfolio of interest-bearing investments with a balanced maturity structure. An ongoing ALM process ensures that we are able at all times to meet existing and future obligations.

### Interest-bearing investments

As of 31 December 2013, the Group held interest-bearing investments to a total value of € 749.0 million. A total of € 346.8 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 € 281.3 million to the fixed assets since we intend to hold this paper until maturity and their current market fluctuations are viewed as temporary. Should this second view in particular prove wide of the mark, we shall undertake the necessary write-downs in a timely fashion. These capital investments show a positive valuation reserve of € 16.0 million, a figure that includes € 2.9 million in hidden charges. A change in returns of up to +/– 1 % would entail a corresponding value change ranging from € – 46.1 million to € 50.8 million.

This disclosure of the impact of a 1 % interest rate rise only gives an approximate idea of the potential effect on our profitability. The reason for this is that over a year, all things being equal, the portfolio's average time to maturity diminishes, and the stated change in value thus also decreases accordingly. On top of this, the bulk of our investments is either in registered paper or bearer bonds and, in their cases, interest rate rises do not lead to write-downs since they are recognised on the balance sheet at their nominal values. The securities currently include high levels of hidden reserves which will be reduced in the near future. The exception to this is losses of value due to deteriorating credit ratings that may affect the issuers in question.

Our interest-bearing investments are predominantly in Pfandbriefe (German covered bonds) and notes receivable, though we also invest in corporate bonds. Our direct corporate bond holdings make up 3 % of our total investments. In 2013, our bond investments focused on international bearer bonds issued by banks and companies, both due to their attractive risk premiums and on diversification grounds. These chiefly involved bearer papers that were assigned to the fixed assets.

We continue to have minimal investment exposure to the eurozone countries currently under the microscope, namely portugal, Italy, Ireland, Greece and Spain.

As regards issuer risks, as proportions of our total investments, 9 % of the company's investments are in government bonds, 3 % in corporate bonds and 34 % 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.

Possible capital write-downs of hybrid investments were largely accounted for in past years via value adjustments in the annual financial statements.

The ratings of the issuers of our interest-bearing investments break down as follows (2012):

| | | |
|---|---|---|
| AA or better | 56.4 % | (45.3 %) |
| A | 25.9 % | (36.6 %) |
| BBB | 12.0 % | (13.3 %) |
| BB or worse | 5.7 % | (4.8 %) |

The company's rating distribution has improved since last year and now stands in the range AA or better. 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 investments is in EuroStoxx50 companies, as a result of which our portfolio's performance very closely matches that of this index. A 20 % change in market prices would alter the value of our equity portfolio by € 44.16 million. The European share index EuroStoxx50 gained value during 2013, and provided we are spared any exogenous shocks, we expect this positive performance to continue. We have applied a value protection model to our equity investments in order to limit market risks.

In light of the uncertain economic situation, we actively managed our ratio of equity investments throughout the year. There has been a marked upward trend in the ratio as compared with 2012. Should growing economic problems, such as a deepening of the eurozone crisis, lead to a significant downturn, various courses of action are open to us.

### Real estate

On the balance sheet date, we held indirect mandates to a value of € 64.1 million. Of this, € 48.3 million was invested in direct property holdings and € 15.8 million in real estate funds.

We have subjected our investment holdings to a stress test similar to the one applied to our non-life and accident insurance, which we carried out on the balance sheet date of 31 December 2013, using the BaFin-specified modified stress test model from the German Insurance Association (GDV). All of the scenarios contained therein were passed successfully. The stress test determines whether an insurance undertaking would be in a position to meet its obligations towards its clients even if the capital markets underwent a protracted crisis. The 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 stress test assumes the following scenarios: 1) a downturn on the equity markets while the bond market remains stable, 2) a downturn on the bond market while the equity market remains stable, 3) a simultaneous crash on the equity and bond markets and 4) a simultaneous crash on the equity and real-estate markets.

### Operational risks

Operational risks may stem from inadequate or failed operational processes, the breakdown of technical systems, external variables, employee-related incidents and changes in the legal framework. However, the main focus of the half-yearly risk inventory is on operational risks.

DEVK's operating procedures are based on internal guidelines. The risk of employee-related incidents is limited via regulations governing authorisation and powers of representation as well as wide-ranging automated backup for operating procedures, while the efficacy and functionality of in-house controls are monitored by the Internal Auditing unit.

Comprehensive access controls and preventive measures are in place in the IT field to ensure the security and integrity of programmes, data and ongoing operations, and links between internal and external networks are suitably protected by state-of-the-art systems.

Crisis management guidelines have been drawn up on the basis of a corporate emergency analysis. The guidelines set out goals and terms of reference for the prevention of emergencies and dealing with them should they arise.

### Summary of our risk status

We have complied with the supervisory requirements of the German Solvency Regulation (Solvabilitätsverordnung).

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 continuing existence.

Cologne, 17 April 2014

**The Management Board**

**Gieseler** **Rüßmann** **Zens**

# Notes to the management report

## List of insurance classes covered during the financial year

### Reinsurance coverage provided

**Life assurance**

**Health insurance**
Daily benefits insurance
Hospital daily benefits insurance
Travel health insurance

**Accident insurance**
General accident insurance
Motor vehicle accident insurance
Travel accident insurance

**Liability insurance**
General liability insurance
Pecuniary loss liability insurance
Travel liability insurance

**Motor vehicle liability insurance**

**Other motor vehicle insurance**
Fully comprehensive motor insurance
Partial comprehensive motor insurance
(third-party, fire and theft)

**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 2013

| Assets | € | € | € | 2012, € 000s |
|---|---|---|---|---|
| **A. Intangible assets** | | | | |
| I. Licenses, industrial property rights and similar rights and assets acquired for valuable consideration, as well as licenses in such rights and assets | | 255,573 | | 232 |
| II. Payments on account | | 160,123 | | 33 |
| | | | **415,696** | 265 |
| **B. Investments** | | | | |
| I. Investments in affiliated companies and participating interests | | | | |
| 1. Shares in affiliated companies | 650,660,291 | | | 583,658 |
| 2. Loans to affiliated companies | 2,575,000 | | | 4,282 |
| 3. Participating interests | 36,696,773 | | | 43,564 |
| | | 689,932,064 | | 631,504 |
| II. Other investments | | | | |
| 1. Equities, fund units and other variable-yield | 218,855,401 | | | 206,237 |
| 2. Bearer bonds and other fixed-interest securities | 322,442,773 | | | 239,160 |
| 3. Other loans | 389,354,162 | | | 436,392 |
| 4. Deposits with banks | – | | | 45,000 |
| 5. Other investments | 30,141,655 | | | 29,589 |
| | | 960,793,991 | | 956,378 |
| III. Deposit with ceding companies | | 202,896,542 | | 184,558 |
| | | | **1,853,622,597** | 1,772,440 |
| **C. Accounts receivable** | | | | |
| I. Receivables arising out of reinsurance operations | | 24,936,089 | | 16,441 |
| of which: | | | | |
| Affiliated companies: € 611,906 | | | | 282 |
| II. Other receivables | | 185,689,743 | | 216,851 |
| of which: | | | **210,625,832** | 233,292 |
| Affiliated companies: € 159,516,199 | | | | 186,853 |
| **D. Other assets** | | | | |
| – Tangible assets and inventories | | | **140,776** | 128 |
| **E. Prepayments and accrued income** | | | | |
| I. Accrued interest and rent | | 16,325,064 | | 17,703 |
| II. Other prepayments and accrued income | | 304,788 | | 420 |
| | | | **16,629,852** | 18,123 |
| **Total assets** | | | **2,081,434,753** | 2,024,248 |

| Liabilities and shareholders' equity | € | € | € | 2012, € 000s |
|---|---|---|---|---|
| **A. Capital and reserves** | | | | |
| I. Subscribed capital | | 306,775,129 | | 306,775 |
| II. Capital reserve | | 193,747,061 | | 193,747 |
| III. Retained earnings | | | | |
| – Other retained earnings | | 460,266,246 | | 437,266 |
| IV. Net retained profit | | 51,300,000 | | 38,000 |
| | | | **1,012,088,436** | 975,788 |
| **B. Technical provisions** | | | | |
| I. Provision for unearned premiums | | | | |
| 1. Gross amount | 13,458,941 | | | 10,317 |
| 2. of which: | | | | |
| Reinsurance amount | 103,355 | | | 117 |
| | | 13,355,586 | | 10,200 |
| II. Premium reserve | | 182,792,200 | | 173,818 |
| III. Provision for claims outstanding | | | | |
| 1. Gross amount | 254,239,937 | | | 212,307 |
| 2. of which: | | | | |
| Reinsurance amount | 89,371,591 | | | 66,803 |
| | | 164,868,346 | | 145,504 |
| IV. Provision for bonuses and rebates | | 6,181 | | – |
| V. Equalisation provision and similar provisions | | 53,582,864 | | 48,783 |
| VI. Other technical provisions | | | | |
| 1. Gross amount | 488,365 | | | 478 |
| 2. of which: | | | | |
| Reinsurance amount | 208,156 | | | 238 |
| | | 280,209 | | 240 |
| | | | **414,885,386** | 378,545 |
| **C. Provisions for other risks and charges** | | | | |
| I. Provisions for pensions and similar commitments | | 424,042,063 | | 399,354 |
| II. Provisions for taxation | | 88,437,506 | | 169,772 |
| III. Other provisions | | 14,360,630 | | 9,887 |
| | | | **526,840,199** | 579,013 |
| **D. Deposits received from reinsurers** | | | | |
| | | | **–** | 1,500 |
| **E. Other liabilities** | | | | |
| I. Payables arising out of reinsurance operations | | 113,328,803 | | 83,860 |
| of which: | | | | |
| Affiliated companies: € 47,212,544 | | | | 39,971 |
| II. Other liabilities | | 13,888,822 | | 5,063 |
| of which: | | | **127,217,625** | 88,923 |
| Tax: € 1,182,171 | | | | 1,182 |
| Affiliated companies: € 365,445 | | | | 216 |
| **F. Accruals and deferred income** | | | | |
| | | | **403,107** | 479 |
| **Total liabilities** | | | **2,081,434,753** | 2,024,248 |

## Profit and loss account

for the period from 1 January to 31 December 2013

| Items | € | € | € | 2012, € 000s |
|---|---|---|---|---|
| **I. Technical account** | | | | |
| 1. Earned premiums, net of reinsurance | | | | |
| a) Gross premiums written | 349,522,651 | | | 290,568 |
| b) Outward reinsurance premiums | 129,141,969 | | | 101,933 |
| | | 220,380,682 | | 188,635 |
| c) Change in the gross provision for unearned premiums | – 3,141,503 | | | – 3,951 |
| d) Change in the provision for unearned premiums, reinsurers' share | – 14,037 | | | 97 |
| | | – 3,155,540 | | – 3,854 |
| | | | **217,225,142** | 184,781 |
| 2. Allocated investment return transferred from the non-technical account, net of reinsurance | | | **7,015,571** | 6,738 |
| 3. Other technical income, net of reinsurance | | | **–** | 14 |
| 4. Claims incurred, net of reinsurance | | | | |
| a) Claims paid | | | | |
| aa) Gross amount | 204,874,942 | | | 165,713 |
| bb) Reinsurers' share | 66,521,448 | | | 59,394 |
| | | 138,353,494 | | 106,319 |
| b) Change in the provision for claims | | | | |
| aa) Gross amount | 41,932,746 | | | 24,340 |
| bb) Reinsurers' share | – 22,568,639 | | | – 4,698 |
| | | 19,364,107 | | 19,642 |
| | | | **157,717,601** | 125,961 |
| 5. Changes in other technical provisions, net of reinsurance | | | | |
| a) Premium reserve, net of reinsurance | | – 7,404,748 | | – 5,370 |
| b) Other technical provisions, net of reinsurance | | – 40,176 | | 143 |
| | | | **– 7,444,924** | – 5,227 |
| 6. Bonuses and rebates, net of reinsurance | | | **6,181** | – |
| 7. Net operating expenses | | | | |
| a) Gross operating expenses | | 86,341,651 | | 67,958 |
| b) of which: Reinsurance commissions and profit participation | | 28,896,883 | | 24,308 |
| | | | **57,444,768** | 43,650 |
| 8. Other technical charges, net of reinsurance | | | **959,468** | 48,037 |
| 9. Subtotal | | | **667,771** | – 31,342 |
| 10. Change in the equalisation provision and similar provisions | | | **– 4,799,747** | – 22,499 |
| 11. Technical result, net of reinsurance | | | **– 4,131,976** | – 53,841 |
| Balance carried forward: | | | – 4,131,976 | – 53,841 |

| Items | € | € | € | 2012, € 000s |
|---|---|---|---|---|
| Balance carried forward: | | | – 4,131,976 | – 53,841 |
| **II. Non-technical account** | | | | |
| 1. Income from other investments | | | | |
| a) Income from participating interests | 2,657,962 | | | 4,475 |
| of which: | | | | |
| from affiliated companies: € 1,111,867 | | | | 2,107 |
| b) Income from other investments | 48,457,376 | | | 53,853 |
| of which: | | | | |
| from affiliated companies: € 3,807,177 | | | | 3,203 |
| c) Income from write-ups | 4,865,816 | | | 9,958 |
| d) Gains on the realisation of investments | 3,036,538 | | | 2,494 |
| e) Income from a profit pooling, profit transfer and partial profit transfer agreements | 105,181,775 | | | 103,562 |
| 2. Investment charges | | 164,199,467 | | 174,342 |
| a) Investment management charges, interest expenses and other charges on capital investments | 2,764,329 | | | 2,307 |
| b) Write-downs on investments | 11,475,855 | | | 9,758 |
| c) Losses on the realisation of investments | 1,402,050 | | | 96 |
| d) Charges from loss transfer | 365,445 | | | 294 |
| | | 16,007,679 | | 12,455 |
| | | 148,191,788 | | 161,887 |
| 3. Allocated investment return transferred from the non-technical account | | 7,015,571 | | 6,738 |
| | | | **141,176,217** | 155,149 |
| 4. Other income | | 45,283,682 | | 17,054 |
| 5. Other charges | | 70,283,893 | | 37,340 |
| | | | **– 25,000,211** | – 20,286 |
| 6. Profit from normal business activity | | | **112,044,030** | 81,022 |
| 7. Taxes on income | | 58,178,410 | | 43,020 |
| 8. Other taxes | | 2,565,620 | | 2 |
| | | | **60,744,030** | 43,022 |
| **9. Net profit for the year/net retained earnings** | | | **51,300,000** | 38,000 |

## Notes to the accounts

### Accounting and valuation methods

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

**Shares in affiliated companies** and **participating interests** are shown either at their costs of acquisition or at the lower of cost or market value. Loans to affiliated companies are recognised at their nominal values.

**Shares, fund units and other variable-yield securities**, **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. Said write-ups were to the lower of cost or market value.

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

**Notes receivable, loans** and **other loans** are recognised at their amortised cost plus or minus the cumulative amortisation of the difference between the cost of acquisition and the redemption amounts, applying the effective interest method.
Zero notes receivable were capitalised at their costs of acquisition plus the interest entitlement as determined on the basis of the capital volume and the interest agreement.

**Other investments** are recognised at the lower of cost or market value.

**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** and **other assets** not constituting operating or office equipment are recognised at their nominal values. Operating or office equipment is shown at its cost of acquisition or production as 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, or they are recorded as operating expenses in their year of acquisition.

Interest claims not yet due are the principal item recorded, at their nominal values, under **Prepayments and accrued income**.

**Technical provisions** are calculated by application of the following principles:
**Provisions for unearned premiums** are recognised on the basis of the contracts with the primary insurers. When calculating the unearned premium provisions, we complied with the regulation laid down by the Finance Minister of North Rhine-Westphalia on 29 May 1974. 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 reinsurance amount was calculated in accordance with the contractual agreements in this respect.

The contractually agreed portions of **provisions for bonuses and rebates** were taken over from the primary insurers.

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 and terrorist risks were formed in accordance with section 30 paragraphs 1 and 2a RechVersV.

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

The **other provisions** are formed on the following basis:
The **pension provision** was calculated according to the projected unit credit method, on the basis of Professor Klaus Heubeck's 2005G actuarial tables. Discounting was done at the average market interest rate published by Deutsche Bundesbank, to wit 4.89 % (2012: 5.05 %), as arrived at assuming a residual term of 15 years (cf. section 253 paragraph 2 sentence 2 HGB).
The financing age on expiry is 62.
The assumed rate of pay increase was set at 1.95 % p.a., and the rate of pension increase at 1.7 % p.a.

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

**Deposits received from reinsurers** are recognised at their repayment amounts.

**Liabilities arising from reinsurance operations** are based on the reinsurance contracts and are recognised at the compliance amount.

**Other creditors** are valued at their compliance amounts.

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

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

The **allocated investment return transferred from the non-technical account, 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.

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 2013 financial year

| Assets | Balance sheet value 2012 € 000s | Additions € 000s | Transfers € 000s | Disposals € 000s | Write-ups € 000s | Write-downs € 000s | Balance sheet value 2013 € 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 | 232 | 84 | – | – | – | 60 | 256 |
| 2. Payments on account | 33 | 127 | – | – | – | – | 160 |
| 3. Total A. | 265 | 211 | – | – | – | 60 | 416 |
| **B.I. Investments in affiliated companies and participating interests** | | | | | | | |
| 1. Shares in affiliated companies | 583,658 | 68,502 | – | 1,500 | – | – | 650,660 |
| 2. Loans to affiliated companies | 4,282 | 69,096 | – | 70,803 | – | – | 2,575 |
| 3. Participating interests | 43,564 | 7 | – | 2,436 | – | 4,438 | 36,697 |
| 4. Total B.I. | 631,504 | 137,605 | – | 74,739 | – | 4,438 | 689,932 |
| **B.II. Other investments** | | | | | | | |
| 1. Equities, fund units and other variable-yield securities | 206,237 | 38,334 | – | 23,847 | 4,644 | 6,513 | 218,855 |
| 2. Bearer bonds and other fixed-interest securities | 239,160 | 86,560 | – | 2,974 | 221 | 524 | 322,443 |
| 3. Other loans | | | | | | | |
| a) Registered bonds | 115,500 | – | – | – | – | – | 115,500 |
| b) Notes receivable and loans | 262,626 | – | – | 41,025 | – | – | 222,503 |
| c) Other loans | 58,266 | 8,280 | – | 15,195 | – | – | 51,351 |
| 4. Deposits with banks | 45,000 | – | – | 45,000 | – | – | – |
| 5. Other investments | 29,589 | 2,322 | – | 1,769 | – | – | 30,142 |
| 6. Total B.II. | 956,378 | 136,398 | – | 129,810 | 4,865 | 7,037 | 960,794 |
| **Total** | **1,588,147** | **274,214** | **–** | **204,549** | **4,865** | **11,535** | **1,651,142** |

## Notes to the balance sheet

### Re Assets B.

**Investments**
Pursuant to section 341b paragraph 2 HGB, we have assigned investments for long-term retention in the investment portfolio. As of 31 December 2013, 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 | 650,660,291 | 1,374,285,226 |
| 2. Loans to affiliated companies | 2,575,000 | 3,066,753 |
| 3. Participating interests | 36,696,773 | 39,427,452 |
| B.II. Other investments | | |
| 1. Equities, fund units and other variable-yield securities | 218,855,401 | 262,096,043 |
| 2. Bearer bonds and other fixed-interest securities | 322,442,773 | 343,042,341 |
| 3. Other loans | | |
| a) Registered bonds | 115,500,000 | 129,834,455 |
| b) Notes receivable and loans | 222,502,767 | 237,756,891 |
| c) Other loans | 51,351,395 | 52,019,027 |
| 4. Other investments | 30,141,655 | 33,147,216 |
| **Total** | **1,650,726,055** | **2,474,675,404** |
| of which: | | |
| Investments valued at costs of acquisition | 1,535,226,055 | 2,344,840,949 |
| of which: | | |
| Investments in fixed assets pursuant to section 341b paragraph 2 HGB | 281,295,245 | 297,283,254 |

The revaluation reserves include hidden liabilities totalling € 9.7 million.
These relate to bearer bonds, notes receivable and loans, zero bonds and securities capitalised at their nominal values pursuant to section 341c HGB.

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, German Assistance Versicherung AG and SADA Assurances S.A. is calculated on the basis of gross rental values. DEVK Private Equity GmbH and HYBIL B.V. were measured at their market values. Other shares are recognised at their book values.

In the great majority of cases, the current values of participating interests correspond to the book values.

Both dividend-bearing securities and fixed-interest securities capitalised at their costs of acquisition are valued using the year-end market prices. Pursuant to section 56 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 the zero notes payable was calculated on the basis of the year-end prices reported by an independent financial enterprise.
The current values of the other loans and silent participating interests within the meaning of the German Banking Act (KWG) (equity surrogates) were calculated on the basis of the discounted cash flow method in line with the current euro swap curve plus a risk premium, which take into account the anticipated future payment streams in light of debtor-specific assumptions.

The market values of investments denominated in foreign currencies were calculated on the basis of the year's-end exchange rates.

**Details of financial instruments within the meaning of section 285 paragraph 18 HGB that are capitalised at their fair value**

| | Book value € 000s | Fair value € 000s |
|---|---|---|
| Fixed-asset securities | 79,820 | 76,962 |
| Other loans | 25,817 | 18,981 |

We have refrained from making any write-downs in accordance with section 253 paragraph 3 sentence 4 HGB as we either intend to hold various securities until maturity or are assuming that any fall in value is only temporary.

**Details of derivative financial instruments and forward purchases in accordance with section 285 paragraph 19 HGB**

| | Type | Nominal volume € 000s | Book value premium € 000s | Fair value of premium € 000s |
|---|---|---|---|---|
| Other liabilities | Short put options | 5,235 | 243 | 94 |
| | Short call options | 1,400 | 47 | 61 |
| Bearer bonds | Forward purchases | 15,000 | – | 274 |

Valuation methods

| | | |
|---|---|---|
| Short options: | European options | Black-Scholes |
| | American options | Barone-Adesi |
| Forward purchases: | Our own calculations based on market data | |

**Details of units or shareholdings in domestic investment funds in accordance with section 285 paragraph 26 HGB**

| Investment goal | Dividends € 000s | Current value € 000s | Hidden reserves/ hidden charges € 000s | Limitation on daily redemption |
|---|---|---|---|---|
| Equity funds | 2,467 | 138,056 | 13,671 | |
| Bond funds | 744 | 23,692 | – | |
| Real-estate funds | 672 | 17,596 | 1,840 | once a month up to € 50,000 |

## Re Assets B.I.

**Investments in affiliated companies and participating interests**

| | Subscribed capital € | % share | Checked % share | Equity € | Results from previous financial year € |
|---|---|---|---|---|---|
| DEVK Allgemeine Versicherungs-AG, Cologne | 195,000,000 | 100.00 | 100.00 | 326,794,560 | – |
| DEVK Rechtsschutz-Versicherungs-AG, Cologne | 21,000,000 | 100.00 | 100.00 | 36,563,459 | – |
| DEVK Krankenversicherungs-AG, Cologne | 8,000,000 | 100.00 | 100.00 | 16,177,128 | – |
| DEVK Allgemeine Lebensversicherungs-AG, Cologne | 8,000,000 | 100.00 | 51.00 | 102,964,493 | 84,191 |
| DEVK Pensionsfonds-AG, Cologne | 5,000,000 | 100.00 | 51.00 | 12,273,766 | 20,000 |
| DEVK Vermögensvorsorge- und Beteiligungs-AG, Cologne | 20,000,000 | 51.00 | 51.00 | 149,000,000 | – |
| DEVK Alpha GmbH, Cologne | 25,000 | 100.00 | 51.00 | 26,491 | 318 |
| DEVK Asset Management GmbH, Cologne | 750,000 | 100.00 | 100.00 | 750,000 | – |
| DEVK Beta GmbH, Cologne | 25,000 | 100.00 | 100.00 | 34,845 | 398 |
| DEVK Europa Real Estate Investment Fonds SICAV-FIS, Luxembourg (L)[2] | 154,031,000 | 68.00 | 42.32 | 154,859,461 | 835,019 |
| DEVK Gamma GmbH, Cologne | 25,000 | 100.00 | 100.00 | 25,144 | 310 |
| DEVK Omega GmbH, Cologne | 25,000 | 100.00 | 100.00 | 25,184,536 | 274 |
| DEVK Private Equity GmbH, Cologne | 10,000,000 | 55.00 | 47.65 | 151,577,222 | 10,873,052 |
| DEVK Saturn GmbH, Cologne | 25,000 | 100.00 | 100.00 | 26,864,377 | 270 |
| DEVK Service GmbH, Cologne | 260,000 | 74.00 | 74.00 | 1,470,379 | – |
| DEVK Unterstützungskasse GmbH, Cologne | 25,000 | 100.00 | 51.00 | 26,367 | 834 |
| DEVK Versorgungskasse GmbH, Cologne | 25,000 | 100.00 | 51.00 | 24,807 | 761 |
| DEVK Web-GmbH, Cologne | 25,000 | 100.00 | 100.00 | 25,000 | – |
| DEVK Zeta GmbH, Cologne | 25,000 | 100.00 | 51.00 | 775,000 | 188,675 |
| DEVK Zeus Vermögensverwaltungs-AG, Cologne | 50,000 | 100.00 | 100.00 | 51,527 | 630 |
| Assistance Service GmbH, Coesfeld | 52,000 | 100.00 | 100.00 | 3,560,508 [1] | – 1,112,315 |
| DEREIF Immobilien 1 S.a.r.l., Luxembourg (L) | 250,000 | 100.00 | 42.32 | 1,881,556 | – 318,444 |
| DEREIF Paris 6, rue Lammenais, S.C.I., Yutz (F) | 768,220 | 100.00 | 42.32 | 5,700,208 | – 1,972,992 |
| DEREIF Paris 9, chemin du Cornillon Saint-Denis, S.C.I., Yutz (F) | 637,810 | 100.00 | 42.32 | 6,373,394 | 4,294 |
| DEREIF Paris 37–39, rue d' Anjou, Yutz (F) | 1,145,850 | 100.00 | 42.32 | 9,367,793 | – 2,081,707 |
| German Assistance Versicherung AG, Coesfeld | 1,462,500 | 100.00 | 100.00 | 3,194,329 | – |
| Hotelbetriebsgesellschaft SONNENHOF mbH, Cologne | 375,000 | 100.00 | 51.00 | 356,023 | – |
| HYBIL B.V., Venlo (NL) | 400,000 | 80.00 | 75.10 | 56,798,568 | 4,050,957 |
| Ictus GmbH, Cologne | 5,000,000 | 60.00 | 50.20 | 29,847,361 | 2,412,653 |
| KASSOS Beteiligungs- und Verwaltungs-GmbH, Cologne | 25,000 | 100.00 | 100.00 | 32,402 | 96 |
| Lieb' Assur S.A.R.L., Nîmes (F) | 250,000 | 100.00 | 100.00 | 303,860 | 20,382 |
| Monega Kapitalanlagegesellschaft mbH, Cologne | 5,200,000 | 45.00 | 45.00 | 7,846,376 | 2,646,376 |
| OUTCOME Unternehmensberatung GmbH, Cologne | 525,000 | 100.00 | 100.00 | 756,376 [1] | 1,136,461 |
| Reisebüro Frenzen GmbH, Cologne | 25,000 | 52.00 | 52.00 | 375,371 | 72,013 |
| SADA Assurances S.A., Nîmes (F) | 24,721,000 | 100.00 | 100.00 | 16,887,518 | 1,086,698 |
| | GBP | | | GBP | GBP |
| DEREIF London Eastcheap Court S.a.r.l., Luxembourg (L) | 21,250 | 100.00 | 42.32 | 6,407,978 | – 1,501,383 |
| DEREIF London 10, St. Bride Street S.a.r.l., Luxembourg (L) | 21,250 | 100.00 | 42.32 | 6,670,977 | – 543,756 |
| | SEK | | | SEK | SEK |
| DEREIF Malmö, Kronan (S) | 100 | 100.00 | 42.32 | 19,023 | 1,015 |

[1] Shortfall not covered by capital contribution
[2] Based on subgroup financial statements

Pursuant to section 285 paragraph 11 HGB, only investments in affiliated companies and participating interests involving holdings of at least 20 % have been included here.

