Annual Report | 2015

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 2015

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

	Figures in € 000s						
Year	Motor vehicles	Non-life [1]	Liability	Accident [2]	Legal protection	Health [3]	Premiums € millions
1948/49	–	283	–	–	–	–	0.6
1954	–	450	242	37	–	–	1.7
1960	24	558	532	83	–	–	7.3
1965	196	629	651	94	–	–	23.6
1970	293	700	752	128	–	–	47.0
1975	509	819	913	201	–	–	130.8
1976	568	852	937	215	–	–	151.5
1977	625	882	947	231	–	–	182.3
1978	669	912	912	249	–	–	203.6
1979	699	948	926	276	–	–	233.6
1980	715	1,003	937	304	2	–	244.6
1981	710	1,052	954	306	65	–	262.0
1982	720	1,084	961	326	85	–	277.2
1983	740	1,135	969	340	101	–	298.6
1984	760	1,182	972	356	123	–	321.7
1985	782	1,227	992	369	141	–	351.7
1986	810	1,292	1,009	380	161	–	371.0
1987	845	1,370	1,019	394	183	–	404.7
1988	883	1,476	1,033	412	204	–	449.4
1989	923	1,569	1,049	434	223	–	488.6
1990	959	1,632	1,115	453	245	–	517.2
1991	1,269	1,740	1,183	490	278	–	592.9
1992	1,333	1,880	1,259	518	309	–	663.7
1993	1,437	1,988	1,314	547	346	–	753.2
1994	1,518	2,072	1,353	569	377	31	877.7
1995	1,635	2,155	1,388	585	403	158	953.3
1996	1,775	2,228	1,439	861	433	252	981.9
1997	1,872	2,289	1,467	879	457	362	1,019.3
1998	1,940	2,333	1,498	886	480	457	1,041.9
1999	1,971	2,370	1,514	880	504	515	1,065.1
2000	1,978	2,406	1,530	872	530	581	1,111.6
2001	2,013	2,435	1,535	864	550	630	1,158.2
2002	2,060	2,480	1,544	868	575	685	1,222.1
2003	2,107	2,527	1,554	877	596	717	1,273.1
2004	2,193	2,562	1,572	879	621	747	1,329.6
2005	2,235	2,586	1,584	889	650	777	1,349.1
2006	2,282	2,612	1,604	912	678	826	1,363.5
2007	2,293	2,636	1,616	950	702	885	1,383.6
2008	2,465	2,673	1,634	988	724	967	1,394.2
2009	2,617	2,730	1,658	1,022	754	1,041	1,566.2
2010	2,741	2,563	1,689	1,068	781	1,100	1,594.9
2011	2,755	2,584	1,715	1,105	800	1,150	1,679.8
2012	2,748	2,596	1,732	1,127	814	1,190	1,794.1
2013	2,762	2,604	1,745	1,145	829	1,309	1,956.3
2014	2,896	2,620	1,759	1,157	846	1,345	2,137.2
2015	**2,911**	**2,649**	**1,778**	**1,164**	**866**	**1,378**	**2,295.0**

[1] Changed payment method since 2010
[2] Including motor vehicle/accident since 1996
[3] Number of tariff policyholders

Foreword

Dear Readers

During 2015 the German insurance industry as a whole registered less than 1 % growth in premium receipts. According to the German Insurance Association (GDV) estimate, our non-life and accident insurance premium receipts were 2.6 % up.

All in all, 2015 was a successful year for DEVK Versicherungen. In fact, with € 796 million in new business premiums it was the second-best year for sales in our company's history. Due to falling single premiums in our life insurance business, overall contribution growth in DEVK's German primary insurance came to – 0.6 %, below the industry average. However, in both non-life and accident insurance and health insurance we further increased our market share and strengthened our position in the German primary insurance industry.

DEVK Sach- und HUK-Versicherungsverein's **consolidated financial statements** were hit by higher claims expenses and costs. Alongside DEVK's German primary insurers, the consolidated statements also incorporate the results of our foreign subsidiaries, our active reinsurance operations and other Group companies. In this latter category, pension provision expenses require special mention as these have risen markedly due to the current low interest rates.

As a result, in the non-life and accident insurance segment the ratio of claims expenses and costs to premium receipts increased, rising from 94.3 % in 2014 to 97.0 % last year. As a consequence, the non-life and accident insurance underwriting result before changes to the equalisation provision fell to € 8.9 million (2014: € 62.1 million). After a lower, but still high, allocation to the equalisation provision of € 30.5 million (2014: € 70.4 million), the non-life and accident insurance underwriting result stood at € – 21.6 million (2014: € – 8.4 million).

Thanks to higher profits from the disposal of investments, which came to € 246.4 million, the non-technical account **investment result** was well above the 2014 level of € 180.5 million. Based on the technical and non-technical result, the DEVK insurance Group recorded a profit from ordinary activities of € 174.3 million (2014: € 126.0 million). After comparatively high tax outgoings, the net profit for the year rose to € 88.5 million (2014: € 67.9 million).

Friedrich W. Gieseler

Friedrich W. Gieseler
Chairman of the Management Board DEVK Versicherungen

2015 financial year

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Company bodies

Board of Members

Helmut Diener
Marktredwitz
Chairman of the Board of Members

Karl de Andrade-Huber
Fankfurt am Main

Werner Balschun
Wesseling

Heinz Bodammer
Friedrichshafen

Dirk Bohlmann
Bremen

Jörgen Boße
Loddin

Jens Brenner
Reichenbach

Otto Brunner
Munich

Sandra Bühler
Bruchsal

Detlef Clever
Hamm

Manuela Dittmann
Linden

Dirk Dupré
Saarbrücken

Stephan Est
Dorsten

Arnold Fischer
Neustadt (Wied)

Katrin Fröchtenicht
Kalefeld

Jenny Gliese
Tübingen

Frank-Michael Hänel
Freiburg

Berthold Hillebrand
Kassel

Ralf Ingwersen
Hamburg

Manfred John
Stadtbergen

Klaus-Dieter Just
Forst (Lausitz)

Axel Kleich
Leipzig

Hanka Knoche
Idstein

Dr Siegfried Krause
Berlin

Michael Krienke
Hosenfeld

Günter Leckel
Bad Endorf

Manfred Leuthel
Nürnberg

Christian Magiera
Minden

Dr Ludwig Mandelartz
Aachen

Michelle Mauritz
Sonsbeck

Hans-Joachim Möller
Aschersleben

Regina Müller
Berlin

Wolfgang Müller
Gau-Bischofsheim

Frank Nachtigall
Frankfurt (Oder)

Hans-Jürgen Nehrkorn
Braunschweig

Mario Noack
Erfurt

Jessica Nohren
Rösrath

Hartmut Petersen
Bargteheide

Helga Petersen
Hamburg

Thomas Pfeifer
Reichelsheim

Dieter Pielhop
Wietzen

Heiner Reichert
Mannheim

Ada Reinhardt
Essen

Raimund Reinhart
Fulda

Ulrich Rötzheim
Idstein

Georg Sautmann
Greven

Andreas Schäfer
Schwalmstadt

Maike Schlott
Sylt

Sven Schmitte
Cologne

Ulrike Schuldt
Grünberg

Günter Staaden
Eschenburg

Christiana Tinneberg
Aschaffenburg

Rita Tüshelmann
Düsseldorf

Harald Vorhauer
Dortmund

Sylvia Weigel
Guntersblum

Torsten Westphal
Magdeburg

Ute Weyl-Thieme
Dillenburg

Wolfgang Wilde
Herne

Cindy Winter-Thiel
Wurzen

Joachim Ziekau
Stendal

Supervisory Board

Alexander Kirchner
Runkel
Chairman
Chairman of the Eisenbahn- und Verkehrsgewerkschaft (EVG)

Jörg Hensel
Hamm
First Deputy Chairman
Chairman of the European Works Council, Deutsche Bahn AG
Chairman of the General Works Council, DB Cargo AG

Helmut Petermann *
Essen
Second Deputy Chairman
Chairman of the DEVK General Works Council Versicherungen (Insurance)

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

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

Ralf Gajewski *
Berlin
Employee of DEVK Versicherungen Regional Management Unit Berlin (release phase)

Dr Rüdiger Grube
Hamburg
Chairman of the Board, Deutsche Bahn AG
Chairman of the Board, DB Mobility Logistics AG

Horst Hartkorn
Hamburg
Chairman of the Regional Committee of the Eisenbahn- und Verkehrsgewerkschaft (EVG) in Hamburg

Martin Hettich
Stuttgart
Chairman of the Board, Sparda-Bank Baden-Württemberg eG

Klaus-Dieter Hommel
Neuenhagen
Deputy Chairman of the Eisenbahn- und Verkehrsgewerkschaft (EVG)

Hans Leister
Berlin
Managing Director of Passenger Services Europe, Railroad Development Corporation Europe (until 29 May 2015)

Ralf Poppinghuys
BE-Raeren
Personnel and Social Affairs Director Transdev GmbH
(from 29 May 2015)

Jürgen Putschkun *
Fellbach
Executive Officer, Kraftfahrt Betrieb and Non-life/HU Operations DEVK Versicherungen, Stuttgart Regional Management Unit

Dr Karl-Friedrich Rausch
Weiterstadt
Chairman of Transport und Logistik, DB Mobility Logistics AG (ret.)

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

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

* Employees' representatives

Management Board

Friedrich Wilhelm Gieseler
Bergisch Gladbach
Chairman

Engelbert Faßbender
Hürth
(until 8 September 2015)

Gottfried Rüßmann
Cologne

Dr Veronika Simons
Walluf

Bernd Zens
Königswinter

Dietmar Scheel
Bad Berka
Deputy Board Member
(from 1 September 2015)

Advisory Board

Rudi Schäfer
Bad Friedrichshall
– Honorary Chairman –
Chairman of
Railway Workers Union
Germany (ret.)

Kay Uwe Arnecke
Hamburg
Management Spokesman
of S-Bahn Hamburg GmbH

Werner Bayreuther
Heroldsberg
Lawyer
Adviser Deutsche Bahn AG

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

Volker Hädrich
Wildau
Deutsche Bahn AG
Group Authorised Representative for the
Free State of Thuringia (ret.)

Dr Christian Heidersdorf
Kleinmachnow
Managing Director of DVA Deutsche-
Verkehrs-Assekuranz-Vermittlungs-
GmbH

Johannes Houben
Hückelhoven
Departmental Head at Eisenbahn- und
Verkehrsgewerkschaft (EVG)

Dr Volker Kefer
Erlangen
Deputy Chairman of the Executive Board
Deutsche Bahn AG, DB Mobility
Logistics AG, Director of Infrastructure,
Services and Technology
Deutsche Bahn AG

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

Hans Leister
Berlin
Managing Director Passenger Service
Europe, the Railroad Development
Corporation in Europe

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

Ronald R. F. Lünser
Holzwickede
Chairman of the Management Board
and Railway Operations Manager of
Abellio Rail NRW GmbH

Rolf Lutzke
Berlin
CEO of EVA Bildung & Beratung GmbH

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

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

Beate Müller
Heidelberg
Head of the Mid Office
of the Federal Office for Railway Assets

Ottmar Netz
Hohenahr
Deputy Chairman of the
Verband Deutscher Eisenbahn-
fachschulen (VDEF)

Jürgen Niemann
Berlin
Personnel Director,
DB Dienstleistungen GmbH

Ute Plambeck
Hamburg
Personnel Director, DB Netz AG

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

Stefan Schindler
Nuremberg
Chairman of the Board,
Sparda-Bank Nürnberg eG

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

Heino Seeger
Hausham
CEO of Tegernsee Bahn
Betriebsgesellschaft mbH

Martin Selig
Ulm
Regional Personnel Manager,
Baden-Württemberg Region,
CEO of DB Regio AG

Klaus Vögele
Ettenheim
Chairman of the General

Josef Vogel
Hechingen
Director, Landes-Bau-Genossen-
schaft Württemberg eG

Management report

Company foundations

Business model

DEVK Sach- und HUK-Versicherungsverein a.G. offers its members, who are predominantly railway workers and other transport sector employees, comprehensive and customised 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 foreign travel health 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 Sparda Bank and with the Forum für Verkehr und Logistik (Forum for Traffic and Logistics). 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 1,250 branch offices.

Affiliated companies and participating interests

DEVK Sach- und HUK-Versicherungsverein a.G. and DEVK Lebensversicherungsverein a.G. are not affiliated companies within the meaning of section 271 paragraph 2 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 industry

In 2015 the capital markets were plagued by a high degree of volatility, as investors were able to earn significantly more on the equity markets than from bonds. In April 2015 the DAX hit a new all-time high of 12,391 points, representing a rise of more than 25 % as compared with the end of 2014. The equity markets performed equally well in other European countries. However, a significant correction then ensued during the summer months in response to a renewed flare-up of the crisis in Greece and growing investor concerns regarding the reduced dynamism of growth in the emerging economies. China's economic performance in particular reduced their appetite for export-oriented equities. Another side effect of this negative sentiment was the continuing fall in the price of energy and many industrial commodities, some of which fell to their lowest levels for several years. During the third quarter fears of a global economic slowdown receded, as the economies in developed countries remained comparatively stable, with the Anglo-Saxon countries enjoying faster growth than the eurozone and Japan. The DAX thus ended the year with a positive performance of + 9.6 %, similar to that of share indices in other European countries and better than in the USA.

As in recent years the interest market's focus was very much on central bank policies. The ECB went ahead with its bond-buying programme as planned. In response to global economic risks, the ECB had announced that it aimed to extend both the volume and duration of its bond-buying programme if necessary. Thus there was every prospect of a continuation of this extremely expansionary monetary policy in the near future. Unlike the ECB, towards the end of the year the Fed signalled the changing of its own interest rate policy with a first small rise in rates. On the equity markets this was interpreted as a positive sign that the recovery of the US economy was set to continue.

Central bank policies also had a strong impact on bond yields, with new record lows being reached during the second quarter, for instance in German government bonds. As a result, yields on ten-year German government bonds fell to under 0.05 %, while returns on bonds with maturities of up to seven years even turned negative. In parallel with the falling equity markets during summer 2015, bond market yields experienced significant rises. For example, ten-year German government bonds recovered to register returns at times approaching the 1.0 % mark. This correction was broadly interpreted as a response to excessive earlier yield reductions. During the autumn the situation stabilised, with yields on ten-year German government bonds returning to 0.5 %. Over 2015 as a whole the bond index rose by 1.0 %.

In contrast, at the shorter end of the interest structure curve, negative yields on bonds issued by debtors with strong credit ratings were still to be found at the end of 2015. Thus the interest structure curve became steeper than it had been at the start of the year.

Overall economic growth in Germany during 2015 remained at the comparatively modest level experienced in 2014, with the GDP adjusted for number of working days rising by 1.4 %. Meanwhile, unemployment in Germany remained low, at an average of 6.4 %. Worsening export figures were offset by greater domestic demand, and a slight trend towards stabilisation among peripheral European countries during the second half of the year lent further support.

In November 2015 the GDV estimated a rise in gross non-life and accident insurance premium receipts of 2.6 %. Due to less favourable claims trends, the combined ratio (the ratio of claims expenses and costs to premium receipts) is estimated at around 97 % (2014: 94.6 %). Thus the non-life and accident insurance sector's profitability deteriorated as compared with 2014.

Motor vehicle insurance saw further industry-wide price rises. As a result, contributions increased by about 3.5 %, and the combined ratio is expected to have risen to around 98 % (2014: 96.7 %).

Business trends

During 2015 the overall portfolio of DEVK Sach- und HUK-Versicherungsverein a.G. measured in terms of numbers of policies fell by 0.4 % to 2,726,475 policies. 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 + 3.2 %, premium growth stood at the level forecast in the previous annual report. Adjustments to motor vehicle insurance premiums contributed to this development. However, building insurance and accident insurance also saw noteworthy increases of 5.7 % and 4.8 % respectively. Before adjustments to the equalisation provision there was a higher than expected loss of € – 14.9 million (2014: € – 6.3 million), as against a forecast figure of around € 9 million. The principal reason for this was a marked increase in expenses for claims incurred, net of reinsurance.

At € – 14.6 million (2014: €– 10.5 million), the underwriting result net of reinsurance was within the forecast window of € – 10.0 million to – 15.0 million.

The investment result rose strongly to € 52.3 million (2014: € 41.3 million). This was chiefly due to higher profits from disposals of investments and lower write-downs. As a result, and contrary to our expectations, at 3.5 % net interest rates were significantly better than in 2014 (2.9 %).

As a consequence, the result from ordinary activities came in at € 26.8 million, exceeding the forecast figure of € 20 to 25 million.

After comparatively high tax expenses, the net profit for the year stood at a satisfactory € 18.0 million (2014: € 17.5 million).

Net assets, financial position and results of operations

Results of operations

	2015 € 000s	2014 € 000s	Change € 000s
Technical account	– 14,617	– 10,539	– 4,078
Investment result	52,338	41,334	11,004
Other result	– 10,964	– 11,773	809
Profit from ordinary activities	**26,757**	19,022	7,735
Taxes	8,757	1,522	7,235
Net profit for the year	**18,000**	17,500	500
Allocation to other retained earnings	18,000	17,500	500
Net retained profit	**–**	–	–

Underwriting result, net of reinsurance

DEVK Sach- und HUK-Versicherungsverein a.G.'s gross premiums rose by 3.2 % to € 354.6 million. 2015 earned premiums net of reinsurance rose by 3.3 % to € 297.8 million. Claims incurred, net of reinsurance, were 8.5 % up at € 229.4 million, and their share of earned net premiums thus came to 77.0 % (2014: 73.4 %). At 27.3 %, the ratio of expenses on insurance business net of reinsurance to earned premiums net of reinsurance was slightly up on the 2014 figure of 26.9 %.

Gross claims expenses for the year were 6.6 % up on the 2014 figure (2014: – 1.0 %). Profits from the settlement of the previous year's claims were 12.4 % up on the 2014 figure. As a result, gross claims expenses rose by 5.5 % as compared with premium receipts, and the gross claims ratio rose to 74.0 % (2014: 72.4 %).

Gross operating expenses rose by 5.0 % to € 93.3 million (2014: € 88.8 million). This rise is chiefly due to increased pension provision expenses and portfolio commission.

After bonus and rebate expenses totalling € 100,000 (2014: € 3.8 million) and a withdrawal from the equalisation provision totalling € 300,000 (2014: € 4.2 million allocation), the underwriting result net of reinsurance came to € – 14.6 million (2014: € – 10.5 million).

