

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

Year	Figures in € 000s						Premiums € millions
	Motor vehicles	Non-life ¹	Liability	Accident ²	Legal protection	Health ³	
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

Friedrich W. Gieseler

Chairman of the Management Board DEVK Versicherungen



2013 financial year

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Organisational chart of DEVK Versicherungen

Abkürzungen

i. ret.	in retirement	a.p.	As per
o.v.	Old version	i.c.w.	In conjunction with
mut.	Mutual	IDW	Institute of Public Auditors in Germany
ABS	Asset-backed securities	incl.	Including
Para.	Paragraph	ann.	Annually
AG	Aktiengesellschaft	Mot. veh.	Motor vehicle
AGG	German Anti-Discrimination Act	KonTraG	German Control and Transparency in Business Act
AktG	German Stock Corporations Act	KWG	German Banking Act
ALM	Asset Liability Management	LAG	German State Labour Court
AltZertG	German Pension Contracts Certification Act	m.	Male
BaFin	German Financial Supervisory Authority	defin.	Definitive
BGH	German Federal Court of Justice	max.	Maximum
BilMoG	German Act on Modernisation of Accounting Regulations	m	Million(s)
BMF	German Federal Finance Ministry	mon.	Monthly
resp.	Respectively	bn	Billions
ca	Circa	n.v.	New version
CHF	Swiss francs	No.	Number
DAV	Association of German Actuaries	NRW	North Rhine-Westphalia
DAX	German Share Index	a. ment.	Above-mentioned
DCF	Discounted Cash Flow	OLG	German Higher Regional Court/Court of Appeal
DeckRV	Regulation concerning accounting principles for premium reserves	p.a.	Per annum
Dr	Doctor	PEP	Politically Exposed Person(s)
DRS	German Accounting Standards	Prof.	Professor
e.V	Registered association (e.V)	PublG	German Company Disclosure Act
EDP	Electronic data processing – IT	approx.	Approximately
EGHGB	Introductory Act to the German Commercial Code	RechVersV	German Regulation on Accounting in the Insurance Sector
hon.	Honorary	RPR	Reserve for premium refund
EStG	German Income Tax Act	sent.	Sentence
etc.	Et cetera	SEK	Swedish krona
ECJ	European Court of Justice	p.s.g.	Pay scale group(s)
EEC	European Economic Community	p.s.n.	Pay scale number
ECB	European Central Bank	€ 000s	Thousand(s)
FED	Federal Reserve System	a.o.	Among others
f.o.a.	For own account (net of reinsurance – cf. Council Directive 91/674/EEC (Richtlinie 91/674/EWG)	o.o.	In our opinion
GBP	British pound (sterling)	VAG	German Insurance Undertakings Supervision Act
GDV	German Insurance Association	VVaG	Mutual insurance company
If nec.	If necessary	VVG	German Insurance Contracts Act
GmbH	German private limited company	fem.	Female
GwG	German Money-Laundering Act	WpHG	German Securities Trading Act
HGB	German Commercial Code	WSG	German Act to Strengthen Competition in Statutory Health Insurance
i. ret.	In retirement	e.g.	For example
a.s.i.	As specified in	ZZR	Additional interest reserve

Company bodies

Board of Members

Helmut Diener
Marktrechwitz
Chairman of the Board of Members

Wilhelm Bahndorf
Obernburg am Main

Heinz Bodammer
Friedrichshafen

Peter Bolsinger
Linden

Jörgen Boße
Lodding

Steffen Bosecker
Hänichen

Jürgen Brüggmann
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
Niefen-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 Rötzeim
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 Commercial 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 € 000s	2012 € 000s	Change € 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 € 000s	2012 € 000s	Change € 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 (AnIV). 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

Rußmann

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		<u>1,020,629</u>	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	<u>10,056,554</u>		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	<u>21,951,958</u>		21,531
		<u>765,402,360</u>	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	<u>18,479,562</u>		21,084
		19,252,668	22,633
II. Receivables arising out of reinsurance operations of which:		9,252,506	4,157
Affiliated companies: €6,336,775			3,512
III. Other receivables of which:		<u>164,218,951</u>	199,582
Affiliated companies: 148,212,336 €			226,372
		192,724,125	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		<u>168,333</u>	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		<u>4,684,665</u>	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 | Krumpfen**

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		<u>787,464,200</u>	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	<u>5,357</u>		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	<u>142,908,337</u>		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	<u>122,186</u>		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		<u>42,247,206</u>	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	<u>510,033</u>		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		<u>164,230,620</u>	175,849
of which:			
Tax: €7,252,200			199,356
Affiliated companies: €114,856,438			7,042
		188,626,393	150,284
F. Accruals and deferred income			
		117,587	120
Total liabilities		1,645,755,622	1,612,358