## Re Assets B.II.

**Other investments**
**Other loans** exclusively comprise registered participation certificates.
**Other investments** comprise fund units and silent partnerships within the meaning of the KWG.

## Re Assets E.II.

**Other prepayments and accrued income**

| | |
|---|---|
| Premium on registered bonds | € 240,858 |
| Advance payments for future services | € 63,930 |
| | **€ 304,788** |

## Re Liabilities A.I.

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

## Re Liabilities A.III.

**Retained earnings**
– Other retained earnings

| | |
|---|---|
| 31.12.2012 | € 437,266,246 |
| Allocation | € 23,000,000 |
| 31.12.2013 | **€ 460,266,246** |

## Re Liabilities F.

**Accruals and deferred income**

| | |
|---|---|
| Discount points on registered bonds | **€ 403,107** |

## Notes to the profit and loss account

| Reinsurance coverage provided | 2013<br>€ 000s | 2012<br>€ 000s |
|---|---|---|
| Gross premiums written | | |
| – Life | 14,143 | 12,124 |
| – Non-life/accident | 335,380 | 278,444 |
| **Total** | **349,523** | 290,568 |

| Insurance agents' commission and other remuneration, personnel expenses | 2013<br>€ 000s | 2012<br>€ 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 | 312 | 306 |
| 4. Social-security contributions and social-insurance costs | – | – |
| 5. Retirement pension costs | 240 | 134 |
| **Total** | **552** | 440 |

During the year under review, Management Board remuneration totalled € 327,049. The retirement pensions of former Management Board members and their surviving dependants totalled € 169,599. As of 31 December 2013, a pension provision of € 2,205,873 was capitalised for this group of people. The Supervisory Board remuneration totalled € 156,690.

## Other information

### Parent company guarantee

Our company undertakes at all times to provide Assistance Services GmbH and OUTCOME Unternehmensberatung GmbH with sufficient funds to enable them to duly meet their obligations.

### Other financial obligations

At the end of the year, other financial obligations arising from real-estate holdings, fund units, shares in affiliated companies and participating interests totalled € 20.1 million. This includes obligations towards affiliated companies amounting to € 14.0 million.

On the balance sheet date, there were financial obligations totalling € 6.6 million from open short options and € 15.0 million from open forward purchases.

## General information

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 was 100 % owned by DEVK Deutsche Eisenbahn Versicherung Sach- und HUK-Versicherungsverein a.G. Betriebliche Sozialeinrichtung der Deutschen Bahn, Cologne, who have disclosed, pursuant to section 20 paragraph 4 AktG, that they hold a majority of the voting rights.

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

Pursuant to section 285 paragraph 17 HGB, details of the auditors' fees are given in the consolidated notes.

Our company is exempted 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 thus 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, Germany

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

Cologne, 17 April 2014

**The Management Board**

**Gieseler** **Rüßmann** **Zens**

## Audit certificate

We have audited the annual financial statements, comprising the balance sheet, income statement and notes, as well as the accounting and management report of **DEVK Rückversicherungs- und Beteiligungs-Aktiengesellschaft**, Cologne, for the financial year from 1 January to 31 December 2013. The accounting and the preparation of the annual financial statements and management report in accordance with German commercial regulations and the supplementary provisions of the articles of association are the responsibility of the company's Management Board. Our remit is to express an opinion on the annual financial statements, accounting and management report on the basis of our audit.

We conducted our audit pursuant to section 317 of the German Commercial Code (HGB) and the generally accepted standards for auditing financial statements promulgated by the German Institute of Auditors (IDW), which require us to plan and perform the audit in such a way that misstatements materially affecting the presentation of assets, finances and earnings in the annual financial statements in accordance with the German principles of proper accounting and in the management report are detected with reasonable certainty. Knowledge of the company's business activities, the economic and legal circumstances, and expectations concerning possible errors are taken into account when determining the audit activities. The effectiveness of the internal auditing system and the accuracy of the evidence supporting the information contained in the accounting, annual financial statements and management report are predominantly tested on the basis of random sampling. The audit includes an evaluation of the accounting principles applied and the principal estimates made by the Executive Board, as well as an appraisal of the overall view conveyed by the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any objections.

In our opinion, based on the findings of our audit, subject to the above-mentioned reservation, the annual financial statements comply with the legal regulations, and convey an accurate and fair view of the company's assets, finances and earnings in keeping with generally accepted accounting principles. Furthermore, the management report conforms with the annual financial statements, provides an accurate description of the company's overall position, and accurately sets out the risks and opportunities inherent in future developments.

Cologne, 25 April 2014

**KPMG AG**
**Wirtschaftsprüfungsgesellschaft**

| | |
|---|---|
| **Dr Hübner** | **Offizier** |
| Auditor | Auditor |

## Supervisory Board report

During 2013, 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 2013 annual financial statements and management report prepared by the Management Board. Their audit did not reveal any irregularities and an unqualified audit certificate was granted. The Supervisory Board has duly acknowledged and agrees with the audit findings.

The Supervisory Board's own audit of the annual financial statements and management report likewise revealed no irregularities, and accordingly the Supervisory Board hereby approves the 2013 financial statements, which are thus duly adopted.

The Supervisory Board agrees with the Management Board's proposal concerning the appropriation of the 2013 net retained earnings and hereby recommends that the Annual General Meeting frames 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 due and proper audit and evaluation we hereby confirm that
1. the actual details given in the report are correct and
2. that the payments made by the company in connection with the legal transactions discussed in the report were not excessive."

We share this judgement and do not have any objections to the Management Board's statement at the end of the report concerning relationships with affiliated companies.

The Supervisory Board would like to thank the Management Board and employees for all their hard work and commitment.

Cologne, 13 May 2014

**The Supervisory Board**

**Kirchner**
Chairman

## Company bodies

### Supervisory Board

**Wolfgang Zell**
Neustadt in Holstein
**Chairman**
Federal Director of the
Eisenbahn- und Verkehrsgewerkschaft
(EVG) (Railway and Transport Union)

**Helmut Lind**
Munich
**Deputy Chairman**
CEO of
Sparda-Bank München eG

**Ralf Gajewski**
Berlin
Deputy Group Manager of KKC
(Customer Service Centre)
DEVK Versicherungen,
Regional Management Unit Berlin
(until 16 May 2013)

**Helmut Petermann**
Essen
Chairman of the
General Works Council
DEVK Versicherungen

**Norbert Quitter**
Nidderau
Deputy Federal Chairman of the
German Train Drivers' Union
(from 16 May 2013)

**Dr Karl-Friedrich Rausch**
Weiterstadt
Transport and Logistics Director
DB Mobility Logistics AG
(until 16 May 2013)

**Regina Rusch-Ziemba**
Hamburg
Deputy Chair of the Railway
(Railway and Transport Union)

**Manfred Schell**
Aachen
Federal Chairman of the
German Train Drivers' Union
(until 16 May 2013)

**Andrea Tesch**
Zittow
Deputy Group Manager of Sach/HU-
Betrieb and Head of
SHU DEVK Versicherungen,
Schwerin Regional Management Unit
(until 16 May 2013)

**Ekhard Zinke**
Flensburg
President of the
Federal Motor Transport Authority

### Management Board

**Friedrich Wilhelm Gieseler**
Bergisch Gladbach
**Chairman**

**Engelbert Faßbender**
Hürth

**Bernd Zens**
Königswinter

**Dr Veronika Simons**
Walluf
Deputy Board Member
(from 1 January 2014)

## Advisory Board

**Rudi Schäfer**
Bad Friedrichshall
**– Honorary Chairman –**
Chairman of the German
Railway Workers Union

**Heiko Büttner**
Munich
Personnel Director,
DB Vertrieb GmbH

**Dirk Flege**
Glienicke-Nordbahn
Managing Director of Allianz pro
Schiene e.V.

**Heinz Fuhrmann**
Neu-Anspach
Member of the Managing
Board of the Railway and
Transport Union (EVG)

**Gottfried Geisel**
Wiesbaden
Departmental Manager at the
Railway and Transport
Union (EVG)

**Götz Grauert**
Oberhausen
Chairman of Verband
Deutscher Bahnhofsbuchhändler e.V.

**Helmut Jeck**
Ludwigshafen
Chairman of the Association
of German Railway Technical Colleges,
Association Branch Office

**Bernhard Kessel**
Munich
Chairman of the Subgroup
Works Council (Track)
of Veolia Verkehr GmbH

**Günther Köhnke**
Rotenburg
Regional Manager of Finance and
Controlling, DB Regio AG

**Wilhelm Lindenberg**
Hanover
Operations and Personnel Director,
üstra Hannoversche
Verkehrsbetriebe AG

**Rolf G. Lübke**
Frankfurt am Main
CEO of
DB Fuhrpark Service GmbH

**Wilfried Messner**
Wolfenbüttel
Chairman of the Federal Association
of German Railway Managers
(registered association)
(BF Bahnen)

**Egbert Meyer-Lovis**
Hamburg
Communications Manager for
Hamburg, Schleswig-Holstein,
Lower Saxony and
Bremen Regional Communications Office
DB Mobility Logistics AG

**Silvia Müller**
Berlin
Director of Fonds
soziale Sicherung und
Wertguthaben e.V.
(Social Security and Credit Funds)

**Dr Sigrid Nikutta**
Berlin
CEO of Berliner Verkehrsbetriebe

**Ulrich Nölkenbockhoff**
Nordkirchen
Chairman of the Special Staff Council
for the President of the
Federal Office for Railway Assets

**Roger Paeth**
Burgwedel
Group Personnel Services
and Personnel Director,
Deutsche Bahn AG

**Peter Rahm**
Crailsheim
Chairman of the
General Works Council, DB
Kommunikationstechnik GmbH

**Karlheinz Reindl**
Baldham
CEO of the
UDBB (German Union of
Railway Station Businesses)

**Marion Rövekamp**
Munich
Personnel Director, DB Regio AG
Head of Personnel Passenger Transport
DB Mobility Logistics AG

**Lars Scheidler**
Berlin
Departmental Manager at the Railway
and Transport Union (EVG)

**Andreas Springer**
Berlin
Personnel and Operations Director,
DB Station & Service AG

**Bernd Sülz**
Berlin
Personnel Director,
DB Fahrzeuginstandhaltung GmbH

**Hans-Otto Umlandt**
Oesterdeichstrich
Lawyer

**Oliver Wolff**
Düsseldorf
Managing Director and
Managing Board Member,
Association of
German Transport Companies (VDV)

**Margarete Zavoral**
Sulzbach
CEO of the
Railway Social Work Foundation
CEO of the
Railway Orphanage Foundation
(EWH)

**Yvonne Zimmermann**
Hamburg
Member of the Managing Board of
Sparda-Bank Hamburg eG

# Management report

## Company foundations

### The company's business model

The company undertakes direct and reinsured non-life and accident insurance in Germany and abroad as well as direct travel insurance in Germany. Details of this can be found in the Notes to the Management Report.

Insurance business undertaken abroad relates exclusively to the business activities of the French subsidiary, which has been in run-off since 2005.

Throughout Germany, the DEVK Group runs 19 subsidiaries and over 1,200 branch offices.

### Affiliated companies and participating interests

The affiliated companies of DEVK Allgemeine Versicherung-AG 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.

DEVK Allgemeine Versicherung-AG's share capital of € 195.0 million is fully paid up and is 100 % held by DEVK Rückversicherungs- und Beteiligungs-AG, with whom a control and profit transfer agreement exists.

Details of our company's direct shareholdings in affiliated companies and participating interests are given in the Notes.

### Delegation of functions and organisational cooperation

Under a general agency agreement, DEVK Sach- und HUK-Versicherungsverein a.G. performs the insurance brokerage role and associated operations.

The general operational areas of accountancy, collection, EDP, asset management, personnel, auditing and general administration are centrally organised for all DEVK companies. Furthermore, our portfolio management and claims management are also merged with those of DEVK Sach- und HUK-Versicherungsverein a.G, and under our Cooperative Agreement, DEVK Sach- und HUK-Versicherungsverein a.G. furnishes us with the necessary back-office personnel.

However, our company has separate lease contracts and its own inventory and equipment based on our own needs.

## Business performance

### Economic conditions generally and in the insurance industry

Most investors chalked up stock market gains during 2013, and their trust in the euro appears to have been restored. This is apparent both from falling risk premiums on the government bonds issued by the PIIGS countries and from the rising value of the euro against most other currencies, in particular the US dollar. Another reason for this confidence is the positive performance of eurozone stock markets, underpinned by the ECB's expansionary monetary policies. The performance of Germany's DAX share index was particularly encouraging, with its year's end level of 9,552.16 points representing a rise of over 25 %.

Meanwhile, bond market performance in 2013 continued to be dominated by central bank monetary policies. On the German bond market, the FED's announcement that it intended to scale back its ultra-loose monetary policy led to modest rises in returns. For instance, during the final quarter of 2013 returns on ten-year German government bonds rose by around 60 basis points to almost 2 %.

According to the German Insurance Association's provisional figures, gross non-life and accident insurance premium receipts are 3 % up on last year. Due to large numbers of weather-related claims, the combined ratio (the ratio of claims expenses and costs to premium receipts) rose to 102 % (2012: 97.2 %). Thus the non-life and accident insurance sector's profitability deteriorated as compared with 2012.

Motor vehicle insurance saw further industry-wide price rises during 2013. Accordingly, as in 2012, contributions grew by 5.4 % during the course of the year, while the combined ratio rose to 104 % (2012: 102.6 %).

### Business trends

During 2013, our overall portfolio of insurance policies rose by 1.0 % to 7,370,853 policies (2012: 7,300,323). The motor vehicle liability insurance, comprehensive and partially comprehensive motor insurance (third-party, fire and theft) risks were counted separately here, and moped insurance policies were not taken into account.

At + 5.1 % gross premiums written rose more sharply than expected last year (forecast: 3 % to 4 %) – a development chiefly due to the motor vehicle insurance premium adjustments. At + 12.3 % up, building insurance rose sharply.

As expected, before changes to the equalisation provision, at € 24.4 million the underwriting result net of reinsurance fell short of the 2012 figure of € 37.6 million. This was mainly due to a sharp increase in claims expenses. As a result, instead of the forecast withdrawals from equalisation provisions a net allocation of € 6.8 million was made (2012: € 5.7 million). The largest allocations to provisions had to be made in the field of motor vehicle liability insurance and reinsurance business.

Contrary to the forecast of little change in the absolute result, investment income was significantly better at € 82.9 million (2012: € 65.2 million). This resulted chiefly from increased income in the field of interest-bearing securities, higher write-ups and higher income from disposals of assets.

After taxes, the profit transfer to DEVK Rückversicherungs- und Beteiligungs-AG came to € 92.3 million (2012: € 88.9 million). Accordingly, we managed to clearly exceed the lower limit of € 80 million set in last year's management report.

In light of the poor claims performance due to adverse meteorological events, the profit transfer may be viewed as satisfactory.

## Net assets, financial position and results of operations

### Results of operations

| | 2013<br>€ 000s | 2012<br>€ 000s | Change<br>€ 000s |
|---|---|---|---|
| Technical account | 17,623 | 31,882 | – 14,259 |
| Investment result | 82,872 | 65,239 | 17,633 |
| Other result | – 7,501 | – 7,452 | – 49 |
| **Profit from normal business activity** | **92,994** | 89,669 | 3,325 |
| Taxes | 733 | 811 | – 78 |
| Profit transfer | 92,261 | 88,858 | 3,403 |
| **Net profit for the year** | **–** | – | – |

#### Technical result, net of reinsurance

DEVK Allgemeine Versicherungs-AG's **gross premiums written** rose by 5.1 % to € 1,087.6 million. 2013 earned premiums net of reinsurance rose by 5.1 % to € 921.1 million. Claims incurred, net of reinsurance, were 6.3 % up at € 692.6 million, and their share of earned net premiums thus came to 75.2 % (2012: 74.3 %). At 21.7 %, the ratio of expenses on insurance business net of reinsurance to earned premiums net of reinsurance was slightly up on the 2012 figure of 21.2 %.

The year 2013 saw a plethora of claims. The floods in southern and eastern Germany during June, as well as widespread storm and hail damage, led to a sharp rise (+ 8.3 %) in gross claims expenses for the year. In addition, profits from the settlement of previous years' claims were somewhat were down (– 4.1 %) on the 2012 figure. As a result, **gross claims expenses** rose disproportionately as compared with premium receipts, and the gross claims ratio rose to 75.2 % (2012: 71.8 %).

**Gross operating expenses** rose by 7.1 %, from € 215.0 million in 2012 to € 230.3 million in 2013. The principal growth drivers were portfolio and sales commission, personnel costs including pension schemes, advertising expenses and higher commission on reinsurance business.

After a € 6.8 million allocation to the equalisation provision (2012: € 5.7 million), the **underwriting result net of reinsurance** came to € 17.6 million (2012: € 31.9 million).

### Accident insurance

Under accident insurance we include both general accident insurance and motor vehicle accident insurance. In 2013, the total number of accident insurance policies rose to 882,437 (2012: 865,456). Gross premiums rose to € 91.0 million, a 3.9 % increase on the 2012 figure, and the underwriting result stood at € 7.7 million (2012: € 12.8 million).

### Liability insurance

Our overall liability insurance portfolio increased to 1,151,395 policies (2012: 1,134,385). In line with the portfolio growth, gross premiums rose by 1.8 % to € 78.5 million. After a € 2.5 million withdrawal from the equalisation provision (2012: € 300,000 allocation), the underwriting result net of reinsurance came to € 21.9 million (2012: € 21.1 million).

### Motor vehicle liability insurance

At the year's end, our portfolio comprised 2,024,704 policies (2012: 1,996,607), plus 178,761 moped policies. Due both to the portfolio growth and premium adjustments, gross premium receipts were up 4.7 % on the 2012 figure at € 421.5 million. After a € 4.9 million allocation to the equalisation provision (2012: € 700,000), the underwriting result net of reinsurance was € – 9.4 million (2012: € – 8.2 million).

### Other motor vehicle insurance

Other motor vehicle insurance comprises our comprehensive and partial comprehensive (third-party, fire and theft) motor insurance. The number of risks covered in this segment stood at 1,593,723 (2012: 1,601,315), and we also managed 30,361 partial-coverage moped policies. Gross premiums (including mopeds) rose by 5.2 % to € 270.9 million. Despite a lower allocation to the equalisation provision (€ 300,000 as compared with € 1.9 million in 2012), the underwriting result net of reinsurance deteriorated to € – 3.4 million (2012: € – 1.1 million).

### Fire and non-life insurance

At the end of 2013, our fire and non-life-insurance portfolio comprised a total of 1,717,417 policies (2012: 1,700,880), and gross premiums rose by an impressive 7.6 % to € 213.8 million. After a € 2.2 million allocation to the equalisation provision (2012: € 1.6 million), the underwriting result net of reinsurance fell to € 500,000 (2012: € 10.4 million).

In detail, our individual fire and non-life segments performed as follows:

Our household contents insurance portfolio increased to 890,999 policies (2012: 883,046), while gross premiums were up from € 83.8 million to € 86.6 million, a rise of 3.4 %. The underwriting result came to € 12.1 million (2012: € 12.0 million).

At the end of the year, our homeowners' building insurance business comprised 359,366 policies (2012: 349,984). Gross premiums increased to € 104.7 million (2012: € 93.2 million), representing impressive growth of 12.3 %. After a € 2.1 million allocation to the equalisation provision (2012: € 1.0 million), the underwriting result net of reinsurance stood at € – 13.2 million (2012: € – 5.0 million).

In the other fire and non-life insurance classes, our portfolio as of 31 December 2013 comprised 467,052 policies (2012: 467,850), while premium receipts rose 3.8 % to € 22.5 million. After a € 100,000 allocation to the equalisation provision (2012: € 600,000), the underwriting result net of reinsurance stood at € 600,000 (2012: € 1.7 million).

### Other insurance policies

Other insurance policies primarily comprise the results of our breakdown service policies as well as insurance against various financial losses. Total premium receipts here were € 11.9 million (2012: € 11.2 million). After a € 1.9 million allocation to the equalisation provision (2012: € 1.1 million), the underwriting result net of reinsurance totalled € 1.4 million (2012: € – 3.1 million).

## Investment result

The investment result was a marked improvement on the 2012 performance, alongside the buoyant stock market performance, payment of interest in arrears and the restructuring of our participating interests have led to positive one-off effects.

Total investment income came to € 101.9 million (2012: € 95.7 million), alongside the regular income, the company booked profits totalling € 17.9 million from disposals of investments (2012: € 11.8 million) plus income from write-ups of € 4.4 million (2012: € 8.4 million).

Investment expenses fell markedly from € 30.4 million in 2012 to € 19.0 million in 2013.

Our net 2012 investment result came to € 82.9 million, as against € 65.2 million in 2012.

## Other result

As in 2012, the "Other" result, which includes technical interest income, stood at € – 7.5 million.

### Tax expenditure

The control and profit transfer agreement entered into with DEVK Rückversicherungs- und Beteiligungs-AG in 2002 established a fiscal unit for corporation tax and trade tax purposes. The parent company has refrained from making a Group allocation for tax purposes on the income of the consolidated company since the entire profit or loss is transferred under the profit transfer agreement. Taxes on income, which came to € 425,000 (2012: € 459,000), exclusively comprised foreign withholding taxes.

### Operating result and appropriation of retained earnings

The profit transfer result improved to € 92.3 million (2012: € 88.9 million).
This sum was transferred to DEVK Rückversicherungs- und Beteiligungs-AG in line with the Control and Profit Transfer Agreement.

### Return on sales

A key company management figure we use is the “adjusted return on sales” in relation to our direct insurance operations. This is defined as the ratio between the net profit before the profit transfer, less bonus and rebate expenses and the reinsurance balance, on the one hand, and gross premium receipts on the other hand. This ratio does not take reinsurance business into account.

The 2013 return on sales came to 10.6 % (2012: 13.2 %).

## 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 12 months. The company receives a continuous influx of liquid funds in the form of regular premium receipts, investment income and return flows from investments of capital. In the current financial year, the cash flow from investments – that is, the funds required for the net investment volume – amounted to € 101.3 million. The necessary funds were generated by the company’s ongoing operations (€ 173.6 million).

### Solvency

The company’s own funds, proof of which must be furnished pursuant to section 53c VAG in order to demonstrate our long-term ability to meet policy liabilities, provide a very high level of excess cover. Total own funds came to € 306.5 million (2012: € 287.2 million), far exceeding the required solvency margin of € 155.6 million (2012: € 151.4 million). The capital investment (re)valuation reserves were not taken into consideration in making the solvency calculations.

## Ratings

The ratings, commissioned by Standard & Poor's for the first time in 2008, are updated each year. As in the years 2008 to 2012, in 2013 DEVK Sach- und HUK-Versicherungsverein a.G., DEVK Allgemeine Versicherungs-AG, DEVK Allgemeine Lebensversicherungs-AG and DEVK Rückversicherungs- und Beteiligungs-AG were all once again assigned ratings of A+. Standard & Poor's assesses our future outlook as "stable", thus confirming the very sound financial position enjoyed by DEVK companies generally.

Meanwhile, the rating agency Fitch came to the same conclusion, with its 2013 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 Rückversicherungs- und Beteiligungs-AG, DEVK Rechtsschutz-Versicherungs-AG, DEVK Krankenversicherungs-AG and the two life assurance companies DEVK Lebensversicherungsverein a.G. and DEVK Allgemeine Lebensversicherungs-AG. Their outlook too is rated as stable.

The ASSEKURATA Assekuranz rating agency once again gave outstanding ratings to DEVK Sach- und HUK-Versicherungsverein a.G. and DEVK Allgemeine Versicherungs-AG in February 2014, with both companies for the 14th time receiving the top mark of A++ (excellent).

## Assets position

| | 2013<br>€ 000s | 2012<br>€ 000s | Change<br>€ 000s |
|---|---|---|---|
| Investments | 1,793,089 | 1,693,806 | 99,283 |
| Receivables arising out of direct insurance operations | 12,114 | 10,996 | 1,118 |
| Receivables arising out of reinsurance operations | 18,508 | 9,912 | 8,596 |
| Other receivables | 72,474 | 67,448 | 5,026 |
| Means of payment | 242 | 204 | 38 |
| Other assets | 61,164 | 59,773 | 1,391 |
| **Total assets** | **1,957,591** | 1,842,139 | 115,452 |
| Equity | 332,171 | 312,171 | 20,000 |
| Technical provisions net of reinsurance | 1,350,607 | 1,266,656 | 83,951 |
| Other provisions | 7,260 | 6,913 | 347 |
| Deposits received from reinsurers | 75,118 | 78,382 | – 3,264 |
| Liabilities arising out of direct insurance operations | 88,483 | 77,180 | 11,303 |
| Liabilities arising out of reinsurance operations | 1,511 | 3,452 | – 1,941 |
| Other liabilities | 101,037 | 96,399 | 4,638 |
| Accruals and deferred income | 1,404 | 986 | 418 |
| **Total capital** | **1,957,591** | 1,842,139 | 115,452 |

There were no significant material changes in the composition of the investment portfolio.

DEVK Rückversicherungs- und Beteiligungs-AG have raised our c ompany's equity by € 20 million.

### Non-financial performance indicators

#### Customer satisfaction

In its latest ratings from February 2014, the ASSEKURATA Assekuranz rating agency gave our company a score of "very good" for customer orientation. This assessment was based, among other things, on customer surveys conducted in November 2011 that revealed very high levels of customer satisfaction.

#### Employee satisfaction

At DEVK the opinion of our employees is important to us, which is why we conducted a survey of all personnel during 2012, investigating topics such as employee satisfaction. A total of 80 % of our workforce participated in the survey. We then staged over 200 workshops to devise improvements, and the company is now working on their implementation. In future the employee survey will be conducted every two years. In 2014, our employees will be surveyed during April and May.

## 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.

## Outlook, opportunities and risks

### Outlook

During 2014, we are expecting total premium receipts to increase by around 6 %. After gross claims expenditure rose 10.0 % during 2013, chiefly due to adverse weather events, we estimate that growth will be under 2 % during 2014. Before changes to the equalisation provision, we are expecting a positive technical account result in the region of € 40 million to € 50 million, and after allocations to the equalisation provision, we currently estimate that the underwriting result net of reinsurance will come in at between € 30 million and € 40 million.