Accident insurance

This item comprises both general accident insurance and motor vehicle accident insurance. As of 31 December 2015, the total number of accident insurance policies stood at 262,931 (2014: 262,744), while gross premium receipts rose 4.8 % to € 44.1 million. The underwriting result net of reinsurance came to € 3.9 million (2014: € 4.2 million).

Liability insurance

At the end of the year, our total liability insurance portfolio comprised 584,788 policies (2014: 589,596). This figure includes 82,104 employees' liability insurance policies, including railway workers' professional liability insurance. At € 34.3 million, gross premiums were virtually unchanged (2014: € 34.5 million). No allocations were made to the provision for bonuses and rebates (2014: € 3.9 million). After a € 600,000 allocation to the equalisation provision (2014: 400,000), the underwriting result net of reinsurance improved to € 4.8 million (2014: € –300,000).

Motor vehicle liability insurance

As of 31 December 2015, our portfolio of motor vehicle liability insurance comprised 554,618 policies (2014: 553,919), plus 9,443 moped policies. The gross premium receipts rose 3.7 % to € 100.1 million. and the underwriting result fell to € –12.7 million (2014: € –5.3 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 453,932 (2014: 454,426 policies), and we also managed 1,535 partial-coverage moped policies. Gross premium receipts rose by 3.2 % to € 76.9 million. After a € 1.5 million allocation to the equalisation provision (2014: € 2.7 million), the underwriting result net of reinsurance stood at € –5.3 million (2014: € –4.9 million).

Fire and non-life insurance

At the end of 2015, our fire and non-life-insurance portfolio comprised a total of 869,979 policies (2014: 877,175), Gross premium receipts increased by 3.6 % to € 97.7 million. A total of € 2.4 million was withdrawn from the equalisation provision (2014: € 1.2 million), and the underwriting result fell to € –5.5 million (2014: € –4.6 million).

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

Our household contents insurance portfolio at the end of 2015 comprised 423,674 policies (2014: 428,121). while gross premium receipts rose 2.7 % to € 37.9 million, and at € 1.5 million the underwriting result net of reinsurance was up on the 2014 figure of € 900,000.

Our building insurance portfolio increased to a total of 181,232 policies (2014: 179,476), and gross premium receipts were up 5.7% at € 46.0 million. Despite a € 1.3 million withdrawal from the equalisation provision (2014: € 1.4 million allocation), the underwriting result net of reinsurance came in at € –4.4 million, down on the 2014 figure of € –3.0 million.

In the other fire and non-life insurance classes, our end-of-year portfolio comprised 265,073 policies (2014: 269,578). Premium receipts fell by a minimal 0.4 % to € 13.9 million (2014: € 13.9 million). After a € 1.1 million withdrawal from the equalisation provision (2014: € 200,000 withdrawal), the underwriting result net of reinsurance came to € –2.6 million (2014: € –2.5 million).

Other insurance policies

"Other insurance policies" primarily comprises the results of our breakdown service and travel health insurance policies. As in 2014, gross premium receipts stood at € 1.5 million, while the underwriting result net of reinsurance came to € 200,000 (2014: € 300,000).

Investment result

At € 69.2 million, investment income was up on the 2014 figure of € 60.3 million. As in 2014, the figure included a € 15 million dividend payment from DEVK Rückversicherungs- und Beteiligungs-AG. Also included were € 19.3 million in profits from disposals of investments (2014: € 10.1 million) as well as € 100,000 in write-ups (2014: € 2.1 million).

At € 16.8 million, investment expenses were somewhat down on the 2014 level of € 19.0 million. Lower write-down requirements (€ 9.9 million as against € 14.5 million in 2014) were partially offset by higher losses from investment disposals (€ 2.4 million as against € 700,000 in 2014).

On balance, our net investment income was up on the previous year's figure at € 52.3 million (2014: € 41.3 million).

Other result

The "Other" result, which includes technical interest income, stood at € – 11.0 million (2014: € – 11.8 million).

Tax expenditure

Tax expenditure increased to € 8.8 million (2014: € 1.5 million).

Operating result and appropriation of retained earnings

The net profit for the year rose to € 18.0 million (2014: € 17.5 million). Pursuant to section 193 (section 37 old version) of the German Insurance Supervision Act (VAG – Versicherungsaufsichtsgesetz), € 3.6 million of the net profit was allocated to the loss reserve and € 14.4 million 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 pre-tax 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 dividend payment, on the one hand, and gross premium receipts, on the other hand.

The 2015 return on sales came to 6.6 % (2014: 5.4 %). The improved investment result had a positive impact on this figure.

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 € 25.8 million. The necessary funds were generated by the company's ongoing operations (€ 29.5 million).

Solvency

The company's own funds, proof of which must be furnished pursuant to section 53c VAG (old version) 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 € 972.2 million (2014: € 954.8 million), a figure far exceeding the required solvency margin of € 51.8 million (2014: € 48.6 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 2014, in 2015 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 2015 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. The outlook for all our companies remains "stable".

Assets position

	2015 € 000s	2014 € 000s	Change € 000s
Investments	1,509,589	1,464,475	45,114
Receivables arising out of direct insurance operations	13,538	16,751	– 3,213
Receivables arising out of reinsurance operations	3,392	6,816	– 3,424
Other receivables	293,906	210,774	83,132
Means of payment	23,176	19,495	3,681
Other assets	39,018	35,475	3,543
Total assets	**1,882,619**	1,753,786	128,833
Equity	985,531	967,531	18,000
Technical provisions	399,391	388,286	11,105
Other provisions	63,834	75,455	– 11,621
Deposits received from reinsurers	59,712	60,200	– 488
Liabilities arising out of direct insurance operations	21,735	26,444	– 4,709
Liabilities arising out of reinsurance operations	476	682	– 206
Other liabilities	351,832	235,090	116,742
Accruals and deferred income	108	98	10
Total capital	**1,882,619**	1,753,786	128,833

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

Of the accounts receivable from reinsurance business, in 2015 € 2,353,000 (2014: € 3,750,000), were attributable to 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

Customer satisfaction is an important strategic goal for DEVK, which is why we measure the satisfaction of our customers every year. For this purpose, we draw on a sectoral index which assesses our own customer satisfaction against that of our rivals via a points scale. This enables us to measure developments over time and as compared with our competitors in graphic form. Currently, DEVK scores well above the industry average, but our aim over the coming years is for DEVK to achieve a leading position in the customer satisfaction ratings.

Employee satisfaction

At DEVK the opinion of our employees is important to us, Employees' satisfaction with their working environment as well as with their bosses, colleagues, the work assigned to them and the corporate culture go right to the heart of employer attractiveness. After the full-scale surveys in 2012 and 2014, a brief survey was conducted in 2015. Through six question areas this focused on how well employees identified with DEVK and on the implementation of measures since the previous survey. These findings were partially incorporated into the annual DEVK Satisfaction Index. In 2016 the third exhaustive company-wide survey of DEVK back office and field sales personnel will take place. Alongside the aim of achieving similar participation rates to those of 2012 (80 %) and 2014 (82 %), the chief focus will be on comparison of the results. This direct comparison will be documented in all the evaluations.

Social responsibility

DEVK is aware of its social responsibility as a successful insurer. For many years, we have taken on an above-average number of trainees by industry comparison, in both back office and sales/marketing roles. Furthermore, prior to possible professional training at DEVK, every year at our headquarters alone we offer some 60 school-age young people work experience that assists them in deciding what their future career paths might be. This gives young people a positive start to their working lives and helps them to integrate well into society.

Via a series of “days of action” (Tatkraft-Tagen) the DEVK meets its social responsibility towards disadvantaged groups in our society in a special way. In 2014 and 2015 we conducted 11 worthwhile activities with the aid of our action teams (Tatkraft-Teams). Volunteers from the regional management units and headquarters, from the back office and field sales all join forces to form an action team for one day. During these days of action we have for example undertaken the renovation and refurnishing of kindergartens, schools and retirement homes.

Personnel and sales staff numbers

Personnel are employed by DEVK Sach- und HUK-Versicherungsverein a.G. 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 a.G. and DEVK Lebensversicherungsverein a.G., 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 2,835 people internally in 2015, of whom 2,810 had their contracts of employment with DEVK Sach- und HUK-Versicherungsverein a.G. Employees with dual employment contracts are assigned to a given company on the basis of the predominant contractual share. 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 2015, 2,110 self-employed personnel worked for DEVK (2014: 2,129), on top of which 677 field sales agents were directly employed by DEVK Sach- und HUK-Versicherungsverein a.G. (2014: 619). However, the entire field sales force also operates on behalf of the various other DEVK companies.

For the second time DEVK offered its female employees and managers the opportunity to take part in an intercompany cross-mentoring programme for women. This involved seven companies providing young female personnel with experienced managers to advise and encourage them in their professional development.

Through the Förderkreis Talente (talent support group) programme DEVK encourages promising young employees to qualify for career-independent positions, with a view to advancing their prospects. The participants, 50 % of whom were young female personnel in 2015, undergo two years of intensive training via a wide range of methods to enhance their personal, social and management skills.

For many employees reconciling work and family life poses a great challenge. Here at DEVK we offer employees alternative solutions tailored to people's personal situations and support them with a broad-based range of measures.

Overall verdict on the management report

All in all, the company's net assets, financial position or results of operations proved satisfactory throughout 2015.

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 2016 we are expecting premium growth of around 2 %. After the rise in gross claims expenses during 2015, we are expecting claims expenses to remain broadly the same in 2016. Before changes to the equalisation provision and any allocations to the bonuses and rebates provision, we expect the 2016 technical account to once again show a loss. After changes to the equalisation provision, we currently anticipate a loss of approximately € 10 to 15 million.

In view of the economic situation in the eurozone and the policies expected from European central banks, in 2016 we once again see no reason to expect strongly rising yields at the long end of the interest structure curve. The Fed's change of interest policy is the sole factor that could give impetus for somewhat higher yields. Here we expect further interest rate increases during 2016, as a result of which the interest structure curve in the eurozone may become even steeper.

Uncertainty concerning future equity market performance in the eurozone has grown markedly over recent months. Positive macroeconomic factors, in particular the weakness of the euro, low commodity prices and expectations of healthy growth in the US economy are offset by a variety of factors exerting a drag, such as the deteriorating performance of the emerging economies, lower domestic demand in China and the potential impact of the Fed pursuing a policy of raising interest rates. As a result we are expecting a continuation of the comparatively volatile market movements of recent months.

Given the current economic conditions €/US $ parity is possible, but appears increasingly unlikely. As regards commodity prices, despite sharp falls in some cases there are still no clear signs that the bottom has been reached. Energy prices in particular will continue to be reflected in very low inflation rates in the eurozone. Should energy prices start rising again that would have a direct impact on inflation rates.

Given China's importance as a market for export-oriented European companies, the country's economic performance has a massive influence on other economic areas, and this is reflected in the share prices of listed export companies. Further risks faced by the capital markets in 2016 are the debt problems besetting some countries, the possibility of Brexit and the strengthening or rekindling of political tensions in Europe and the Middle East.

In 2016, we expect DEVK Sach- und HUK-Versicherungsverein a.G. to register a fall in its absolute result despite a growing investment portfolio. As a result net interest rates will be lower than in 2015.

All in all, we are expecting the 2016 profit from normal business activities to be in the order of € 19 to 23 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.

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 26 VAG (section 64a VAG old version), 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 operationalise the risk strategy in 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 the risk management methods and techniques employed and for the development and maintenance of the company-wide risk management system. It coordinates the company's risk management processes and supports those responsible for risk within individual departments.

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, the risk report is presented to the Management Board members responsible for the various risk areas as part of a Management Board submission. The risk report and the risk control process (identification, analysis, evaluation, management and monitoring) are updated on a quarterly basis. Reports are submitted to the 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 determine this we first consider the movement of the claims ratio net of reinsurance over the past ten years.

Claims ratio net of reinsurance			
Year	%	Year	%
2006	68.9	2011	71.5
2007	68.2	2012	72.9
2008	67.2	2013	75.5
2009	71.1	2014	73.4
2010	76.4	2015	77.0

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.

Settlement result, net of reinsurance, as % of original provision			
Year	%	Year	%
2006	13.2	2011	17.5
2007	15.9	2012	16.8
2008	16.0	2013	15.1
2009	16.0	2014	13.4
2010	18.4	2015	13.9

Our equalisation provisions provide an additional safety cushion that contributes to the smoothing of our underwriting results. As of 31 December 2015, their volume totalled € 25.6 million (2014: € 25.8 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 8.1 % of booked gross premiums. Of these, an average of 2.8 % had to be written off. In relation to the booked gross premiums, the average default rate over the past three years was 0.2 %. Accordingly, default risk is of minimal importance for DEVK.

Amounts receivable from reinsurance at the end of the year came to € 3.4 million, of which € 2.3 million applies to DEVK Rückversicherungs- und Beteiligungs-AG alone, which is rated as A+. An overview of amounts receivable broken down according to the ratings of our reinsurance partners is given in the following table:

Rating category	Receivables in € millions
AA	0,10
AA–	0,38
A+	2,61
A	0,13
No rating	0,17

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 continue to comply with the investment ordinance which remained officially in force until 31 December 2015 and which we have decided, by Executive Board resolution, to retain as the principal foundation of our investment policies. 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.

We have subjected our investment portfolio to a stress test on the basis of BaFin Circular 1/2004 (VA). We carried this out on the balance sheet date of 31 December 2015, using the 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.

Interest-bearing investments

As of 31 December 2015, the Group held interest-bearing investments to a total value of € 611.2 million. A total of € 245.3 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 € 174.2 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 € 10.4 million, a figure that includes € 2.0 million in hidden charges. As of 31 December 2015 the total revaluation reserve for our interest-bearing investments came to € 55.2 million. A change in returns of up to +/– 1 % would entail a corresponding value change ranging from € – 50.8 million to 37.1 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 securities 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 11.2 % 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 very small scale, in asset-backed securities (ABS). Since the end of 2015 we no longer have any directly held ABS investments, and the proportion of them held in the special fund now stands at less than 0.1 % of the total investment. In 2015 our bond investments focused on international bearer bonds issued by banks and companies, as well as bonds issued by German federal states. These involve bearer papers assigned to the fixed assets and also registered securities.

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 risk, just 2.9 % of the company's total investments are in government bonds. The bulk of our investments in banks is either covered by various statutory and private deposit protection schemes or involves interest-bearing securities that are protected in law by special guarantee funds.

The ratings of the issuers of our interest-bearing investments break down as follows (2014):

AA– or better	54.8 %	(52.0 %)
A	31.1 %	(35.2 %)
BBB	11.6 %	(10.5 %)
BB or worse	2.5 %	(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 € 47.4 million. The European share index EuroStoxx50 gained value during 2015 In the medium term we continue to expect a positive performance, albeit with high levels of volatility in some cases. We have applied a value protection model to our equity investments in order to limit market risks. Equities to a value of € 1.2 million have been assigned to the fixed assets.

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 2014. 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 € 14.8 million, and contain no hidden liabilities.

Real estate

On the balance sheet date, our real-estate investments totalled € 67.0 million. Of this total, € 56.1 million are invested in indirect mandates, including restricted special funds in office and other commercial real estate. Our direct holdings worth € 10.8 million are subject to scheduled annual depreciation of approximately € 600,000. 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.

Solvency II

The insurance industry has undergone radical changes to its supervisory regime. On 17 January 2015 the European Commission published the corresponding delegated acts in the Official Journal of the European Union, and in March 2015 the German Bundesrat passed the Act to Modernise Financial Supervision of Insurance Undertakings (Gesetz zur Modernisierung der Finanzaufsicht über Versicherungen [VAG-Novelle]), thereby implementing the EU Solvency II Directive in German law. The provisions of Solvency II have been mandatory since 1 January 2016.

The new requirements of Solvency II have been progressively implemented by DEVK Versicherungen through a project launched in 2013.

Summary of our risk status

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

The projections made in connection with the ORSA process have shown that sufficient risk capital cover is assured in both the present and the future.

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.

Corporate governance statement

After the entry into force of the Act Concerning the Equal Participation of Women and Men in Leadership Positions in the Private Sector and the Public Sector (Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst), the target figures for increasing the proportion of women on the Supervisory Board, Executive Board and at the first and second leadership levels, with 1 September 2015 as the starting date, have been set as follows:

Supervisory Board	13 %
Management Board	17 %
Top management level	11 %–13 %
Middle management level	18 %–22 %

The deadline for the achievement of these target figures is 30 June 2017.

Cologne, 15 March 2016

The Management Board

Gieseler **Rüßmann** **Scheel** **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

Foreign travel health insurance

Financial statements

Balance sheet to 31 December 2015

Assets	€	€	€	2014, € 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		13,299,476		10,132
II. Payments on account		–		2,549
			13,299,476	12,681
B. Investments				
I. Real estate and similar land rights, including buildings on third-party land		10,886,311		11,520
II. Investments in affiliated companies and participating interests				
1. Shares in affiliated companies	635,564,680			622,724
2. Participating interests	17,095,616			11,697
		652,660,296		634,421
III. Other investments				
1. Shares, units and shares in investment funds and other variable-interest securities	275,573,075			252,220
2. Bearer bonds and other fixed-interest securities	193,711,471			192,530
3. Mortgage loans and annuity claims	169,785,255			121,643
4. Other loans	185,966,446			230,708
5. Other investments	21,006,047			21,433
		846,042,294		818,534
			1,509,588,901	1,464,475
C. Accounts receivable				
I. Receivables arising out of direct insurance operations:				
1. Policyholders	603,280			718
2. Intermediaries	12,934,583			16,033
		13,537,863		16,751
II. Receivables arising out of reinsurance operations		3,391,853		6,816
of which:				
Affiliated companies: € 2,353,414				3,750
III. Other receivables		293,906,569		210,774
of which:			**310,836,285**	234,341
Affiliated companies: € 183,069,837				196,494
D. Other assets				
I. Tangible assets and inventories		9,378,638		8,639
II. Cash at bank, cheques and cash in hand		23,175,681		19,495
III. Other assets		1,483,606		440
			34,037,925	28,574
E. Prepayments and accrued income				
I. Accrued interest and rent		7,063,548		7,893
II. Other prepayments and accrued income		7,792,427		5,822
			14,855,975	13,715
Total assets			**1,882,618,562**	1,753,786

EI hereby confirm that the premium provision of € 11,102,229.05, 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 (old version).