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	<u>28,892,606</u>				31,875
c) Income from write-ups		31,109,953			34,171
d) Gains on the realisation of investments		<u>2,928,883</u>			3,650
		<u>11,987,344</u>			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		<u>4,412,218</u>			174
			<u>18,931,968</u>		13,945
			45,173,995		46,635
3. Allocated investment return transferred from the non-technical account			<u>1,077,107</u>		1,099
				44,096,887	45,536
4. Other income			368,894,706		349,702
5. Other charges			<u>376,304,003</u>		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			<u>631,883</u>		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			<u>19,600,000</u>		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 Verkehrsoferhilfe 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 € 000s	Fair value € 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	<u>€ 4,900,000</u>
31.12.2013	€ 162,566,441

2. Other retained earnings

31.12.2012	€ 767,864,200
Allocation	<u>€ 19,600,000</u>
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	
	2013	2012	2013	2012	2013	2012
Insurance class						
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		Reinsurance balance	Underwriting result, net of reinsurance
				Insurance claims	Insurance operations		
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		Reinsurance balance	Underwriting result, net of reinsurance
				Insurance claims	Insurance operations		
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 Rößmann 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
Auditor

Dr Hübner
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

Homburg

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 Rößmann

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 € 000s	2012 € 000s	Change € 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 € 000s	2012 € 000s	Change € 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 off-setting 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		<u>160,123</u>	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	<u>36,696,773</u>		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	<u>30,141,655</u>		29,589
		960,793,991	956,378
III. Deposit with ceding companies		<u>202,896,542</u>	184,558
		1,853,622,597	1,772,440
C. Accounts receivable			
I. Receivables arising out of reinsurance operations of which:		24,936,089	16,441
Affiliated companies: € 611,906			282
II. Other receivables of which:		<u>185,689,743</u>	216,851
Affiliated companies: € 159,516,199			233,292
		210,625,832	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		<u>304,788</u>	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		<u>51,300,000</u>	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	<u>103,355</u>		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	<u>89,371,591</u>		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	<u>208,156</u>		238
		<u>280,209</u>	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		<u>14,360,630</u>	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		<u>13,888,822</u>	5,063
of which:			
Tax: € 1,182,171			1,182
Affiliated companies: € 365,445			216
		127,217,625	
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
		<u>- 3,155,540</u>		- 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
		<u>19,364,107</u>		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		<u>- 40,176</u>		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		<u>28,896,883</u>		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
			- 4,131,976	- 53,841
Balance carried forward:				

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	<u>105,181,775</u>		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	<u>365,445</u>		294
		<u>16,007,679</u>	12,455
		148,191,788	161,887
3. Allocated investment return transferred from the non-technical account		<u>7,015,571</u>	6,738
		141,176,217	155,149
4. Other income	45,283,682		17,054
5. Other charges	<u>70,283,893</u>		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	<u>2,565,620</u>		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		Checked % share	Equity €	Results from previous financial year €
	€	% share			
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
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Notes to the profit and loss account

Reinsurance coverage provided		
	2013 € 000s	2012 € 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 € 000s	2012 € 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

Rußmann

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
Auditor

Offizier
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)

Eckhard 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 € 000s	2012 € 000s	Change € 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 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 € 000s	2012 € 000s	Change € 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 company'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		<u>2,484,246</u>	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	<u>32,607,004</u>		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	<u>27,982,922</u>		30,184
		<u>1,679,642,580</u>	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	<u>152,667</u>		264
		12,114,090	10,996
II. Receivables arising out of reinsurance operations of which:		18,507,947	9,912
Affiliated companies: € 13,449,315			8,170
III. Other receivables of which:		<u>72,474,145</u>	67,448
Affiliated companies: € 71,620,378			88,356
		103,096,182	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		<u>288,134</u>	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		<u>656,955</u>	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 | Krumpfen**

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
		<u>46,868,161</u>	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		<u>200,018</u>	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		<u>322,972,125</u>	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		<u>366,179</u>	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		<u>286,264</u>	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		<u>27,405</u>	–
		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		<u>101,036,634</u>	96,399
of which:			
Tax: € 7,844,722			7,089
Affiliated companies: € 92,291,618			88,150
		191,030,070	177,030
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	<u>165,298,772</u>		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	<u>- 12,288</u>		185
		<u>- 1,194,975</u>	- 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	<u>102,656,890</u>		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	<u>- 21,995,502</u>		3,833
		<u>74,391,031</u>	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		<u>- 1,405,249</u>	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	<u>30,429,508</u>		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
		17,623,357	31,882
Balance carried forward:			