Most of the early indicators currently point to a continuing slow recovery of the global economy during 2014. The engine driving this growth is the USA. With the economic situation brightening during the course of the year, the FED will, as announced, continue scaling back its bond purchasing programme step by step. However, we do not expect the FED to raise interest rates in 2014.

This change in US monetary policy could prove an additional strain for emerging market economies, though. Alongside falls in their domestic bond and equity markets, the associated outflows of funds are leading to sharp drops in the value of their various currencies. Though this does create room for manoeuvre on the export side, it also means less capital is available for investment purposes. If weak growth persists in these countries, it would undermine the entire global economy.

Recent years have been dominated by the financial and government debt crisis. After Mario Draghi announced that the ECB would do "whatever it takes" to save the euro, the issues of government debt and the collapse of the euro receded into the background last year. However, the debt situation, particularly in the PIIGS countries, is tending to deteriorate further because growth is not strong enough to generate the tax revenues needed to reduce levels of indebtedness.

Thus the eurozone's recovery remains predicated on a low interest rate, in which both the individual countries and the ECB have a strong interest. Every new crisis on the world's capital markets leads to a resurgence of the demand for German government bonds, resulting in falling yields. Accordingly we are not counting on sustained interest rate rises, but rather with a continuation of the low interest phase.

In 2014, we expect DEVK Allgemeine Versicherungs-AG to register an absolute investment result at around the 2012 level (€ 65.2 million), despite a growing investment portfolio. In our view, the low interest rates available on new assets and repeat investments will lead to a slight reduction in the net interest rates they attract.

All in all, we are expecting the 2014 profit from normal business activities to be in the order of € 80 million to € 100 million.

## Opportunities report

Opportunities to achieve growth which outstrips the average levels achieved by our competitors are generated if customer demands for quality, service and transparency at attractive prices are met in full measure.

We are available for our customers throughout Germany via our regional management units and from our headquarters in Cologne, both by telephone and face-to-face. Communication takes place via all available media. The Internet is of ever growing importance here, and we are well positioned in this respect thanks to the continuous revision and upgrading of our offer.

Our three-product-line approach (Active, Comfort and Premium cover) has met with a very positive response.

In KUBUS, a comprehensive survey of the insurance market carried out in 2013, our customers rated the value for money we offer as excellent.

Through the continuous optimisation of our processes, we ensure that we can execute our business effectively and efficiently.

Thanks to the interplay of competitive products, good service and our efficient sales operation we view ourselves as very well placed to compete effectively.

## Risk report

In accordance with the German Control and Transparency in Business Act (KonTraG), and the minimum risk management requirements laid down in section 64a VAG, we are hereby reporting the risks posed by future developments.

### Technical risks

Principal among the technical risks in non-life and accident insurance are the premium/ claims risk and the reserves risk.

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

**Claims ratio net of reinsurance**

| Year | % | Year | % |
|---|---|---|---|
| 2004 | 69.7 | 2009 | 77.3 |
| 2005 | 70.2 | 2010 | 78.1 |
| 2006 | 72.7 | 2011 | 77.1 |
| 2007 | 70.0 | 2012 | 74.3 |
| 2008 | 73.6 | 2013 | 75.2 |

As we can see, over the ten-year period considered here the range of fluctuation is low. This is largely due to the fact that, in line with the reasonable acceptance guidelines we apply, we generally only underwrite straightforward, standardised business. Where particularly large volumes of insurance are involved, we limit our risk through co-insurance or reinsurance contracts.

Our outward reinsurance business was distributed between several external reinsurers and our Group-internal reinsurer DEVK Rückversicherungs- und Beteiligungs-AG. Our choice of reinsurers took their ratings into account.

We measure our provision for claims outstanding through the prudent valuation of claims already filed, in addition to establishing additional reserves to meet claims that are statistically likely but have not yet been filed on the balance sheet date, as well as for claims that will have to be reopened after the balance sheet date. Thus we take the reserve risk duly into account, as also demonstrated by our settlement results for the past ten years.

**Abwicklungsergebnis in % der Eingangsrückstellung**

| Year | % | Year | % |
|---|---|---|---|
| 2004 | 12.8 | 2009 | 10.3 |
| 2005 | 10.1 | 2010 | 11.7 |
| 2006 | 8.9 | 2011 | 10.0 |
| 2007 | 11.3 | 2012 | 9.0 |
| 2008 | 10.5 | 2013 | 8.7 |

Our equalisation provisions provide an additional safety cushion that contributes to the smoothing of our underwriting results. As of 31 December 2013, their volume totalled € 153.9 million (2012: € 147.1 million).

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

The risk of defaults by debtors from insurance operations arises from the primary insurance of claims against policyholders, intermediaries and reinsurers.

Over the review period (the past three years), overdue debts from insurance business averaged 2.8 % of booked gross premiums. Of these, an average of 4.7 % had to be written off. In relation to the booked gross premiums, the average default rate over the past three years was 0.1 %. Accordingly, default risk is of minimal importance for our company.

Amounts receivable from reinsurance at the end of the year came to € 18.5 million, of which € 12.7 million apply to DEVK Rückversicherungs- und Beteiligungs-AG alone, which is rated as A+ by Standard & Poor's. An overview of amounts receivable broken down according to the ratings assigned to our reinsurance partners by Standard & Poor's is given in the following table:

| Rating category | Receivables in € millions |
|---|---|
| AA– | 0.32 |
| A+ | 14.59 |
| A | 1.22 |
| A– | 0.65 |
| BBB pi | 0.11 |
| No rating | 1.62 |

### Investment risks

The risks stemming from investments comprise:

- the risk of unfavourable interest rate, equity price, real estate value or exchange rate movements (market price risks),
- counterparty risk (credit risk),
- the risk of strongly correlated risks that in turn increase counterparty risk (concentration risk),
- liquidity risk; that is, the risk of not always being able to meet payment obligations.

Our capital investments comply with the German Ordinance on the Investment of Restricted Assets of Insurance Undertakings (AnlV). We counteract exchange/market price risk and interest rate risk by maintaining a balanced mix of investment types. Active portfolio management allows us to exploit opportunities arising from market movements to improve our results, while we limit credit risk and concentration risk by imposing very stringent rating requirements and continually monitoring the issuers we select, thus avoiding any potentially ruinous dependence on individual debtors. We ensure a continuous influx of liquidity by maintaining a portfolio of interest-bearing investments with a balanced maturity structure. An ongoing ALM process ensures that we are able at all times to meet existing and future obligations.

### Interest-bearing investments

As of 31 December 2013, the Group held interest-bearing investments to a total value of € 1.46 billion. A total of € 451.8 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 € 342.6 million to the fixed assets since we intend to hold this paper until maturity and their current market fluctuations are viewed as temporary. Should this second view in particular prove wide of the mark, we shall undertake the necessary write-downs in a timely fashion. These capital investments show a positive valuation reserve of € 17.7 million, a figure that includes € 3.3 million in hidden charges. A change in returns of up to +/– 1 % would entail a corresponding value change ranging from € – 79.9 million to € 86.1 million.

This disclosure of the impact of a 1 % interest rate rise only gives an approximate idea of the potential effect on our profitability. The reason for this is that over a year, all things being equal, the portfolio's average time to maturity diminishes, and the stated change in value thus also decreases accordingly. On top of this, the bulk of our investments is either in registered paper or bearer bonds and, in their cases, interest rate rises do not lead to write-downs since they are recognised on the balance sheet at their nominal values. The securities currently include high levels of hidden reserves which will be reduced in the near future. The exception to this is losses of value due to deteriorating credit ratings that may affect the issuers in question.

Apart from real estate financing, which represents 8 % of our overall investments, our interest-bearing investments are predominantly in Pfandbriefe (German covered bonds) and notes receivable. We also invest in corporate bonds and, on a small scale, in asset-backed securities (ABS). Our direct corporate bond holdings make up 7 % of our total investments, while directly held asset-backed securities make up just 1.7 %. In 2013, our bond investments focused on international bearer bonds issued by banks and companies, both due to their attractive risk premiums and on diversification grounds. These chiefly involved bearer papers that were assigned to the fixed assets.

We continue to have minimal investment exposure to the eurozone countries currently under the microscope, namely portugal, Italy, Ireland, Greece and Spain.

As regards issuer risks, as proportions of our total investments, 7 % of the company's investments are in government bonds, 7 % in corporate bonds and 59 % 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.

Possible capital write-downs of hybrid investments were largely accounted for in past years via value adjustments in the annual financial statements.

The ratings of the issuers of our interest-bearing investments break down as follows (2012):

| | | |
|---|---|---|
| AA or better | 55.7 % | (55.0 %) |
| A | 28.4 % | (27.6 %) |
| BBB | 10.9 % | (11.4 %) |
| BB or worse | 5.0 % | (6.0 %) |

The company's rating distribution remains much the same as it was last year. We shall continue to make virtually all our new and repeat investments in interest-bearing securities with strong credit ratings.

### Equity investments

The bulk of our equity investments is in EuroStoxx50 companies, as a result of which our portfolio's performance very closely matches that of this index. A 20 % change in market prices would alter the value of our equity portfolio by € 48 million. The European share index EuroStoxx50 gained value during 2013, and provided we are spared any exogenous shocks, we expect this positive performance to continue. We have applied a value protection model to our equity investments in order to limit market risks.

In light of the uncertain economic situation, we actively managed our ratio of equity investments throughout the year. There has been an upward trend in the ratio as compared with 2012. Should growing economic problems lead to a significant downturn, various courses of action are open to us.

The fixed-asset equities and equity funds show a positive valuation reserve of € 11.6 million and contain no hidden liabilities.

### Real estate

On the balance sheet date, our real-estate investments totalled € 75.4 million. Of this total, € 58.7 million are invested in indirect mandates, including restricted special funds in office and other commercial real estate. Our direct holdings worth € 16.7 million are subject to scheduled annual depreciation of approximately € 200,000. No risks are currently discernible in connection with these real estate holdings.

BaFin Circular 1/2004 (VA) requires us to subject our investment portfolio to a stress test, which we carried out on the balance sheet date of 31 December 2013, using the BaFin-specified modified stress test model from the German Insurance Association (GDV). All of the scenarios contained therein were passed successfully. The stress test determines whether an insurance undertaking would be in a position to meet its obligations towards its policyholders even if the capital markets underwent a protracted crisis. The 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 stress test assumes the following scenarios: 1) a downturn on the equity markets while the bond market remains stable, 2) a downturn on the bond market while the equity market remains stable, 3) a simultaneous crash on the equity and bond markets and 4) a simultaneous crash on the equity and real-estate markets.

## Operational risks

Operational risks may stem from inadequate or failed operational processes, the breakdown of technical systems, external variables, employee-related incidents and changes in the legal framework. However, the main focus of the half-yearly risk inventory is on operational risks.

DEVK's operating procedures are based on internal guidelines. The risk of employee-related incidents is limited via regulations governing authorisation and powers of representation as well as wide-ranging automated backup for operating procedures, while the efficacy and functionality of in-house controls are monitored by the Internal Auditing unit.

Comprehensive access controls and preventive measures are in place in the IT field to ensure the security and integrity of programmes, data and ongoing operations, and links between internal and external networks are suitably protected by state-of-the-art systems.

Crisis management guidelines have been drawn up on the basis of a corporate emergency analysis. The guidelines set out goals and terms of reference for the prevention of emergencies and dealing with them should they arise.

## Summary of our risk status

We have complied with the supervisory requirements of the German Solvency Regulation (Solvabilitätsverordnung).

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 continuing existence.

Cologne, 17 April 2014

**The Management Board**

**Gieseler** **Faßbender** **Dr Simons** **Zens**

## Notes to the management report

### List of insurance classes covered during the financial year

**Direct insurance operations**

**Accident insurance**
General accident insurance
Motor vehicle accident insurance

**Liability insurance**

**Motor vehicle liability insurance**

**Other motor vehicle insurance**
Fully comprehensive motor insurance
Partial comprehensive motor insurance
(third-party, fire and theft)

**Fire and non-life insurance**
Fire insurance
Burglary and theft insurance
Water damage insurance
Glass insurance
Windstorm insurance
Household contents insurance
Homeowners' building insurance
Universal caravan insurance
Extended coverage insurance
Travel baggage insurance
All-risk insurance

**Other insurance policies**
Insurance against other financial losses
Bond insurance
Breakdown service insurance
Cheque card insurance

**Travel insurance**

**Reinsurance coverage provided**

**Motor vehicle liability insurance**

**Other motor vehicle insurance**

**Legal expenses insurance**

**Fire and non-life insurance**
Fire insurance
Household contents insurance
Homeowners' building insurance

## Financial statements

### Balance sheet to 31 December 2013

| Assets | € | € | € | 2012, € 000s |
|---|---|---|---|---|
| **A. Intangible assets** | | | | |
| I. Licenses, industrial property rights and similar rights and assets acquired for valuable consideration, as well as licenses in such rights and assets | | 23,199,880 | | 19,685 |
| II. Payments on account | | 2,484,246 | | 5,253 |
| | | | **25,684,126** | 24,938 |
| **B. Investments** | | | | |
| I. Real estate and similar land rights, including buildings on third-party land | | 16,744,597 | | 3,463 |
| II. Investments in affiliated companies and participating interests | | | | |
| 1. Shares in affiliated companies | 64,094,897 | | | 35,600 |
| 2. Participating interests | 32,607,004 | | | 51,892 |
| | | 96,701,901 | | 87,492 |
| III. Other investments | | | | |
| 1. Equities, fund units and other variable-yield securities | 300,728,659 | | | 325,288 |
| 2. Bearer bonds and other fixed-interest securities | 362,394,618 | | | 200,504 |
| 3. Mortgage loans and annuity claims | 149,545,585 | | | 169,754 |
| 4. Other loans | 838,990,796 | | | 877,121 |
| 5. Other investments | 27,982,922 | | | 30,184 |
| | | 1,679,642,580 | | 1,602,851 |
| | | | **1,793,089,078** | 1,693,806 |
| **C. Accounts receivable** | | | | |
| I. Receivables arising out of direct insurance operations: | | | | |
| 1. Policyholders | 11,961,423 | | | 10,732 |
| 2. Intermediaries | 152,667 | | | 264 |
| | | 12,114,090 | | 10,996 |
| II. Receivables arising out of reinsurance operations | | 18,507,947 | | 9,912 |
| of which: | | | | |
| Affiliated companies: € 13,449,315 | | | | 8,170 |
| III. Other receivables | | 72,474,145 | | 67,448 |
| of which: | | | **103,096,182** | 88,356 |
| Affiliated companies: € 71,620,378 | | | | 66,549 |
| **D. Other assets** | | | | |
| I. Tangible assets and inventories | | 7,775,372 | | 8,151 |
| II. Cash at banks, cheques and cash in hand | | 241,513 | | 204 |
| III. Other assets | | 288,134 | | 192 |
| | | | **8,305,019** | 8,547 |
| **E. Prepayments and accrued income** | | | | |
| I. Accrued interest and rent | | 26,759,614 | | 26,056 |
| II. Other prepayments and accrued income | | 656,955 | | 436 |
| | | | **27,416,569** | 26,492 |
| **Total assets** | | | **1,957,590,974** | 1,842,139 |

I hereby confirm that the premium provision of € 14,860,842.33, recorded on the balance sheet under item B.II or B.III. of the liabilities and shareholders' equity, has been calculated in compliance with sections 341f and 341g of the German Commercial Code (HGB) as well as the Regulation issued pursuant to section 65 paragraph 1 of the Insurance Supervision Act.

Cologne, 16 April 2014 **The Actuary in Charge | Weiler**

Pursuant to section 73 of the German Insurance Supervision Act (VAG), I hereby attest that the assets detailed in the list of coverage assets are properly invested and secured in accordance with statutory and supervisory authority requirements.

Cologne, 16 April 2014 **The Trustee | Krumpen**

| Liabilities and shareholders' equity | € | € | € | 2012, € 000s |
|---|---|---|---|---|
| **A. Capital and reserves** | | | | |
| I. Subscribed capital | | 195,000,000 | | 194,291 |
| II. Capital reserve | | 90,302,634 | | 70,303 |
| III. Retained earnings | | | | |
| 1. Statutory reserve | 383,469 | | | 383 |
| 2. Other retained earnings | 46,484,692 | | | 47,194 |
| | | 46,868,161 | | 47,577 |
| | | | **332,170,795** | 312,171 |
| **B. Technical provisions** | | | | |
| I. Provision for unearned premiums | | | | |
| 1. Gross amount | 9,403,480 | | | 8,221 |
| 2. of which: | | | | |
| Reinsurance amount | 200,018 | | | 212 |
| | | 9,203,462 | | 8,009 |
| II. Premium reserve | | 30,552 | | 37 |
| III. Provision for claims outstanding | | | | |
| 1. Gross amount | 1,489,260,457 | | | 1,392,874 |
| 2. of which: | | | | |
| Reinsurance amount | 322,972,125 | | | 300,977 |
| | | 1,166,288,332 | | 1,091,897 |
| IV. Provision for bonuses and rebates | | 14,815,144 | | 14,596 |
| V. Equalisation provision and similar provisions | | 153,902,039 | | 147,078 |
| VI. Other technical provisions | | | | |
| 1. Gross amount | 6,734,143 | | | 5,398 |
| 2. of which: | | | | |
| Reinsurance amount | 366,179 | | | 358 |
| | | 6,367,964 | | 5,040 |
| | | | **1,350,607,493** | 1,266,657 |
| **C. Provisions for other risks and charges** | | | | |
| I. Provisions for pensions and similar commitments | | 6,973,273 | | 6,663 |
| II. Other provisions | | 286,264 | | 250 |
| | | | **7,259,537** | 6,913 |
| **D. Deposits received from reinsurers** | | | | |
| | | | **75,118,452** | 78,382 |
| **E. Other liabilities** | | | | |
| I. Liabilities arising out of direct insurance operations | | | | |
| 1. Policyholders | 88,455,205 | | | 77,179 |
| 2. Intermediaries | 27,405 | | | – |
| | | 88,482,610 | | 77,179 |
| II. Liabilities arising from reinsurance operations | | 1,510,826 | | 3,452 |
| of which: | | | | |
| Affiliated companies: € 1,089,781 | | | | 1,404 |
| III. Other liabilities | | 101,036,634 | | 96,399 |
| of which: | | | **191,030,070** | 177,030 |
| Tax: € 7,844,722 | | | | 7,089 |
| Affiliated companies: € 92,291,618 | | | | 88,150 |
| **F. Accruals and deferred income** | | | | |
| | | | **1,404,627** | 987 |
| **Total liabilities** | | | **1,957,590,974** | 1,842,139 |

## Profit and loss account

for the period from 1 January to 31 December 2013

| Items | € | € | € | 2012, € 000s |
|---|---|---|---|---|
| **I. Technical account** | | | | |
| 1. Earned premiums, net of reinsurance | | | | |
| a) Gross premiums written | 1,087,637,664 | | | 1,034,706 |
| b) Outward reinsurance premiums | 165,298,772 | | | 157,529 |
| | | 922,338,892 | | 877,177 |
| c) Change in the gross provision for unearned premiums | – 1,182,687 | | | – 690 |
| d) Change in the provision for unearned premiums, reinsurers' share | – 12,288 | | | 185 |
| | | – 1,194,975 | | – 505 |
| | | | **921,143,917** | 876,672 |
| 2. Allocated investment return transferred from the non-technical account, net of reinsurance | | | **491,490** | 422 |
| 3. Other technical income, net of reinsurance | | | **1,114,751** | 1,082 |
| 4. Claims incurred, net of reinsurance | | | | |
| a) Claims paid | | | | |
| aa) Gross amount | 720,858,281 | | | 697,484 |
| bb) Reinsurers' share | 102,656,890 | | | 95,212 |
| | | 618,201,391 | | 602,272 |
| b) Change in the provision for claims | | | | |
| aa) Gross amount | 96,386,533 | | | 45,288 |
| bb) Reinsurers' share | – 21,995,502 | | | 3,833 |
| | | 74,391,031 | | 49,121 |
| | | | **692,592,422** | 651,393 |
| 5. Changes in other technical provisions, net of reinsurance | | | | |
| a) Premium reserve, net of reinsurance | | 6,118 | | 6 |
| b) Other technical provisions, net of reinsurance | | – 1,405,249 | | 933 |
| | | | **– 1,399,131** | 939 |
| 6. Bonuses and rebates, net of reinsurance | | | **282,310** | 53 |
| 7. Net operating expenses | | | | |
| a) Gross operating expenses | | 230,320,762 | | 214,986 |
| b) of which: Reinsurance commissions and profit participation | | 30,429,508 | | 29,101 |
| | | | **199,891,254** | 185,885 |
| 8. Other technical charges, net of reinsurance | | | **4,137,172** | 4,162 |
| 9. Subtotal | | | **24,447,869** | 37,622 |
| 10. Change in the equalisation provision and similar provisions | | | **– 6,824,512** | – 5,740 |
| 11. Technical result, net of reinsurance | | | **17,623,357** | 31,882 |
| Balance carried forward: | | | 17,623,357 | 31,882 |

| Items | € | € | € | € | 2012, € 000s |
|---|---|---|---|---|---|
| Balance carried forward: | | | | 17,623,357 | 31,882 |
| **II. Non-technical account** | | | | | |
| 1. Income from other investments | | | | | |
| a) Income from participating interests | | 1,532,727 | | | 3,266 |
| of which: | | | | | |
| from affiliated companies: € 1,439,788 | | | | | 1,380 |
| b) Income from other investments | | | | | |
| aa) Income from real estate and similar land rights, including buildings on third-party land | 514,429 | | | | 348 |
| bb) Income from other investments | 77,497,666 | | | | 71,823 |
| | | 78,012,095 | | | 72,171 |
| c) Income from write-ups | | 4,396,176 | | | 8,379 |
| d) Gains on the realisation of investments | | 17,926,894 | | | 11,848 |
| | | | 101,867,892 | | 95,664 |
| 2. Investment charges | | | | | |
| a) Investment management charges, interest expenses and other charges on capital investments | | 1,776,754 | | | 2,727 |
| b) Write-downs on investments | | 11,483,942 | | | 27,543 |
| c) Losses on the realisation of investments | | 5,735,683 | | | 154 |
| | | | 18,996,379 | | 30,424 |
| | | | 82,871,513 | | 65,240 |
| 3. Allocated investment return transferred from the non-technical account | | | 1,950,850 | | 1,912 |
| | | | | **80,920,663** | 63,328 |
| 4. Other income | | | 3,506,467 | | 2,952 |
| 5. Other charges | | | 9,056,172 | | 8,492 |
| | | | | **– 5,549,705** | – 5,540 |
| 6. Profit from normal business activity | | | | **92,994,315** | 89,670 |
| 7. Taxes on income | | | 425,021 | | 459 |
| 8. Other taxes | | | 308,719 | | 352 |
| | | | | **733,740** | 811 |
| 9. Profit transferred under a profit pooling, profit transfer or partial profit transfer agreement | | | | **92,260,575** | 88,859 |
| **10. Net profit for the year** | | | | **–** | – |

## 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, or they are recorded as operating expenses in their year of acquisition.

**Land, land rights and buildings including buildings on third-party land** are recorded at their costs of acquisition or production and subjected to scheduled depreciation.

**Shares in affiliated companies** and **participating interests** are shown either at their costs of acquisition or at the lower of cost or market value.

**Shares, fund units and other variable-yield securities, 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. Said write-ups were to the lower of cost or market value.

**Mortgage loans and annuity claims** are recognised at their costs of acquisition less an individual value adjustment for the potential default risks. The cumulative amortisation is recognised as revenue over the mortgage term.

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

**Notes receivable, loans** and **other loans** are recognised at their amortised cost plus or minus the cumulative amortisation of the difference between the cost of acquisition and the redemption amounts, applying the effective interest method.
Zero notes receivable were capitalised at their costs of acquisition plus the interest entitlement as determined on the basis of the capital volume and the interest agreement.

**Other investments** are recognised at the lower of cost or market value.

**Receivables from direct insurance operations** are capitalised at their nominal values less individual value adjustments plus a general write-down to cover the potential default risk.
**Receivables from reinsurance operations** are based on the reinsurance contracts and are recognised at their nominal values.

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

**Other assets** not constituting operating or office equipment are recognised at their nominal values. Operating or office equipment is shown at its cost of acquisition or production as 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, or they are recorded as operating expenses in their year of acquisition.

Apart from the premium on registered bonds, **prepayments and accrued income** chiefly comprise interest claims not yet due, which are recorded at their nominal values.

**Technical provisions** are calculated by application of the following principles:
For moped insurance, a **provision for unearned premiums** was calculated for January and February of the following year. The premium shares assignable to these two months are calculated, depending on the insurance policy terms, as unearned premium provisions from the premiums booked each month. In the insurance against financial losses segment, provisions for unearned premiums are calculated individually, taking into account the start of the individual policies and the term of the insurance contract. 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. Provisions for unearned premiums did not have to be set up with respect to other classes of insurance since the policy year and calendar year are identical in these cases.
Provisions for unearned premiums in relation to reinsurance cover provided were formed on the basis of the details provided by the ceding insurance companies.

The **premium reserve** required for the child accident insurance was calculated individually according to the prospective method, taking implicit recognised costs duly into account. The DAV 2007 HUR, 4 %, mortality tables formed the basis for the settlement of claims prior to 31 December 2000. An assumed rate of interest of 3.25 % was applied with respect to claims for which provisions first had to be established during the period from 31 December 2000 to 31 December 2003, as against a technical rate of 2.75 % with respect to claims for which provisions first had to be established during the period from 31 December 2004 to 31 December 2006, 2.25 % with respect to claims for which provisions first had to be established between 31 December 2007 and 31 December 2011, and 1.75 % for all later claims.

The gross amounts for the **provisions for claims outstanding from direct insurance operations** are calculated individually for each claim. A provision for IBNR losses is established according to general blanket criteria. The provision includes amounts designated for claims settlement.
Gross provisions for unearned premiums in relation to reinsurance cover provided were formed on the basis of the details provided by the ceding insurance companies.

The **pensions premium reserve** was calculated in accordance with sections 341f and 341g HGB on the basis of the DAV 2007 HUR mortality table, applying an assumed interest rate of 4.0 %. In the case of claims for which provisions first had to be established during the period from 31 December 2000 to 31 December 2003, the assumed interest rate applied was 3.25 %, as against a technical rate of 2.75 % with respect to claims for which provisions first had to be established during the period from 31 December 2004 to 31 December 2006, 2.25 % with respect to claims for which provisions first had to be established between 31 December 2007 and 31 December 2011, and 1.75 % for all later claims.
The reinsurance amount was calculated in accordance with the contractual agreements in this respect.

The allocation to the **provision for bonuses** was made on the basis of Executive Board and Supervisory Board decisions that took tax regulations duly into account.

The **provision for rebates** was established on the basis of contractual agreements with policyholders.

The **equalisation provision and other provisions** were calculated in accordance with the annex to section 29 of the German Regulation on Accounting in the Insurance Sector (RechVersV).