Cologne, 14 March 2016 **The Actuary in Charge | Weiler**

Pursuant to section 73 of the German Insurance Supervision Act (VAG), old version, 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, 14 March 2016 **The Trustee | Thommes**

Liabilities and shareholders' equity	€	€	€	2014, € 000s
A. Capital and reserves				
– Retained earnings				
1. Loss reserve pursuant to section 193 VAG (section 37 VAG old version)		169,666,441		166,067
2. Other retained earnings		815,864,200		801,464
			985,530,641	967,531
B. Technical provisions				
I. Provision for unearned premiums				
1. Gross amount	149,102			89
2. of which:				
Reinsurance amount	9,570			5
		139,532		84
II. Premium reserve		7,665		8
III. Provision for claims outstanding				
1. Gross amount	503,936,489			490,798
2. of which:				
Reinsurance amount	142,095,793			144,245
		361,840,696		346,553
IV. Provision for bonuses and rebates		10,383,382		14,219
V. Equalisation provision and similar provisions		25,557,012		25,827
VI. Other technical provisions				
1. Gross amount	1,606,443			1,731
2. of which:				
Reinsurance amount	144,123			136
		1,462,320		1,595
			399,390,607	388,286
C. Provisions for other risks and charges				
I. Provisions for taxation		27,244,294		34,779
II. Other provisions		36,589,639		40,676
			63,833,933	75,455
D. Deposits received from reinsurers				
			59,712,572	60,200
E. Other liabilities				
I. Liabilities arising out of direct insurance operations				
1. Policyholders	20,283,714			21,981
2. Intermediaries	1,451,348			4,463
		21,735,062		26,444
II. Liabilities arising out of reinsurance operations		475,933		682
of which:				
Affiliated companies: € 8,187				432
III. Other liabilities		351,832,121		235,090
of which:			**374,043,116**	262,216
Tax: € 7,742,842				7,630
Affiliated companies: € 330,441,920				213,324
F. Accruals and deferred income				
			107,693	98
Total liabilities			**1,882,618,562**	1,753,786

Profit and loss account

for the period from 1 January to 31 December 2015

Items	€	€	€	2014, € 000s
I. Technical account				
1. Earned premiums, net of reinsurance				
a) Gross premiums written	354,636,448			343,491
b) Outward reinsurance premiums	56,810,903			55,168
		297,825,545		288,323
c) Change in the gross provision for unearned premiums	– 59,893			– 1
d) Change in the provision for unearned premiums, reinsurers' share	4,284			–
		– 55,609		– 1
			297,769,936	288,322
2. Allocated investment return transferred from the non-technical account, net of reinsurance			**120,359**	110
3. Other technical income, net of reinsurance			**146,291**	141
4. Claims incurred, net of reinsurance				
a) Claims paid				
aa) Gross amount	249,276,938			235,996
bb) Reinsurers' share	35,135,220			35,916
		214,141,718		200,080
b) Change in the provision for unadjusted insurance claims				
aa) Gross amount	13,138,264			12,764
bb) Reinsurers' share	2,149,220			– 1,336
		15,287,484		11,428
			229,429,202	211,508
5. Changes in other technical provisions, net of reinsurance				
a) Premium reserve, net of reinsurance		839		1
b) Other technical provisions, net of reinsurance		109,436		1
			110,275	2
6. Bonuses and rebates, net of reinsurance			**92,821**	3,832
7. Net operating expenses				
a) Gross operating expenses		93,306,763		88,834
b) of which: Reinsurance commissions and profit participation		11,896,682		11,311
			81,410,081	77,523
8. Other technical charges, net of reinsurance			**2,101,065**	2,019
9. Subtotal			**– 14,886,308**	– 6,307
10. Change in the equalisation provision and similar provisions			**269,622**	– 4,231
11. Underwriting result, net of reinsurance			**– 14,616,686**	– 10,538
Balance carried forward:			– 14,616,686	– 10,538

Items	€	€	€	€	2014, € 000s
Balance carried forward:				– 14,616,686	– 10,538
II. Non-technical account					
1. Income from other investments					
a) Income from participating interests		15,864,287			15,836
of which:					
from affiliated companies: € 15,781,674					15,491
b) Income from other investments					
aa) Income from real estate and similar land rights, including buildings on third-party land	2,262,704				2,224
bb) Income from other investments	31,624,624				30,058
		33,887,328			32,282
c) Income from write-ups		64,412			2,094
d) Gains on the realisation of investments		19,347,164			10,092
			69,163,191		60,304
2. Investment charges					
a) Investment management charges, interest expenses and other charges on capital investments		4,448,844			3,734
b) Write-downs on investments		9,934,935			14,493
c) Losses on the realisation of investments		2,440,990			745
			16,824,769		18,972
			52,338,422		41,332
3. Allocated investment return transferred from the non-technical account			1,019,327		1,056
				51,319,095	40,276
4. Other income			425,865,655		405,552
5. Other charges			435,810,559		416,268
				– 9,944,904	– 10,716
6. Profit from ordinary activities				**26,757,505**	19,022
7. Taxes on income			7,825,307		1,027
8. Other taxes			932,198		495
				8,757,505	1,522
9. Net profit for the year				**18,000,000**	17,500
10. Allocation to retained earnings					
a) to the loss reserve pursuant to section 193 of the Insurance Supervision Act (VAG) (section 37 VAG old version)			3,600,000		3,500
b) to other retained earnings			14,400,000		14,000
				18,000,000	17,500
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.

Equities, fund units or shares 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 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 were recorded at their nominal values under **Prepayments and accrued income**.

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.

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 calculation was based on the DAV 2006 HUR mortality table. The technical interest rate stands at between 1.25 % and 4.0 %, depending on the time of initial formation of the provision.

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 section 341f and 341g HGB The calculation was based on the DAV 2006 HUR mortality table. The technical interest rate stands at between 1.25 % and 4.0 %, depending on the time of initial formation of the provision.

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

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

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

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

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

The **provision for partial retirement benefit obligations** was calculated according to the projected unit credit method on the basis of the HEUBECK 2005 G actuarial tables. The discounting interest rate was set at 2.33 % (2014: 3.08 %), calculated on the basis of an assumed residual term of three years. The financing age on expiry corresponds with the contractual age on expiry. The rate of pay increase was set at 2.1 % per annum.

The **anniversary payments provision** is also calculated according to the projected unit credit method on the basis of the HEUBECK 2005 G actuarial tables. The discounting interest rate was set at 3.89 % (2014: 4.55 %), calculated on the basis of an assumed residual term of 15 years (cf. section 253 paragraph 2 sentence 2 HGB). The financing age on expiry corresponds with the contractual age on expiry. The rate of pay increase was set at 2.1 % per annum.

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

Liabilities arising out of direct insurance operations and **other liabilities** are measured at the settlement values.

Liabilities arising out of reinsurance operations result from the reinsurance contracts and are recognised at the settlement value.

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 **technical interest rate net of reinsurance** was set at 4.0 %, 3.25 %, 2.75 %, 2.25 %, 1.75 % or 1.25 % 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 2015 financial year

Assets	Balance sheet value 2014 € 000s	Additions € 000s	Transfers € 000s	Disposals € 000s	Write-ups € 000s	Write-downs € 000s	Balance sheet value 2015 € 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	10,132	3,697	2,549	–	–	3,077	13,300
2. Payments on account	2,549	–	– 2,549	–	–	–	–
3. Total A.	12,681	3,697	–	–	–	3,077	13,300
B.I. Real estate and similar land rights, including buildings on third-party land							
	11,520	–	–	–	–	634	10,886
B.II. Investments in affiliated companies and participating interests							
1. Shares in affiliated companies	622,724	12,841	–	–	–	–	635,565
2. Participating interests	11,697	5,759	–	266	–	95	17,095
3. Total B.II.	634,421	18,600	–	266	–	95	652,660
B.III. Other investments							
1. Shares, units or shares in investment funds and other variable-interest securities	252,220	98,239	–	65,809	64	9,141	275,573
2. Bearer bonds and other fixed-interest securities	192,530	61,955	–	60,773	–	–	193,712
3. Mortgage loans and annuity claims	121,643	107,569	–	59,427	–	–	169,785
4. Other loans							
a) Registered bonds	82,000	10,000	–	–	–	–	92,000
b) Notes receivable and loans	141,145	5,002	–	54,737	–	–	91,410
c) Other loans	7,563	–	–	5,006	–	–	2,557
5. Other investments	21,433	812	–	1,239	–	–	21,006
6. Total B.III.	818,534	283,577	–	246,991	64	9,141	846,043
Total	**1,477,156**	**305,874**	**–**	**247,258**	**64**	**12,947**	**1,522,889**

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 2015, 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	10,886,311	26,515,000
B.II. Investments in affiliated companies and participating interests		
1. Shares in affiliated companies	635,564,680	1,838,930,087
2. Participating interests	17,095,616	17,720,501
B.III. Other investments		
1. Shares, units or shares in investment funds and other variable-interest securities	275,573,075	312,764,540
2. Bearer bonds and other fixed-interest securities	193,711,471	207,783,633
3. Mortgage loans and annuity claims	169,785,255	181,747,657
4. Other loans		
a) Registered bonds	92,000,000	106,061,295
b) Notes receivable and loans	91,409,986	104,531,554
c) Other loans	2,556,460	2,709,672
5. Other investments	21,006,047	26,099,745
Total	**1,509,588,901**	**2,824,863,683**
of which:		
Investments valued at costs of acquisition	1,417,588,900	2,718,802,388
of which:		
Investments in fixed assets pursuant to section 341b paragraph 2 HGB	283,816,053	308,985,555

The revaluation reserves include hidden liabilities totalling € 3.6 million. These relate to real estate, mortgage loans, registered bonds, notes receivable and loans, as well as bearer bonds.

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 2015 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. DEVK JUPITER VIER GmbH is recognised at its book value and Ictus GmbH at its market value.

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	39,444	37,464
Mortgage loans	20,492	19,597
Other loans	5,000	4,712

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	2,260	115	91
	Short put options	600	35	–

Valuation methods

Short 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	2,885	151,446	16,456	
Bond funds	525	35,697	484	
Mixed funds	724	16,602	212	
Real-estate funds	1,126	24,774	2,326	between at any time (sic) and six months

Re Assets B.I.

Real estate and similar land rights, including buildings on third-party land
Real estate to a book value of € 1,473,705 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.

Zu Aktiva 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	1,091,088,436	63,000,000
DEVK Allgemeine Versicherungs-AG, Cologne	195,000,000	100.00	100.00	342,170,794	–
DEVK Rechtsschutz-Versicherungs-AG, Cologne	21,000,000	100.00	100.00	60,563,459	–
DEVK Krankenversicherungs-AG, Cologne	8,000,000	100.00	100.00	23,177,128	–
DEVK Allgemeine Lebensversicherungs-AG, Cologne	28,000,000	100.00	51.00	142,964,493	–
DEVK Pensionsfonds AG, Cologne	5,000,000	100.00	51.00	14,316,266	17,500
DEVK Vermögensvorsorge- und Beteiligungs-AG, Cologne	20,000,000	51.00	51.00	191,000,000	–
DEVK Alpha GmbH, Cologne	25,000	100.00	51.00	26,927	186
DEVK Asset Management GmbH, Cologne	750,000	100.00	100.00	750,000	–
DEVK Beta GmbH, Cologne	25,000	100.00	100.00	35,557	322
DEVK Europa Real Estate Investment Fonds	268,649,458	68.00	52.32	288,796,840	14,423,956
SICAV-FIS, Luxembourg (L)[2]	25,000	100.00	100.00	25,607	183
DEVK Gamma GmbH, Cologne	25,000	75.00	75.00	25,972,037	787,232
DEVK Omega GmbH, Cologne	10,000,000	65.00	57.65	139,956,239	26,553,421
DEVK Private Equity GmbH, Cologne	25,000	100.00	100.00	25,936,269	807,513
DEVK Saturn GmbH, Cologne	260,000	74.00	74.00	1,470,379	–
DEVK Service GmbH, Cologne	25,000	100.00	51.00	27,062	306
DEVK Unterstützungskasse GmbH, Cologne	25,000	100.00	51.00	26,461	794
DEVK Versorgungskasse GmbH, Cologne	25,000	100.00	100.00	25,000	–
DEVK Web GmbH, Cologne	25,000	100.00	51.00	775,000	–
DEVK Zeta GmbH, Cologne	50,000	100.00	100.00	52,698	530
DEVK Zeus Vermögensverwaltungs-AG, Cologne	52,000	100.00	100.00	–3,288,833[1]	140,348
Assistance Service GmbH, Coesfeld	12,500	100.00	52.32	3,408,306	–4,964,194
DEREIF Brüssel Lloyd George S.a.r.l., Luxembourg (L)	250,000	100.00	52.32	–21,614,567	–13,436,092
DEREIF Immobilien 1 S.a.r.l., Luxembourg (L)	768,220	100.00	52.32	4,413,851	964,741
DEREIF Paris 6, rue Lamennais, S.C.I., Yutz (F)	637,810	100.00	52.32	6,224,794	–144,306
DEREIF Paris 9, chemin du Cornillon Saint-Denis,	1,145,850	100.00	52.32	4,968,074	1,385,972
S.C.I., Yutz (F)	10,000	100.00	52.32	9,283,457	–36,543
DEREIF Paris 37–39, rue d'Anjou, Yutz, (F)	–	100.00	52.32	9,048,729	–211,271
DEREIF Wien Beteiligungs GmbH, Vienna (A)	12,500	100.00	52.32	–	–
DEREIF Wien Nordbahnstrasse 50 OG, Vienna (A)	41,889,861	68.00	52.32	41,899,861	–
DP7, Unipessoal LDA, Lisbon (P)	1,462,500	100.00	100.00	3,747,189	451,433
DRED SCS, Luxembourg (L)	375,000	100.00	51.00	356,023	–
German Assistance Versicherung AG, Coesfeld	400,000	100.00	85.10	61,139,166	2,779,197
Hotelbetriebsgesellschaft SONNENHOF mbH,	5,000,000	75.00	65.20	38,409,485	207,121
Bad Wörishofen	25,000	100.00	100.00	4,921,235	389,982
HYBIL B.V., Venlo (NL)	25,000	100.00	100.00	33,148	397
Ictus GmbH, Cologne	250,000	100.00	100.00	332,284	13,530
JUPITER VIER GmbH, Cologne	525,000	100.00	100.00	326,180[1]	–
KASSOS Beteiligungs- und Verwaltungs-GmbH, Cologne	25,000	52.00	52.00	376,390	106,961
Lieb' Assur S.A.R.L., Nîmes (F)	122,710	52.00	52.00	–74,773[1]	493
OUTCOME Unternehmensberatung GmbH, Cologne	32,388,700	100.00	100.00	36,361,108	3,272,648
Reisebüro Frenzen GmbH, Cologne	1,500,000	24.375	24.38	47,211,221	197,266
Reisebüro Travelworld GmbH, Cologne	25,000	50.00	25.00	27,718	1,060
	GBP			GBP	GBP
DEREIF London 10, St. Bride Street S.a.r.l., Luxembourg, (L)	21,250	100.00	52.32	6,204,615	–414,791
DEREIF London Birchin Court S.a.r.l., Luxembourg, (L)	20,000	100.00	52.32	6,784,928	–1,854,703
DEREIF London Eastcheap Court S.a.r.l., Luxembourg, (L)	21,250	100.00	52.32	8,030,708	63,048
DEREIF London Coleman Street S.a.r.l., Luxembourg (L)	20,000	100.00	52.32	4,275,547	–1,538,573
	SEK			SEK	SEK
DEREIF Malmö, Kronan 10 & 11 AB, Malmö (S)	100,000	100.00	52.32	19,196,160	9,281,514
DEREIF Stockholm, Vega 4 AB, Stockholm (S)	100,000	100.00	52.32	13,661,201	4,939,555
	CHF			CHF	CHF
ECHO Rückversicherungs-AG, Zurich (CH)	70,000,000	100.00	100.00	65,467,880	–17,292,291

[1] Shortfall not covered by capital contribution

[2] Based on subgroup financial statements

Re Assets B.II.

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

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 193 VAG (section 37 VAG old version)

Stand 31.12.2014	€ 166,066,441
Allocation from the 2015 net profit	€ 3,600,000
Stand 31.12.2015	**€ 169,666,441**

2. Other retained earnings

Stand 31.12.2014	€ 801,464,200
Allocation from the 2015 net profit	€ 14,400,000
Stand 31.12.2015	**€ 815,864,200**

Re Liabilities B.

Technical provisions

Figures in € 000s	Total gross provision		of which: Provision for claims outstanding		of which: Equalisation provision and similar provisions	
Insurance class	2015	2014	2015	2014	2015	2014
Accident	75,873	72,683	75,685	72,494	–	–
Liability	49,286	51,708	37,607	36,774	11,222	10,645
Motor vehicle liability	354,119	343,281	353,145	342,369	–	–
Other motor vehicle	24,764	23,527	11,437	11,740	4,211	2,694
Fire and non-life	37,445	41,278	25,909	27,226	10,124	12,488
of which:						
Fire	3,469	6,785	3,367	6,538	–	–
Household contents	7,101	7,145	6,006	6,050	–	–
Homeowners' building	18,817	19,301	11,467	10,685	7,210	8,462
Other non-life	8,058	8,047	5,069	3,953	2,915	4,026
Other	153	195	153	195	–	–
Total	**541,640**	532,672	**503,936**	490,798	**25,557**	25,827

Re Liabilities B.IV.

Provision for bonuses and rebates

a) Bonuses

31.12.2014	€ 14,106,718
Withdrawal	€ 3,833,336
31.12.2015	**€ 10,273,382**

b) Rebates

31.12.2014	€ 112,000
Withdrawal	€ 74,277
Allocation	€ 72,277
31.12.2015	**€ 110,000**

Re Liabilities F.