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
c) Income from write-ups		78,012,095		72,171
d) Gains on the realisation of investments		4,396,176		8,379
		<u>17,926,894</u>		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		<u>5,735,683</u>		154
			18,996,379	30,424
			<u>82,871,513</u>	65,240
3. Allocated investment return transferred from the non-technical account			<u>1,950,850</u>	1,912
			80,920,663	63,328
4. Other income			3,506,467	2,952
5. Other charges			<u>9,056,172</u>	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			<u>308,719</u>	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 Verkehrsofferhilfe 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 €	Current value €
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:		
Investments valued at costs of acquisition	1.518.089.077	1.626.112.815
of which:		
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 Insurance class	Total gross provision		of which: Provision for claims outstanding		of which: Equalisation provision and similar provisions	
	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		Reinsurance balance	Underwriting result, net of reinsurance.
				Insurance claims	Insurance operations		
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		Reinsurance balance	Underwriting result, net of reinsurance.
				Insurance claims	Insurance operations		
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
Auditor

Offizier
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 policies 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 € 000s	2012 € 000s	Change € 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-Versicherungsver-
ein 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 € 000s	2012 € 000s	Change € 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	<u>5,171,197</u>		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	<u>7,802,021</u>		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	<u>115,959,037</u>		119,384
		8,571,536,823	8,003,447
IV. Deposits with ceding companies	<u>129,984,527</u>		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	<u>1,812</u>		8
		97,048,599	97,524
II. Receivables from pension fund business			
1. Employers and beneficiaries	42,361		29
2. Intermediaries	<u>136,601</u>		144
		178,962	173
III. Receivables arising out of reinsurance operations		48,078,009	26,450
IV. Other receivables		<u>57,371,234</u>	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		<u>2,588,755</u>	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		<u>8,265,597</u>	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	<u>64,631,024</u>		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	<u>825</u>		–
		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		<u>86,121,999</u>	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	<u>2,002,987</u>		1,827
c) Change in the net provision for unearned premiums		591,486,943	521,165
		<u>- 6,463,931</u>	- 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		<u>17,150,479</u>	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	<u>1,052,331</u>		431
		267,843,080	233,394
b) Change in the provision for claims			
aa) Gross amount	2,270,070		3,591
bb) Reinsurers' share	<u>537,160</u>		- 106
		<u>2,807,230</u>	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	<u>364,546</u>		19
		- 331,998,590	- 279,172
b) Other technical provisions, net of reinsurance		<u>- 900</u>	- 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	<u>11,774,265</u>		10,022
c) of which:		79,952,593	78,467
Reinsurance commission and profit participation		<u>743,918</u>	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		<u>6,076,280</u>	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	<u>266,507</u>	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	<u>330,061</u>	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	<u>1,268,611</u>	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	<u>29,843</u>	243
	987,820	1,282
11. Unrealised gains on investments	369,471	–
12. Other technical pension fund expenses	<u>49,976</u>	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	<u>858,695</u>		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	<u>28,748,579</u>		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
		<u>182,817,385</u>	177,499
4. Allocated investment return transferred from the non-technical account		<u>7,315,462</u>	7,247
		175,501,923	170,252
5. Other income	63,681,952		35,665
6. Other charges	<u>117,340,154</u>		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	<u>4,574,567</u>		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	<u>19,776,029</u>		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 € 000s	2012 € 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			Shareholders' 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	
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 € 000s	2012 € 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 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

Rußmann

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
Auditor

Dr Hübner
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

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(Plus the names of senior management personnel)

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Mario Kühl/Thomas Maudrey

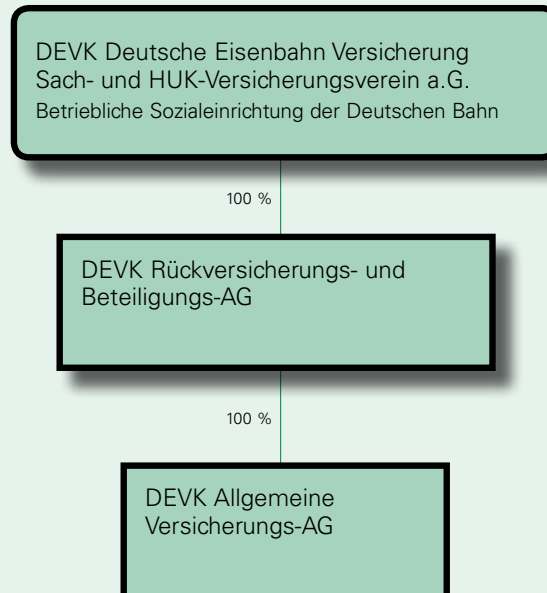
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Organizational chart of DEVK Versicherungen



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