The **other technical provisions** include unused amounts from dormant motor insurance policies, the provision for road traffic victims ceded by Verkehrsopferhilfe e.V. (the Road Accident Victims Aid Association), a cancellation provision for premium claims, a provision for premiums already received and for premium obligations, and also cancellation provisions for reinsurance contracts. These provisions are either estimated or as far as possible calculated on the basis of mathematical models, based on past figures where applicable.

The **other provisions** are formed on the following basis:
The **pension provision** was calculated according to the projected unit credit method, on the basis of Professor Klaus Heubeck's 2005G actuarial tables. Discounting was done at the average market interest rate published by Deutsche Bundesbank, to wit 4.89 % (2012: 5.05 %), as arrived at assuming a residual term of 15 years (cf. section 253 paragraph 2 sentence 2 HGB).
The financing age on expiry is 62.
The assumed rate of pay increase was set at 1.95 % p.a., and the rate of pension increase at 1.7 % p.a.

**Other provisions** are formed for the current financial year, calculated according to anticipated needs and set at the levels necessary to the best of our commercial judgement.

The **deposits received from reinsurers** result from a reinsurance agreement to cover claims and pensions provisions, valued at the compliance amount.

**Liabilities arising out of direct insurance operations** and **other liabilities** are valued at the compliance amounts.

**Liabilities arising from reinsurance operations** are based on the reinsurance contracts and are recognised at the compliance amount.

**Accruals and deferred income** comprise the discount points on registered bonds and advance rent receipts.

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

The **allocated investment return for own account** was set at 4.0 %, 3.25 %, 2.75 %, 2.25 % or 1.75 % of the respective arithmetical means of the initial and final amounts in the gross pension coverage provisions for accident, liability, motor vehicle liability and motor vehicle accident insurance.

Due to the company's subsidiary status within the Group, details of deferred tax are given at the level of the parent company DEVK Rückversicherungs- und Beteiligungs-AG, Cologne.

## Changes to Asset Items A., B.I. to III. during the 2013 financial year

| Assets | Balance sheet value 2012 € 000s | Additions € 000s | Transfers € 000s | Disposals € 000s | Write-ups € 000s | Write-downs € 000s | Balance sheet value 2013 € 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 | 19,686 | 2,728 | 5,239 | – | – | 4,453 | 23,200 |
| 2. Payments on account | 5,252 | 2,471 | – 5,239 | – | – | – | 2,484 |
| 3. Total A. | 24,938 | 5,199 | – | – | – | 4,453 | 25,684 |
| **B.I. Real estate and similar land rights, including buildings on third-party land** | | | | | | | |
| | 3,463 | 13,502 | – | – | – | 220 | 16,745 |
| **B.II. Investments in affiliated companies and participating interests** | | | | | | | |
| 1. Shares in affiliated companies | 35,600 | 34,514 | – | 6,019 | – | – | 64,095 |
| 2. Participating interests | 51,892 | 2,100 | – | 18,503 | – | 2,883 | 32,606 |
| 3. Total B.II. | 87,492 | 36,614 | – | 24,522 | – | 2,883 | 96,701 |
| **B.III. Other investments** | | | | | | | |
| 1. Equities, fund units and other variable-yield securities | 325,288 | 41,334 | – | 65,375 | 4,396 | 4,914 | 300,729 |
| 2. Bearer bonds and other fixed-interest securities | 200,504 | 180,496 | – | 17,635 | – | 970 | 362,395 |
| 3. Mortgage loans and annuity claims | 169,753 | 7,602 | – | 27,469 | – | 340 | 149,546 |
| 4. Other loans | | | | | | | |
| a) Registered bonds | 280,000 | 20,000 | – | 25,000 | – | – | 275,000 |
| b) Notes receivable and loans | 530,986 | 11,912 | – | 38,907 | – | – | 503,991 |
| c) Other loans | 66,135 | – | – | 6,136 | – | – | 59,999 |
| 5. Other investments | 30,184 | 786 | – | 830 | – | 2,157 | 27,983 |
| 6. Total B.III. | 1,602,850 | 262,130 | – | 181,352 | 4,396 | 8,381 | 1,679,643 |
| **Total** | **1,718,743** | **317,445** | **–** | **205,874** | **4,396** | **15,937** | **1,818,773** |

## Notes to the balance sheet

### Re Assets B.

**Investments**

Pursuant to section 341b paragraph 2 HGB, we have partially assigned investments for long-term retention in the investment portfolio.
As of 31 December 2013, our investments had the following book and current values:

| Investments | Book value<br>€ | Current value<br>€ |
|---|---|---|
| B.I. Real estate and similar land rights, including buildings on third-party land | 16.744.597 | 18.465.000 |
| B.II. Investments in affiliated companies and participating interests | | |
| 1. Shares in affiliated companies | 64.094.897 | 77.240.041 |
| 2. Participating interests | 32.607.004 | 32.618.530 |
| B.III. Other investments | | |
| 1. Equities, fund units and other variable-yield securities | 300.728.659 | 340.358.552 |
| 2. Bearer bonds and other fixed-interest securities | 362.394.618 | 381.261.272 |
| 3. Mortgage loans and annuity claims | 149.545.585 | 161.971.328 |
| 4. Other loans | | |
| a) Registered bonds | 275.000.000 | 311.177.148 |
| b) Notes receivable and loans | 503.990.795 | 527.213.700 |
| c) Other loans | 60.000.000 | 56.678.942 |
| 5. Other investments | 27.982.924 | 30.305.449 |
| **Total** | **1.793.089.079** | **1.937.289.962** |
| of which:<br>Investments valued at costs of acquisition | 1.518.089.077 | 1.626.112.815 |
| of which:<br>Investments in fixed assets pursuant to section 341b paragraph 2 HGB | 457.605.715 | 486.918.968 |

The revaluation reserves include hidden liabilities totalling €19.8 million.
These relate to investment shares, bearer bonds, mortgage claims, participating interests, notes receivable, other loans, zero bonds and real estate.

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

Real estate is valued according to the gross rental method. All real estate held on 31 December 2013 was revalued with effect from that date.

The current value of shares in affiliated companies and participating interests is calculated on the basis of either gross rental values or book value equals market value.

Lien on real estate was valued using the most up-to-date yield curve, while taking default and property risk duly into account.

Both dividend-bearing securities and fixed-interest securities capitalised at their costs of acquisition are valued using the year-end market prices. Pursuant to section 56 RechVersV, the current values of the registered bonds, notes receivable, loans and zero notes payable were calculated at normal market conditions on the basis of the yield curve. The current value of other investments was calculated on the basis of the year's-end prices reported by an independent financial enterprise.

The current values of the other loans and silent participating interests within the meaning of the German Banking Act (KWG) (equity surrogates) were calculated on the basis of the discounted cash flow method in line with the current euro swap curve plus a risk premium, which take into account the anticipated future payment streams in light of debtor-specific assumptions.

The market values of investments denominated in foreign currencies were calculated on the basis of the year's-end exchange rates.

**Details of financial instruments within the meaning of section 285 paragraph 18 HGB that are capitalised at their fair value**

| | Book value € 000s | Fair value € 000s |
|---|---|---|
| Real estate | 11,386 | 10,870 |
| Participating interests | 22,305 | 21,877 |
| Fixed-asset securities | 100,594 | 97,309 |
| Mortgage loans | 9,237 | 8,773 |
| Other loans | 119,534 | 104,355 |

We have refrained from making any write-downs in accordance with section 253 paragraph 3 sentence 4 HGB as we either intend to hold various securities until maturity or we are assuming that any fall in value is only temporary.

**Details of derivative financial instruments and forward purchases in accordance with section 285 paragraph 19 HGB**

| | Type | Nominal volume € 000s | Book value premium € 000s | Fair value of premium € 000s |
|---|---|---|---|---|
| Other liabilities | Short put options | 3,500 | 176 | – 115 |
| Bearer bonds | Forward purchases | 34,000 | – | 487 |

Valuation methods

| | | |
|---|---|---|
| Short put options: | European options | Black-Scholes |
| | American options | Barone-Adesi |
| Forward purchases: | Bloomberg or our own calculations based on market data | |

| Details of units or shareholdings in domestic investment funds in accordance with section 285 paragraph 26 HGB | | | | |
|---|---|---|---|---|
| Investment goal | Dividends € 000s | Current value € 000s | Hidden reserves/ hidden charges € 000s | Limitation on daily redemption |
| Equity funds | 3,377 | 146,082 | 4,596 | |
| Mixed funds | 4,423 | 91,599 | 1,176 | |
| Real-estate funds | 508 | 9,279 | 1,840 | once a month up to € 50,000 € |

## Re Assets B.II.

| Investments in affiliated companies and participating interests | Subscribed capital € | % share | Checked % share | Equity € | Results from previous financial year € |
|---|---|---|---|---|---|
| DEVK Omega GmbH, Cologne | 25.000 | 25,00 | 25,00 | 24.262 | 274 |
| DEVK Private Equity GmbH, Cologne | 10.000.000 | 20,00 | 20,00 | 157.577.222 | 10.873.052 |
| KASSOS Beteiligungs- und Verwaltungs-GmbH, Cologne | 25.000 | 100,00 | 100,00 | 32.402 | 96 |
| Terra Management GmbH, Landolfshausen | 25.000 | 25,00 | 25,00 | 24.672 | 1.138 |
| Terra Estate GmbH & Co. KG, Landolfshausen | 1.500.000 | 24,38 | 24,38 | 28.509.672 | 78.238 |

Pursuant to section 285 paragraph 11 HGB, only investments in affiliated companies and participating interests involving holdings of at least 20 % have been included here.

## Re Assets B.III.

**Other investments**

**Other loans** exclusively comprise registered participation certificates.

Other investments chiefly comprise silent participating interests within the meaning of the Banking Act (KWG), profit participation certificates and fund units.

## Re Assets E.II.

**Other prepayments and accrued income**

| | |
|---|---|
| Premium on registered bonds | 193.144 € |
| Advance payments for future services | 463.811 € |
| | **656.955 €** |

## Re Liabilities A.I.

**Subscribed capital**

In line with a resolution passed by the Supervisory Board on 16 May 2013, a sum of € 709,086 was withdrawn from other retained earnings and converted into share capital. The registered shares were converted into no par value shares. The subscribed capital in 2013 amounted to € 195,000,000 (2012: € 194,290,914).

## Re Liabilities A.II.

**Capital reserve**

| | |
|---|---|
| 31.12.2012 | € 70,302,634 |
| Allocation | € 20,000,000 |
| 31.12.2013 | **€ 90,302,634** |

## Zu Passiva B.

**Technical provisions**

| Figures in € 000s | Total gross provision | | of which: Provision for claims outstanding | | of which: Equalisation provision and similar provisions | |
|---|---|---|---|---|---|---|
| Insurance class | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Accident | 117,485 | 106,282 | 116,964 | 105,757 | – | – |
| Liability | 88,073 | 89,692 | 64,401 | 63,493 | 23,609 | 26,137 |
| Motor vehicle liability | 1,324,886 | 1,254,846 | 1,205,094 | 1,139,923 | 113,873 | 108,991 |
| Other motor vehicle | 57,877 | 52,524 | 38,517 | 33,880 | 3,633 | 3,287 |
| Fire and non-life | 74,447 | 55,638 | 62,577 | 47,517 | 8,044 | 5,798 |
| of which: | | | | | | |
| Fire | 3,576 | 2,274 | 3,537 | 1,454 | – | 819 |
| Household contents | 13,671 | 12,466 | 13,562 | 12,423 | – | – |
| Homeowners' building | 50,316 | 35,147 | 41,918 | 30,255 | 4,741 | 2,643 |
| Other non-life | 6,884 | 5,751 | 3,560 | 3,385 | 3,303 | 2,336 |
| Other | 11,378 | 9,221 | 1,707 | 2,303 | 4,742 | 2,864 |
| **Total** | **1,674,146** | 1,568,203 | **1,489,260** | 1,392,873 | **153,902** | 147,077 |

## Re Liabilities B.IV.

**Provision for bonuses and rebates**

a) Bonuses

| | |
|---|---|
| 31.12.2013 | **€ 14,491,040** |

b) erfolgsunabhängig

| | |
|---|---|
| 31.12.2012 | € 105,000 |
| Withdrawal | € 63,206 |
| Allocation | € 282,310 |
| 31.12.2013 | **€ 324,104** |

## Re Liabilities F.

**Accruals and deferred income**

| | |
|---|---|
| Discount points on registered bonds | € 1,390,895 |
| Advance rental receipts | € 13,732 |
| | **€ 1,404,627** |

## Notes to the profit and loss account

**Direct insurance operations and reinsurance coverage provided**

| 2013, € 000s | Gross booked premiums | Gross premiums earned | Net premiums earned | Gross expenses on Insurance claims | Gross expenses on Insurance operations | Reinsurance balance | Underwriting result, net of reinsurance. |
|---|---|---|---|---|---|---|---|
| Accident insurance | 90,990 | 90,990 | 70,666 | 37,317 | 38,058 | – 8,350 | 7,733 |
| Liability insurance | 78,544 | 78,544 | 76,320 | 26,656 | 30,580 | – 2,056 | 21,818 |
| Motor vehicle liability | 421,506 | 421,546 | 369,307 | 375,798 | 52,489 | 1,617 | – 9,419 |
| Other motor vehicle | 270,911 | 270,916 | 220,230 | 240,607 | 35,822 | 2,578 | – 3,398 |
| Fire and non-life | 213,817 | 213,245 | 174,045 | 130,001 | 72,956 | – 3,565 | – 496 |
| of which: | | | | | | | |
| Fire | 1,212 | 1,212 | 774 | 2,391 | 420 | 568 | –315 |
| Household contents | 86,618 | 86,618 | 76,537 | 39,004 | 30,553 | – 2,740 | 12,057 |
| Homeowners' building | 104,682 | 104,110 | 78,047 | 80,339 | 32,579 | 348 | – 13,167 |
| Other non-life | 21,305 | 21,305 | 18,687 | 8,267 | 9,404 | – 1,741 | 929 |
| Other | 11,870 | 11,214 | 10,576 | 6,865 | 416 | – 455 | 1,385 |
| **Total** | **1,087,638** | **1,086,455** | **921,144** | **817,244** | **230,321** | **– 10,231** | **17,623** |

| 2012, € 000s | Gross booked premiums | Gross premiums earned | Net premiums earned | Gross expenses on Insurance claims | Gross expenses on Insurance operations | Reinsurance balance | Underwriting result, net of reinsurance. |
|---|---|---|---|---|---|---|---|
| Accident insurance | 87,553 | 87,553 | 68,031 | 33,332 | 36,446 | – 5,353 | 12,816 |
| Liability insurance | 77,138 | 77,138 | 74,899 | 22,882 | 29,640 | – 3,224 | 21,125 |
| Motor vehicle liability | 402,530 | 402,709 | 352,916 | 355,407 | 46,004 | – 9,483 | – 8,189 |
| Other motor vehicle | 257,497 | 257,557 | 209,212 | 219,120 | 33,075 | – 5,161 | – 1,135 |
| Fire and non-life | 198,752 | 198,383 | 162,254 | 103,666 | 68,120 | – 12,711 | 8,728 |
| of which: | | | | | | | |
| Fire | 1,083 | 1,083 | 692 | – 67 | 435 | – 356 | – 164 |
| Household contents | 83,808 | 83,808 | 74,020 | 35,686 | 29,953 | – 3,761 | 12,042 |
| Homeowners' building | 93,249 | 92,880 | 68,703 | 59,543 | 28,536 | – 7,654 | – 5,011 |
| Other non-life | 20,612 | 20,612 | 18,839 | 8,504 | 9,196 | – 940 | 1,861 |
| Other | 11,237 | 10,676 | 9,359 | 8,366 | 1,699 | – 932 | – 1,463 |
| Total | 1,034,707 | 1,034,016 | 876,671 | 742,773 | 214,984 | – 36,864 | 31,882 |

The gross overall expenses on all insurance operations were as follows:

| | |
|---|---|
| Acquisition expenses | € 137,877,331 |
| Administration costs | € 92,443,431 |

**Insurance agents' commission and other remuneration, personnel expenses**

| | 2013 € 000s | 2012 € 000s |
|---|---|---|
| 1. Insurance agents' commission of all types within the meaning of section 92 HGB for direct insurance operations | 133,601 | 126,294 |
| 2. Other insurance agents' remuneration within the meaning of section 92 HGB | – | – |
| 3. Wages and salaries | 312 | 308 |
| 4. Social-security contributions and social-insurance costs | – | – |
| 5. Retirement pension costs | 390 | 289 |
| **Total** | **134,303** | 126,891 |

The pension provision for the personnel provided under the Cooperative Agreement is capitalised by DEVK Rückversicherungs- und Beteiligungs-AG. Allocations to the pension provision, with the exception of the interests allocation, are charged to DEVK Allgemeine Versicherungs-AG.

During the year under review, Management Board remuneration totalled € 328,652. The retirement pensions of former Management Board members and their surviving dependants totalled € 383,968. As of 31 December 2013, a pension provision of € 4,579,826 was capitalised for this group of people. The Supervisory Board remuneration totalled € 185,152, and payments to the Advisory Board came to € 54,360.

## Other information

### Contingencies and other financial obligations

On the balance sheet date, we had outstanding financial obligations totalling € 3.5 million from open short put options, € 35.0 million in multi-tranche notes payable and € 34.0 million from open forward purchases. The payment obligations in relation to approved mortgage loans not yet paid out totalled € 5.2 million.

At the end of the year, remaining payment obligations arising from real-estate holdings, fund units, participating interests and shares in affiliated companies totalled € 37.7 million. This includes obligations towards affiliated companies amounting to € 19.7 million.

### General information

**Number of insurance contracts concluded directly by the Group with a term of at least one year**

| | 2013 | 2012 |
|---|---:|---:|
| Accident | 882,437 | 865,456 |
| Liability | 1,151,395 | 1,134,385 |
| Motor vehicle liability | 2,024,704 | 1,996,607 |
| Other motor vehicle | 1,593,723 | 1,601,315 |
| Fire and non-life | 1,717,417 | 1,700,880 |
| of which: | | |
| Fire | 5,323 | 4,911 |
| Household contents | 890,999 | 883,046 |
| Homeowners' building | 359,366 | 349,984 |
| Other non-life | 461,729 | 462,939 |
| Other | 1,177 | 1,680 |
| **Total** | **7,370,853** | 7,300,323 |

Lists of the members of the Management Board, Supervisory Board and Advisory Board are given prior to the Management Report.

Our company does not itself employ any personnel.

On the balance sheet date, our company was wholly owned by DEVK Rückversicherungs- und Beteiligungs-AG, Cologne, who have disclosed, pursuant to section 20 paragraph 4 AktG, that they hold a majority of the voting rights.

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

Pursuant to section 285 paragraph 17 HGB, details of the auditors' fees are given in the consolidated notes.

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

Name and domicile of the parent company that draws up the consolidated financial statements whereby the company is thus 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, Germany

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

Cologne, 17 April 2014

**The Management Board**

**Gieseler** **Faßbender** **Dr Simons** **Zens**

## Audit certificate

We have audited the annual financial statements, comprising the balance sheet, income statement and notes, as well as the accounting and management report of **DEVK Allgemeine Versicherungs-Aktiengesellschaft**, Cologne, for the financial year from 1 January to 31 December 2013. The accounting and the preparation of the annual financial statements and management report in accordance with German commercial regulations and the supplementary provisions of the articles of association are the responsibility of the company's Management Board. Our remit is to express an opinion on the annual financial statements, accounting and management report on the basis of our audit.

We conducted our audit pursuant to section 317 of the German Commercial Code (HGB) and the generally accepted standards for auditing financial statements promulgated by the German Institute of Auditors (IDW), which require us to plan and perform the audit in such a way that misstatements materially affecting the presentation of assets, finances and earnings in the annual financial statements in accordance with the German principles of proper accounting and in the management report are detected with reasonable certainty. Knowledge of the company's business activities, the economic and legal circumstances, and expectations concerning possible errors are taken into account when determining the audit activities. The effectiveness of the internal auditing system and the accuracy of the evidence supporting the information contained in the accounting, annual financial statements and management report are predominantly tested on the basis of random sampling. The audit includes an evaluation of the accounting principles applied and the principal estimates made by the Executive Board, as well as an appraisal of the overall view conveyed by the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any objections.

In our opinion, based on the findings of our audit, subject to the above-mentioned reservation, the annual financial statements comply with the legal regulations, and convey an accurate and fair view of the company's assets, finances and earnings in keeping with generally accepted accounting principles. Furthermore, the management report conforms with the annual financial statements, provides an accurate description of the company's overall position, and accurately sets out the risks and opportunities inherent in future developments.

Cologne, 25 April 2014

**KPMG AG**
**Wirtschaftsprüfungsgesellschaft**

| **Dr Hübner** | **Offizier** |
|---|---|
| Auditor | Auditor |

## Supervisory Board report

During 2013, 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 2013 annual financial statements and management report prepared by the Management Board. Their audit did not reveal any irregularities and an unqualified audit certificate was granted. The Supervisory Board has duly acknowledged and agrees with the audit findings.

The Supervisory Board's own audit of the annual financial statements and management report likewise revealed no irregularities, and accordingly the Supervisory Board hereby approves the 2013 financial statements, which are thus duly adopted.

The Supervisory Board would like to thank the Management Board and employees for all their hard work and commitment.

Cologne, 12 May 2014

**The Supervisory Board**

**Zell**
Chairman

# Group management report

## Group foundations

### Group structure

At the head of the Group is DEVK Sach- und HUK-Versicherungsverein a.G., a mutual insurance company that is a self-help organisation for railway workers recognised as a company welfare scheme by Deutsche Bahn and the Federal Office for Railway Assets. It offers its members, who are predominantly railway workers and other transport sector employees, comprehensive bespoke, economically priced insurance cover.

DEVK Sach- und HUK-Versicherungsverein a.G. has a 100 % holding in its subsidiary DEVK Rückversicherungs- und Beteiligungs-AG, which acts as the reinsurer and intermediate holding company controlling the principal insurance companies of DEVK operating for the general private-client market, as well as other participating interests.

The Group companies included in the 2013 consolidated financial statements have changed since last year. Details of them can be found in the consolidated notes.

The reader is referred to the notes to the management report for details of the classes of insurance marketed by Group companies.

The companies of the DEVK Sach- und HUK Group and the DEVK Lebensversicherungs Group largely share a joint organisation and management set-up, and various general agency agreements are also in place.

The bulk of our sales is made by our field sales force, which comprises both our own salaried field sales agents and self-employed representatives. We also engage in a variety of sales cooperation arrangements. Of particular importance in this connection are our collaborations with the Sparda Bank Group and with the Association of German Transport Companies (VDV). Our central direct sales operation and corresponding links with brokers round off our sales channel mix.

Throughout Germany, the DEVK Group runs 19 subsidiaries and over 1,200 branch offices.

### Delegation of functions and organisational cooperation

Under the existing general agency contracts with other DEVK insurance companies, DEVK Sach- und HUK-Versicherungsverein a.G. has been assigned overall responsibility for all DEVK insurance brokerage operations and associated tasks.

The general operational areas of accountancy, collection, EDP, asset management, personnel, auditing and general administration are centrally organised for all DEVK companies. As regards the Group insurance companies based in Cologne, this also applies to the areas of portfolio management and claims management (excluding DEVK Rechtsschutz-Versicherungs-AG). However, each company has separate lease contracts and its own inventory and equipment based on its own needs.

The existing joint contracts and service contracts stipulate that the Group parent company provides the necessary internal staff for the Group companies DEVK Rückversicherungs- und Beteiligungs-AG, DEVK Allgemeine Versicherungs-AG, DEVK Rechtsschutz-Versicherungs-AG, DEVK Krankenversicherungs- AG, DEVK Allgemeine Lebensversicherungs-AG, DEVK Pensionsfonds-AG, DEVK Vermögensvorsorge- und Beteiligungs-AG and DEVK Service GmbH, as well as various smaller Group companies.

## Business performance

### Economic conditions generally and in the insurance industry

Most investors chalked up stock market gains during 2013, and their trust in the euro appears to have been restored. This is apparent both from falling risk premiums on the government bonds issued by the PIIGS countries and from the rising value of the euro against most other currencies, in particular the US dollar. Another reason for this confidence is the positive performance of eurozone stock markets, underpinned by the ECB's expansionary monetary policies. The performance of Germany's DAX share index was particularly encouraging, with its year's end level of 9,552.16 points representing a rise of over 25 %.

Meanwhile, bond market performance in 2013 continued to be dominated by central bank monetary policies. On the German bond market, the FED's announcement that it intended to scale back its ultra-loose monetary policy led to modest rises in returns. For instance, during the final quarter of 2013 returns on ten-year German government bonds rose by around 60 basis points to almost 2 %.

According to the German Insurance Association's provisional figures, gross non-life and accident insurance premium receipts are 3.0 % up on last year. Due to large numbers of weather-related claims, the combined ratio (the ratio of claims expenses and costs to premium receipts) rose to 102 % (2012: 97.2 %). Thus the non-life and accident insurance sector's profitability deteriorated as compared with 2012.

Motor vehicle insurance saw further industry-wide price rises during 2013. Accordingly, as in 2012, contributions grew by 5.4 % during the course of the year, while the combined ratio rose to 104 % (2012: 102.6 %).

Due to high single premiums, German life insurance premium receipts (including pension funds and schemes) have risen by 4.0 % (2012: 0.6 %).

For private health insurance, including long-term care insurance, provisional figures put the premium increase at 0.7 %.

## Business trends

### Non-life and accident insurance business trends

The forecast of business trends set forth in the previous management report has been borne out. However, with growth of 9.6 % performance has in fact been better than expected. The principal factors contributing to this are the expansion of our active reinsurance operations, the rapid growth of SADA Assurances, Nîmes, and the increase in premiums paid to DEVK Allgemeine Versicherungs-AG. Increasing motor vehicle insurance premiums have had a positive impact on the last of these factors, though building insurance has also registered strong growth (+ 8.0 %).

As expected, at € 15.9 million (2012: € 28.4 million) the underwriting result before changes to the equalisation provision came out positive. After an € 11.5 million allocation to the equalisation provision (2012: € 29.1 million), the underwriting result net of reinsurance stood at € 4.4 million (2012: € – 700,000).

### Life assurance business trends

The performance of the life insurance operations undertaken by the DEVK Allgemeine Lebensversicherungs-AG Group was very satisfactory. Premium receipts rose during 2013 and were significantly higher than expected.

In the investments field, too, the 2013 result improved and was markedly better than expected. This was largely due to the buoyant stock market performance plus the one-off effect deriving from payments of interest arrears.

During 2013, DEVK Allgemeine Lebensversicherungs-AG concluded a total of 72,863 new policies (2012: 77,457). The sum insured under these new policies amounted to € 2.05 billion (2012: € 2.37 billion), which corresponds with total premiums generated by new business of € 1 billion (2012: € 1.12 billion).

The sum insured within our portfolio as a whole rose 1.8 % to € 20.4 billion (2012: € 20.04 billion), while the total number of polices was 0.8 % up at 802,829 (2012: 796,669).

### Health insurance business trends

This segment is operated by DEVK Krankenversicherungs-AG.