Accruals and deferred income

Discount points on registered bonds	€ 74,270
Advance rental receipts	€ 33,423
	€ 107,693

Notes to the profit and loss account

Direct insurance operations and reinsurance coverage provided

2015, € 000s	Gross booked premiums	Gross premiums earned	Net premiums earned	Gross expenses on Insurance claims	Gross expenses on Insurance operations	Reinsurance balance	Underwriting result, net of reinsurance
Accident insurance	44,112	44,112	34,001	21,953	16,030	– 2,570	3,911
Liability insurance	34,280	34,280	33,590	13,442	15,590	80	4,761
Motor vehicle liability	100,071	100,024	90,673	97,141	13,248	– 2,101	– 12,687
Other motor vehicle	76,941	76,929	56,267	67,749	10,813	– 2,174	– 5,349
Fire and non-life	97,719	97,720	82,054	61,146	37,496	– 4,985	– 5,475
of which:							
Fire	970	970	667	–173	454	– 2,265	– 1,521
Household contents	37,885	37,885	36,611	18,513	15,602	– 1,168	1,534
Homeowners’ building	45,984	45,984	32,862	34,170	14,979	– 1,579	– 4,390
Other non-life	12,880	12,881	11,914	8,636	6,461	27	– 1,098
Other	1,511	1,511	1,184	984	130	– 175	222
Total	**354,634**	**354,576**	**297,769**	**262,415**	**93,307**	**– 11,925**	**– 14,617**

2014, € 000s	Gross booked premiums	Gross premiums earned	Net premiums earned	Gross expenses on Insurance claims	Gross expenses on Insurance operations	Reinsurance balance	Underwriting result, net of reinsurance
Accident insurance	42,079	42,079	32,416	20,959	14,451	– 2,827	4,204
Liability insurance	34,504	34,504	33,773	14,059	15,591	– 917	– 300
Motor vehicle liability	96,536	96,535	87,912	89,323	12,622	304	– 5,282
Other motor vehicle	74,548	74,548	54,178	64,368	10,380	– 2,018	– 4,876
Fire and non-life	94,294	94,294	78,833	59,082	35,666	– 999	– 4,623
of which:							
Fire	1,000	1,000	711	6,121	453	3,842	– 1,686
Household contents	36,877	36,877	36,037	18,714	15,419	– 785	949
Homeowners’ building	43,516	43,516	30,365	28,597	13,143	– 2,823	– 3,029
Other non-life	12,901	12,901	11,720	5,650	6,651	– 1,233	– 857
Other	1,530	1,530	1,210	969	124	– 148	340
Total	343,491	343,490	288,322	248,760	88,834	– 6,605	– 10,537

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

Acquisition expenses	€ 47,396,402
Administration costs	€ 45,910,361

Insurance agents' commission and other remuneration, personnel expenses	2015 € 000s	2014 € 000s
1. Insurance agents' commission of all types within the meaning of section 92 HGB for direct insurance operations	31,546	29,804
2. Other insurance agents' remuneration within the meaning of section 92 HGB	1,888	1,972
3. Wages and salaries	210,283	199,330
4. Social-security contributions and social-insurance costs	35,821	33,760
5. Retirement pension costs	57,223	33,769
Total	**336,761**	298,635

The pension provision for DEVK Sach- und HUK-Versicherungsverein a.G. 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 a.G. 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 € 696,183. The retirement pensions of former Management Board members and their surviving dependants totalled € 946,209. On 31 December 2015, DEVK Rückversicherungs- und Beteiligungs-AG capitalised a pension provision of € 11,425,712 for this group of persons. The Supervisory Board remuneration totalled € 399,756, and payments to the Advisory Board came to € 74,112.

Other information

Contingencies and other financial obligations

On the balance sheet date, there were financial obligations totalling € 2.9 million from open short options and € 15.0 million from multi-tranches. The payment obligations in relation to approved mortgage loans not yet paid out totalled € 31.9 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 € 70.1 million. This includes obligations towards affiliated companies amounting to € 33.9 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 € 461.8 million.

General information

Number of insurance contracts concluded directly by the Group with a term of at least one year	2015	2014
Accident	262,931	262,744
Liability	584,788	589,596
Motor vehicle liability	554,618	553,919
Other motor vehicle	453,932	454,426
Fire and non-life	869,979	877,175
of which:		
Fire	2,529	2,444
Household contents	423,674	428,121
Homeowners' building	181,232	179,476
Other non-life	262,544	267,134
Other	227	297
Total	**2,726,475**	2,738,157

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 3,520, made up of 68 executives and 3,452 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, 15 March 2016

The Management Board

Gieseler **Rüßmann** **Scheel** **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 2015. 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, 24 March 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr Ellenbürger	**Dr Hübner**
Auditor	Auditor

Supervisory Board report

During 2015, 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 2015 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 2015 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, 13 May 2016

The Supervisory Board

Kirchner
Chairman

Company bodies

Supervisory Board

Alexander Kirchner
Runkel
Chairman
Chairman of the Eisenbahn- und
Verkehrsgewerkschaft (EVG)

Manfred Stevermann
Selm-Bork
Deputy Chairman
Chairman of the Board,
Sparda-Bank West eG

Gerd Becht
Bad Homburg
Director of Compliance,
Data Protection, Law and Group Security
Deutsche Bahn AG
and DB Mobility Logistics AG

Hans-Jörg Gittler
Kestert
Chairman of the Board,
of Bahn-BKK

Helmut Petermann
Essen
Chairman of the
General Works Council
DEVK Versicherungen

Andrea Tesch
Zittow
Deputy Group Manager
Non-life/HUK Operations and
Head of SHU Unit
DEVK Versicherungen,
Schwerin Regional Management Unit

Management Board

Friedrich Wilhelm Gieseler
Bergisch Gladbach
Chairman

Gottfried Rüßmann
Cologne

Bernd Zens
Königswinter

Management report

Company foundations

Business model

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

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

Affiliated companies and participating interests

The affiliated companies of DEVK Rückversicherungs- und Beteiligungs-AG 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, 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 2015 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.

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

Business performance

Economic conditions generally and in the industry

In 2015 the capital markets were plagued by a high degree of volatility, as investors were able to earn significantly more on the equity markets than from bonds. In April 2015 the DAX hit a new all-time high of 12,391 points, representing a rise of more than 25 % as compared with the end of 2014. The equity markets performed equally well in other European countries. However, a significant correction then ensued during the summer months in response to a renewed flare-up of the crisis in Greece and growing investor concerns regarding the reduced dynamism of growth in the emerging economies. China's economic performance in particular reduced their appetite for export-oriented equities. Another side effect of this negative sentiment was the continuing fall in the price of energy and many industrial commodities, some of which fell to their lowest levels for several years. During the third quarter fears of a global economic slowdown receded, as the economies in developed countries remained comparatively stable, with the Anglo-Saxon countries enjoying faster growth than the eurozone and Japan. The DAX thus ended the year with a positive performance of + 9.6 %, similar to that of share indices in other European countries and better than in the USA.

As in recent years the interest market's focus was very much on central bank policies. The ECB went ahead with its bond-buying programme as planned. In response to global economic risks, the ECB had announced that it aimed to extend both the volume and duration of its bond-buying programme if necessary. Thus there was every prospect of a continuation of this extremely expansionary monetary policy in the near future. Unlike the ECB, towards the end of the year the Fed signalled the changing of its own interest rate policy with a first small rise in rates. On the equity markets this was interpreted as a positive sign that the recovery of the US economy was set to continue.

Central bank policies also had a strong impact on bond yields, with new record lows being reached during the second quarter, for instance in German government bonds. As a result, yields on ten-year German government bonds fell to under 0.05 %, while returns on bonds with maturities of up to seven years even turned negative. In parallel with the falling equity markets during summer 2015, bond market yields experienced significant rises. For example, ten-year German government bonds recovered to register returns at times approaching the 1.0 % mark. This correction was broadly interpreted as a response to excessive earlier yield reductions. During the autumn the situation stabilised, with yields on ten-year German government bonds returning to 0.5 %. Over 2015 as a whole the bond index rose by 1.0 %. In contrast, at the shorter end of the interest structure curve, negative yields on bonds issued by debtors with strong credit ratings were still to be found at the end of 2015. Thus the interest structure curve became steeper than it had been at the start of the year.

Overall economic growth in Germany during 2015 remained at the comparatively modest level experienced in 2014, with the GDP adjusted for number of working days rising by 1.4 %. Meanwhile, unemployment in Germany remained low, at an average of 6.4 %. Worsening export figures were offset by greater domestic demand, and a slight trend towards stabilisation among peripheral European countries during the second half of the year lent further support.

In 2015 there were no major natural disasters. As a result the overcapacity on the reinsurance market remained undiminished in 2015, with a simultaneous slight fall in demand. Moreover, alternative capacities continue to play a role, particularly in the disaster segment. However, the traditional reinsurers have proven to be resilient and have increased their equity and surpluses. Mergers have increased, and this consolidation process can be expected to continue.

Business trends

In 2015, DEVK Rückversicherungs- und Beteiligungs-AG's gross premiums written were 7.7 % up at € 408.7 million, a stronger rise than expected. This growth was the result of both non-DEVK business (+11.2 % at € 195.1 million) and DEVK-internal business (+4.7 % at € 213.6 million). The number of policies reinsured (non-DEVK only) on 31 December 2015 stood at 1,252 (2014: 1,219). Customer numbers rose slightly to 270 (2014: 267).

The underwriting result before changes to the equalisation provision improved strongly to € 21.9 million (forecast: € 12 to 16 million, 2014: € 12.7 million). The low number of major claims had a positive impact here. After another very high allocation to the equalisation provision, this year of € 23.5 million (2014: € 20.2 million), the underwriting result net of reinsurance came to € – 1.6 million (2014: € – 7.5 million). The result thus lay within the forecast window of € – 4 million to 0.

Due chiefly to higher income from disposals of investments, including indirectly via the profit transfer from DEVK Allgemeine Versicherungs-AG, the investment result increased with unexpected strength to € 172.3 million (2014: € 141.6 million).

The result from normal business activities rose to € 131.8 million (2014: € 98.4 million). Thanks to the strong investment result this was well above the forecast mark of € 110 million.

The after-tax net profit for the year of € 63.0 million (2014: € 46.0 million) is shown as net retained earnings.

Net assets, financial position and results of operations

Results of operations

	2015 € 000s	2014 € 000s	Change € 000s
Underwriting result	– 1,630	– 7,547	5,917
Investment result	172,287	141,594	30,693
Other result	– 38,888	– 35,668	– 3,220
Profit from ordinary activities	**131,769**	98,379	33,390
Taxes	68,769	52,379	16,390
Net profit for the year	**63,000**	46,000	17,000

Underwriting result, net of reinsurance

Gross premium receipts rose 7.7 % to € 408.7 million. Earned premiums net of reinsurance totalled € 285.9 million (2014: € 256.9 million), and claims expenses net of reinsurance came to € 186.8 million (2014: € 176.3 million). The ratio of net claims expenses to net earned premiums thus fell to 65.3 % (2014: 68.6 %), while the ratio of expenses on insurance operations net of reinsurance to earned premiums net of reinsurance fell to 26.4 % (2014: 27.0 %).

2015 was less affected by natural disasters than 2014. As a result, claims expenses arising from natural disasters fell to € 6.6 million (2014: € 11.7 million). Gross claims expenses for the year were 9.6 % up and the gross claims ratio stood at 64.4 % (2014: 65.5 %).

The gross operating expenses, which predominantly comprise reinsurance commission, rose by 8.9 %, from € 98.4 million in 2014 to € 107.2 million in 2015.

After another very high allocation to the equalisation provision, this year of € 23.5 million (2014: € 20.2 million), the underwriting result net of reinsurance improved to € – 1.6 million (2014: € – 7.5 million).

Life assurance

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 totalled € 17.0 million (2014: € 14.8 million), and the underwriting result came to € 1.7 million (2014: € 1.2 million).

Accident insurance

Gross booked premium receipts amounted to € 36.5 million (2014: € 34.1 million). At € 5.8 million, the underwriting result net of reinsurance was virtually unaltered (2014: € 5.9 million).

Liability insurance

With gross booked premiums of € 3.2 million (2014: € 4.8 million), and after a € 47,000 withdrawal from the equalisation provision, (2014: € 3.2 million allocation), the underwriting result came to € – 700,000 (2014: € – 500,000).

Motor vehicle liability insurance

Gross motor vehicle liability insurance receipts totalled € 83.4 million (2014: € 70.6 million). After a € 3.2 million allocation to the equalisation provision (2014: € 2.2 million), the underwriting result came to € – 4.5 million (2014: € – 9.1 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 € 75.0 million (2014: € 72.2 million). The underwriting result came to € 3.3 million (2014: € 6.7 million).

Fire and non-life insurance

Total gross booked fire and non-life insurance premiums rose to € 170.7 million (2014: € 164.4 million). In detail, our individual fire and non-life segments performed as follows.

Gross household contents insurance premiums amounted to € 20.0 million, up on the 2014 figure of € 18.0 million, while the underwriting result improved to € 3.9 million (2014: € 1.9 million).

With premium receipts of € 78.8 million (2014: € 75.2 million), and after a € 9.0 million allocation to the equalisation provision (2014: € 3.4 million withdrawal), our combined property insurance registered an underwriting profit of € 3.8 million (2014: € 900,000).

In the other classes of fire and non-life insurance, gross premiums written totalled € 72.0 million (2014: € 71.2 million). Due to another very large allocation to the equalisation provision (€ 14.5 million; 2014: € 16.8 million), the underwriting result saw a loss of € 13.7 million (2014: € – 15.4 million).

Other insurance policies

With premium receipts of € 22.6 million (2014: € 18.5 million), and after a € 3.2 million withdrawal from the equalisation provision (2014: € 1.4 million allocation), the underwriting result came to € – 1.2 million (2014: € 500,000).

Investment result

At € 188.9 million, the investment result was well up on the 2014 figure of € 153.2 million. This was due chiefly to higher income from disposals of investments, as well as increased income from capital transfer agreements with affiliated companies. The income from profit transfer agreements with affiliated companies totalled € 106.7 million (2014: € 95.5 million). Also included were € 28.3 million in profits from disposals of investments (2014: € 3.8 million) as well as € 300,000 in write-ups (2014: € 2.6 million).

At € 16.6 million, investment expenses were significantly higher than in 2014 (€ 11.6 million). This was the result of rising administration costs (€ 1.3 million, up from € 900,000 in 2014), write-downs on investments (€ 12.7 million; 2014: € 9.2 million) as well as losses on disposals of investments totalling € 2.6 million (2014: € 400,000). In 2015 there were charges from loss transfers amounting to € 100,000 (2014: € 1.1 million).

On balance, our net investment income improved to € 172.3 million (2014: € 141.6 million).

Other result
The "Other" result, which includes technical interest income, stood at € – 38.9 million (2014: € – 35.8 million). The additional expenditure resulted from interest on back payments which had been deferred in connection with the ongoing tax audit.

Profit from ordinary activities
The profit from ordinary activities resulting from technical and non-technical accounts came in at € 131.8 million, significantly higher than the 2014 figure of € 98.4 million.

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. At € 68.8 million, our tax expenditure rose proportionately with the change in the profit from ordinary activities.

Operating result and appropriation of retained earnings
The after-tax net annual profit came to € 63.0 million (2014: € 46.0 million). The net annual profit is shown as net retained profit.

The Management Board hereby proposes to the Annual General Meeting that the sum of € 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 € 48.0 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 – that is, the funds required for the net investment volume – amounted to € 178.7 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 (old version) 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 € 1,069.2 million (2014: € 1,050.9 million), a figure far exceeding the required solvency margin of € 45.9 million (2014: € 41.5 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 2014, in 2015 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 2015 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

	2015 € 000s	2014 € 000s	Change € 000s
Investments (excluding deposits with ceding companies)	1,858,910	1,691,897	167,013
Deposits with ceding companies	222,912	209,056	13,856
Receivables arising out of reinsurance operations	20,624	21,402	– 778
Other receivables	279,057	323,321	– 44,264
Other assets	16,049	18,077	– 2,028
Total assets	**2,397,552**	2,263,753	133,799
Equity	1,091,088	1,043,088	48,000
Technical provisions net of reinsurance	522,768	462,820	59,948
Other provisions	607,580	580,232	27,348
Liabilities arising out of reinsurance operations	95,537	98,800	– 3,263
Amounts owed to banks	72,000	72,030	– 30
Other liabilities	8,337	6,455	1,882
Accruals and deferred income	242	328	– 86
Total capital	**2,397,552**	2,263,753	133,799

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, € 111.2 million (2014: € 96.4 million) concerns receivables under profit transfer agreements. The other receivables arose predominantly from liquidity offsetting within the DEVK Group.

Overall verdict on the management report

All in all, the company's net assets, financial position or results of operations proved satisfactory throughout 2015.

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 2016 we are expecting premium growth of 2 % to 3 %. Before changes to the equalisation provision, we are expecting a technical account result of between € 14 million and € 18 million. Depending on the claims situation in the various segments, allocations to the equalisation provision in the double-digit-million-euro range are possible. We are currently expecting the underwriting result to come in as a loss in the order of € 0 to € 6 million.

In view of the economic situation in the eurozone and the policies expected from European central banks, in 2016 we once again see no reason to expect strongly rising yields at the long end of the interest structure curve. The Fed's change of interest policy is the sole factor that could give impetus for somewhat higher yields. Here we expect further interest rate increases during 2016, as a result of which the interest structure curve in the eurozone may become even steeper.

Uncertainty concerning future equity market performance in the eurozone has grown markedly over recent months. Positive macroeconomic factors, in particular the weakness of the euro, low commodity prices and expectations of healthy growth in the US economy are offset by a variety of factors exerting a drag, such as the deteriorating performance of the emerging economies, lower domestic demand in China and the potential impact of the Fed pursuing a policy of raising interest rates. As a result we are expecting a continuation of the comparatively volatile market movements of recent months.

Given the current economic conditions €/US $ parity is possible, but appears increasingly unlikely. As regards commodity prices, despite sharp falls in some cases there are still no clear signs that the bottom has been reached. Energy prices in particular will continue to be reflected in low inflation rates in the eurozone. Should energy prices start rising again that would have a direct impact on inflation rates.

Given China's importance as a market for export-oriented European companies, the country's economic performance has a massive influence on other economic areas, and this is reflected in the share prices of listed export companies. Further risks faced by the capital markets in 2016 are the debt problems besetting some countries, the possibility of Brexit and the strengthening or rekindling of political tensions in Europe and the Middle East.

In the field of investments we expect DEVK Rückversicherungs- und Beteiligungs-AG to gain less income in 2016 from profit transfer agreements and to register falling profits from disposals of investments. In addition, the low interest rates available on new investments and reinvestments will lead to a slight reduction in regular income. In light of the above we are currently expecting a significant net decline in the investment result.