As in recent years, the most important contributor of new business was supplementary insurance for members of statutory health insurance schemes. As in previous years, we were able to successfully use a tariff in mailings.

In analysing the new business, as in private health insurance as a whole, special mention should be given to government-supported long-term care insurance in the form of DEVK Krankenversicherungs-AG's "Bahr-Pflege" policy, named after former German health minister Daniel Bahr. By the end of 2013, our portfolio in this segment stood at 4,650 policies.

In total, the adjusted new business, measured in monthly premiums written rose by 20.5 % to € 0.63 million (2012: € 0.53 million). In terms of monthly premiums written, our year's-end portfolio amounted to € 5.56 million (2012: € 4.99 million). All in all, this meant that our medium-term growth and income forecasts were borne out.

As expected, in the investment sphere we achieved a good result in 2013, with investment income slightly up in absolute terms. However, also as expected, low interest rates on new investments meant a slight fall in net interest income.

**Pension fund business trends**

Business performance in the pension fund segment was satisfactory. The Group's pension fund business is conducted by DEVK Pensionsfonds-AG.

As in previous years the most important source of new business was defined contribution pension plans pursuant to section 3 No. 63 of the German Income Tax Act (Einkommensteuergesetz – EStG).

The number of people enrolled in pension plans increased by 3.5 %, chiefly due to registrations by new employees as a result of policy agreements concluded with a major client whereby regular pay adjustments are compulsorily converted into defined contributions with minimum benefits.

Premium receipts fell by 4.3 %.

Expenditure on payments of benefits, in particular pension payments and pension fund business were all up on the 2012 figure.

Bonus and rebate expenses were well up on 2012.

**Overall business trends**

Gross premium receipts rose 10.0 % to € 2,492.2 million. 2012 earned premiums net of reinsurance rose by 8.9 % to € 2,296.6 million. Expenses on insured events and pensions net of reinsurance increased by 11.6 % to € 1,506.9 million, and their share of earned net premiums thus came to 65.6 % (2012: 64.0 %). At 20.3 %, the ratio of expenses on insurance business net of reinsurance to earned premiums net of reinsurance stood at the same level as in 2012 (20.3 %).

After a € 11.5 million allocation to the equalisation provision in the field of non-life and accident insurance (2012: € 29.1 million), the consolidated profit and loss account recognised an insurance and pension fund underwriting result net of reinsurance of € 18.9 million (2012: € – 7.1 million).

At € 182.8 million, the non-technical account investment result exceeded the 2012 figure of € 177.5 million.

The "Other" result, which includes technical interest income, stood at € – 61.0 million (2012: € – 49.5 million).

The result from normal business activities improved to € 140.7 million (2012: € 121.0 million).

The after-tax net annual profit came to € 65.3 million (2012: € 60.4 million), thus rising to a satisfactory level.

After an allocation of € 24.7 million to the retained earnings and after deduction of the € 10.4 million portion of the result due to other shareholders, the net retained profit came to € 30.3 million (2012: € 29.6 million).

## Net assets, financial position and results of operations

### Results of operations

| | 2013<br>€ 000s | 2012<br>€ 000s | Change<br>€ 000s |
|---|---|---|---|
| Underwriting result net of reinsurance, non-life and accident insurance | 4,391 | – 705 | 5,096 |
| Underwriting result net of reinsurance, life and health insurance | 13,633 | – 7,596 | 21,229 |
| Technical pension fund result | 859 | 1,247 | – 388 |
| Non-technical result | 117,269 | 126,198 | – 8,929 |
| **Result before taxes on income** | **136,152** | 119,144 | 17,008 |
| Taxes on income | 70,808 | 58,700 | 12,108 |
| **Consolidated net profit for the year (before taking minority shareholders into account)** | **65,344** | 60,444 | 4,900 |
| Allocation to retained earnings | 24,676 | 22,683 | 1,993 |
| Result attributable to minority shareholders | 10,385 | 8,146 | 2,239 |
| **Net retained profit (before taking minority shareholders into account)** | **30,283** | 29,615 | 668 |

#### Underwriting result net of reinsurance, non-life and accident insurance

**Gross premium receipts** rose 9.6 % to € 1,827.3 million. 2013 earned premiums net of reinsurance rose by 8.0 % to € 1,640.2 million. Claims incurred, net of reinsurance, were 10.9 % up at € 1,231.3 million, and their share of earned net premiums thus came to 75.1 % (2012: 73.1 %). At 23.4 %, the ratio of expenses on insurance business net of reinsurance to earned premiums net of reinsurance was slightly up on the 2012 figure of 23.0 %.

The year 2013 saw a plethora of claims. The floods in southern and eastern Germany during June, as well as widespread storm and hail damage, had a detrimental impact on our results. As a result, **gross claims expenses** rose disproportionately as compared with premium receipts, and the gross claims ratio rose to 75.1 % (2012: 71.3 %).

**Gross operating expenses** rose by 10.6 %, from € 374.8 million in 2012 to € 414.4 million in 2013. In relation to gross premiums earned, this represented a ratio of 22.8 % (2012: 22.6 %).

After an € 11.5 million allocation to the equalisation provision (2012: € 29.1 million), the **underwriting result net of reinsurance** came to € 4.4 million (2012: € – 700,000). The following section outlines the performance of the individual insurance segments, classes and types in which we undertook direct operations. Included are the results of DEVK Sach- und HUK-Versicherungsvereins a.G., DEVK Allgemeine Versicherungs-AG, DEVK Rechtsschutz-Versicherungs-AG and German Assistance Versicherung AG. Below we discuss our active reinsurance operations and our French subsidiary SADA Assurances S.A. in Nîmes.

### Accident insurance

This section includes both general accident insurance and motor vehicle accident insurance. Our portfolio grew by 17,466 policies or 1.5 %, making a year's-end total of 1,144,705 policies, while gross premium receipts rose 4.3 % to € 130.6 million. The underwriting result came to € 13.1 million (2012: € 15.6 million).

### Liability insurance

Our total liability insurance portfolio grew 0.8 % to a year's-end total of 1,745,434 policies. This portfolio growth led in turn to a 1.2 % rise in gross premiums to € 112.6 million. After a € 2.6 million withdrawal from the equalisation provision (2012: € 2.4 million allocation), the underwriting result came to € 30.4 million (2012: € 27.5 million).

### Motor vehicle liability insurance

Our end-of-year motor vehicle liability insurance portfolio totalled 2,573,567 policies (2012: 2,544,888), plus 187,804 moped policies. Thanks to a combination of portfolio growth and price increases, gross premium receipts came to € 511.0 million (2012: € 488.8 million). After a € 3.8 million allocation to the equalisation provision (2012: € 1.3 million withdrawal), the underwriting result net of reinsurance was € – 18.0 million (2012: € – 16.4 million).

### Other motor vehicle insurance

We include both comprehensive and partial comprehensive (third party, fire and theft) motor insurance under "other motor vehicle insurance". The total number of policies at the end of the year was 2,044,959 (2012: 2,054,120), on top of which came 31,795 partial-coverage moped policies. Price adjustments led to policy growth of 5.3 %, taking the total to € 339.8 million). After a € 200,000 allocation to the equalisation provision (2012: € 2.2 million), the underwriting result came to € – 11.5 million (2012: € – 10.4 million).

### Fire and non-life insurance

At the end of 2013, our fire and non-life insurance portfolio comprised a total of 2,621,877 policies (2012: 2,611,892), while gross premium receipts rose 5.2 % to € 295.5 million. After a € 2.8 million withdrawal from the equalisation provision (2012: € 300,000), the underwriting result came to € 5.7 million (2012: € 16.8 million).

In detail, our individual fire and non-life segments performed as follows:

Our household contents insurance portfolio at the end of 2013 comprised 1,323,032 policies (2012: 1,318,829), while gross premium receipts rose 3.2 % to € 122.6 million, and the underwriting result stood at € 13.7 million (2012: € 14.2 million).

Our homeowners' building insurance portfolio increased to 537,355 policies (2012: 526,133). Gross premiums rose strongly to € 131.0 million (2012: € 122.0 million), representing growth of 7.4 %. After a € 1.8 million withdrawal from the equalisation provision (2012: € 300,000), the underwriting result net of reinsurance came to € – 10.1 million (2012: € – 3.3 million).

In the other non-life segments, the number of policies in the portfolio totalled 761,490 (2012: 766,930). Gross premiums (including mopeds) rose by 4.3 % to € 41.9 million. After a € 1.0 million withdrawal from the equalisation provision (2012: € 30,000 allocation), the underwriting result came to € 2.1 million (2012: € 5.8 million).

### Legal expenses insurance

This segment is operated by DEVK Rechtsschutz-Versicherungs-AG. In 2010, our portfolio grew by 1.8 % to 828,689 policies. Gross premiums rose 2.5 % to € 117.6 million. At € – 8.0 million, the underwriting result was significantly poorer than in 2012 (€ 100,000). This was due to the entry into force on 1 August 2013 of the Second German Legal Costs Modernisation Act for the law concerning legal costs.

### Other insurance policies

Other insurance policies primarily comprise the results of our breakdown service, guarantee, travel health, bond and cheque card insurance policies as well as insurance against various financial losses. With premiums totalling € 17.8 million (2012: € 16.2 million), after a € 1.9 million allocation (2012: € 1.1 million) to the equalisation provision the underwriting result net of reinsurance came to € 300,000 (2012: € – 2.1 million).

### Active reinsurance

In 2013, DEVK Rückversicherungs- und Beteiligungs-AG's net premiums written before consolidation rose by 20.3 % to € 349.5 million. Income from DEVK-external business came to € 163.5 million (2012: € 113.1 million). The 2013 underwriting result before changes to the equalisation provision totalled € 700,000 (2012: € – 31.3 million). After a € 4.8 million allocation to the equalisation provision (2012: € 22.5 million), the underwriting result net of reinsurance stood at € – 4.1 million (2012: € – 53.8 million),

Also included in the consolidated financial statements is Echo Rückversicherungs-AG (Echo Re), which was established at the end of 2008 as a subsidiary of DEVK Sach- und HUK-Versicherungsvereins a.G. in Switzerland. Echo Re, which chiefly operates outside Europe, possesses equity capital of 65.4 million Swiss francs (CHF). With premium receipts of CHF 44.9 million (2012: CHF 33.2 million), the Swiss national net profit stood at CHF 1.2 million (2012: CHF 1.3 million).

DEVK Allgemeine Versicherungs-AG underwrote reinsurance business with a premium volume of € 19.8 million, the bulk of which related to the Group-internal coverage of motor vehicle and building insurance.

DEVK Krankenversicherungs-AG also took on small volumes of Group-internal foreign travel health insurance.

### SADA Assurances S.A.

SADA Assurances S.A., which has its headquarters in Nîmes, France, conducts non-life and accident insurance business. It holds equity to a value of € 16.9 million. In 2013, SADA's gross premiums written rose by an impressive 47.5 % to € 111.4 million (2012: € 75.5 million). The domestic net profit for the year came to € 1.1 million (2012: € 300,000).

### Underwriting result net of reinsurance, life and health insurance

Gross premiums written in 2013 rose by € 70.5 million to € 593.5 million (2012: € 523.0 million).

The gross investment income increased by 10.4 % to € 222.5 million (2012: € 201.4 million). This included one-off effects from payments of interest arrears on hybrid investments totalling € 4.1 million. In addition, we posted write-ups on securities amounting to € 5.7 million (2012: € 11.8 million). Profits from disposals of investments came to € 17.2 million (2012: € 6.8 million).

Net investment income was 11.1 % up at € 198,3 million (2012: € 178.5 million).

After deduction of the reinsurance portion, claims expenses came to € 270.7 million (2012: € 236.9 million). DEVK Allgemeine Lebensversicherungs-AG's cancellation rate fell to 5.52 % (2012: 5.67 %).

Net operating expenses rose by 1.7 % to € 79.2 million.

A total of € 83.9 million (2012: € 96.6 million) was allocated to the provision for bonuses and rebates, representing 14.3 % (2012: 18.6 %) of gross premiums earned.

### Technical pension fund result

Gross premiums written fell by € 3.2 million and totalled € 71.4 million by the year's end. This represented a drop of 4.3 % as compared with the previous year.

Claims expenses rose sharply to € 4.9 million (2012: € 3.4 million).

Pension fund operating expenses totalled € 2.2 million (2012: € 1.8 million). Of this amount, € 890,000 was attributable to acquisition costs (2012: € 690,000).

The 2013 net investment profit came to € 12.2 million (2012: € 10.0 million). This rise was the result of growing investment holdings.

Bonus and rebate expenses increased to € 4.7 million (2012: € 3.5 million).

### Non-technical account investment income

At € 251.1 million, investment income was up on the 2012 figure of € 244.1 million. Also included were € 28.7 million in profits from disposals of investments (2012: € 24.6 million) as well as € 16.6 million in write-ups (2012: € 24.7 million).

At € 68.3 million, investment expenses were slightly higher than in 2012 (€ 66.6 million). Whereas the write-downs on investments were lower at € 39.1 million (2012: € 53.0 million), administration costs increased to € 17.0 million (2012: € 11.8 million) and losses on disposals of assets rose to € 12.1 million (2012: € 1.8 million).

On balance, our net investment income was a little down on the previous year's figure at € 182.8 million (2012: € 177.5 million).

### Other result

The "Other" result, which includes technical interest income, stood at € – 61.0 million (2012: € – 49.5 million).

### Profit from ordinary activities

The profit from ordinary activities rose to € 140.7 million (2012: € 121.0 million). This was chiefly due to improved underwriting results in the fields of life and health insurance.

### Operating result and appropriation of retained earnings

After taxes the net profit for the year totalled € 65.3 million (2010: € 60.4 million). Given the high levels of weather-related non-life and accident insurance claims, the net profit for the year thus reached a satisfactory level.

After an allocation of € 24.7 million to the retained earnings and after deduction of the € 10.4 million portion of the result due to other shareholders, the net retained profit came to € 30.3 million (2012: € 29.6 million).

## 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 12 months. The Group receives a continuous influx of liquid funds in the form of regular premium receipts, investment income and return flows from investments of capital. In the current financial year, the cash flow from investments – that is, the funds required for the net investment volume – amounted to € 857.8 million. The necessary funds were gained both from our ongoing operations (€ 732.5 million) and from financing activities (€ 184.8 million).

### Solvency

In compliance with section 9 of the German Solvency Adjustment Regulation, the Group's solvency is calculated on the basis of the consolidated financial statements. The Group funds, proof of which must be furnished pursuant to section 53c of the German Insurance Supervision Act (VAG) in order to demonstrate our long-term ability to meet policy liabilities, amounted to € 1,339.0 million (2012: € 1,296.9 million), far exceeding the required solvency margin of € 373.9 million (2012: € 346.5 million). The capital investment (re)valuation reserves were not taken into consideration in making the solvency calculations.

### Ratings

The ratings, commissioned by Standard & Poor's for the first time in 2008, are updated each year. As in the years 2008 to 2012, in 2013 DEVK Sach- und HUK-Versicherungsverein a.G., DEVK Allgemeine Versicherungs-AG, DEVK Allgemeine Lebensversicherungs-AG and DEVK Rückversicherungs- und Beteiligungs-AG were all once again assigned ratings of A+. Standard & Poor's assesses our future outlook as "stable", thus confirming the very sound financial position enjoyed by DEVK companies generally.

Meanwhile, the rating agency Fitch came to the same conclusion, with its 2013 rating of the financial strength of DEVK's core companies remaining unaltered at A+. The companies rated were DEVK Sach- und HUK-Versicherungsverein a.G., DEVK Rückversicherungs- und Beteiligungs-AG, 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. Their outlook too is rated as stable.

The ASSEKURATA Assekuranz rating agency once again gave outstanding ratings to DEVK Sach- und HUK-Versicherungsverein a.G. and DEVK Allgemeine Versicherungs-AG in February 2014, with both companies for the 14th time receiving the top mark of A++ (excellent).

**Financial position**

| | 2013<br>€ 000s | 2012<br>€ 000s | Change<br>€ 000s |
|---|---|---|---|
| Investments | 9,382,677 | 8,563,098 | 819,579 |
| Unit-linked life assurance investments | 60,142 | 47,741 | 12,401 |
| Assets for the benefit and at the risk of employees and employers | 173,629 | 132,058 | 41,571 |
| Receivables arising out of direct insurance operations, pension fund business and reinsurance business | 145,306 | 124,147 | 21,159 |
| Other assets | 397,501 | 372,959 | 24,542 |
| **Total assets** | **10,159,255** | 9,240,003 | 919,252 |
| Equity | 1,545,353 | 1,437,338 | 108,015 |
| – of which other shareholders share € 178,560,000 (2012: € 125,049,000) | | | |
| Technical provisions | 6,256,224 | 5,746,362 | 509,862 |
| Unit-linked life insurance technical provisions | 60,142 | 47,741 | 12,401 |
| Technical pension fund provisions | 325,649 | 265,837 | 59,812 |
| Technical pension fund provisions to cover assets for the benefit of employees and employers | 173,629 | 132,058 | 41,571 |
| Liabilities arising out of direct insurance operations, pension fund business and reinsurance business, including deposits | 852,000 | 811,774 | 40,226 |
| Other liabilities | 946,258 | 798,893 | 147,365 |
| **Total capital** | **10,159,255** | 9,240,003 | 919,252 |

In the breakdown of our investment portfolio, the proportion attributable to the item "Real estate and similar land rights, including buildings on third-party land" has risen from 1.3 % to 4.3 %. This is chiefly due to the launch of and investment in DEVK Europa Real Estate Investment Fonds SICAV-FIS (DEREIF). There have been no other material changes of any significance.

The receivables from reinsurers relate to various domestic and international reinsurers.

### Non-financial performance indicators

#### Customer satisfaction

In its latest ratings issued in February 2014, the ASSEKURATA Assekuranz rating agency gave DEVK Sach- und HUK-Versicherungsverein a.G. and DEVK Allgemeine Versicherungs-AG scores of "very good" for customer orientation. This assessment was based, among other things, on customer surveys conducted in November 2011 which revealed very high levels of customer satisfaction.

#### Employee satisfaction

At DEVK the opinion of our employees is important to us, which is why we conducted a survey of all personnel for the first time in 2012, investigating topics such as employee satisfaction. A total of 80 % of our workforce participated in the survey. We then staged over 200 workshops to devise improvements, and the company is now working on their implementation. In future, the employee survey will be conducted every two years. In 2014, our employees will be surveyed during April and May.

#### Personnel and sales staff numbers

Personnel are employed by DEVK Sach- und HUK-Versicherungsverein on the basis of joint contracts and service contracts whereby they also work for DEVK subsidiary companies. In cases where staff work for both DEVK Sach- und HUK-Versicherungsverein and DEVK Lebensversicherungsverein, this takes place within the ambit of dual employment contracts and, as such, no services are rendered between the two companies.

The company employed an average of 2,715 people internally in 2013, of whom 2,622 had their contracts of employment with DEVK Sach- und HUK-Versicherungsverein. These figures do not include any inactive employment contracts, while part-time employees are recorded as full-time equivalents on the basis of their working hours.

At the end of 2013, 2,125 self-employed personnel worked for DEVK (2012: 2,168), on top of which 607 field sales agents were directly employed by DEVK Sach- und HUK-Versicherungsverein (2012: 588). However, the entire field sales force also operates on behalf of the various other DEVK companies.

### Overall verdict on the management report

All in all, the Group's net assets, financial position or results of operations proved satisfactory throughout 2013.

## 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.

## Outlook, opportunities and risks

## Outlook

### Non-life and accident insurance

We anticipate increases of over 4 % in the Group's premium receipts from non-life and accident insurance operations. Alongside our domestic direct insurance operations, SADA Assurances S.A., DEVK Rückversicherungs- und Beteiligungs-AG's active reinsurance business and Echo Re will contribute to this result. After the many claims of 2013, in 2014 we are expecting a marked improvement of some € 40 million in the underwriting result before changes to the equalisation provision. Accordingly, after allocations to the equalisation provision, we are currently expecting an underwriting profit net of reinsurance in the region of a few million euros.

### Life assurance

In the field of the providential products (occupational incapacity insurance and pension provision), we do not expect to see any noteworthy changes in demand in the near future despite the uncertainties deriving from the eurozone crisis. Fuelled by the public debate on the issue of privately financed old-age provision, the trend will increasingly be towards pension-like products.

Popular demand for private old-age provision continues to rise – a fact reflected in the high numbers of pension insurance policies taken out. Despite the absence of new pension provision incentives, this will continue in future to offer the insurance industry good sales opportunities. Demand for occupational incapacity insurance is also expected to rise, and in our case this, should be boosted by the MORGEN & MORGEN product test which awarded DEVK's occupational incapacity insurance four stars and a rating of "very good".

In contrast, in the endowment insurance segment and in the unit-linked life assurance and pension insurance segment, the falling demand experienced in 2012 is expected to persist in 2013. Accordingly, we expect broadly unchanged demand for life assurance products during 2014, and the number of early cancellations of policies will likewise remain constant.

As regards our performance during 2014, the tough macroeconomic environment and the competitive situation will continue to be the main determining factors.

Due to low interest rates, yields on life insurance policies have been falling, and this will continue to provoke negative media coverage. However, life assurance continues to compare favourably with other forms of investment. Indeed, mean accrued interest rates of around 3.55 % mean that life assurance remains a highly competitive proposition. In 2014, DEVK Allgemeine Lebensversicherungs-AG achieved an accrued interest rate of 3.5 %. This is reinforced by the fact that life assurance continues to be trusted as a safe investment product.

We expect DEVK Lebensversicherungs-AG's 2014 premium receipts to be slightly higher than in 2013. In 2014, regular premium receipts will be above the 2013 level, whereas single premiums will register a fall. In line with DEVK's strategy, a positive trend towards regular premium receipts can be observed.

The possibility of a further cut in the guaranteed interest rate from 2015 onwards could lead to an increase in year's-end business. However, this may not have as strong an impact as the last technical interest rate cut on 1 January 2012.

Meanwhile, over the coming two years we expect the portfolio to rise back to the level of earlier years in terms of both policy numbers and insured benefits.

We are assuming that the supplementary premium reserve will increase markedly in 2014 as compared with 2012 and 2013 due, among other factors, to the allocations to the reserves to cover guarantees on policies with a 3.25 % technical interest rate taken out between 2001 and 2003.

On the investment front, we expect DEVK Allgemeine Lebensversicherungs-AG to register a lower absolute result in 2014 despite a growing investment portfolio. This was chiefly due to the positive one-off effects recognised in 2013. In addition, we take the view that the low interest rates available on new investments will lead to a reduction in the net interest rate attracted by our investments.

**Health insurance**

Supplementary health insurance has been and remains a central and growing line of business for us, and we are pinning strong hopes on the state-subsidised supplementary long-term care insurance we have been offering since April 2013.

Forecast 2014 premium receipts total € 74.5 million, and we expect claims expenses to increase by around € 5 million.

In 2014, no-claims bonuses on the policies AM-V and PV are expected to be much the same as in 2013.

Of the € 26.1 million provision for bonuses and rebates available on 31 December 2013, € 16.7 million has been earmarked for the limiting of premium adjustments on 1 January 2014 or for the reduction of the premiums paid by older policyholders.

Our medium-term planning is based on the assumption that we will be able to maintain our growth in years to come, though due to the low base effect we shall not be able to achieve quite such impressive growth rates as in previous years.

In 2014, we expect DEVK Krankenversicherungs-AG to register little or no change in its absolute result despite a growing investment portfolio. In our view, the low interest rates available on new assets and repeat investments will lead to a slight reduction in the net interest rates they attract.

Our objective over the next few years is to maintain the profit transfers at a level of € 2.5 million to € 3.0 million.

### Pension fund business

We expect the occupational pension provision market, and in particular pension funds, to continue offering good future sales opportunities, and we believe that the trend observed in 2013 for occupational pension plans to play a role in pay negotiations will persist during 2014.

We feel that our present strategy involving a business model focusing on defined contributions with guaranteed minimum benefits has been vindicated, and are not currently planning any further diversification.

In 2014, we are confident that we shall be able to follow up on the satisfactory result achieved in 2013. One contributory factor here is the fact that from 2014 onwards one of our major clients is converting 2 % of the relevant amount in wages into contributions towards collectively agreed, defined benefit pensions

In 2014, we expect DEVK Pensionsfonds-AG to register a lower absolute result despite a growing investment portfolio. In our view, the low interest rates available on new assets and repeat investments will lead to a moderate reduction in the net interest rates they attract.

### Non-technical account

Most of the early indicators currently point to a continuing slow recovery of the global economy during 2014. The engine driving this growth is the USA. With the economic situation brightening during the course of the year, the FED will, as announced, continue scaling back its bond purchasing programme step by step. However, we do not expect the FED to raise interest rates in 2014. This change in US monetary policy could prove an additional strain for emerging market economies, though. Alongside falls in their domestic bond and equity markets, the associated outflows of funds are leading to sharp drops in the value of their various currencies. Though this does create room for manoeuvre on the export side, it also means less capital is available for investment purposes. If weak growth persists in these countries, it would undermine the entire global economy.

Recent years have been dominated by the financial and government debt crisis. After Mario Draghi announced that the ECB would do “whatever it takes” to save the euro, the issues of government debt and the collapse of the euro receded into the background last year. However, the debt situation, particularly in the PIIGS countries, is tending to deteriorate further because growth is not strong enough to generate the tax revenues needed to reduce levels of indebtedness.

Thus the eurozone’s recovery remains predicated on a low interest rate, in which both the individual countries and the ECB have a strong interest. Every new crisis on the world’s capital markets leads to a resurgence of the demand for German government bonds, resulting in falling yields. Accordingly we are not counting on sustained interest rate rises, but rather with a continuation of the low-interest phase.

For the Group as a whole, we are expecting the non-technical account to register a lower net investment profit around the € 160 million mark. We are confident that lower income from other investments, write-ups and the disposal of assets will be offset at least partially by falling investment expenses.
All in all, we expect the 2014 result from ordinary activities to come in at slightly below the previous year's level.

## Opportunities report

Opportunities to achieve growth which outstrips the average levels achieved by our competitors are generated if customer demands for quality, service and transparency at attractive prices are met in full measure.

We are available for our customers throughout Germany via our regional management units and from our headquarters in Cologne, both by telephone and face-to-face. Communication takes place via all available media. The Internet is of ever growing importance here, and we are well positioned in this respect thanks to the continuous revision and upgrading of our offer.

Through the continuous optimisation of our processes, we ensure that we can execute our business effectively and efficiently.

Thanks to the interplay of competitive products, good service and our efficient sales operation we view ourselves as very well placed to compete effectively.

The fact that the Group companies are part of an insurance group which offers wide-ranging insurance cover in the private customer segment opens up opportunities to benefit from cross-sectoral synergies.

### Primary non-life and accident insurance

Our three-product-line approach (Active, Comfort and Premium cover) has met with a very positive response.

In KUBUS, a comprehensive survey of the insurance market carried out in 2013, our customers rated the value for money we offer as excellent.

### Reinsurance business

Thanks to the company's good ratings, its growth opportunities as a volume provider on the reinsurance market remain good, because for many business partners such a rating is now a precondition for doing business. In our view, there remains a strong demand for a partner with a traditional market presence, especially one coming from the mutual insurance sector. This demand exists not only in Germany but also in most other European countries.