All in all, we are expecting the 2016 profit from ordinary activities to be in the order of € 80 to 90 million.

Opportunities report

Despite the large amount of capacity available to the market there continues to be stable demand for reputable, medium-sized reinsurers. The trend towards stable medium- to long-term partnerships has gained further ground. Despite the enduringly soft market environment we are confident that we can continue to prosper and, applying due underwriting discipline, further strengthen our relationships with our clients. We are also gaining a growing reputation as an expert partner when it comes to special and individually tailored solutions.

Risk report

In accordance with the German Control and Transparency in Business Act (KonTraG), and the minimum risk management requirements laid down in section 26 VAG (section 64a VAG old version), 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 determine this we first consider the movement of the claims ratio net of reinsurance over the past ten years.

Claims ratio net of reinsurance			
Year	%	Year	%
2006	61.6	2011	70.8
2007	66.1	2012	68.2
2008	68.7	2013	72.6
2009	73.5	2014	68.6
2010	72.6	2015	65.3

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. As a rule our choice of external reinsurers took their ratings into account.

Settlement result, net of reinsurance, as % of original provision			
Year	%	Year	%
2006	11.3	2011	2.2
2007	7.2	2012	2.8
2008	10.0	2013	13.7
2009	– 15.9	2014	– 4.1
2010	1.2	2015	2.4

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 2015, their volume totalled € 97.2 million (2014: € 73.7 million).

Risk of defaults by debtors arising from our insurance operations

Amounts receivable from reinsurance at the end of the year came to € 20.6 million. An overview of amounts receivable broken down according to the ratings of our reinsurance partners is given in the following table:

Rating category	Receivables in € millions
AA	0.66
AA–	2.60
A+	3.11
A	0.42
A–	0.67
No rating	13.10

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 have subjected our investment holdings to a stress test similar to the one applied to our non-life and accident insurance, We carried this out on the balance sheet date of 31 December 2015, using the 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.

Our capital investments continue to comply with the investment ordinance which remained officially in force until 31 December 2015 and which we have decided, by Executive Board resolution, to retain as the principal foundation of our investment policies. 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 2015, the company held virtually unaltered interest-bearing investments to a value of € 824.3 million. A total of € 474.2 million of these investments are in bearer instruments, including the pure pension funds, which could be subject to write-downs if interest rates rise. Of these bearer instruments, pursuant to section 341b HGB we have assigned a volume of € 383.1 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 € 38.7 million, a figure that includes € 4.0 million in hidden charges. As of 31 December 2015 the total valuation reserve for our interest-bearing investments came to € 80.3 million. A change in returns of up to +/– 1 % would entail a corresponding value change ranging from € –49.2 million to € 56.1 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 securities 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 11.1 % of our total investments, while In 2015 our bond investments focused on international bearer bonds issued by banks and companies, as well as bonds issued by German federal states. These involve bearer papers assigned to the fixed assets and also registered securities.

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, 11 % 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 involves interest-bearing securities that are protected in law by special guarantee funds.

The ratings of the issuers of our interest-bearing investments break down as follows (2014):

AA or better	54.9 %	(62.8 %)
A	22.6 %	(18.2 %)
BBB	18.6 %	(12.7 %)
BB or worse	3.9 %	(6.3 %)

In 2015 the proportion of such investments with ratings of AA or better fell as compared with 2014. However, the proportion of papers with ratings worse than BBB was also down. 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 € 51.3 million. The European share index EuroStoxx50 gained value during 2015, In the medium term we continue to expect a positive performance, albeit with high levels of volatility in some cases. 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 2014. Should growing economic problems, such as a flare-up 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 € 72.8 million. Of this, € 57.2 million was invested in direct property holdings and € 15.6 million in real estate funds. 2015 write-downs on real estate came to € 2.2 million.

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.

Solvency II

The insurance industry has undergone radical changes to its supervisory regime. On 17 January 2015 the European Commission published the corresponding delegated acts in the Official Journal of the European Union, and in March 2015 the German Bundesrat passed the Act to Modernise Financial Supervision of Insurance Undertakings (Gesetz zur Modernisierung der Finanzaufsicht über Versicherungen [VAG-Novelle]), thereby implementing the EU Solvency II Directive in German law. The provisions of Solvency II have been mandatory since 1 January 2016.

The new requirements of Solvency II have been progressively implemented by DEVK Versicherungen through a project launched in 2013.

Summary of our risk status

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

The projections made in connection with the ORSA process have shown that sufficient risk capital cover is assured in both the present and the future.

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, 15 March 2016

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 2015

Assets	€	€	€	2014, € 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		2,083,605		2,285
II. Payments on account		–		21
			2,083,605	2,306
B. Investments				
I. Investments in affiliated companies and participating interests				
1. Shares in affiliated companies	758,798,911			690,456
2. Loans to affiliated companies	116,656,639			2,525
3. Participating interests	27,637,451			33,781
		903,093,001		726,762
II. Other investments				
1. Shares, units or shares in investment funds and other variable-interest securities	278,548,137			221,607
2. Bearer bonds and other fixed-interest securities	424,254,649			386,642
3. Other loans	233,437,007			337,126
4. Other investments	19,577,281			19,760
		955,817,074		965,135
III. Deposit with ceding companies		222,911,635		209,056
			2,081,821,710	1,900,953
C. Accounts receivable				
I. Receivables arising out of reinsurance operations		20,623,728		21,402
of which:				
Affiliated companies: € 784,867				695
II. Other receivables		279,057,003		323,321
of which:			**299,680,731**	344,723
Affiliated companies: € 273,085,852				299,569
D. Other assets				
– Tangible assets and inventories			**87,275**	121
E. Prepayments and accrued income				
I. Accrued interest and rent		13,813,533		15,417
II. Other prepayments and accrued income		65,345		233
			13,878,878	15,650
Total assets			**2,397,552,199**	2,263,753

Liabilities and shareholders' equity	€	€	€	2014, € 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		527,566,246		496,566
IV. Net retained profit		63,000,000		46,000
			1,091,088,436	1,043,088
B. Technical provisions				
I. Provision for unearned premiums				
1. Gross amount	22,026,900			16,103
2. of which:				
Reinsurance amount	55,915			68
		21,970,985		16,035
II. Premium reserve		194,408,038		186,700
III. Provision for claims outstanding:				
1. Gross amount	285,170,659			261,518
2. of which:				
Reinsurance amount	76,568,211			75,592
		208,602,448		185,926
IV. Equalisation provision and similar provisions		97,230,469		73,745
V. Other technical provisions				
1. Gross amount	726,113			599
2. of which:				
Reinsurance amount	170,422			185
		555,691		414
			522,767,631	462,820
C. Provisions for other risks and charges				
I. Provisions for pensions and similar commitments		529,972,605		464,744
II. Provisions for taxation		66,794,424		98,040
III. Other provisions		10,813,038		17,448
			607,580,067	580,232
D. Other liabilities				
I. Payables arising out of reinsurance operations		95,537,510		98,800
of which:				
Affiliated companies: € 38,785,233				
II. Amounts owed to banks		72,000,000		72,030
III. Other liabilities		8,336,589		6,455
of which:			**175,874,099**	177,285
Tax: € 1,182,171				1,182
Affiliated companies: € 959,072				872
E. Prepayments and accrued income				
			241,966	328
Total liabilities			**2,397,552,199**	2,263,753

Profit and loss account

for the period from 1 January to 31 December 2015

Items	€	€	€	2014, € 000s
I. Technical account				
1. Earned premiums, net of reinsurance				
a) Gross premiums written	408,666,462			379,481
b) Outward reinsurance premiums	116,791,575			119,948
		291,874,887		259,533
c) Change in the gross provision for unearned premiums	– 5,923,080			– 2,645
d) Change in the provision for unearned premiums, reinsurers' share	– 12,678			– 34
		– 5,935,758		– 2,679
			285,939,129	256,854
2. Allocated investment return transferred from the non-technical account, net of reinsurance			**7,423,527**	7,288
3. Other technical income, net of reinsurance			**27**	–
4. Claims incurred, net of reinsurance				
a) Claims paid				
aa) Gross amount	235,700,295			239,480
bb) Reinsurers' share	71,549,863			84,271
		164,150,432		155,209
b) Change in the provision for claims				
aa) Gross amount	23,652,543			7,279
bb) Reinsurers' share	– 976,103			13,779
		22,676,440		21,058
			186,826,872	176,267
5. Changes in other technical provisions, net of reinsurance				
a) Premium reserve, net of reinsurance		– 7,707,636		– 3,908
b) Other technical provisions, net of reinsurance		– 141,833		– 134
			– 7,849,469	– 4,042
6. Bonuses and rebates, net of reinsurance			**–**	– 6
7. Net operating expenses				
a) Gross operating expenses		107,192,247		98,404
b) of which: Reinsurance commissions and profit participation		31,707,040		29,091
			75,485,207	69,313
8. Other technical charges, net of reinsurance			**1,344,152**	1,821
9. Subtotal			**21,856,983**	12,705
10. Change in the equalisation provision and similar provisions			**– 23,485,964**	– 20,162
11. Underwriting result, net of reinsurance			**– 1,628,981**	– 7,457
Balance carried forward:			– 1,628,981	– 7,457

Items	€	€	€	2014, € 000s
Balance carried forward:			– 1,628,981	– 7,457
II. Non-technical account				
1. Income from other investments				
a) Income from participating interests of which:	4,663,367			3,786
from affiliated companies: € 2,673,674				1,503
b) Income from other investments of which:	48,935,283			47,576
from affiliated companies: € 3,956,024				3,632
c) Income from write-ups	271,062			2,589
d) Gains on the realisation of investments	28,316,765			3,771
e) Income from a profit pooling, profit transfer and partial profit transfer agreements	106,702,316			95,499
2. Investment charges		188,888,793		153,221
a) Investment management charges, interest expenses and other charges on capital investments	1,270,486			853
b) Write-downs on investments	12,671,202			9,222
c) Losses on the realisation of investments	2,562,978			449
d) Charges from loss transfer	97,041			1,104
		16,601,707		11,628
		172,287,086		141,593
3. Allocated investment return transferred from the non-technical account		7,423,527		7,288
			164,863,559	134,305
4. Other income		70,212,522		37,172
5. Other charges		101,677,828		65,642
			– 31,465,306	– 28,470
6. Profit from ordinary activities			**131,769,272**	98,378
7. Taxes on income		70,443,075		52,376
8. Other taxes		– 1,673,803		2
			68,769,272	52,378
9. Net profit for the year/net retained earnings			**63,000,000**	46,000

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 and market. **Loans to affiliated companies** are recognised at their nominal values.

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

The **other technical provisions** include a cancellation provision for premium claims. 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** is calculated according to the projected unit credit method on the basis of the HEUBECK 2005 G actuarial tables. The discounting interest rate was calculated as a seven-year average pursuant to the hitherto prevailing Regulation on the Discounting of Provisions (Rückstellungsabzinsungsverordnung). It was set at 3.89 % (2014: 4.55 %) and calculated on the basis of an assumed residual term of 15 years (section 253 paragraph 2 sentence 2 HGB). The financing age on expiry corresponds with the contractual age on expiry. The assumed rate of pay increase was set at 1.95 % or 2.1 % p.a., and the rate of pension increase at between 1.0 % and 1.95 % 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.

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

Amounts owed to banks are recognised at their repayment amounts.

Other creditors are measured at their settlement values.

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 2015 financial year

Assets	Balance sheet value 2014 € 000s	Additions € 000s	Transfers € 000s	Disposals € 000s	Write-ups € 000s	Write-downs € 000s	Balance sheet value 2015 € 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	2,285	99	21	2	–	319	2,084
2. Payments on account	21	–	–21	–	–	–	–
3. Total A.	2,306	99	–	2	–	319	2,084
B.I. Investments in affiliated companies and participating interests							
1. Shares in affiliated companies	690,456	70,743	–	2,400	–	–	758,799
2. Loans to affiliated companies	2,525	135,657	–	21,525	–	–	116,657
3. Participating interests	33,781	8	–	3,859	–	2,293	27,637
4. Total B.I.	726,762	206,408	–	27,784	–	2,293	903,093
B.II. Other investments							
1. Shares, units or shares in investment funds and other variable-interest securities	221,607	116,624	–	51,361	271	8,594	278,547
2. Bearer bonds and other fixed-interest securities	386,642	70,332	–	30,934	–	1,784	424,256
3. Other loans							
a) Registered bonds	110,500	16,500	–	50,000	–	–	77,000
b) Notes receivable and loans	181,507	20,762	–	75,920	–	–	126,349
c) Other loans	45,119	–	–	15,031	–	–	30,088
4. Deposits with banks	–	–	–	–	–	–	–
5. Other investments	19,760	1,619	–	1,802	–	–	19,577
6. Total B.II.	965,135	225,837	–	225,048	271	10,378	955,817
Total	**1,694,203**	**432,344**	**–**	**252,834**	**271**	**12,990**	**1,860,994**

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 2015, 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	758,798,911	1,412,415,054
2. Loans to affiliated companies	116,656,639	117,145,934
3. Participating interests	27,637,451	31,780,583
B.II. Other investments		
1. Shares, units or shares in investment funds and other variable-interest securities	278,548,137	336,231,925
2. Bearer bonds and other fixed-interest securities	424,254,649	467,269,171
3. Other loans		
a) Registered bonds	77,000,000	83,104,072
b) Notes receivable and loans	126,349,118	154,877,935
c) Other loans	30,087,888	30,715,008
4. Other investments	19,577,281	27,221,240
Total	**1,858,910,074**	**2,660,760,922**
of which:		
Investments valued at costs of acquisition	1,781,910,074	2,577,656,851
of which:		
Investments in fixed assets pursuant to section 341b paragraph 2 HGB	383,109,743	421,793,161

The revaluation reserves include hidden liabilities totalling € 5.2 million. These relate to bearer bonds, loans to affiliated companies and registered bonds.

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

The current value of shares in affiliated companies held by DEVK Allgemeine Versicherungs-AG, DEVK Rechtsschutz-Versicherungs-AG, DEVK Krankenversicherungs-AG, DEVK Vermögensvorsorge- und Beteiligungs-AG, DEVK Asset Management GmbH, DEVK Service GmbH, German Assistance Versicherung AG and SADA Assurances S.A. is calculated on the basis of gross rental values. DEVK Private Equity GmbH, HYBIL B.V. and Ictus GmbH 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	67,555	63,597
Loans to affiliated companies	22,407	22,072

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	4,465	235	270
	Forward purchase GBP	21,852	–	– 220

Valuation methods

Short options:	European options	Black-Scholes
	American options	Barone-Adesi
Forward purchase GBP:	Present value method	

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	3,606	152,239	23,250	
Bond funds	507	45,896	1,495	
Real-estate funds	647	28,421	3,109	between any time and after five months

Re Assets B.I.

Investments in affiliated companies and participating interests

	Subscribed capital €	% share	Checked % share	Equity €	Results from previous financial year €
DEVK Allgemeine Versicherungs-AG, Cologne	195,000,000	100.00	100.00	342,170,794	–
DEVK Rechtsschutz-Versicherungs-AG, Cologne	21,000,000	100.00	100.00	60,563,459	–
DEVK Krankenversicherungs-AG, Cologne	8,000,000	100.00	100.00	23,177,128	–
DEVK Allgemeine Lebensversicherungs-AG, Cologne	28,000,000	100.00	51.00	142,964,493	–
DEVK Pensionsfonds-AG, Cologne	5,000,000	100.00	51.00	14,316,266	17,500
DEVK Vermögensvorsorge- und Beteiligungs-AG, Cologne	20,000,000	51.00	51.00	191,000,000	–
DEVK Alpha GmbH, Cologne	25,000	100.00	51.00	26,927	186
DEVK Asset Management GmbH, Cologne	750,000	100.00	100.00	750,000	–
DEVK Beta GmbH, Cologne	25,000	100.00	100.00	35,557	322
DEVK Europa Real Estate Investment Fonds SICAV-FIS, Luxembourg (L)[2]	268,649,458	68.00	52.32	288,796,840	14,423,956
DEVK Gamma GmbH, Cologne	25,000	100.00	100.00	25,607	183
DEVK Omega GmbH, Cologne	25,000	75.00	75.00	25,972,037	787,232
DEVK Private Equity GmbH, Cologne	10,000,000	65.00	57.65	139,956,239	26,553,421
DEVK Saturn GmbH, Cologne	25,000	100.00	100.00	25,936,269	807,513
DEVK Service GmbH, Cologne	260,000	74.00	74.00	1,470,379	–
DEVK Unterstützungskasse GmbH, Cologne	25,000	100.00	51.00	27,062	306
DEVK Versorgungskasse GmbH, Cologne	25,000	100.00	51.00	26,461	794
DEVK Web-GmbH, Cologne	25,000	100.00	100.00	25,000	–
DEVK Zeta GmbH, Cologne	25,000	100.00	51.00	775,000	–
DEVK Zeus Vermögensverwaltungs-AG, Cologne	50,000	100.00	100.00	52,698	530
Assistance Service GmbH, Coesfeld	52,000	100.00	100.00	– 3,288,833[1]	140,348
DEREIF Brüssel Lloyd George S.a.r.l., Luxembourg (L)	12,500	100.00	52.32	3,408,306	– 4,964,194
DEREIF Immobilien 1 S.a.r.l., Luxembourg (L)	250,000	100.00	52.32	– 21,614,567	– 13,436,092
DEREIF Paris 6, rue Lammenais, S.C.I., Yutz (F)	768,220	100.00	52.32	4,413,851	964,741
DEREIF Paris 9, chemin du Cornillon Saint-Denis, S.C.I., Yutz (F)	637,810	100.00	52.32	6,224,794	– 144,306
DEREIF Paris 37–39, rue d'Anjou, Yutz, (F)	1,145,850	100.00	52.32	4,968,074	1,385,972
DEREIF Wien Beteiligungs GmbH, Vienna (A)	10,000	100.00	52.32	9,283,457	– 36,543
DEREIF Wien Nordbahnstrasse 50 OG, Vienna (A)	–	100.00	52.32	9,048,729	– 211,271
DP7, Unipessoal LDA, Lisbon (P)	12,500	100.00	52.32	–	–
DRED SCS, Luxembourg (L)	41,889,861	68.00	52.32	41,899,861	–
German Assistance Versicherung AG, Coesfeld	1,462,500	100.00	100.00	3,747,189	451,433
Hotelbetriebsgesellschaft SONNENHOF mbH, Bad Wörishofen	375,000	100.00	51.00	356,023	–
HYBIL B.V., Venlo (NL)	400,000	100.00	85.10	61,139,166	2,779,197
Ictus GmbH, Cologne	5,000,000	75.00	65.20	38,409,485	207,121
JUPITER VIER GmbH, Cologne	25,000	100.00	100.00	4,921,235	389,982
KASSOS Beteiligungs- und Verwaltungs-GmbH, Cologne	25,000	100.00	100.00	33,148	397
Lieb' Assur S.A.R.L., Nîmes (F)	250,000	100.00	100.00	332,284	13,530
Monega Kapitalanlagegesellschaft mbH, Cologne	5,200,000	45.00	45.00	7,744,807	1,639,879
OUTCOME Unternehmensberatung GmbH, Cologne	525,000	100.00	100.00	326,180[1]	–
Reisebüro Frenzen GmbH, Cologne	25,000	52.00	52.00	376,390	106,961
Reisebüro Travelworld GmbH, Cologne	122,710	52.00	52.00	– 74,773[1]	493
SADA Assurances S.A., Nîmes (F)	32,388,700	100.00	100.00	36,361,108	3,272,468
	GBP			GBP	GBP
DEREIF London 10, St. Bride Street S.a.r.l., Luxembourg, (L)	21,250	100.00	52.32	6,204,615	– 414,791
DEREIF London Birchin Court S.a.r.l., Luxembourg, (L)	20,000	100.00	52.32	6,784,928	– 1,854,703
DEREIF London Eastcheap Court S.a.r.l., Luxembourg, (L)	21,250	100.00	52.32	8,030,708	63,048
London Coleman Street S.a.r.l., Luxembourg (L)	20,000	100.00	52.32	4,275,547	– 1,538,573
	SEK			SEK	SEK
DEREIF Malmö, Kronan 10 & 11 AB, Malmö (S)	100,000	100.00	52.32	19,196,160	9,281,514
DEREIF Stockholm, Vega 4 AB, Stockholm (S)	100,000	100.00	52.32	13,661,201	4,939,555
	CHF			CHF	CHF
ECHO Rückversicherungs-AG, Zurich (CH)	70,000,000	100.00	100.00	65,467,880	– 17,292,291

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

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	€ 42,638
Advance payments for future services	€ 22,707
	€ 65,345

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

31.12.2014	€ 496,566,246
Allocation	€ 31,000,000
31.12.2015	**€ 527,566,246**

Re Liabilities E.