### Life assurance

DEVK Allgemeine Lebensversicherungs-AG's product range means we are well equipped to cope with any market challenges. The good value for money we offer has earned us top ratings in a variety of test reports.

In connection with the project Programm Leben (programme life), we have begun to phase out the current portfolio management system and introduce a new, modern system. The new gender-neutral policies will be administered on this new platform from 2013 onwards. On top of this come the first migration tranches, which are already being implemented by this system. The new administration system will also be able to closely monitor market trends, thus helping to safeguard DEVK Allgemeine Lebensversicherungs-AG's long-term competitive position.

### Health insurance

Our underwriting policy and reinsurance methods in the field of health insurance lay the foundations for further solid growth.

Furthermore, the continuing success of our cooperation with statutory health insurance schemes continues to offer great potential for forging new customer relationships as we can offer members of these schemes products meeting their needs on highly favourable terms.

### Pension fund business

DEVK Pensionsfonds-AG's product range means it is well equipped to cope with any market challenges.

The proximity to the rail market and the product range geared to these needs opens up further wide-ranging growth opportunities for DEVK Pensionsfonds-AG.

## Risk report

In accordance with the German Control and Transparency in Business Act (KonTraG), and the minimum risk management requirements laid down in section 64a VAG, we are hereby reporting the risks posed by future developments.

### Risk management system

A risk management system is employed within the DEVK Group to identify and assess risks at an early stage. The system is based on a risk-bearing capacity model that guarantees adequate coverage of all significant risks via the company's own funds. To control risks, DEVK has put in place a consistent system of limits whereby the limit capacity is portrayed in the form of risk ratios. The risk ratios break down the risk limits set by the risk strategy according to DEVK's most important organisational areas. On top of this, a comprehensive risk inventory is compiled every six months, in which risks are recorded and classified according to risk categories with the aid of a questionnaire. Wherever possible, risks are quantified and the action necessary to manage the risks is recorded. This system enables us to react immediately and appropriately to developments that pose a risk to the Group. The system's effectiveness and suitability are monitored by the Internal Auditing unit.

DEVK's risk management organisation is both centralised and decentralised at one and the same time. By "decentralised risk management", we mean the risk responsibility borne by individual departments. Thus, departmental and process managers are in charge of and responsible for risk management within their specific operational areas. Meanwhile, central risk management is the task of the independent risk controlling function, which is responsible for dealing with the cross-departmental risks 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.

The Risk Committee assesses the risk situation faced by individual companies and by the Group as a whole on the basis of the risk reports it receives, taking into account all discernible significant risks, as well as limit capacities and current risk drivers. Finally, a Management Board submission is prepared in which the results are reported to the Management Board members responsible for the various risk areas. The risk report and the risk control process (identification, analysis, evaluation, management and monitoring) are updated on a quarterly basis. Reports are submitted both to the Risk Committee and members of the Management Board.

### Technical risks

Principal among the technical risks in **non-life and accident insurance** are the premium/claims risk and the reserves risk.

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

**Claims ratio net of reinsurance**

| Year | % | Year | % |
|---|---|---|---|
| 2004 | 64.1 | 2009 | 65.9 |
| 2005 | 63.8 | 2010 | 68.3 |
| 2006 | 63.7 | 2011 | 68.3 |
| 2007 | 63.2 | 2012 | 66.5 |
| 2008 | 64.8 | 2013 | 67.6 |

The figures for DEVK Allgemeine Lebensversicherungs-AG are included in the above claims ratio table. As we can see, over the ten-year period considered here the range of fluctuation is low. This is largely due to the fact that, in line with the reasonable acceptance guidelines we apply, we generally only underwrite straightforward, standardised business. Where particularly large volumes of insurance are involved, we limit our risk through co-insurance or reinsurance contracts.

We ensure that we maintain technical reserves through the prudent valuation of claims already filed as well as establishing additional reserves to meet claims that are statistically likely but have not yet been filed on the balance sheet date, as well as for claims that will have to be reopened after the balance sheet date. Thus we take the reserve risk duly into account, as also demonstrated by our settlement results for the past ten years.

**Abwicklungsergebnis f.e.R. in % der Eingangsrückstellung**

| Year | % | Year | % |
|---|---|---|---|
| 2004 | 13.6 | 2009 | 9.3 |
| 2005 | 10.7 | 2010 | 11.6 |
| 2006 | 9.4 | 2011 | 9.9 |
| 2007 | 11.2 | 2012 | 9.3 |
| 2008 | 11.0 | 2013 | 9.6 |

Our equalisation provisions provide an additional safety cushion that contributes to the smoothing of our underwriting results. As of 31 December 2013, their volume totalled € 233.5 million (2012: € 221.9 million).

DEVK Rückversicherungs- und Beteiligungs-AG underwrites the **reinsurance business** done by both DEVK and external companies. In line with our acceptance guidelines, we generally take on standardised business, and we counteract the risk of unusually high claims expenses attendant upon extraordinary loss events through a corresponding reinsurance policy. To smooth our underwriting results, equalisation provisions in compliance with the provisions of accounting law are formed.

The technical risks prevailing in **life assurance** are biometric risk, cancellation risk and interest guarantee risk.

The biometric risk consists in the fact that the accounting principles used to determine premium rates, for instance the probabilities of death or invalidity, change over time. However, the probability tables we use for new business are viewed as suitable by BaFin and the German Actuarial Society (DAV). In the opinion of the actuary responsible for them, the probability tables used for the portfolio, together with the top-up amounts for supplementary pension and occupational incapacity insurance premium reserves, include adequate safety margins.
Biometric risk will further increase in significance after the European Court of Justice's gender neutrality ruling of 21 December 2012, with the portfolio's gender composition becoming a factor that will require continuous monitoring. Appraisals of new gender-neutral policies have indicated that the gender ratios assumed in the calculations are appropriate.

In our life assurance business, we do not apply accounting principles to cater for the cancellation risk. However, even a significantly higher cancellation rate than we have experienced in recent years would have minimal impact on our annual results.

The interest guarantee risk in life assurance is due to the fact that the annual interest rates guaranteed when concluding contracts may prove to be higher than the long-term market returns we can achieve. Our net interest rate in recent years has been higher than the mean technical interest rate of our life assurance portfolios In view of this, an adequate safety margin remains in place here. A further point to note is that the higher investment results achieved in some cases, both this year and in recent years, mean that the unallocated portion of the premium refunds provision represents an adequate buffer in this respect.

Pursuant to section 5 paragraph 4 of the Premium Reserve Regulation (DeckRV), a supplementary interest reserve has been in place since 2011, based on a specified reference interest rate, which was set at 3.41 % in 2013. Over the coming years ,we expect this supplementary interest reserve to increase in size as compared with 2013, even if market interest rates rise.

Through painstaking product development and continual actuarial trend analyses, we ensure that the accounting principles applied are suitable and factor in adequate safety margins. In addition, undesirably large fluctuations in the risk results are forestalled through a corresponding reinsurance policy. Furthermore, the unallocated portion of the premium refunds provision provides additional smoothing and stabilisation potential.

The chief **health insurance** technical risks are risk of changes, risk of error, risk of random fluctuation and interest rate risk.

Risk of changes mainly consists in the risk that the basis on which premiums are calculated changes due to health-care developments leading to more frequent benefit claims by policyholders or to changed customer behaviour.

Risk of error consists in the risk of erroneous risk assessment when initially calculating the premium which cannot be corrected by subsequent premium adjustments.

Random fluctuation risk is the risk of claims expenses being higher than expected or calculated due to chance events.

We counteract the above-mentioned risks through comprehensive working guidelines and continuous training of our employees. Our planning and management instruments enable us to identify undesirable operational, portfolio and claims trends at an early stage and take any necessary action to counteract them. Payments and undertakings are subject to strict regulations concerning authorisation and entitlements, compliance with which is monitored via a multi-stage random sampling process.

Furthermore, through painstaking product development and continual actuarial trend analyses, we ensure that the accounting principles applied are suitable and factor in adequate safety margins. On top of this, all our general insurance terms and conditions incorporate a premium adjustment clause whereby premiums can be adjusted in the event of changing claims expenses.

In addition, undesirably large fluctuations in the risk results are forestalled through suitable reinsurance contracts.

The interest risk inherent in our health insurance arises due to the fact that the interest rate assumed when concluding contracts (the technical interest rate) may be higher than the long-term market returns. To date the technical interest rate applied of 3.5 % has been achieved every year since operations commenced in 1994. We are confident that our safety margins in this respect are adequate. We are applying a technical interest rate of 2.75 % to all new business engaged in since 21 December 2012.

### Technical pension fund risks

In pension funds, these chiefly comprise the biometric risk and the interest guarantee risk (i.e. minimum benefit guarantees).

The biometric risk exists due to the fact that the accounting principles used to determine premium rates, for instance the probability of death, change over time.

In the opinion of the responsible actuary, the probability tables we use incorporate adequate safety margins. Furthermore, through painstaking product development and continual actuarial trend analyses, we ensure that the accounting principles applied are suitable and factor in adequate safety margins.
Since 21 December 2012, biometric risk has been further influenced by the European Court of Justice's gender neutrality ruling, which means that the portfolio's gender composition will from now on become a calculation parameter requiring continuous monitoring.

The interest guarantee risk arises from the possibility of the minimum benefits enshrined in the pension plans no longer being financeable due to very low interest rates. However, adequate safety margins do currently exist here, and we assume based on current trends that this margin will remain sufficient in future.

A further point to note is that the higher investment results achieved in some cases, both this year and in recent years, mean that the unallocated portion of the premium refunds provision represents an adequate buffer in this respect.

For policies involving regular but low pension payments, additional allocations to the premium reserve have been made since 2013. DEVK Pensionsfonds-AG's cost situation will continue to be closely monitored and analysed in future.

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

The risk of defaults by debtors from insurance operations arises from the primary insurance of claims against policyholders and intermediaries as well as from reinsurance underwritten for ceding companies and retrocessionaires.

Over the review period (the past three years), our overdue debts from insurance business averaged 4.3 % of booked gross premiums. Of these, an average of 2.7 % had to be written off. In relation to the booked gross premiums, the average default rate over the past three years was 0.1 %. Accordingly, default risk is of minimal importance for our Group.

As of the balance sheet date, insurance business debts with a maturity of over 90 days totalled € 26.3 million (2012: € 31.6 million).

Amounts receivable from reinsurance at the end of the year came to € 48.1 million. An overview of amounts receivable broken down according to the ratings assigned to our reinsurance partners by Standard & Poor's is given in the following table:

| Rating category | Receivables in € millions |
|---|---|
| AA | 0.35 |
| AA– | 2.58 |
| A+ | 9.18 |
| A | 2.13 |
| A– | 2.58 |
| trAA+ | 0.01 |
| BBB+ | 0.18 |
| BBB | 0.39 |
| BBB pi | 1.35 |
| BBB– | 0.04 |
| No rating | 29.29 |

### Investment risks

The risks stemming from investments comprise:

– the risk of unfavourable interest rate, equity price, real estate value or exchange rate movements (market price risks),
– counterparty risk (credit risk),
– the risk of strongly correlated risks that in turn increase counterparty risk (concentration risk),
– liquidity risk; that is, the risk of not always being able to meet payment obligations.

Our capital investments comply with the German Ordinance on the Investment of Restricted Assets of Insurance Undertakings (AnlV). We counteract exchange/market price risk and interest rate risk by maintaining a balanced mix of investment types. Active portfolio management allows us to exploit opportunities arising from market movements to improve our results, while we limit credit risk and concentration risk by imposing very stringent rating requirements and continually monitoring the issuers we select, thus avoiding any potentially ruinous dependence on individual debtors. We ensure a continuous influx of liquidity by maintaining a portfolio of interest-bearing investments with a balanced maturity structure.

An ongoing ALM process ensures that we are able at all times to meet existing and future obligations.

#### Interest-bearing investments

As of 31 December 2013, the Group held interest-bearing investments to a total value of € 7.4 billion. Of these, a total of € 3.1 billion (including the pure pension funds) are bearer instruments 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 € 2.5 billion to the fixed assets since we intend to hold this paper until maturity and view their current market fluctuations as temporary. Should this second view in particular prove wide of the mark, we shall undertake the necessary write-downs in a timely fashion. These capital investments show a positive valuation reserve of € 290.2 million, a figure that includes € 22.3 million in hidden charges. A change in returns of up to +/– 1 % would entail a corresponding value change ranging from € – 485.6 million to € 537.4 million.

This disclosure of the impact of a 1 % interest rate rise only gives an approximate idea of the potential effect on our profitability. The reason for this is that over a year, all things being equal, the portfolio’s average time to maturity diminishes, and the stated change in value thus also decreases accordingly. On top of this, the bulk of our investments is either in registered paper or bearer bonds and, in their cases, interest rate rises do not lead to write-downs since they are recognised on the balance sheet at their nominal values. The securities currently include high levels of hidden reserves which will be reduced in the near future. The exception to this is losses of value due to deteriorating credit ratings that may affect the issuers in question.

Apart from real estate financing and policy loans, which represent 7 % of our overall investments, our interest-bearing investments are predominantly in Pfandbriefe (German covered bonds) and notes receivable. We also invest in corporate bonds and, on a small scale, in asset-backed securities (ABS). Our direct corporate bond holdings make up 8 % of our total investments, while directly held asset-backed securities make up just 1 %.

In 2013, our bond investments focused on international bearer bonds issued by banks and companies, both due to their attractive risk premiums and on diversification grounds. These chiefly involved bearer papers that were assigned to the fixed assets.

We continue to have minimal investment exposure to the eurozone countries currently under the microscope, namely Portugal, Italy, Ireland, Greece and Spain. As regards issuer risks, as proportions of our total investments, 9 % of the company's investments are in government bonds, 8 % in corporate bonds and 55 % 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.

Possible capital write-downs of hybrid investments were largely accounted for in past years via value adjustments in the annual financial statements.

The ratings of the issuers of our interest-bearing investments break down as follows (2012):

| | | |
|---|---|---|
| AA or better | 51.2 % | (50.5 %) |
| A | 31.5 % | (33.0 %) |
| BBB | 13.6 % | (12.8 %) |
| BB or worse | 3.7 % | (3.7 %) |

The Group's rating distribution remains much the same as it was last year. We shall continue to make virtually all our new and repeat investments in interest-bearing securities with strong credit ratings.

### Equity investments

The bulk of our equity investments is in EuroStoxx50 companies, as a result of which our portfolio's performance very closely matches that of this index. A 20 % change in market prices would alter the value of our equity portfolio by € 234.68 million. The European share index EuroStoxx50 gained value during 2013, and provided we are spared any exogenous shocks, we expect this positive performance to continue. We have applied a value protection model to our equity investments in order to limit market risks.

In light of the uncertain economic situation, we actively managed our ratio of equity investments throughout the year. There has been an upward trend in the ratio as compared with 2012. Should growing economic problems, such as a deepening of the eurozone crisis, lead to a significant downturn, various courses of action are open to us.
The fixed-asset equities and equity funds show a positive valuation reserve of € 33.3 million and contain no hidden liabilities.

### Real estate

On the balance sheet date, our real-estate investments totalled € 605.5 million. Of this total, € 203.8 million are invested in indirect mandates, including restricted special funds in office and other commercial real estate.
Our direct holdings worth € 401.7 million are subject to scheduled annual depreciation of approximately € 5.3 million. No risks are currently discernible in connection with these real estate holdings.

**Operational risks**

Operational risks may stem from inadequate or failed operational processes, the breakdown of technical systems, external variables, employee-related incidents and changes in the legal framework. However, the main focus of the half-yearly risk inventory is on operational risks.

DEVK's operating procedures are based on internal guidelines. The risk of employee-related incidents is limited via regulations governing authorisation and powers of representation as well as wide-ranging automated backup for operating procedures, while the efficacy and functionality of in-house controls are monitored by the Internal Auditing unit.

Comprehensive access controls and preventive measures are in place in the IT field to ensure the security and integrity of programmes, data and ongoing operations, and links between internal and external networks are suitably protected by state-of-the-art systems.

Crisis management guidelines have been drawn up on the basis of a corporate emergency analysis. The guidelines set out goals and terms of reference for the prevention of emergencies and dealing with them should they arise.

**Summary of our risk status**

We have complied with the supervisory requirements of the German Solvency Regulation (Solvabilitätsverordnung).

To sum up, currently there are no discernible developments that could lead to a significant impairment of the Group's net assets, financial position and results of operations and thus jeopardise its continuing existence.

Cologne, 17 April 2014

**The Management Board**

**Gieseler** **Faßbender** **Rüßmann** **Dr Simons** **Zens**

## Notes to the Group management report

### List of insurance classes covered during the financial year

### Direct insurance operations

**Life assurance**

**Health insurance**

**Accident insurance**
General accident insurance
Motor vehicle accident insurance

**Liability insurance**

**Motor vehicle liability insurance**

**Other motor vehicle insurance**
Fully comprehensive motor insurance
Partial comprehensive motor insurance
(third-party, fire and theft)

**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
Engineering insurance
Repair costs insurance
Universal caravan insurance
Extended coverage insurance
Travel baggage insurance
All-risk insurance

**Other insurance policies**
Insurance against various financial losses
Bond insurance
Breakdown service insurance
Cheque card insurance
Guarantee insurance

### Reinsurance coverage provided

**Life assurance**

**Health insurance**
Daily benefits insurance
Hospital daily benefits insurance
Travel health insurance

**Accident insurance**
General accident insurance
Motor vehicle accident insurance
Travel accident insurance

**Liability insurance**
General liability insurance
Pecuniary loss liability insurance
Travel liability insurance

**Motor vehicle liability insurance**

**Other motor vehicle insurance**
Fully comprehensive motor insurance
Partial comprehensive motor insurance
(third-party, fire and theft)

**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

### Pension fund business

## Consolidated financial statements

### Consolidated balance sheet to 31 December 2013

| Assets | € | € | € | 2012, € 000s |
|---|---|---|---|---|
| **A. Intangible assets** | | | | |
| I. Licenses, industrial property rights and similar rights and assets acquired for valuable consideration, as well as licenses in such rights and assets | | 50,473,140 | | 34,993 |
| II. Goodwill | | 5,109,876 | | 459 |
| III. Payments on account | | 5,171,197 | | 14,637 |
| | | | **60,754,213** | 50,089 |
| **B. Investments** | | | | |
| I. Real estate and similar land rights, including buildings on third-party land | | 401,691,673 | | 109,180 |
| II. Investments in affiliated companies and participating interests | | | | |
| 1. Shares in affiliated companies | 457,476 | | | 507 |
| 2. Shares in associated companies | 17,769,334 | | | 12,959 |
| 3. Participating interests | 253,435,335 | | | 310,739 |
| 4. Loans to companies in which a participating interest is held | 7,802,021 | | | 8,624 |
| | | 279,464,166 | | 332,829 |
| III. Other investments | | | | |
| 1. Equities, fund units and other variable-yield securities | 1,385,994,323 | | | 1,339,029 |
| 2. Bearer bonds and other fixed-interest securities | 2,899,377,670 | | | 2,242,226 |
| 3. Mortgage loans and annuity claims | 668,932,955 | | | 646,442 |
| 4. Other loans | 3,468,001,956 | | | 3,589,007 |
| 5. Deposits with banks | 33,270,882 | | | 67,359 |
| 6. Other investments | 115,959,037 | | | 119,384 |
| | | 8,571,536,823 | | 8,003,447 |
| IV. Deposits with ceding companies | | 129,984,527 | | 117,641 |
| | | | **9,382,677,189** | 8,563,097 |
| **C. Investments for the benefit of life assurance policyholders who bear the investment risk** | | | | |
| | | | **60,142,423** | 47,741 |
| **D. Assets for the benefit and at the risk of employees and employers** | | | | |
| – Investments for the benefit and at the risk of employees and employers | | | **173,629,416** | 132,058 |
| Balance carried forward: | | | 9,677,203,241 | 8,792,985 |

| Liabilities and shareholders' equity | € | € | € | 2012, € 000s |
|---|---|---|---|---|
| **A. Capital and reserves** | | | | |
| I. Retained earnings | | | | |
| 1. Loss reserve pursuant to section 37 of the Insurance Supervision Act | 162,566,441 | | | 157,666 |
| 2. Other retained earnings | 1,167,790,567 | | | 1,120,902 |
| | | 1,330,357,008 | | 1,278,568 |
| II. Equity difference due to currency conversion | | 8,130,652 | | 8,731 |
| III. Profit/loss carried forward | | – 2,110,194 | | – 4,757 |
| IV. Net retained profit | | 30,282,849 | | 29,615 |
| V. Adjusting item due to capital consolidation | | 131,746 | | 131 |
| VI. Other shareholders' shares | | 178,560,469 | | 125,049 |
| | | | **1,545,352,530** | 1,437,337 |
| **B. Technical provisions** | | | | |
| I. Provision for unearned premiums | | | | |
| 1. Gross amount | 76,927,786 | | | 63,237 |
| 2. of which: Reinsurance amount | 1,613,823 | | | 1,727 |
| | | 75,313,963 | | 61,510 |
| II. Premium reserve | | | | |
| 1. Gross amount | 3,635,642,684 | | | 3,310,734 |
| 2. of which: Reinsurance amount | 1,530,271 | | | 1,166 |
| | | 3,634,112,413 | | 3,309,568 |
| III. Provision for claims outstanding | | | | |
| 1. Gross amount | 2,389,050,344 | | | 2,195,044 |
| 2. of which: Reinsurance amount | 406,938,856 | | | 368,061 |
| | | 1,982,111,488 | | 1,826,983 |
| IV. Provision for bonuses and rebates | | | | |
| 1. Bonuses | 318,321,413 | | | 317,924 |
| 2. Rebates | 1,871,090 | | | 1,669 |
| | | 320,192,503 | | 319,593 |
| V. Equalisation provision and similar provisions | | 233,456,918 | | 221,919 |
| VI. Other technical provisions | | | | |
| 1. Gross amount | 12,026,687 | | | 7,028 |
| 2. of which: Reinsurance amount | 989,960 | | | 239 |
| | | 11,036,727 | | 6,789 |
| | | | **6,256,224,012** | 5,746,362 |
| **C. Technical reserves in life assurance business, where the investment risk is borne by the policyholders** | | | | |
| – Premium reserve | | | **60,142,423** | 47,741 |
| **D. Technical pension fund provisions** | | | | |
| I. Premium reserve | | 313,918,259 | | 257,652 |
| II. Provision for claims outstanding | | 700,993 | | 371 |
| III. Provision for bonuses and rebates | | 11,029,923 | | 7,814 |
| | | | **325,649,175** | 265,837 |
| Balance carried forward: | | | 8,187,368,140 | 7,497,277 |

| Assets | € | € | € | 2012, € 000s |
|---|---|---|---|---|
| Balance carried forward: | | | 9,677,203,241 | 8,792,985 |
| **E. Receivables** | | | | |
| I. Receivables arising out of direct insurance operations: | | | | |
| 1. Policyholders | 73,709,917 | | | 72,284 |
| 2. Intermediaries | 23,336,870 | | | 25,232 |
| 3. Statutory Long-Term Care Co-Insurance Group | 1,812 | | | 8 |
| | | 97,048,599 | | 97,524 |
| II. Receivables from pension fund business | | | | |
| 1. Employers and beneficiaries | 42,361 | | | 29 |
| 2. Intermediaries | 136,601 | | | 144 |
| | | 178,962 | | 173 |
| III. Receivables arising out of reinsurance operations | | 48,078,009 | | 26,450 |
| IV. Other receivables | | 57,371,234 | | 101,278 |
| of which: | | | **202,676,804** | 225,425 |
| Companies in whom DEVK has a participating interest: € 2,461,257 | | | | 350 |
| **F. Other assets** | | | | |
| I. Tangible assets and inventories | | 21,327,063 | | 23,885 |
| II. Cash at banks, cheques and cash in hand | | 100,093,995 | | 45,494 |
| III. Other assets | | 2,588,755 | | 2,493 |
| | | | **124,009,813** | 71,872 |
| **G. Prepayments and accrued income** | | | | |
| I. Accrued interest and rent | | 147,099,432 | | 143,446 |
| II. Other prepayments and accrued income | | 8,265,597 | | 6,275 |
| | | | **155,365,029** | 149,721 |
| **Total assets** | | | **10,159,254,887** | 9,240,003 |

| Liabilities and shareholders' equity | € | € | € | 2012, € 000s |
|---|---|---|---|---|
| Balance carried forward: | | | 8,187,368,140 | 7,497,277 |
| **E. Technical pension fund provisions in accordance with the assets for the benefit of employees and employers** | | | | |
| – Premium reserve | | | **173,629,416** | 132,058 |
| **F. Provisions for other risks and charges** | | | | |
| I. Provisions for pensions and similar commitments | | 447,172,878 | | 420,687 |
| II. Provisions for taxation | | 125,603,629 | | 201,748 |
| III. Other provisions | | 64,631,024 | | 54,122 |
| | | | **637,407,531** | 676,557 |
| **G. Deposits received from reinsurers** | | | | |
| | | | **136,893,245** | 141,402 |
| **H. Other liabilities** | | | | |
| I. Liabilities arising out of direct insurance operations | | | | |
| 1. Policyholders | 638,977,309 | | | 620,015 |
| 2. Intermediaries | 2,841,357 | | | 2,294 |
| 3. Third-party shareholders | 825 | | | – |
| | | 641,819,491 | | 622,309 |
| II. Liabilities arising out of pension fund business | | | | |
| – Employers | | 115,535 | | 127 |
| III. Liabilities arising from reinsurance operations | | 73,172,044 | | 47,936 |
| IV. Amounts owed to banks | | 203,949,012 | | 67,254 |
| V. Other liabilities | | 86,121,999 | | 49,628 |
| of which: | | | **1,005,178,081** | 787,254 |
| Tax: € 21,027,273 | | | | 18,752 |
| Social security: € 567,859 | | | | 433 |
| Affiliated companies: € 78,300 | | | | 111 |
| Companies in which a participating interest is held € 10,568 | | | | – |
| **I. Accruals and deferred income** | | | | |
| | | | **10,168,861** | 5,455 |
| **K. Deferred tax liabilities** | | | | |
| | | | **8,609,613** | – |
| **Total liabilities** | | | **10,159,254,887** | 9,240,003 |