Accruals and deferred income

Discount points on registered bonds	**€ 241,966**

Notes to the profit and loss account

Reinsurance coverage provided	2015 € 000s	2014 € 000s
Gross premiums written		
– Life	16,992	14,761
– Non-life/accident	391,674	364,720
Total	**408,666**	379,481

Insurance agents' commission and other remuneration, personnel expenses	2015 € 000s	2014 € 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	318	312
4. Social-security contributions and social-insurance costs	–	–
5. Retirement pension costs	415	335
Total	**733**	647

During the year under review, Management Board remuneration totalled € 338,159. The retirement pensions of former Management Board members and their surviving dependants totalled € 178,001. As of 31 December 2015, a pension provision of € 2,321,192 was capitalised for this group of people. The Supervisory Board remuneration totalled € 162,257.

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 € 60.2 million. This includes obligations towards affiliated companies amounting to € 42.9 million.

On the balance sheet date, we had outstanding financial obligations totalling € 4.5 million from open short options.

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, 15 March 2016

The Management Board

Gieseler **Rüßmann** **Zens**

Audit certificate

We have audited the annual financial statements, comprising the balance sheet, income statement and notes, as well as the accounting and management report of **DEVK Rückversicherungs- und Beteiligungs-Aktiengesellschaft**, Cologne, for the financial year from 1 January to 31 December 2015. 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, 24 May 2016

KPMG AG Wirtschaftsprüfungsgesellschaft

Dr Hübner	**Offizier**
Auditor	Auditor

Supervisory Board report

During 2015, 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 2015 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 2015 financial statements, which are thus duly adopted.

The Supervisory Board agrees with the Management Board's proposal concerning the appropriation of the 2015 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 statutory audit and evaluation, we hereby confirm that
1. the factual details 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, 12 May 2016

The Supervisory Board

Kirchner
Chairman

Company bodies

Supervisory Board

Wolfgang Zell
Neustadt in Holstein
Chairman
Federal Director of the
Eisenbahn- und Verkehrs-
gewerkschaft (EVG)

Helmut Lind
Munich
Deputy Chairman
Chairman of the Management Board,
Sparda-Bank München eG

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

Norbert Quitter
Bensheim
Deputy Federal Chairman of the
Gewerkschaft Deutscher
Lokomotivführer

Regina Rusch-Ziemba
Hamburg
Deputy Chairman of the
Eisenbahn- und Verkehrs-
gewerkschaft (EVG)

Ekhard Zinke
Flensburg
President of the
Federal Motor Transport Authority

Management Board

Friedrich Wilhelm Gieseler
Bergisch Gladbach
Chairman

Engelbert Faßbender
Hürth
(until 8 September 2015)

Gottfried Rüßmann
Cologne
(from 1 January 2016)

Dr Veronika Simons
Walluf

Bernd Zens
Königswinter

Dietmar Scheel
Bad Berka
Deputy Board Member

Advisory Board

Rudi Schäfer
Bad Friedrichshall
– Honorary Chairman –
Chairman of
Gewerkschaft der Eisenbahner
Germany (ret.)

Antje Böttcher
Halle (Saale)
Chair of the
Verband Deutscher
Eisenbahnfachschulen (VDEF)

Heiko Büttner
Munich
Personnel Director,
DB Vertrieb GmbH

Andreas Dill
Dortmund
Chairman of the Management Board
Sparda-Bank Hannover eG

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

Heinz Fuhrmann
Neu-Anspach
Member of the Managing
Board of the Eisenbahn- und
Verkehrsgewerkschaft (EVG) (ret.)

Götz Grauert
Oberhausen
Chairman of the
Deutscher Bahnhofs-
buchhändler e.V.

Hans-Jürgen Hauschild
Moisburg
Group Advisory Council Chairman,
Netinera Deutschland GmbH,
KVG Stade GmbH & Co. KG
Betrieb Buxtehude

Jürgen Knörzer
Schwarzach
Chairman of the General Works
Council, DB Regio Schiene/Bus

Günther Köhnke
Rotenburg
Member of the Regional Management,
DB Regio Bus, Bavaria Region
Chairman for the Franconia Market Region
CEO of OVF, KOB and VU

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

Wilfried Messner
Wolfenbüttel
Chairman of the
Bundesverband Führungskräfte
Deutscher Bahnen e.V.
(BF Bahnen)

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

Silvia Müller
Berlin
Ombudswoman
Deutsche Bahn AG

Dr Sigrid Nikutta
Berlin
Chairwoman of the Management Board of
Berliner Verkehrsbetriebe

Ulrich Nölkenbockhoff
Nordkirchen
Chairman of the Special
Staff Council for the
President of the
Bundeseisenbahnvermögen

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

Dr Doris Radatz
Berlin
Head of Employment Law, Codetermination,
Employment Contract Principles
Head of Committee Work Management,
Projects and Social Affairs
Deutsche Bahn AG

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

Karlheinz Reindl
Baldham
Chairman of the Management Board,
UNION Deutscher
Bahnhofsbetriebe

Marion Rövekamp
Munich
Personnel Director, DB Regio AG

Lars Scheidler
Berlin
Departmental Manager at the Eisenbahn-
und Verkehrsgewerkschaft (EVG)

Martin Schmitz
Rodgau
Director of the Verband
Deutscher Verkehrs-
unternehmen e.V.

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

Bernd Sülz
Berlin
Personnel Director,
DB Fahrzeuginstandhaltung
GmbH (ret.)

Oliver Wolff
Düsseldorf
Managing Director and
Managing Board
Member, Verband Deutscher
Verkehrsunternehmen (VDV)

Margarete Zavoral
Sulzbach
Chairwoman of the Board,
Stiftung Bahn-Sozialwerk
Chairwoman of the Board,
Stiftung Eisenbahn Waisenhort
(EWH)

Management report

Company foundations

Business model

The company undertakes direct and reinsured non-life and accident insurance in Germany and abroad as well as direct foreign travel sickness 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 1,250 branch offices.

Affiliated companies and participating interests

The affiliated companies of DEVK Allgemeine Versicherungs-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.

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 industry

In 2015 the capital markets were plagued by a high degree of volatility, as investors were able to earn significantly more on the equity markets than from bonds. In April 2015 the DAX hit a new all-time high of 12,391 points, representing a rise of more than 25 % as compared with the end of 2014. The equity markets performed equally well in other European countries. However, a significant correction then ensued during the summer months in response to a renewed flare-up of the crisis in Greece and growing investor concerns regarding the reduced dynamism of growth in the emerging economies. China's economic performance in particular reduced their appetite for export-oriented equities. Another side effect of this negative sentiment was the continuing fall in the price of energy and many industrial commodities, some of which fell to their lowest levels for several years. During the third quarter fears of a weakening global economy receded, as the economies in developed countries remained comparatively stable, with the Anglo-Saxon countries enjoying faster growth than the eurozone and Japan. The DAX thus ended the year with a positive performance of +9.6 %, similar to that of share indices in other European countries and better than in the USA.

As in recent years the interest market's focus was very much on central bank policies. The ECB went ahead with its bond-buying programme as planned. In response to global economic risks, the ECB had announced that it aimed to extend both the volume and duration of its bond-buying programme if necessary. Thus there was every prospect of a continuation of this extremely expansionary monetary policy in the near future. Unlike the ECB, towards the end of the year the Fed signalled the changing of its own interest rate policy with a first small rise in rates. On the equity markets this was interpreted as a positive sign that the recovery of the US economy was set to continue.

Central bank policies also had a strong impact on bond yields, with new record lows being reached during the second quarter, for instance in German government bonds. As a result, yields on ten-year German government bonds fell to under 0.05 %, while returns on bonds with maturities of up to seven years even turned negative. In parallel with the falling equity markets during summer 2015, bond market yields experienced significant rises. For example, ten-year German government bonds recovered to register returns at times approaching the 1.0 % mark. This correction was broadly interpreted as a response to excessive earlier yield reductions. During the autumn the situation stabilised, with yields on ten-year German government bonds returning to 0.5 %. Over 2015 as a whole the bond index rose by 1.0 %. In contrast, at the shorter end of the interest structure curve, negative yields on bonds issued by debtors with strong credit ratings were still to be found at the end of 2015. Thus the interest structure curve became steeper than it had been at the start of the year.

Overall economic growth in Germany during 2015 remained at the comparatively modest level experienced in 2014, with the GDP adjusted for number of working days rising by 1.4 %. Meanwhile, unemployment in Germany remained low, at an average of 6.4 %. Worsening export figures were offset by greater domestic demand, and a slight trend towards stabilisation among peripheral European countries during the second half of the year lent further support.

In November 2015 the GDV estimated a rise in gross non-life and accident insurance premium receipts of 2.6 %. Due to less favourable claims trends, the combined ratio (the ratio of claims expenses and costs to premium receipts) is estimated at around 97 % (2014: 94.6 %). Thus the non-life and accident insurance sector's profitability deteriorated as compared with 2014.

Motor vehicle insurance saw further industry-wide price rises. As a result, contributions increased by about 3.5 %, and the combined ratio is expected to have risen to around 98 % (2014: 96.7%).

Business trends

During 2015, our overall portfolio of insurance policies rose by 2.1 % to 7,803,667 policies (2014: 7,640,877). 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 slightly more sharply than expected last year (forecast: 4 to 5 %). This development was chiefly due to the growth of our motor vehicle insurance portfolio, as well as premium adjustments in this segment. At 8.4 % up, building insurance experienced strong growth.

Before changes to the equalisation provision the underwriting result net of reinsurance was, as expected, lower than in 2014. However, after a further allocation to the equalisation provision, the underwriting result net of reinsurance came to € 15.2 million, which lay within the forecast window of € 10 to 20 million.

The investment result amounted to € 90.5 million, as against a forecast figure in the order of € 65 to 75 million. This was chiefly a consequence of higher returns from disposals of investments than originally planned. As a result, and contrary to our expectations, at 4.8 % net interest rates were significantly better than in 2014 (3.8 %).

This meant in turn that the result from ordinary activities came to € 97.5 million, exceeding our forecast range of € 70 to 90 million.

After taxes, the profit transfer to DEVK Rückversicherungs- und Beteiligungs-AG was € 97.0 million (2014: € 87.7 million). The profit transfer thus reached a very satisfactory level.

Net assets, financial position and results of operations

Results of operations

	2015 € 000s	2014 € 000s	Change € 000s
Technical account	15,210	16,405	– 1,195
Investment result	90,452	69,897	20,555
Other result	– 8,208	1,707	– 9,915
Profit from ordinary activities	**97,454**	88,009	9,445
Taxes	461	358	103
Profit transfer	96,993	87,651	9,342
Net profit for the year	**–**	–	–

Underwriting result, net of reinsurance

DEVK Allgemeine Versicherungs-AG's gross premiums written rose by 5.1 % to € 1,240.0 million. 2015 earned premiums net of reinsurance rose by 5.6 % to € 1,054.5 million. Claims incurred, net of reinsurance, were 10.6 % up at € 789.3 million, as a result of which their share of net earned premiums increased to 74.8 % (2014: 71.4 %). The ratio of expenses on insurance business net of reinsurance to earned premiums was 22.8 % (2014: 22.2 %).

After the modest claims registered in 2014, in 2015 claims expenditure rose once again, with gross claims expenses for the year 8.0 % up (2014: +2.0 %). Profits from the settlement of the previous year's claims were 2.6 % up on the 2014 figure. As a result, gross claims expenses rose disproportionately as compared with premium receipts, and the gross claims ratio rose to 73.1 % (2014: 70.8 %).

Gross operating expenses rose by 8.3 %, from € 255.2 million in 2014 to € 276.3 million in 2015. The main drivers of this growth were pension schemes and personnel costs, as well as portfolio and sales commission.

After a € 5.5 million allocation to the equalisation provision (2014: € 45.2 million), the underwriting result net of reinsurance came to € 15.2 million (2014: € 16.4 million).

Accident insurance

Under accident insurance, we include both general accident insurance and motor vehicle accident insurance. In 2014, the total number of accident insurance policies rose to 901,222 (2014: 894,512). Gross premiums rose to € 100.6 million, a 5.4 % increase on the 2014 figure, After a € 300,000 allocation to the equalisation provision (2014: € 100,000), the underwriting result net of reinsurance stood at € 4.9 million (2014: € 4.5 million).

Liability insurance

Our overall liability insurance portfolio increased to 1,192,916 policies (2014: 1,169,444). In line with the portfolio growth, gross premiums rose by 2.6 % to € 83.7 million. After a € 1.9 million withdrawal from the equalisation provision (2014: € 800,000), the underwriting result net of reinsurance came to € 20.0 million (2014: € 19.2 million).

Motor vehicle liability insurance

At the year's end our portfolio comprised 2,226,286 policies (2014: 2,159,865), plus 120,768 moped policies. Due both to the portfolio growth and premium adjustments, gross premium receipts were up 5.5 % on the 2014 figure at € 493.6 million. After a € 13.3 million withdrawal from the equalisation provision (2014: € 20.3 million allocation), the underwriting result net of reinsurance came to € 700,000 (2014: € – 7.5 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 1,704,879 (2014: 1,674,289), and the portfolio also includes 23,203 partial comprehensive policies for mopeds. Gross premiums (including mopeds) rose by 5.0 % to € 308.9 million. After a € 15.4 million allocation to the equalisation provision (2014: € 22.2 million), the underwriting result net of reinsurance came to € 400,000 (2014: € 1.8 million).

Fire and non-life insurance

At the end of 2015, our fire and non-life-insurance portfolio comprised a total of 1,777,762 policies (2014: 1,741,934), and gross premiums rose by a healthy 6.1 % to € 241.6 million. After a € 5.0 million allocation to the equalisation provision (2014: € 3.1 million), the underwriting result net of reinsurance came to € – 9.8 million (2014: € – 2.7 million).

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

Our household contents insurance portfolio increased to 914,216 policies (2014: 900,915), while gross premiums rose from € 89.4 million to € 93.0 million, an increase of 4.0 %. The underwriting result net of reinsurance came to € 7.2 million (2014: € 8.6 million).

At the end of the year, our homeowners' building insurance business comprised 385,236 policies (2014: 370,602). Gross premiums increased to € 124.9 million (2014: € 115.2 million), representing impressive growth of 8.4 %. After a € 3.5 million allocation to the equalisation provision (2014: € 2.1 million), the underwriting result net of reinsurance came to € – 17.7 million (2014: € – 10.2 million).

In the other fire and non-life insurance classes, our portfolio as of 31 December 2015 comprised 478,310 policies (2014: 470,417), while premium receipts rose 2.9 % to € 23.6 million. After a € 1.5 million allocation to the equalisation provision (2014: € 1.0 million), the underwriting result net of reinsurance totalled € 700,000 (2014: € – 1.1 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 € 11.5 million (2014: € 12.5 million). After a € 100,000 allocation to the equalisation provision (2014: € 400,000), the underwriting result net of reinsurance came to € 300,000 (2014: € 1.1 million).

Investment result

The investment result was up on the 2014 figure. This can chiefly be put down to the higher extraordinary income.

Total investment income came to € 105.8 million (2014: € 84.7 million). Alongside the regular income, the company booked profits totalling € 29.7 million from disposals of investments (2014: € 10.5 million) plus income from write-ups of € 5.7 million (2014: € 2.0 million).

Investment expenses rose from € 14.8 million in 2014 to € 15.4 million in 2015.

Our net 2014 investment result came to € 90.5 million, as against € 69.9 million in 2014.

Other result

In the absence of the special effects which improved the 2014 result, the "Other" result including technical interest income fell to € – 8.2 million (2014: € 1.7 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 DEVK Rückversicherungs- und Beteiligungs-AG 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 to DEVK Rückversicherungs- und Beteiligungs-AG under the profit transfer agreement. Taxes on income, which came to € 180,000 (2014: € 374,000), exclusively comprised foreign withholding taxes.

Operating result and appropriation of retained earnings

The profit transfer result improved to € 97.0 million (2014: € 87.7 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 taxes and 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 2015 return on sales came to 11.4 % (2014: 14.1 %).