## Consolidated profit and loss account

for the period from 1 January to 31 December 2013

| Items | € | € | € | 2012, € 000s |
|---|---|---|---|---|
| **I. Technical account for non-life and accident insurance business** | | | | |
| 1. Earned premiums, net of reinsurance | | | | |
| a) Gross premiums written | 1,827,265,515 | | | 1,667,452 |
| b) Outward reinsurance premiums | 176,999,484 | | | 141,179 |
| | | 1,650,266,031 | | 1,526,273 |
| c) Change in the gross provision for unearned premiums | – 7,332,353 | | | – 8,032 |
| d) Change in the provision for unearned premiums, reinsurers' share | – 2,746,703 | | | 402 |
| | | – 10,079,056 | | – 7,630 |
| | | | **1,640,186,975** | 1,518,643 |
| 2. Allocated investment return transferred from the non-technical account, net of reinsurance | | | **4,827,177** | 4,679 |
| 3. Other technical income, net of reinsurance | | | **1,963,365** | 1,844 |
| 4. Claims incurred, net of reinsurance | | | | |
| a) Claims paid | | | | |
| aa) Gross amount | 1,174,573,919 | | | 1,093,595 |
| bb) Reinsurers' share | 95,833,593 | | | 80,280 |
| | | 1,078,740,326 | | 1,013,315 |
| b) Change in the provision for claims | | | | |
| aa) Gross amount | 192,016,859 | | | 89,316 |
| bb) Reinsurers' share | – 39,414,642 | | | 7,908 |
| | | 152,602,217 | | 97,224 |
| | | | **1,231,342,543** | 1,110,539 |
| 5. Changes in other technical provisions, net of reinsurance | | | | |
| a) Premium reserve, net of reinsurance | | – 3,945,894 | | – 2,253 |
| b) Other technical provisions, net of reinsurance | | – 1,731,896 | | 1,417 |
| | | | **– 5,677,790** | – 836 |
| 6. Bonuses and rebates, net of reinsurance | | | **1,493,421** | 3,886 |
| 7. Net operating expenses | | | | |
| a) Gross operating expenses | | 414,355,872 | | 374,810 |
| b) of which: Reinsurance commissions and profit participation | | 30,582,591 | | 25,360 |
| | | | **383,773,281** | 349,450 |
| 8. Other technical charges, net of reinsurance | | | **8,752,942** | 32,105 |
| 9. Subtotal | | | **15,937,540** | 28,350 |
| 10. Change in the equalisation provision and similar provisions | | | **– 11,546,835** | – 29,055 |
| 11. Technical result, net of reinsurance Non-life and accident insurance | | | **4,390,705** | – 705 |

| Items | € | € | € | 2012, € 000s |
|---|---|---|---|---|
| **II. Technical account for the life and health insurance business** | | | | |
| 1. Earned premiums, net of reinsurance | | | | |
| a) Gross premiums written | 593,489,930 | | | 522,992 |
| b) Outward reinsurance premiums | 2,002,987 | | | 1,827 |
| | | 591,486,943 | | 521,165 |
| c) Change in the net provision for unearned premiums | | – 6,463,931 | | – 5,142 |
| | | | **585,023,012** | 516,023 |
| 2. Contributions from the gross premium refunds provision | | | **12,799,299** | 5,413 |
| 3. Income from other investments | | | | |
| a) Income from participating interests | | 1,893,235 | | 2,439 |
| b) Income from other investments | | 197,739,422 | | 180,374 |
| c) Income from write-ups | | 5,677,950 | | 11,788 |
| d) Gains on the realisation of investments | | 17,150,479 | | 6,824 |
| | | | **222,461,086** | 201,425 |
| 4. Unrealised gains on investments | | | **4,721,891** | 3,826 |
| 5. Other technical income, net of reinsurance | | | **2,263,778** | 2,484 |
| 6. Claims incurred, net of reinsurance | | | | |
| a) Claims paid | | | | |
| aa) Gross amount | 268,895,411 | | | 233,825 |
| bb) Reinsurers' share | 1,052,331 | | | 431 |
| | | 267,843,080 | | 233,394 |
| b) Change in the provision for claims | | | | |
| aa) Gross amount | 2,270,070 | | | 3,591 |
| bb) Reinsurers' share | 537,160 | | | – 106 |
| | | 2,807,230 | | 3,485 |
| | | | **270,650,310** | 236,879 |
| 7. Changes in other technical provisions, net of reinsurance | | | | |
| a) Premium reserve | | | | |
| aa) Gross amount | – 332,363,136 | | | – 279,191 |
| bb) Reinsurers' share | 364,546 | | | 19 |
| | | – 331,998,590 | | – 279,172 |
| b) Other technical provisions, net of reinsurance | | – 900 | | – 6 |
| | | | **– 331,999,490** | – 279,178 |
| 8. Bonuses and rebates, net of reinsurance | | | **83,911,826** | 96,551 |
| 9. Net operating expenses | | | | |
| a) Acquisition costs | 68,178,328 | | | 68,445 |
| b) Administration costs | 11,774,265 | | | 10,022 |
| c) of which: | | 79,952,593 | | 78,467 |
| Reinsurance commission and profit participation | | 743,918 | | 572 |
| | | | **79,208,675** | 77,895 |
| 10. Investment charges | | | | |
| a) Investment management charges, interest expenses and other charges on capital investments | | 4,447,877 | | 3,573 |
| b) Write-downs on investments | | 13,660,063 | | 16,839 |
| c) Losses on the realisation of investments | | 6,076,280 | | 2,493 |
| | | | **24,184,220** | 22,905 |
| 11. Unrealised gains on investments | | | **551,928** | 1 |
| 12. Other technical charges, net of reinsurance | | | **23,129,247** | 23,358 |
| 13. Technical result, net of reinsurance from life and health insurance | | | **13,633,370** | – 7,596 |

| Items | € | € | 2012, € 000s |
|---|---|---|---|
| **III. Pension fund technical account** | | | |
| 1. Earned premiums | | | |
| – Premiums written | | **71,394,292** | 74,603 |
| 2. Contributions from the gross premium refunds provision | | **1,450,363** | 1,540 |
| 3. Income from other investments | | | |
| a) Income from other investments | | | |
| – Income from other investments | 12,894,423 | | 11,075 |
| b) Gains on the realisation of investments | 266,507 | | 221 |
| | | **13,160,930** | 11,296 |
| 4. Unrealised gains on investments | | **25,782,647** | 17,260 |
| 5. Other technical pension fund income | | **5,824** | 5 |
| 6. Claims expenses | | | |
| a) Claims paid | 4,533,252 | | 3,336 |
| b) Change in the provision for claims | 330,061 | | 76 |
| | | **4,863,313** | 3,412 |
| 7. Changes in other technical pension fund provisions | | | |
| – Premium reserve | | **– 97,837,396** | – 93,420 |
| 8. Bonuses and rebates | | **4,666,278** | 3,509 |
| 9. Pension fund operating expenses | | | |
| a) Acquisition costs | 892,496 | | 689 |
| b) Administration costs | 1,268,611 | | 1,069 |
| | | **2,161,107** | 1,758 |
| 10. Investment charges | | | |
| a) Investment management charges, interest expenses and other charges on capital investments | 954,235 | | 1,039 |
| b) Write-downs on investments | 3,742 | | – |
| c) Losses on the realisation of investments | 29,843 | | 243 |
| | | **987,820** | 1,282 |
| 11. Unrealised gains on investments | | **369,471** | – |
| 12. Other technical pension fund expenses | | **49,976** | 76 |
| 13. Technical pension fund result | | **858,695** | 1,247 |

| Items | € | € | € | 2012, € 000s |
|---|---|---|---|---|
| **IV. Non-technical account** | | | | |
| 1. Underwriting result, insurance and pension fund business net of reinsurance | | | | |
| a) Non-life and accident insurance | | 4,390,705 | | – 705 |
| b) Life and health insurance | | 13,633,370 | | – 7,596 |
| c) Pension fund business | | 858,695 | | 1,247 |
| | | | **18,882,770** | – 7,054 |
| 2. Investment income where not stated under II 3 or III 3. | | | | |
| a) Income from shares in associated companies | 1,239,930 | | | 578 |
| b) Income from participating interests | 16,780,747 | | | 15,308 |
| of which: | | | | |
| from affiliated companies: € 52,000 | | | | 52 |
| c) Income from other investments | 187,714,515 | | | 178,918 |
| of which: | | | | |
| from affiliated companies: € 196 | | | | – |
| d) Income from write-ups | 16,618,950 | | | 24,718 |
| e) Gains on the realisation of investments | 28,748,579 | | | 24,609 |
| | | 251,102,721 | | 244,131 |
| 3. Investment expenses where not stated under II 10 or III 10. | | | | |
| a) Investment management charges, interest expenses and other charges on capital investments | 17,032,179 | | | 11,786 |
| b) Write-downs on investments | 39,104,517 | | | 52,992 |
| c) Losses on the realisation of investments | 12,148,640 | | | 1,806 |
| d) Charges arising from shares in associated companies | – | | | 48 |
| | | 68,285,336 | | 66,632 |
| | | 182,817,385 | | 177,499 |
| 4. Allocated investment return transferred from the non-technical account | | 7,315,462 | | 7,247 |
| | | | **175,501,923** | 170,252 |
| 5. Other income | | 63,681,952 | | 35,665 |
| 6. Other charges | | 117,340,154 | | 77,904 |
| | | | **– 53,658,202** | – 42,239 |
| 7. Profit from ordinary activities | | | **140,726,491** | 120,959 |
| 8. Taxes on income | | 70,808,378 | | 58,700 |
| 9. Other taxes | | 4,574,567 | | 1,814 |
| | | | **75,382,945** | 60,514 |
| 10. Net profit for the year | | | **65,343,546** | 60,445 |
| 11. Allocation to retained earnings | | | | |
| a) to the loss reserve pursuant to section 37 of the Insurance Supervision Act (VAG) | | 4,900,000 | | 4,500 |
| b) to other retained earnings | | 19,776,029 | | 18,183 |
| | | | **24,676,029** | 22,683 |
| 12. Portion of result due to other shareholders | | | **10,384,668** | 8,147 |
| **13. Net retained profit** | | | **30,282,849** | 29,615 |

## Cash flow statement

### Cash flow statement to 31 December 2013

| Items | 2013<br>€ 000s | 2012<br>€ 000s |
|---|---|---|
| Result for year before extraordinary items | 65,344 | 60,445 |
| Changes in technical provisions, net of reinsurance | 623,647 | 601,889 |
| Changes in deposits with ceding companies and deposits taken from retrocessionaires | – 16,852 | – 67,434 |
| as well as in receivables and liabilities | 3,608 | 13,365 |
| Changes in other receivables and liabilities | 100,374 | – 45,328 |
| Gains/losses on the realisation of investments | – 27,911 | – 27,112 |
| Changes in other balance sheet items | – 31,585 | 114,064 |
| Other off-balance-sheet expenses and income and adjustments of the result for the year | 15,887 | 26,743 |
| Payments to and proceeds from extraordinary items | – | – |
| **Cash flow from ongoing operations** | **732,512** | **676,632** |
| Proceeds from the sale of consolidated companies and other business units | 62,812 | 16,327 |
| Payments for the acquisition of consolidated companies and other business units | – 20,722 | – 52,173 |
| Proceeds from the sale and maturity of other investments | 1,236,454 | 973,526 |
| Payments for the acquisition of other investments | – 2,087,048 | – 1,469,685 |
| Proceeds from the sale of unit-linked life assurance investments | 3,602 | 64,767 |
| Payments for the purchase of unit-linked life assurance investments | – 28,120 | – 89,408 |
| Other proceeds | 202 | 159 |
| Other payments | – 25,010 | – 20,189 |
| **Cash flow from investment activities** | **– 857,830** | **– 576,676** |
| Proceeds from additions to equity | 62,653 | 7,550 |
| Payments to company owners and minority shareholders | – 10,061 | – 2,235 |
| Dividend payments | – 4,482 | – 4,482 |
| Proceeds and payments from other financing activities | 136,688 | – 90,207 |
| **Cash flow from financing activities** | **184,798** | **– 89,374** |
| On-balance-sheet changes to cash and cash equivalents | 59,480 | 10,582 |
| Changes in cash and cash equivalents relating to exchange rates, the group of consolidated companies and valuations | – 4,880 | – |
| Cash and cash equivalents at the start of the year * | 45,494 | 34,912 |
| **Cash and cash equivalents at the end of the year *** | **100,094** | **45,494** |

* Cash and cash equivalents includes the funds recorded in the balance sheet item “Cash at banks, cheques and cash in hand”.

The cash flow statement has been drawn up in accordance with the provisions of DRS 2 and 2-20, “Cash Flow Statements of Insurance Enterprises” (Kapitalflussrechnung von Versicherungsunternehmen). In accordance with the DRS recommendation for insurance undertakings, the indirect method of presentation was chosen. The total interest paid during the period under review was € 422,655.

## Statement of shareholders' equity

### Shareholders' equity movements

**Statement of shareholders' equity**

| | Parent company | | | | Minority shareholders | | | | Share-holders' equity |
|---|---|---|---|---|---|---|---|---|---|
| | Generated share-holders' equity capital | Cumulative other consolidated result | | Equity | Minority capital | Cumulative other consolidated result | | Equity | |
| | | Equity difference due to currency conversion | Other neutral trans-actions | | | Equity difference due to currency conversion | Other neutral trans-actions | | |
| | € 000s | € 000s | € 000s | € 000s | € 000s | € 000s | € 000s | € 000s | € 000s |
| **31.12.2011** | **1,387,340** | **8,348** | **– 136,335** | **1,259,353** | **120,262** | **–** | **– 3,656** | **116,606** | **1,375,959** |
| Issuing of shares | – | – | – | – | 7,550 | – | – | 7,550 | 7,550 |
| Dividends paid out | – | – | – | – | – 6,717 | – | – | – 6,717 | – 6,717 |
| Changes to the group of consolidated companies | – | – | – | – | – | – | – | – | – |
| Other changes | – | 383 | 255 | 638 | – | – | – 537 | – 537 | 101 |
| Consolidated net profit for the year | 52,298 | – | – | 52,298 | 8,147 | – | – | 8,147 | 60,445 |
| **31.12.2012** | **1,439,638** | **8,731** | **– 136,080** | **1,312,289** | **129,242** | **–** | **– 4,193** | **125,049** | **1,437,338** |
| Issuing of shares | – | – | – | – | 59,152 | – | – | 59,152 | 59,152 |
| Dividends paid out | – | – | – | – | – 6,722 | – | – | – 6,722 | – 6,722 |
| Changes to the group of consolidated companies | – | – | – 371 | – 371 | – 4,001 | – | – 4,448 | – 8,449 | – 8,820 |
| Other changes | – | – 600 | 516 | – 84 | – | – | – 855 | – 855 | – 939 |
| Consolidated net profit for the year | 54,959 | – | – | 54,959 | 10,385 | – | – | 10,385 | 65,344 |
| **31.12.2013** | **1,494,597** | **8,131** | **– 135,935** | **1,366,793** | **188,056** | **–** | **– 9,496** | **178,560** | **1,545,353** |

## Notes to the consolidated financial statements

### Group companies

The following subsidiary companies were included in the consolidated financial statements of DEVK Sach- und HUK-Versicherungsvereins a.G., Cologne, thus being exempted from the requirement to produce annual financial statements themselves:
– DEVK Rückversicherungs- und Beteiligungs-AG, Cologne, 100 %
– DEVK Allgemeine Versicherungs-AG, Cologne, 100 %
– DEVK Rechtsschutz-Versicherungs-AG, Cologne, 100 %
– DEVK Krankenversicherungs-AG, Cologne, 100 %
– DEVK Allgemeine Lebensversicherungs-AG, Cologne, 100 %
– DEVK Pensionsfonds-AG, Cologne, 100 %
– DEVK Vermögensvorsorge- und Beteiligungs-AG, Cologne, 51 %
– DEVK Alpha GmbH, Cologne, 100 %
– DEVK Asset Management Gesellschaft mbH, Cologne, 100 %
– DEVK Beta GmbH, Cologne, 100 %
– DEVK Omega GmbH, Cologne, 100 %
– DEVK Private Equity GmbH, Cologne, 65 %
– DEVK Saturn GmbH, Cologne, 100 %
– DEVK Service GmbH, Cologne, 74 %
– DEVK Unterstützungskasse GmbH, Cologne, 100 %
– DEVK Web-GmbH, Cologne, 100 %
–DEVK Zeta GmbH, Cologne, 100 %
– DEVK Zeus Vermögensverwaltungs-AG, Cologne, 100 %
– DEVK Europa Real Estate Investment Fonds SICAV-FIS, Luxembourg (L), 68 %
– DEREIF Immobilien 1 S.a.r.l., Luxembourg (L), 100 %
– DEREIF London Eastcheap Court S.a.r.l., Luxemburg (L), 100 %
– DEREIF London 10, St. Bride Street S.a.r.l., Luxemburg (L), 100 %
– DEREIF Malmö, Kronan 10 & 11 AB, Malmö (S),100 %
– DEREIF Paris 37–39, rue d'Anjou, Yutz (F), 100 %
– DEREIF Paris 9, chemin du Cornillon Saint-Denis S.C.I., Yutz (F), 100 %
– DEREIF Paris 8, rue Lamennais, S.C.I., Yutz (F), 100 %
– Assistance Services GmbH, Coesfeld, 100 %
– ECHO Rückversicherungs-AG, Zurich (CH), 100 %
– German Assistance Versicherung AG, Coesfeld, 100 %
– Hotelbetriebsgesellschaft SONNENHOF mbH, Bad Wörishofen, 100 %
– HYBIL B.V., Venlo (NL), 100 %
– Ictus GmbH, Cologne, 75 %
– JUPITER VIER GmbH, Cologne, 100 %
– OUTCOME Unternehmensberatung GmbH, Cologne, 100 %
– SADA Assurances S.A., Nîmes (F), 100 %.

Die In accordance with section 296, paragraph 2, sentence 1 of the German Commercial Code (HGB), the subsidiaries
– DEVK Gamma GmbH, Cologne, 100 %
– DEVK Versorgungskasse GmbH, Cologne, 100 %
– KASSOS Beteiligungs- und Verwaltungs-GmbH, Cologne, 100 %
– Lieb' Assur S.A.R.L., Nîmes (F), 100 %
– Reisebüro Frenzen GmbH, Cologne, 52 %
were not included in the consolidated financial statements due to their minor importance for the Group's net assets, financial position and results of operations. Even taken as a

whole, they remain of minor importance **as defined in section 296 paragraph 2 sentence 2 HGB.**

The following companies were included in the consolidated financial statements at equity as associated companies or joint ventures:
– Monega Kapitalanlagegesellschaft mbH, Cologne, 45 %
– Terra Estate GmbH & Co. KG, Landolfshausen, 48.75 %.

Pursuant to section 311 paragraph 2 HGB, Terra Management GmbH, Landolfshausen, an associated company in which the Group has a total holding of 50 %, was not included in the consolidation due to its minor importance for the Group's net assets, financial position and results of operations..

### Changes to the group of consolidated companies

In 2013, four Group companies held participating interests in DEVK Europa Real Estate Investment Fonds SICAV-FIS (DEREIF SICAV-FIS), which has its headquarters in Luxembourg. In 2013, the Group had a 68 % holding in the subsidiary.
In 2013, DEREIF SICAV-FIS founded the subsidiary DEREIF Immobilien 1 S.a.r.l., which also has its headquarters in Luxembourg. DEREIF SICAV-FIS has a 100 % holding in this company. DEREIF Immobilien 1, which also functions as the holding company, founded five further property companies – two in Luxembourg (for real estate in London) and three in France (for real estate in Paris). Together with DEREIF SICAV-FIS, DEREIF Immobilien 1 holds 100 % of the shares in these companies. In 2013, DEREIF Immobilien 1 acquired 100 % of the shares in the Swedish company DEREIF Kronan.
The initial consolidation of all these subsidiaries took place in 2013 applying the revaluation method.
Pursuant to section 301 paragraph 2 HGB, the capital consolidation was carried out on the basis of the valuations on the date on which the companies became subsidiaries.
The equity capital of all seven newly founded subsidiaries at the time of their founding was equal to the cost of acquisition of the shares held by the participating companies.
The capital consolidation for the Swedish company acquired during the financial year was done on the basis of a revaluation on the date of acquisition. The resultant goodwill will be amortised in line with its useful life in equal instalments over a 15-year period.
The hidden reserves of this company as revealed during the initial consolidation, and the associated differences between the company's revaluation balance sheet and the tax balance sheet, led to the recognition of a deferred tax liability of € 8,609,613.
All the subsidiaries prepare their national annual financial statements in their respective national currencies by 31 August.
Before their incorporation into the consolidated financial statements, the annual financial statements of these subsidiaries, duly prepared and audited in accordance with national accounting provisions, are adjusted in line with the unified recognition and measurement principles laid down by the parent company for use in the consolidated financial statements by 30 November. Any significant occurrences taking place between then and the consolidated financial statements accounting date, to wit 31 December 2013, are recognised and recorded in these subsidiaries' interim financial statements.

The initial consolidation of DEVK Saturn GmbH and DEVK Omega GmbH (holdings of 100 % and 75 % respectively) took place in 2013. Due to their minor importance these subsidiaries have not thus far been included in the consolidated financial statements.

After intra-Group share sales during 2013, these companies function as intermediary holding companies for the subsidiaries included in the consolidated financial statements. The capital consolidation of both companies was carried out pursuant to section 301 paragraph 2 HGB on the basis of the valuation made on the date on which they became subsidiaries. The equity capital of these companies on the date of their foundation was equal to the cost of acquisition of the shares in the subsidiaries.
The intra-Group profits from the various Group-internal sales of shares were eliminated in the consolidated financial statements.

## Consolidation principles

The consolidated financial statements were drawn up in accordance with the provisions of section 341i and 341j HGB in conjunction with section 290ff HGB and section 58ff RechVersV.

Pursuant to article 66 paragraph 3 sentence 4 of the EGHGB in conjunction with section 301 paragraph 1 sentence 1 HGB, old version, the capital consolidation was done applying the book value method of section 301 paragraph 1 sentence 1 HGB.
The initial consolidation was undertaken either at the time of acquisition or on initial inclusion in the annual report. Pursuant to section 309 paragraph 1 sentence 3 HGB, old version, any resultant positive differences were openly offset on the assets side against the other retained earnings.
After the introduction of the German Act on Modernisation of Accounting Regulations (BilMoG), any positive differences from the initial consolidation were recognised in the consolidated balance sheet under goodwill. With one exception, the goodwill is subjected to scheduled depreciation over a five-year period. For one company, the goodwill is being written off over a 15-year period in line with its expected useful life. The longer useful life derives from the company’s purpose, to wit real estate investment.
Negative differences were recorded correspondingly as liabilities in the consolidated balance sheet.

Prior to the introduction of BilMog, the valuation of the associated company Monega was determined at the time of its acquisition pursuant to article 66 paragraph 3 sentence 4 EGHGB in conjunction with section 312 paragraph 1 No. 1 HGB, old version.
The valuation of Terra Estate GmbH & Co. KG took place on the date on which it became a joint venture.

The receivables and liabilities of companies included in the consolidated financial statements were consolidated, while income and expenses from the offsetting of costs and Group-internal reinsurance arrangements were netted out. Inter-company profits were eliminated.

## Foreign currency conversion

The conversion of the asset and liability items in the balance sheet of some consolidated subsidiaries which draw up their annual financial statements in a foreign currency are done at the median foreign currency exchange rate on the closing date, with the exception of the equity capital, which was valued at the historic price. The profit and loss account items were converted at the mean exchange rate.

Foreign currency items in the annual financial statements of consolidated subsidiaries are converted into euros on the balance sheet date at the median foreign currency exchange rate.

## Accounting and valuation methods

The consolidated financial statements were based on the audited and unaudited individual financial statements and single-entity financial statements that, with two exceptions, were drawn up in accordance with uniform accounting and valuation regulations.
Where the consolidated valuation methods were the same as those applied by the Group parent company, we refer the reader to the details given in the parent's individual financial statements.
The annual financial statements of foreign subsidiaries prepared in compliance with domestic accounting regulations were adjusted to comply with German accounting regulations prior to integration into the consolidated financial statements. Valuations based on regulations applying specifically to insurance companies remained unaltered.
The layouts of the consolidated balance sheet and the consolidated profit and loss account comply with financial statement forms 1 and 4 of RechVersV, plus certain Group-specific items.

The **loans and advance payments on insurance certificates** are recognised at their original nominal values less repayments made to date.

**Deposits with banks are recorded** at their nominal values.

**Other investments** also include credit default swaps, which have been valued at their costs of acquisition.

**Investments for the benefit and at the risk of life assurance policyholders**, for whose policies an investment fund is to be established pursuant to section 54b VAG, are recorded at their current value.

Pursuant to section 341 paragraph 4 sentence 2 and 341d HGB, **assets for the benefit of employees and employers who bear the investment risk** were valued at their current values and shown in a separate item. Due to provisions included in the pension plans, the value was reported on the basis of the pension fund payment obligation in the event of a pension claim.

**Receivables from pension fund business** are recognised at their nominal values.

**Technical provisions** are calculated by application of the following principles:
The **provisions for unearned premiums** for direct insurance operations are calculated separately for each policy, taking into account the individual technical policy start, with due regard to the tax regulations laid down by the Finance Minister of North Rhine-Westphalia on 30 April 1974.
For new policies taken out since 1 January 2012, an insurance period of one month generally applies. For these policies, payments on account made where a monthly payment does not apply are also included under the provision for unearned premiums..

The **premium reserve** in the life assurance business is calculated separately for each policy, taking into account the individual technical policy start and applying actuarial principles according to the prospective method. For the portfolio of existing policies within the meaning of section 11c VAG and article 16 section 2 of the Third Implementation Act/EEC to the VAG, the precepts and accounting principles underlying the calculation were in line with the approved business plans. The portfolio of new policies is in line with section 341f HGB and section 65 VAG, as well as the associated Premium Reserve Regulation (Deckungsrückstellungsverordnung). The premium reserve for reinsured insurance business is also calculated separately in accordance with the provisions of the reinsurance contracts and taking the individual technical policy start into account. The premium reserve for coinsurance policies has been taken over by the lead company.
The premium reserve took special account of the future costs in relation to single-premium policies, premium-exempted contracts and policies with plan-related premium exemptions. The resulting administration expenses provision was allocated to the premium reserve. The premium reserve was calculated taking into account the implicit recognised costs.
The premium reserve for the bonus pensions was calculated according to the same principles, except applying the accounting precepts regarding rate of return and mortality applied at the start of the pensions. The premium reserve for the bonus pensions currently at the future entitlement stage was calculated in each case according to the accounting precepts applying at the time.

All pension insurance plans based on a Table 1987 R or older have in the past been switched to DAV 1994 R, 4.0 %.
For all pension insurance plans not based on the mortality table DAV 2004 R, the premium reserve has been adjusted to bring it into line with table DAV 2004 R – B 20.

Depending on the policy generation, the following mortality tables were applied for insurance policies with an assurance character: DAV 2008 T, DAV 1994 T, mortality table 1986 and mortality table 1960/62. Insurance policies with a survival character are based on the mortality tables DAV 1994 R, 80 %, DAV 1994 R and DAV 2004 R.

Depending on the policy generation, calculation of the occupational disability risk was based on the tables DAV 1997 I, DAV 1997 TI and DAV 1997 RI, the 1990 association tables (including reactivation probabilities and morbidity/mortality rates) or the tables derived from research by eleven American companies during the period from 1935–1939. For the 2003 policy generation, the company-specific table DAV 1997 I was devised, which addresses or differentiates between three different professional groups.
For the supplementary occupational disability insurance, the premium reserve was adjusted to the tables DAV 1997 I, DAV 1997 TI and DAV 1997 RI; while the company-specific table DAV 1997 I here addresses or differentiates between three different professional groups.

Depending on the policy generation, the occupational incapacity risk was calculated from accounting principles based on the tables DAV 1997 I, DAV 1997 TI and DAV 1997 RI or on the tables DAV 1998 E, DAV 1998 TE or DAV 1998 RE. For the supplementary occupational disability insurance based on a technical interest rate of 4.0 %, the premium reserve was likewise adjusted to the tables DAV 1998 E, DAV 1998 TE and DAV 1998 RE.

For all (supplementary) occupational disability and incapacity insurance, the premium reserve was also adjusted to table DAV 2008 T.
Depending on the policy generation, accounting principles derived from Professor Klaus Heubeck's 1983 and 1998 actuarial tables or modified accounting principles based on DAV 1997 I were applied to determine the occupational invalidity risk.

Depending on the policy generation, the technical interest rate applied was either 4.0 %, 3.5 %, 3.25 %, 3.0 %, 2.75 %, 2.25 % or 1.75 %. Pursuant to section 5 paragraph 4 DeckRV, a supplementary interest reserve with a reference rate of 3.41 % was formed for policies with a technical interest rate of 4.0 % and 3.5 %. In the case of pension insurance plans, this was calculated on the basis of estimated probabilities of cancellation or choosing the lump-sum option.
For insurance policies with regular premium payments, one-off acquisition costs were taken into account in line with the Zillmerisation method. For the portfolio of existing policies, the respective Zillmerisation rates have been set in line with the business plan. For the portfolio of new policies, the Zillmerisation rates were a maximum of 3.5 % of the sum insured or 4.0 % of the total premiums

.

In the case of insurance policies starting in 2008 or after, the redemption value was calculated on the basis of acquisition costs distributed over five years. In the case of special insurance plans beginning between 2008 and 2012, the acquisition costs were distributed over the entire premium payment period. Pursuant to the German Insurance Contracts Act (VVG), only in the case of a few special tariffs will the above-mentioned five-year distribution apply.
Depending on the policy generation, in the case of capitalisations with regular premium payments within the meaning of the Pension Contracts Certification Act (AltZertG), the acquisition costs were distributed over either five years, ten years or the entire accumulation period.

The premium reserve for insurance policies where the investment risk is borne by the policyholders is calculated individually for each policy according to the retrospective method. The calculation was done in compliance with section 341f HGB as well as section 65 VAG and the associated Premium Reserve Regulation. The premium reserve was calculated taking into account the implicit recognised costs. The acquisition costs are distributed over three years, rising to five years from 2008 onwards, and in some cases over the entire premium payment period.

For policies with zillmerisation which are subject to the Federal Court of Justice rulings of 12 October 2005, 25 July 2012 or 26 June 2013, additional funds were allocated to the premium reserve.
The terminal bonus funds were calculated separately for each policy, taking their individual technical start into account.
For the portfolio of existing policies, the terminal bonus fund was calculated according to principles set out in the business plan,
whereas for new policies it was calculated according to section 28 paragraph 7a to 7d RechVersV, with a discount rate of 3.1 % p.a.

For insurance with a savings component, a minimum participation in revaluation reserves was introduced on 1 January 2008. This will be financed via a fund in the provision for returns of premiums which will be structured in line with the terminal bonus fund and also with a discount rate of 3.1 % p.a.

The gross amounts for the provision for **unadjusted insurance claims** were calculated separately for insurance claims arising by the balance sheet date and ones known about by the portfolio determination date.
Insurance claims arising by the balance sheet date but not known about until after the determination of the portfolio were assessed over the past three years and their mean value was set aside. Outstanding policy surrender, return and withdrawal payments include the repayments specified in the business plan for the year under review and known to have become due by the portfolio determination date, but which have not been paid out by the balance sheet date. The provision includes amounts designated for claims settlement. The proportion of the insurance business ceded to reinsurance was assessed in line with the contractual terms.

The **provision for bonuses and rebates** on life assurance was formed in compliance with the Articles of Association, as well as the provisions laid down in the business plan and by law.

The **premium reserve** in the pension fund business is calculated separately for each policy, taking into account the individual technical policy start and applying actuarial principles. The calculation was done in compliance with section 341f HGB as well as section 116 VAG and the associated Premium Reserve Regulation. The premium reserve was calculated taking into account the implicit recognised costs. However, in the case of policies where the pension is already being drawn, additional allocations are made to reserves to cater for future administration costs. The premium reserve for the benefit and at the risk of employees and employers was calculated according to the retrospective method, and other premium reserves according to the prospective method. The minimum premium reserve (to cover pension fund guarantees) for beneficiaries was calculated prospectively on the basis of a technical interest rate of 1.75 %. Depending on the pension start date, the minimum premium reserve for ongoing pensions was calculated on the basis of technical interest rates of either 2.25 % or 1.75 %. Professor Klaus Heubeck's modified generation actuarial tables (2005G) were used. The formation of a supplementary interest reserve pursuant to section 2 of the Pension Fund Premium Reserve Regulation (PFDeckRV) was not necessary.

The amounts for the **provision for unadjusted insurance claims** were calculated separately for insurance claims arising by the balance sheet date and ones known about by the portfolio determination date. Insurance claims arising by the balance sheet date but not known about until after the determination of the portfolio were accounted for via a surcharge specified in the business plan on the basis of past experience. Terminated but as yet unsettled pension fund contracts and pension relationships were also taken into account.
The provision also includes amounts to cover claim settlement expenses.

The **premium refunds provision** was formed in compliance with the Articles of Association, prevailing statutory provisions and the bonus participation provisions laid down in the pension plans.
The **pension provision** was calculated according to the projected unit credit method, on the basis of Professor Klaus Heubeck's 2005G actuarial tables. Discounting was done at the average market interest rate published by Deutsche Bundesbank, to wit 4.89 % (2012: 5.05 %), as arrived at assuming a residual term of 15 years (cf. section 253 paragraph 2 sentence 2 HGB).
The financing age on expiry is 62.
The assumed rate of pay increase was set at 1.95 % p.a., and the rate of pension increase at 1.7 % or 1.95 % p.a.

The **liabilities arising out of pension fund operations** were valued at their compliance amounts.

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.

Pursuant to section 306 HGB, **deferred tax liabilities** arising from consolidation activities (revaluation on initial consolidation) are recognised in the consolidated financial statements. The calculation was based on the country-specific income tax rate of 22 % to which the company concerned was subject.

## Changes to Asset Items A., B.I. to II. during the 2013 financial year

| Assets | Balance sheet value 2012 € 000s | Additions € 000s | Transfers € 000s | Disposals € 000s | Write-ups € 000s | Write-downs € 000s | Balance sheet value 2013 € 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 | 34,993 | 9,891 | 14,516 | – | – | 8,927 | 50,473 |
| 2. Goodwill | 459 | 4,881 | – | – | – | 230 | 5,110 |
| 3. Payments on account | 14,638 | 5,049 | – 14,516 | – | – | – | 5,171 |
| 4. Total A. | 50,090 | 19,821 | – | – | – | 9,157 | 60,754 |
| **B.I. Real estate and similar land rights, including buildings on third-party land** | | | | | | | |
| | 109,180 | 299,007 | – | 1,185 | – | 5,310 | 401,692 |
| **B.II. Investments in affiliated companies and participating interests** | | | | | | | |
| 1. Shares in affiliated companies | 507 | – | – | 50 | – | – | 457 |
| 2. Loans to affiliated companies | – | 100 | – | 100 | – | – | – |
| 3. Shares in associated companies | 12,959 | 4,810 | – | – | – | – | 17,769 |
| 4. Participating interests | 310,739 | 15,912 | – | 62,762 | 1,887 | 12,341 | 253,435 |
| 5. Loans to companies in which a participating interest is held | 8,624 | 200 | – | 1,825 | 803 | – | 7,802 |
| 6. Total B.II. | 332,829 | 21,022 | – | 64,737 | 2,690 | 12,341 | 279,463 |
| **Total** | **492,099** | **339,850** | **–** | **65,922** | **2,690** | **26,808** | **741,909** |

## Notes to the consolidated balance sheet

### Re Assets B.

**Investments**

The revaluation reserves include hidden liabilities totalling € 88.2 million. These relate to real estate, participating interests, fund units, bearer bonds, mortgage loans, notes payable, zero bonds and securities capitalised at their nominal values pursuant to section 341c HGB.

**Details of financial instruments within the meaning of section 314 paragraph 1 No. 10 HGB that are capitalised at their fair value**

| | Book value € 000s | Fair value € 000s |
|---|---|---|
| Participating interests | 22,305 | 21,877 |
| Fixed-asset securities | 534,012 | 512,028 |
| Mortgage loans | 66,526 | 64,513 |
| Other loans | 321,525 | 277,477 |
| Silent participating interests | 10,000 | 9,249 |

We have refrained from making any write-downs in accordance with section 253 paragraph 3 sentences 3 and 4 HGB, as we either intend to hold various securities until maturity or we are assuming that any fall in value is only temporary.

**Details of derivative financial instruments and forward purchases in accordance with section 314 paragraph 1 No. 11 HGB**

| | Type | Nominal volume € 000s | Book value premium € 000s | Fair value of premium € 000s |
|---|---|---|---|---|
| Other liabilities | Short put options | 25,970 | 1,373 | 669 |
| | Short call options | 2,100 | 70 | 92 |
| Bearer bonds | Forward purchases | 180,900 | – | 1,867 |
| Registered bonds and notes receivable | Forward purchases | 135,000 | – | 55 |
| Other investments | Credit default swaps | 42,000 | 1,376 | 234 |
| Other prepayments and accrued income | Swaps | 100,000 | 1,704 | 20,454 |

Valuation methods

| | | |
|---|---|---|
| Short options: | European options | Black-Scholes |
| | American options | Barone-Adesi |
| Forward purchases: | Bloomberg or our own calculations based on market data | |
| Credit default swaps: | J.P. Morgan | |
| Swaps: | Present value method | |

**Details of units or shareholdings in domestic investment funds in accordance with section 314 paragraph 1 No. 18 HGB**

| Investment goal | Dividends € 000s | Current value € 000s | Hidden reserves/ hidden charges € 000s | Limitation on daily redemption |
|---|---|---|---|---|
| Equity funds | 16,384 | 758,983 | 47,706 | |
| Bond funds | 1,290 | 49,274 | – | |
| Mixed funds | 10,955 | 203,693 | 1,530 | |
| Real-estate funds | 4,471 | 122,964 | 9,563 | once a month up to € 50,000 or between six months and quarterly |

## Re Assets B.I.

**Real estate and similar land rights, including buildings on third-party land**
The balance sheet value of own land and buildings used for DEVK Group operations is € 10,804,713.

The consolidation of DEREIF SICAV-FIS and its subsidiaries has led to an increase in holdings of real estate and buildings of € 259,793,751. Without this addition, after disposals and scheduled depreciation and amortisation by the existing Group companies, this balance sheet item would amount to € 141,897,922.
As a result, 2013 income from real estate increased by € 11,464,798, investment administration expenses by € 4,963,386 and depreciation of real estate and buildings by € 2,424,370.

## Re Assets B.III.

**Other investments**

| Other loans | 2013<br>€ 000s | 2012<br>€ 000s |
|---|---|---|
| a) Registered bonds | 1,515,226 | 1,455,386 |
| b) Notes receivable and loans | 1,734,076 | 1,893,721 |
| c) Loans and advance payments on insurance certificates | 17,246 | 18,420 |
| d) Other loans | 201,454 | 221,480 |
| **Total** | **3,468,002** | 3,589,007 |

**Other loans** chiefly comprise registered participation certificates.
**Other investments** comprise fund units, silent partnerships within the meaning of KWG and cooperative shares.

## Re Assets C.

| Investments for the benefit of life assurance policyholders who bear the investment risk | Share units number | Balance sheet value € |
|---|---|---|
| DEVK Vermögensverwaltung Classic | 2,480.89 | 117,470 |
| Monega BestInvest Europa | 24,252.31 | 1,391,840 |
| Monega Chance | 122,917.64 | 3,602,716 |
| Monega Ertrag | 173,543.05 | 9,933,604 |
| Monega Euro-Bond | 186,643,67 | 9,559,889 |
| Monega Euro-Land | 138,553.37 | 5,226,233 |
| Monega Fair Invest | 112,693.20 | 5,154,587 |
| Monega Germany | 69,076.38 | 4,603,250 |
| Monega Innovation | 3,716.12 | 168,898 |
| Monega Short Track | 973.86 | 48,079 |
| Monega Zins ProAktiv | 108,742.40 | 4,194,194 |
| SpardaRentenPlus | 99.94 | 10,199 |
| UniCommodities | 253.21 | 14,643 |
| UniDividendenASS A | 501.95 | 26,899 |
| UniEM Global | 5,161.71 | 359,978 |
| UniEuroKapital | 284.77 | 19,219 |
| UniEuroRenta | 408.55 | 26,584 |
| UniFavorit Aktien | 77.67 | 6,625 |
| UniGlobal | 30,086.55 | 4,337,878 |
| UniRak | 114,729.76 | 11,335,300 |
| UniWirtschaftsaspirant | 110.21 | 4,338 |
| **Total** | | **60,142,423** |

## Re Assets D.

| Investments for the benefit of employees and employers | Share units number | Balance sheet value € |
|---|---|---|
| Monega Rentenfonds (bond fund) | 85,170 | 4,362,427 |
| Monega Aktienfonds (equities fund) | 3,680,267 | 169,266,989 |
| **Total** | | **173,629,416** |

## Re Assets E.I.

**Receivables arising out of direct insurance operations**

The amounts owed by policyholders comprise:

| | |
|---|---|
| a) Due claims | € 9,982,462 |
| b) Claims not yet due | € 39,684,882 |
| | **€ 49,667,344** |

## Re Assets G.II.

**Other prepayments and accrued income**

| | |
|---|---|
| Premium on registered bonds | € 901,337 |
| Advance payments for future services | € 7,364,259 |
| | **€ 8,265,596** |

## Re Liabilities B.III.

**Provision for claims outstanding**

In keeping with the principle of prudent valuation, a gain arose from the settlement of the provision for claims outstanding carried forward from the previous year.

## Re Liabilities B.IV.

**Provision for bonuses and rebates**

| | |
|---|---|
| from life insurance operations | |
| 31.12.2012 | € 255,305,394 |
| Withdrawal in 2013 for: | |
| Interest-bearing accumulation | € 27,927,18 |
| Increase in amount | € 3,337,644 |
| Bonus shares paid out | € 37,015,531 |
| Allocation from the 2013 net profit | € 75,435,452 |
| 31.12.2013 | **€ 262,460,482** |

| | |
|---|---|
| Breakdown of | € millions |
| already determined but not yet allocated | |
| regular bonus shares | 46.42 |
| Final bonus shares | 1.82 |
| Amounts for the minimum participation in the revaluation reserves | 3.21 |
| Final bonus fund for financing: | |
| Of bonus pensions | – |
| Of final bonus shares | 35.53 |
| The minimum participation in the revaluation reserve | 36.53 |
| Non-index-linked part | 138.95 |

After consolidation the provision for bonuses and rebates stood at € 265,643,817.

## Re Liabilities H.I.

**Liabilities arising out of direct insurance operations**

| | |
|---|---|
| Liabilities towards policyholders arising out of direct life insurance operations for bonus shares credited amount to | **€ 519,786,546** |

## Re Liabilities I.

**Accruals and deferred income**

| | |
|---|---|
| Discount points on registered bonds | € 6,893,799 |
| Advance rental receipts | € 3,253,025 |
| Other accruals and deferred income | € 22,037 |
| | **€ 10,168,861** |

## Notes to the profit and loss account

| Booked gross premiums in € 000s | 2013 | | | | | 2012 |
|---|---|---|---|---|---|---|
| | Non-life/ accident | Life | Health | Pension fund | Total | Total |
| **1. Direct insurance operations** | | | | | | |
| Domestic | 1,524,759 | 530,012 | 63,478 | 71,394 | 2,189,643 | 2,055,252 |
| Other EEC countries | 111,362 | – | – | – | 111,362 | 77,374 |
| Total 1. | 1,636,121 | 530,012 | 63,478 | 71,394 | 2,301,005 | 2,132,626 |
| **2. Reinsurance cover provided** | | | | | | |
| | 191,144 | – | – | – | 191,144 | 132,419 |
| **Total** | **1,827,265** | **530,012** | **63,478** | **71,394** | **2,492,149** | 2,265,045 |

The gross overall expenses on all insurance operations were as follows:

| | |
|---|---|
| Acquisition expenses | € 339,331,992 |
| Administration costs | € 157,137,579 |

### Re Item II.3.b)

**Income from other investments**

| | |
|---|---|
| aa) Income from real estate, similar land rights and buildings including buildings on third-party land | € 3,999,133 |
| bb) Income from other investments | € 193,740,289 |
| | **€ 197,739,422** |

### Re Item IV.2.c)

**Income from other investments**

| | |
|---|---|
| aa) Income from real estate, similar land rights and buildings including buildings on third-party land | € 14.575.113 |
| bb) Income from other investments | € 173.139.402 |
| | **€ 187.714.515** |

**Personnel expenses**
Personnel expenses totalled € 260,375,449 (2012: € 249,530,239). These include expenses for the risk portion of the allocation to the pension provision.

During the year under review, Management Board remuneration totalled € 2,012,074 (2012: € 1,944,290). The retirement pensions of former Management Board members and their surviving dependants totalled € 1,642,720) (2012: € 1,622,855). On 31 December 2013, a pension provision totalling € 20,115,751 (2012: € 20,176,384) was recognised for this group of persons. The Supervisory Board remuneration totalled € 632,051 (2012: € 666,957) and Advisory Board remuneration came to € 91,315 (2012: € 75,373).

**Auditors' fees**
For services rendered by the Group's auditors (KPMG AG Wirtschaftsprüfungsgesellschaft and its affiliated companies) for the parent company and its subsidiaries in 2013, a fee of € 1,528,946 was paid (including € 15,785 in additional expenditure for 2012).
This broke down into € 859,864 for audit services, € 12,285 for other certification services, € 5,267 for tax advisory services and € 651,530 for other services.

## Other information

### Contingencies and other financial obligations
At the end of the year, other financial obligations arising from real-estate holdings, fund units and participating interests totalled € 189.0 million.

On the balance sheet date, we had outstanding financial obligations totalling € 26.5 million from open short put options, € 110.0 million in multi-tranche notes payable and € 315.9 million from open forward purchases. The payment obligations in relation to approved mortgage loans not yet paid out totalled € 76.1 million.

In compliance with the statutory provisions of sections 124ff VAG, life assurance companies are required to be members of an insurance guarantee scheme. Pursuant to the Insurance Guarantee Scheme Financing Regulation (Sicherungsfonds-Finanzierungs-Verordnung), the guarantee scheme levies annual contributions amounting to a maximum of 0.2 ‰ of the total technical provisions net of reinsurance until a security fund amounting to 1 ‰ of the total technical provisions net of reinsurance has been built up. The accumulation stage of this process is now complete, in view of which the company has no future liabilities in this respect.
The insurance guarantee scheme can also levy special contributions totalling a further 1 ‰ of the technical provisions net of reinsurance. This constitutes a maximum commitment of € 3,508,758.

In compliance with the statutory provisions of sections 124ff VAG, health insurance companies are required to be members of a an insurance guarantee scheme. After taking over insurance contracts in fulfilment of its remit, the guarantee scheme levies special contributions totalling a maximum of 2 ‰ of the technical provisions net of reinsurance. Our 2014 payment commitment in this connection is € 299,861.

Under an assumption of debt agreement, the pension provisions for all employees in the DEVK Group have been assigned to DEVK Rückversicherungs- und Beteiligungs-AG in return for the transfer of corresponding investments, thereby bundling all of the DEVK Group's pension commitments with a single risk bearer and improving the protection in place for employees' pension rights.
The joint and several liability for the pension commitments capitalised on the DEVK Rückversicherungs- und Beteiligungs-AG balance sheet has given rise to benefit obligations totalling € 366.4 million.

### General information

During the year under review, the average number of employees, disregarding inactive employment contracts and after conversion of part-time employees to full-time equivalents, came to 3,555, made up of 131 executives, 3,360 salaried employees and 64 waged employees.

Cologne, 17 April 2014

**The Management Board**

**Gieseler** **Faßbender** **Rüßmann** **Dr Simons** **Zens**

## Audit certificate

We have audited the consolidated financial statements, comprising the balance sheet, profit and loss account, notes, cash flow statement and statement of shareholders' equity and consolidated management report, prepared by **DEVK Deutsche Eisenbahn Versicherung Sach- und HUK-Versicherungsverein a.G. Betriebliche Sozialeinrichtung der Deutschen Bahn**, Cologne, for the financial year from 1 January to 31 December 2013. The preparation of the consolidated financial statements and consolidated management report in accordance with German commercial regulations is the responsibility of the Group Management Board. Our remit is to express an opinion on the consolidated financial statements and consolidated management report on the basis of our audit.

We conducted our audit pursuant to section 317 of the German Commercial Code (HGB) and the generally accepted standards for auditing financial statements promulgated by the German Institute of Auditors (IDW), which require us to plan and perform the audit in such a way that misstatements materially affecting the presentation of assets, finances and earnings in the consolidated financial statements in accordance with the German principles of proper accounting and in the management report are detected with reasonable certainty. Knowledge of the Group's business activities, the economic and legal circumstances and expectations concerning possible errors are taken into account when determining the audit activities. The effectiveness of the internal auditing system and the accuracy of the evidence supporting the information contained in the consolidated financial statements and consolidated management report are predominantly tested on the basis of random sampling. The audit includes the evaluation of the annual financial statements of the companies included in the consolidated financial statements, the delimitation of the group of consolidated companies, the accounting and consolidation principles applied, and the principal estimates made by the Executive Board, as well as an appraisal of the overall view conveyed by the consolidated financial statements and consolidated management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any objections.

In our opinion, based on the findings of our audit, subject to the above-mentioned reservation, the consolidated financial statements comply with the legal regulations, and convey an accurate and fair view of the Group's assets, finances and earnings in keeping with generally accepted accounting principles. Furthermore, the consolidated management report is in conformity with the consolidated financial statements, provides an accurate description of the Group's overall position and accurately sets out the risks and opportunities inherent in future developments.

Cologne, 25 April 2014

**KPMG AG**
**Wirtschaftsprüfungsgesellschaft**

| **Dr Ellenbürger** | **Dr Hübner** |
|---|---|
| Auditor | Auditor |

## Supervisory Board report

During 2013, the Supervisory Board was briefed by the parent company's Management Board on the Group's commercial performance and financial position at various meetings.

KPMG AG Wirtschaftsprüfungsgesellschaft, having been appointed as auditors in line with statutory requirements, duly audited the 2013 consolidated financial statements and management report. Their audit did not reveal any irregularities and an unqualified audit certificate was granted. The Supervisory Board has duly acknowledged and agrees with the audit findings.

The Supervisory Board's own audit of the consolidated financial statements and management report likewise revealed no irregularities. Accordingly, the Supervisory Board hereby approves the 2013 consolidated financial statements.

The Supervisory Board would like to thank the Management Boards and employees of the various Group companies for all their hard work and commitment.

Cologne, 14 May 2014

**The Supervisory Board**

**Kirchner**
Chairman

## DEVK Central Office, Cologne, Germany

50735 Cologne, Riehler Strasse 190

Principal departments and department heads

Personnel
Roger Halleck

Central Office Services
Paul Epper

Sales and Field Services Organisation
Olaf Nohren

Marketing, Sales Systems and Direct Sales
Michael Knaup

Life
Jörg Gebhardt

Occupational Pensions
Birgit Großmann

Non-life/HUK Operations
Thomas Doll

KINEX/Accounting/Central Office Applications Partner
Lothar Diehl

Investments
Joachim Gallus

Non-life/HUK Operations
Rüdiger Burg

Revision
Gerd Stubbe

Information Processing and Telecommunications
Klaus Dresbach

Project Portfolio Management/Management Organisation
Jürgen Dürscheid

Corporate Planning and Controlling
Elmar Kaube

Reinsurance
Wolfgang Jöbkes

– 1 March 2014 –

## DEVK Regional Offices

(Plus the names of senior management personnel)

10785 Berlin, Schöneberger Ufer 89
Christian Kahl/Dr Klausjürgen Mottl/Bernhard Warmuth

01069 Dresden, Budapester Strasse 31
Gerald Baier/Olaf Draeger

99084 Erfurt, Juri-Gagarin-Ring 149
Dietmar Scheel/Ines Etzroth

45128 Essen, Rüttenscheider Strasse 41
Rolf Möller/Willi Winter

60327 Frankfurt am Main, Güterplatz 8
Helmut Martin/Hubert Rößl

22767 Hamburg, Ehrenbergstrasse 41–45
Volker Schubert/Frank Rohwer

30161 Hanover, Hamburger Allee 20–22
Karl-Heinz Tegtmeier/Martin Wittich

76137 Karlsruhe, Nebeniusstrasse 30–32
Axel Berberich/Wolfgang Axtmann

34117 Kassel, Grüner Weg 2 A
Helmut Martin/Klaus-Peter Reitz

50668 Köln, Riehler Strasse 3
Sebastian Baumgart/Franz-Josef Schneider/Wolfgang Riecke

55116 Mainz, Gärtnergasse 11–15
Thomas Huck/Dirk Strempel

80335 Munich, Hirtenstrasse 24
Christian Rähse/Rudolf Ullmann/Florian Hagemann

48143 Münster, Von-Steuben-Strasse 14
Gerhard Marquardt/Stefanie Hölscher

90443 Nuremberg, Essenweinstrasse 4–6
Christian Rähse/Rainer Spieß

93055 Regensburg, Richard-Wagner-Strasse 5
Siegbert Schmidt/Harald Weinbeck

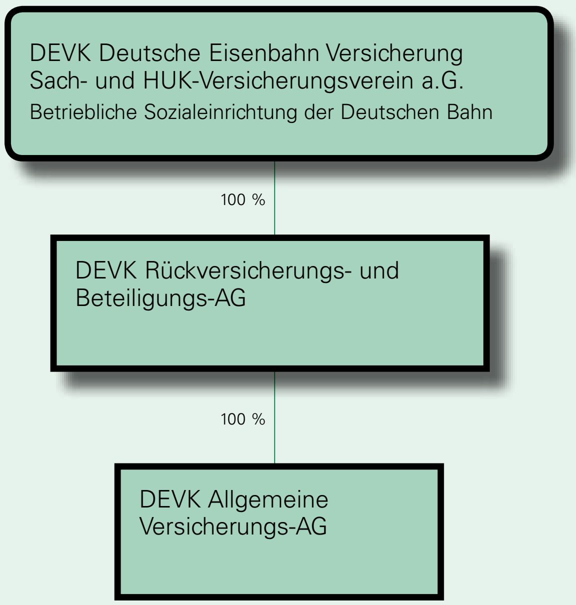
66111 Saarbrücken, Trierer Strasse 16–20
Johannes Holzapfel/Klaus Dieter Feller

19053 Schwerin, Wismarsche Strasse 164
Mario Kühl/Thomas Maudrey

70190 Stuttgart, Neckarstraße 146
Volker Allgeyer/Markus Otterbach

42103 Wuppertal, Friedrich-Engels-Allee 20
Heinz Kuhnen/Dirk Schnorz

## Organizational chart of DEVK Versicherungen



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