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 € 34.0 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 (old version) 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 € 314.4 million (2014: € 314.1 million), far exceeding the required solvency margin of € 174.6 million (2014: € 166.3 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 2014, in 2015 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 2015 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-Versicherungs-verein 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.

Assets position

	2015 € 000s	2014 € 000s	Change € 000s
Investments	1,879,120	1,873,568	5,552
Receivables arising out of direct insurance operations	9,910	26,862	– 16,952
Receivables arising out of reinsurance operations	9,455	16,379	– 6,924
Other receivables	164,006	49,695	114,311
Means of payment	119	39	80
Other assets	60,680	63,535	– 2,855
Total assets	**2,123,290**	2,030,078	93,212
Equity	342,171	342,171	–
Technical provisions net of reinsurance	1,513,961	1,441,579	72,382
Other provisions	9,186	8,042	1,144
Deposits received from reinsurers	66,428	71,344	– 4,916
Liabilities arising out of direct insurance operations	81,702	84,369	– 2,667
Liabilities arising out of reinsurance operations	2,456	3,528	– 1,072
Other liabilities	106,187	77,790	28,397
Accruals and deferred income	1,199	1,255	– 56
Total capital	**2,123,290**	**2,030,078**	**93,212**

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

Non-financial performance indicators

Customer satisfaction

Customer satisfaction is an important strategic goal for DEVK, which is why we measure the satisfaction of our customers every year. For this purpose, we draw on a sectoral index which assesses our own customer satisfaction against that of our rivals via a points scale. This enables us to measure developments over time and as compared with our competitors in graphic form. Currently, DEVK scores well above the industry average, but our aim over the coming years is for DEVK to achieve first place for customer satisfaction.

Overall verdict on the management report

All in all, the company's net assets, financial position or results of operations proved satisfactory throughout 2015.

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 2016, we are expecting total premium receipts to increase by more than 4 %. We are expecting a stronger increase in technical charges. Accordingly, before adjustments to the equalisation provision we expect to register a poorer underwriting result in 2016. After further allocations to the equalisation provision, we currently estimate that the underwriting result net of reinsurance will come in at less than € 10 million.

In view of the economic situation in the eurozone and the policies expected from European central banks, in 2016 we once again see no reason to expect strongly rising yields at the long end of the interest structure curve. The Fed's change of interest policy is the sole factor that could give impetus for somewhat higher yields. Here we expect further interest rate increases during 2016, as a result of which the interest structure curve in the eurozone may become even steeper.

Uncertainty concerning future equity market performance in the eurozone has grown markedly over recent months. Positive macroeconomic factors, in particular the weakness of the euro, low commodity prices and expectations of healthy growth in the US economy are offset by a variety of factors exerting a drag, such as the deteriorating performance of the emerging economies, lower domestic demand in China and the potential impact of the Fed pursuing a policy of raising interest rates. As a result we are expecting a continuation of the comparatively volatile market movements of recent months.

Given the current economic conditions €/US $ parity is possible, but appears increasingly unlikely. As regards commodity prices, despite sharp falls in some cases there are still no clear signs that the bottom has been reached. Energy prices in particular will continue to be reflected in very low inflation rates in the eurozone. Should energy prices start rising again that would have a direct impact on inflation rates.

Given China's importance as a market for export-oriented European companies, the country's economic performance has a massive influence on other economic areas, and this is reflected in the share prices of listed export companies. Further risks faced by the capital markets in 2016 are the debt problems besetting some countries, the possibility of Brexit and the strengthening or rekindling of political tensions in Europe and the Middle East.

In 2016 we expect DEVK Allgemeine Versicherungs-AG to register an investment result in the order of € 70 million on a slightly growing investment portfolio. The low interest rates available on new investments and reinvestments will lead to a slight reduction in regular income.

All in all, we are expecting the 2016 profit from normal business activities to be in the order of € 55 to 65 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.

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 26 VAG (section 64a VAG old version), 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 determine this we first consider the movement of the claims ratio net of reinsurance over the past ten years.

Claims ratio net of reinsurance			
Year	%	Year	%
2006	72.7	2011	77.1
2007	70.0	2012	74.3
2008	73.6	2013	75.2
2009	77.3	2014	71.4
2010	78.1	2015	74.8

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.

Settlement result, net of reinsurance, as % of original provision			
Year	%	Year	%
2006	8.9	2011	10.0
2007	11.3	2012	9.0
2008	10.5	2013	8.7
2009	10.3	2014	8.7
2010	11.7	2015	8.0

Our equalisation provisions provide an additional safety cushion that contributes to the smoothing of our underwriting results. As of 31 December 2015, their volume totalled € 204.6 million (2014: € 199.1 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 and reinsurers.

Over the review period (the past three years), our overdue debts from insurance business averaged 3.0 % of booked gross premiums. Of these, an average of 12.2 % had to be written off. In relation to the booked gross premiums, the average default rate over the past three years was 0.4 %. Accordingly, default risk is of minimal importance for our company.

Amounts receivable from reinsurance at the end of the year came to € 9.4 million, of which a sum of € 8.0 million applies 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 of our reinsurance partners is given in the following table:

Rating category	Receivables in € millions
AA+	0.04
AA–	1.36
A+	8.00
No rating	0.05

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 continue to comply with the investment ordinance which remained officially in force until 31 December 2015 and which we have decided, by Executive Board resolution, to retain as the principal foundation of our investment policies. 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.

We have subjected our investment portfolio to a stress test on the basis of BaFin Circular 1/2004 (VA). We carried this out on the balance sheet date of 31 December 2015, using the 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.

Interest-bearing investments

As of 31 December 2015, the Group held interest-bearing investments to a total value of € 1.49 billion. A total of € 692.5 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 € 596.5 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 € 50.1 million, a figure that includes € 6.4 million in hidden charges. As of 31 December 2015 the total valuation reserve for our interest-bearing investments came to € 150.4 million. A change in returns of up to +/– 1 % would entail a corresponding value change ranging from € – 108.3 million to € 110.8 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 securities 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 6 % 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 very small scale, in asset-backed securities (ABS). Our direct corporate bond holdings make up 15.4 % of our total investments, whereas we had no direct ABS investments at all at the end of 2015, and within special funds they make up less than 0.2 % of the total invested. In 2015 our bond investments focused on international bearer bonds issued by banks and companies, as well as bonds issued by German federal states. These involve bearer papers assigned to the fixed assets and also registered securities.

We have minimal investment exposure to the peripheral European countries Portugal, Italy, Ireland, Greece and Spain. Turning to issuer risks, as proportions of our total investments, 6 % of the company's investments are in government bonds, 15 % in corporate bonds and 51 % in securities and deposits with banks and other financial service providers. The bulk of our investments in banks is either covered by various statutory and private deposit protection schemes or involves interest-bearing securities that are protected in law by special guarantee funds.

The ratings of the issuers of our interest-bearing investments break down as follows (2014):

AA– or better	58.5 %	(55.3 %)
A	26.7 %	(29.6 %)
BBB	12.1 %	(9.9 %)
BB or worse	2.7 %	(5.1 %)

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 € 51 million.

The European share index EuroStoxx50 gained value during 2015. In the medium term we continue to expect a positive performance, albeit with high levels of volatility in some cases.

We have applied a value protection model to our equity investments in order to limit market risks. Should growing economic problems lead to a significant downturn, various courses of action are open to us. In light of the uncertain economic situation, we actively managed our ratio of equity investments throughout the year.

The fixed-asset equities and equity funds show a positive valuation reserve of € 9.1 million and contain no hidden liabilities.

Real estate

On the balance sheet date, our real-estate investments totalled € 112.6 million. Of this total, a sum of € 96.5 million is invested in indirect mandates, including restricted special funds in office and other commercial real estate. Our direct holdings worth € 16.1 million are subject to scheduled annual depreciation of approximately € 400,000. No special 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.

Solvency II

The insurance industry has undergone radical changes to its supervisory regime. On 17 January 2015 the European Commission published the corresponding delegated acts in the Official Journal of the European Union, and in March 2015 the German Bundesrat passed the Act to Modernise Financial Supervision of Insurance Undertakings (Gesetz zur Modernisierung der Finanzaufsicht über Versicherungen [VAG-Novelle]), thereby implementing the EU Solvency II Directive in German law. The provisions of Solvency II have been mandatory since 1 January 2016.

The new requirements of Solvency II have been progressively implemented by DEVK Versicherungen through a project launched in 2013.

Summary of our risk status

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

The projections made in connection with the ORSA process have shown that sufficient risk capital cover is assured in both the present and the future.

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, 15 March 2016

The Management Board

Gieseler **Rüßmann** **Scheel** **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

Foreign travel health 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 2015

Assets	€	€	€	2014, € 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		27,779,459		20,683
II. Payments on account		–		7,391
			27,779,459	28,074
B. Investments				
I. Real estate and similar land rights, including buildings on third-party land		16,105,903		16,465
II. Investments in affiliated companies and participating interests				
1. Shares in affiliated companies	83,173,265			65,418
2. Participating interests	38,793,755			30,414
		121,967,020		95,832
III. Other investments				
1. Shares, units or shares in investment funds and other variable-interest securities	326,441,710			280,253
2. Bearer bonds and other fixed-interest securities	612,284,953			524,935
3. Mortgage loans and annuity claims	118,651,410			130,917
4. Other loans	655,929,682			797,434
5. Other investments	27,739,294			27,733
		1,741,047,049		1,761,272
			1,879,119,972	1,873,569
C. Accounts receivable				
I. Receivables arising out of direct insurance operations:				
1. Policyholders	9,757,671			26,710
2. Intermediaries	152,667			152
		9,910,338		26,862
II. Receivables arising out of reinsurance operations		9,455,434		16,379
of which:				
Affiliated companies: € 8,006,862				9,981
III. Other receivables		164,006,011		49,694
of which:			**183,371,783**	92,935
Affiliated companies: € 163,156,291				1,940
D. Other assets				
I. Tangible assets and inventories		6,563,170		7,149
II. Cash at bank, cheques and cash in hand		119,341		39
III. Other assets		276,194		264
			6,958,705	7,452
E. Prepayments and accrued income				
I. Accrued interest and rent		25,542,013		26,985
II. Other prepayments and accrued income		518,233		1,063
			26,060,246	28,048
Total assets			**2,123,290,165**	2,030,078

I hereby confirm that the premium provision of € 16,881,396.61, 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, 14 March 2016 **The Actuary in Charge | Weiler**

Pursuant to section 73 of the German Insurance Supervision Act (VAG), old version, 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, 14 March 2016 **The Trustee | Thommes**

Liabilities and shareholders' equity	€	€	€	2014, € 000s
A. Capital and reserves				
I. Subscribed capital		195,000,000		195,000
II. Capital reserve		100,302,634		100,303
III. Retained earnings				
1. Statutory reserve	383,469			383
2. Other retained earnings	46,484,692			46,485
		46,868,161		46,868
			342,170,795	342,171
B. Technical provisions				
I. Provision for unearned premiums				
1. Gross amount	10,651,498			10,464
2. of which:				
Reinsurance amount	142,651			175
		10,508,847		10,289
II. Premium reserve		25,812		27
III. Provision for claims outstanding:				
1. Gross amount	1,617,181,733			1,544,740
2. of which:				
Reinsurance amount	339,763,111			332,760
		1,277,418,622		1,211,980
IV. Provision for bonuses and rebates		14,851,040		14,802
V. Equalisation provision and similar provisions		204,634,537		199,102
VI. Other technical provisions				
1. Gross amount	7,012,476			5,824
2. of which:				
Reinsurance amount	490,566			446
		6,521,910		5,378
			1,513,960,768	1,441,579
C. Provisions for other risks and charges				
I. Provisions for pensions and similar commitments		8,428,729		7,597
II. Provisions for taxation		251,557		214
III. Other provisions		505,542		231
			9,185,828	8,042
D. Deposits received from reinsurers				
			66,427,924	71,344
E. Other liabilities				
I. Liabilities arising out of direct insurance operations				
– Policyholders		81,702,675		84,369
II. Liabilities arising out of reinsurance operations		2,455,962		3,528
of which:				
Affiliated companies: € 1,436,546				3,183
III. Other liabilities		106,187,216		77,790
of which:			**190,345,853**	165,687
Tax: € 8,045,897				7,470
Affiliated companies: € 97,056,345				68,966
F. Accruals and deferred income				
			1,198,997	1,254
Total liabilities			**2,123,290,165**	2,030,078

Profit and loss account

for the period from 1 January to 31 December 2015

Items	€	€	€	2014, € 000s
I. Technical account				
1. Earned premiums, net of reinsurance				
a) Gross premiums written	1,240,015,601			1,179,350
b) Outward reinsurance premiums	185,539,103			179,539
		1,054,476,498		999,811
c) Change in the gross provision for unearned premiums	50,677			– 1,061
d) Change in the provision for unearned premiums, reinsurers' share	-32,220			– 25
		18,457		– 1,086
			1,054,494,955	998,725
2. Allocated investment return transferred from the non-technical account, net of reinsurance			**600,439**	545
3. Other technical income, net of reinsurance			**1,148,056**	1,103
4. Claims incurred, net of reinsurance				
a) Claims paid				
aa) Gross amount	833,523,835			778,818
bb) Reinsurers' share	109,684,899			110,994
		723,838,936		667,824
b) Change in the provision for claims				
aa) Gross amount	72,441,294			55,480
bb) Reinsurers' share	– 7,003,057			-9,788
		65,438,237		45,692
			789,277,173	713,516
5. Changes in other technical provisions, net of reinsurance				
a) Premium reserve, net of reinsurance		750		4
b) Other technical provisions, net of reinsurance		– 1,248,265		915
			– 1,247,515	919
6. Bonuses and rebates, net of reinsurance			**348,653**	302
7. Net operating expenses				
a) Gross operating expenses		275,710,188		255,171
b) of which: Reinsurance commissions and profit participation		35,798,165		33,720
			239,912,023	221,451
8. Other technical charges, net of reinsurance			**4,715,597**	4,417
9. Subtotal			**20,742,487**	61,605
10. Change in the equalisation provision and similar provisions			**– 5,532,504**	-45,200
11. Underwriting result, net of reinsurance			**15,209,985**	16,405
Balance carried forward:			15,209,985	16,405

Items	€	€	€	€	2014, € 000s
Balance carried forward:				15,209,985	16,405
II. Non-technical account					
1. Income from other investments					
a) Income from participating interests		3,427,913			2,698
of which:					
from affiliated companies: € 2,370,679					2,065
b) Income from other investments					
aa) Income from real estate and similar land rights, including buildings on third-party land	1,263,214				1,252
bb) Income from other investments	65,656,912				68,255
		66,920,126			69,507
c) Income from write-ups		5,725,696			1,989
d) Gains on the realisation of investments		29,739,469			10,512
			105,813,204		84,707
2. Investment charges					
a) Investment management charges, interest expenses and other charges on capital investments		2,522,955			2,147
b) Write-downs on investments		10,756,105			11,942
c) Losses on the realisation of investments		2,082,183			721
			15,361,243		14,810
			90,451,961		69,897
3. Allocated investment return transferred from the non-technical account			1,994,481		1,968
				88,457,480	67,929
4. Other income			1,672,639		11,239
5. Other charges			7,886,220		7,564
				-6,213,581	3,675
6. Profit from ordinary activities				**97,453,884**	88,009
7. Taxes on income			179,998		374
8. Other taxes			281,220		-16
				461,218	358
9. Profit transferred under a profit pooling, profit transfer or partial profit transfer agreement				**96,992,666**	87,651
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.

Equities, fund units or shares 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:
The **provision 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.

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 calculation was based on the DAV 2006 HUR mortality table. The technical interest rate stands at between 1.25 % and 4.0 %, depending on the time of initial formation of the provision.

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 section 341f and 341g HGB The calculation was based on the DAV 2006 HUR mortality table. The technical interest rate stands at between 1.25 % and 4.0 %, depending on the time of initial formation of the provision.
The reinsurance amount was calculated in accordance with the contractual agreements in this respect.

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

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

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

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

The **other provisions** are formed on the following basis:
The **pension provision** is calculated according to the projected unit credit method on the basis of the HEUBECK 2005 G actuarial tables. The discounting interest rate was calculated as a seven-year average pursuant to the hitherto prevailing Regulation on the Discounting of Provisions (Rückstellungsabzinsungsverordnung). It was set at 3.89 % (2014: 4.55 %) and calculated on the basis of an assumed residual term of 15 years (section 253 paragraph 2 sentence 2 HGB).
The financing age on expiry corresponds with the contractual age on expiry.
The assumed rate of pay increase was set at 1.95 %, and the rate of pension increase at between 1.0 % and 1.95 % p.a.

The **tax provisions** and **other provisions** are formed for the current financial year and measured according to the settlement values deemed necessary in our commercial judgement.

The **deposits received from reinsurers** result from a reinsurance agreement to cover claims and pensions provisions, measured at the settlement value.

Liabilities arising out of direct insurance operations and **other liabilities** are measured at the settlement values.

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

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 technical interest rate net of reinsurance was set at 4.0 %, 3.25 %, 2.75 %, 2.25 %, 1.75 % or 1.25 % 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 2015 financial year

Assets	Balance sheet value 2014 € 000s	Additions € 000s	Transfers € 000s	Disposals € 000s	Write-ups € 000s	Write-downs € 000s	Balance sheet value 2015 € 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	20,682	5,418	7,391	–	–	5,712	27,779
2. Payments on account	7,391	–	-7,391	–	–	–	–
3. Total A.	28,073	5,418	–	–	–	5,712	27,779
B.I. Real estate and similar land rights, including buildings on third-party land							
	16,465	–	–	–	–	359	16,106
B.II. Investments in affiliated companies and participating interests							
1. Shares in affiliated companies	65,418	20,956	–	3,200	–	–	83,174
2. Participating interests	30,412	15,734	–	7,216	–	137	38,793
3. Total B.II.	95,830	36,690	–	10,416	–	137	121,967
B.III. Other investments							
1. Shares, units or shares in investment funds and other variable-interest securities	280,253	109,380	–	58,792	5,726	10,125	326,442
2. Bearer bonds and other fixed-interest securities	524,936	155,330	–	67,980	–	1	612,285
3. Mortgage loans and annuity claims	130,918	7,202	–	19,469	–	–	118,651
4. Other loans							
a) Registered bonds	275,000	68,000	–	30,000	–	–	313,000
b) Notes receivable and loans	462,434	45,630	–	190,134	–	–	317,930
c) Other loans	59,999	-	–	34,999	–	–	25,000
5. Other investments	27,733	811	–	801	–	4	27,739
6. Total B.III.	1,761,273	386,353	–	402,175	5,726	10,130	1,741,047
Total	**1,901,641**	**428,461**	**–**	**412,591**	**5,726**	**16,338**	**1,906,899**

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 2015, 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	16,105,903	17,075,000
B.II. Investments in affiliated companies and participating interests		
1. Shares in affiliated companies	83,173,265	114,095,144
2. Participating interests	38,793,755	39,917,461
B.III. Other investments		
1. Shares, units or shares in investment funds and other variable-interest securities	326,441,710	357,495,475
2. Bearer bonds and other fixed-interest securities	612,284,953	663,960,277
3. Mortgage loans and annuity claims	118,651,410	134,265,334
4. Other loans		
a) Registered bonds	313,000,000	363,336,212
b) Notes receivable and loans	317,929,682	348,847,966
c) Other loans	25,000,000	24,527,854
5. Other investments	27,739,294	32,221,025
Total	**1,879,119,972**	**2,095,741,748**
of which: Investments valued at costs of acquisition	1,566,119,972	1,732,405,537
of which: Investments in fixed assets pursuant to section 341b paragraph 2 HGB	711,615,165	770,793,509

The revaluation reserves include hidden liabilities totalling € 13.5 million.
These relate to bearer bonds, mortgage claims, notes receivable, registered bonds, other loans 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 2015 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
Participating interests	802	769
Fixed-asset securities	112,715	106,276
Mortgage loans	2,601	2,510
Other loans	80,889	78,674

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 call options	1,450	53	53
	Short put options	6,204	416	355

Valuation methods

Short 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	2,650	148,536	1,995	
Bond funds	–	9,808	–	
Mixed funds	2,901	67,362	824	
Real-estate funds	1,061	23,361	3,256	once a month up to € 50,000 or at any time up to € 50,000 or after five months

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	25,972,037	787,232
DEVK Private Equity GmbH, Cologne	10,000,000	20.00	20.00	139,956,239	26,553,421
KASSOS Beteiligungs- und Verwaltungs-GmbH, Cologne	25,000	100.00	100.00	33,148	397
Terra Management GmbH, Landolfshausen	25,000	25.00	25.00	27,718	1,060
Terra Estate GmbH & Co. KG, Landolfshausen	1,500,000	24.38	24.38	47,211,221	197,266

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	€ 509,540
Advance payments for future services	€ 8,693
	€ 518,233

Re Liabilities A.I.

Subscribed capital

The subscribed capital totalling € 195,000,000 is divided into 195 million shares (2014: € 195,000,000).

Re Liabilities B.

Technical provisions						
Figures in € 000s	Total gross provision		of which: Provision for claims outstanding		of which: Equalisation provision and similar provisions	
Insurance class	2015	2014	2015	2014	2015	2014
Accident	142,776	129,993	141,843	129,382	–	90
Liability	85,285	88,359	64,339	65,500	20,878	22,794
Motor vehicle liability	1,436,252	1,392,326	1,309,821	1,252,322	120,790	134,128
Other motor vehicle	92,700	77,701	35,774	36,313	41,615	25,815
Fire and non-life	83,212	73,467	62,730	59,178	16,115	11,138
of which:						
Fire	2,871	6,999	2,678	6,801	100	–
Household contents	13,650	12,553	13,603	12,503	–	–
Homeowners' building	56,938	46,130	42,395	36,400	10,357	6,851
Other non-life	9,754	7,785	4,054	3,474	5,658	4,287
Other	14,133	13,113	2,674	2,045	5,237	5,137
Total	**1,854,358**	1,774,960	**1,617,182**	1,544,740	**204,635**	199,102

Re Liabilities B.IV.

Provision for bonuses and rebates

a) Bonuses

31.12.2015	**€ 14,491,040**

b) Rebates

31.12.2014	€ 311,000
Withdrawal	€ 299,653
Allocation	€ 348,653
31.12.2015	**€ 360,000**

Re Liabilities F.

Accruals and deferred income

Discount points on registered bonds	**€ 1,176,982**

Notes to the profit and loss account

Direct insurance operations and reinsurance coverage provided

2015, € 000s	Gross booked premiums	Gross premiums earned	Net premiums earned	Gross expenses on Insurance claims	Gross expenses on Insurance operations	Reinsurance balance	Underwriting result, net of reinsurance
Accident insurance	100,601	100,601	78,095	46,264	44,027	– 5,606	4,936
Liability insurance	83,729	83,729	81,588	29,167	33,660	– 2,828	20,016
Motor vehicle liability	493,643	494,025	433,337	437,382	66,649	– 4,544	– 672
Other motor vehicle	308,924	308,925	251,777	241,227	42,783	– 9,283	376
Fire and non-life	241,569	241,530	199,151	143,142	87,227	– 10,354	– 9,769
of which:							
Fire	1,345	1,345	1,148	– 2,327	602	– 1,854	1,097
Household contents	92,998	92,998	81,436	44,142	34,969	– 4,319	7,186
Homeowners’ building	124,945	124,906	95,172	91,395	40,994	– 3,480	– 17,658
Other non-life	22,281	22,281	21,395	9,932	10,662	– 701	– 394
Other	11,550	11,256	10,547	8,784	1,364	– 470	323
Total	**1,240,016**	**1,240,066**	**1,054,495**	**905,966**	**275,710**	**– 33,085**	**15,210**

2014, € 000s	Gross booked premiums	Gross premiums earned	Net premiums earned	Gross expenses on Insurance claims	Gross expenses on Insurance operations	Reinsurance balance	Underwriting result, net of reinsurance
Accident insurance	95,458	95,458	73,966	42,642	41,253	– 7,439	4,542
Liability insurance	81,591	81,591	79,308	29,101	31,864	– 2,321	19,151
Motor vehicle liability	467,897	468,049	409,437	400,297	60,235	4,687	– 7,524
Other motor vehicle	294,293	294,318	238,570	223,093	39,470	– 8,180	1,804
Fire and non-life	227,617	227,376	186,627	131,513	80,725	– 11,314	– 2,680
of which:							
Fire	1,282	1,282	1,135	4,603	488	1,960	– 2,119
Household contents	89,449	89,449	78,988	41,513	33,141	– 3,964	8,603
Homeowners’ building	115,215	114,974	86,019	77,065	37,097	– 7,997	– 10,214
Other non-life	21,671	21,671	20,485	8,332	9,999	– 1,313	1,050
Other	12,493	11,497	10,817	7,653	1,624	– 494	1,112
Total	1,179,349	1,178,289	998,725	834,299	255,171	– 25,061	16,405

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

Acquisition expenses	€ 167,621,137
Administration costs	€ 108,089,051

Insurance agents’ commission and other remuneration, personnel expenses

	2015 € 000s	2014 € 000s
1. Insurance agents’ commission of all types within the meaning of section 92 HGB for direct insurance operations	158,073	148,746
2. Oher insurance agents’ remuneration within the meaning of section 92 HGB	–	–
3. Wages and salaries	484	393
4. Social security contributions and social insurance costs	–	–
5. Retirement pension costs	944	708
Total	**159,501**	149,847

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 € 515,457. The retirement pensions of former Management Board members and their surviving dependants totalled € 425,024. As of 31 December 2015, a pension provision of € 6,161,768 was capitalised for this group of people. The Supervisory Board remuneration totalled € 161,927, and payments to the Advisory Board came to € 70,639.

Other information

Contingencies and other financial obligations

On the balance sheet date, there were financial obligations totalling € 7.7 million from open short options and € 21.0 million from multi-tranches. The payment obligations in relation to approved mortgage loans not yet paid out totalled € 11.3 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 € 83.7 million. This includes obligations towards affiliated companies amounting to € 64.7 million.

General information

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

	2015	2014
Accident	901,222	894,512
Liability	1,192,916	1,169,444
Motor vehicle liability	2,226,286	2,159,865
Other motor vehicle	1,704,879	1,674,289
Fire and non-life	1,777,762	1,741,934
of which:		
Fire	6,443	5,804
Household contents	914,216	900,915
Homeowners’ building	385,236	370,602
Other non-life	471,867	464,613
Other	602	833
Total	**7,803,667**	7,640,877

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, 15 March 2016

The Management Board

Gieseler	**Rüßmann**	**Scheel**	**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 2015. 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, 24 March 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr Hübner	**Offizier**
Auditor	Auditor

Supervisory Board report

During 2015, 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 2015 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 2015 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 2016

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 Group's principal insurance companies operating for the general private-client market, as well as other participating interests.

The Group companies included in the 2015 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 1,250 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 industry

In 2015 the capital markets were plagued by a high degree of volatility, as investors were able to earn significantly more on the equity markets than from bonds. In April 2015 the DAX hit a new all-time high of 12,391 points, representing a rise of more than 25 % as compared with the end of 2014. The equity markets performed equally well in other European countries. However, a significant correction then ensued during the summer months in response to a renewed flare-up of the crisis in Greece and growing investor concerns regarding the reduced dynamism of growth in the emerging economies. China's economic performance in particular reduced their appetite for export-oriented equities. Another side effect of this negative sentiment was the continuing fall in the price of energy and many industrial commodities, some of which fell to their lowest levels for several years. During the third quarter fears of a global economic slowdown receded, as the economies in developed countries remained comparatively stable, with the Anglo-Saxon countries enjoying faster growth than the eurozone and Japan. The DAX thus ended the year with a positive performance of +9.6 %, similar to that of share indices in other European countries and better than in the USA.

As in recent years the interest market's focus was very much on central bank policies. The ECB went ahead with its bond-buying programme as planned. In response to global economic risks, the ECB had announced that it aimed to extend both the volume and duration of its bond-buying programme if necessary. Thus there was every prospect of a continuation of this extremely expansionary monetary policy in the near future. Unlike the ECB, towards the end of the year the Fed signalled the changing of its own interest rate policy with a first small rise in rates. On the equity markets this was interpreted as a positive sign that the recovery of the US economy was set to continue.

Central bank policies also had a strong impact on bond yields, with new record lows being reached during the second quarter, for instance in German government bonds. As a result, yields on ten-year German government bonds fell to under 0.05 %, while returns on bonds with maturities of up to seven years even turned negative.

In parallel with the falling equity markets during summer 2015, bond market yields experienced significant rises. For example, ten-year German government bonds recovered to register returns at times approaching the 1.0 % mark. This correction was broadly interpreted as a response to excessive earlier yield reductions. During the autumn the situation stabilised, with yields on ten-year German government bonds returning to 0.5 %. Over 2015 as a whole the bond index rose by 1.0 %. In contrast, at the shorter end of the interest structure curve, negative yields on bonds issued by debtors with strong credit ratings were still to be found at the end of 2015. Thus the interest structure curve became steeper than it had been at the start of the year.

Overall economic growth in Germany during 2015 remained at the comparatively modest level experienced in 2014, with the GDP adjusted for number of working days rising by 1.4 %. Meanwhile, unemployment in Germany remained low, at an average of 6.4 %. Worsening export figures were offset by greater domestic demand, and a slight trend towards stabilisation among peripheral European countries during the second half of the year lent further support.

In November 2015 the GDV estimated a rise in gross non-life and accident insurance premium receipts of 2.6 %. Due to less favourable claims trends, the combined ratio (the ratio of claims expenses and costs to premium receipts) is estimated at around 97 % (2014: 94.6 %). Thus the non-life and accident insurance sector's profitability deteriorated as compared with 2014.

Motor vehicle insurance saw further industry-wide price rises. As a result, contributions increased by about 3.5 %, and the combined ratio is expected to have risen to around 98 % (2014: 96.7%).

Due to lower single premiums, German life insurance premium receipts (including pension funds and schemes) have fallen by 1.1 % (2014: + 3.1 %).

Private health insurance, including long-term care insurance, saw a premium increase of 1.3 %.

Business trends

Non-life and accident insurance business trends

At 6.2 %, premium growth was greater than expected (forecast: around 5 %). In volume terms the greatest growth was registered by DEVK Allgemeine Versicherungs-AG, which particularly benefited from both portfolio growth and motor vehicle insurance premium adjustments, as well as the continuing expansion of our active reinsurance operations.

Before changes to the equalisation provision, the underwriting result came to € 8.9 million (2014: € 62.1 million), significantly lower than the forecast figure of € 30 to 40 million. This was due to the negative impact of factors such as less favourable claims trends and higher retirement pension costs.

After a reduced but nevertheless high allocation of € 30.5 million to the equalisation provision (2014: € 70.4 million), at € –21.6 million (2014: € –8.4 million) the underwriting result net of reinsurance fell well short of our forecast of a result close to the zero mark.

Life assurance business trends

The overall performance of the life insurance operations undertaken by the DEVK Allgemeine Lebensversicherungs-AG Group was satisfactory. As expected, premium receipts were lower than in 2014.

The launch of our new occupational incapacity insurance and term life insurance in mid-2015 was very well received by the market, as a result of which our sales expectations were in fact exceeded. MORGEN & MORGEN has rated our new occupational incapacity insurance and awarded it five stars.

Meanwhile, the investment result also exceeded our expectations. This was chiefly due to higher extraordinary income and increased investment volumes.

During 2015, DEVK Allgemeine Lebensversicherungs-AG concluded a total of 70,940 new policies (2014: 82,261). The sum insured under these new policies amounted to € 2.59 billion (2014: € 2.31 billion), which corresponds to total premiums generated by new business of € 1.11 billion (2014: € 1.29 billion).

The sum insured under the main insurance policies within our portfolio as a whole rose 3.8 % to € 21.70 billion (2014: € 20.91 billion). Contrary to our forecast, the total number of policies fell by a minimal 0.3 % to 809,087 (2014: 811,310). As expected, both the sum insured under main insurance policies and the number of early cancellations of policies remained at around the level of previous years.

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. At DEVK we have more than held our own in the ever more fiercely contested supplementary insurance segment, having further increased our market share.

In 2015 we sent out a mass mailshot promoting our new dental treatment tariff D2 to over 100,000 existing customers. By the end of the year over 25,000 people had taken out this cover, thereby generating more than € 1.4 million in additional premiums. However, this will not take full effect until the 2016 financial year. In the field of supportive care (Förderpflege) sales figures fell short of our expectations. Like the industry as a whole, we were unable to generate the hoped-for sales. All in all, during 2015 new business, measured in terms of monthly target premiums, increased by 22.0 %. Moreover, our overall business volume rose significantly, with the monthly target premium in the overall portfolio up to € 6.44 million by the end of the year (2014: € 5.91 million).

All in all, this meant that our medium-term growth and income forecasts were borne out.

In the investment sphere we achieved a satisfactory result in 2015, Thanks to the greater investment volume we registered a slight increase in absolute investment income. However, 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.

The most important source of new business continued to be defined-contribution pension plans pursuant to section 3 No. 63 of the German Income Tax Act (Einkommenssteuergesetz – EStG).

The number of people enrolled in pension plans fell slightly during 2015 (0.2 %). However, premium receipts were 34.8 % up.

Once again, expenditure on payments of benefits, in particular pension payments and pension fund business were all up on the previous year's figure.

In 2015 we registered 7,621 new enrolments in pension plans with present or future entitlements (2014: 10,016). This figure fell short of expectations.

Currently 158,933 persons (117,567 men and 41,366 women) are enrolled in pension plans with future entitlement to pensions (2014: 159,772, of whom 118,683 were men and 41,089 women), and 1,642 are currently receiving pensions (2014: 1,174).

Some 50 % of the existing policies and the vast majority of the new business results from Deutsche Bahn AG's so-called 2 % rule, whereby remuneration components are converted into pension entitlements under a collective agreement to that effect.

Overall business trends

Gross premium receipts rose 3.9 % to € 2,818.3 million. 2015 earned premiums net of reinsurance rose by 5.1 % to € 2,654.3 million. Expenditure on insured events and pensions net of reinsurance increased by 10.2 % to € 1,788.5 million, and their share of earned net premiums thus came to 67.4 % (2014: 64.3 %). At 21.4 %, the ratio of expenses on insurance and pension fund business net of reinsurance to earned premiums net of reinsurance was slightly higher than in 2014 (21.0 %).

After a € 30.5 million allocation to the equalisation provision in the field of non-life and accident insurance (2014: € 70.4 million), the consolidated profit and loss account recognised an insurance and pension fund underwriting result net of reinsurance of € –9.2 million (2014: € 4.4 million).

Thanks to higher profits from the disposal of investments, which came to € 246.4 million, the non-technical account investment result was well above the 2014 level of € 180.5 million.

The "Other" result, which includes technical interest income, stood at € – 62.8 million (2014: € – 59.0 million).

The result from ordinary activities came to € 174.3 million (2014: € 126.0 million).

After taxes, the net profit for the year totalled € 88.5 million (2014: € 67.9 million). All in all, then, that represents a satisfactory performance.

Net assets, financial position and results of operations

Results of operations

	2015 € 000s	2014 € 000s	Change € 000s
Underwriting result net of reinsurance, non-life and accident insurance	– 21,579	– 8,384	– 13,195
Underwriting result net of reinsurance, life and health insurance	12,521	12,317	204
Technical pension fund result	– 165	481	– 646
Non-underwriting result	182,057	119,915	62,142
Result before taxes on income	**172,834**	124,329	48,505
Taxes on income	84,366	56,414	27,952
Consolidated net profit for the year (before taking minority shareholders into account)	**88,468**	67,915	20,553
Allocation to retained earnings	18,018	17,525	493
Result attributable to minority shareholders	19,050	10,969	8,081
Net retained profit (after taking minority shareholders into account)	**51,400**	39,421	11,979

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

Gross premium receipts rose 6.2 % to € 2,111.2 million. 2015 earned premiums net of reinsurance rose by 7.5 % to € 1,947.2 million. Claims incurred, net of reinsurance, were 11.3 % up at € 1,448.6 million, as a result of which their share of net earned premiums increased to 74.4 % (2014: 71.9 %). At 24.7 %, the ratio of expenses on insurance business net of reinsurance to earned premiums net of reinsurance was slightly up on the 2014 figure of 24.2 %.

After the largely modest claims trend of 2014, gross claims expenses rose disproportionately as compared with premium receipts, and the gross claims ratio therefore deteriorated to 72.7 % (2014: 70.7 %).

Gross operating expenses rose by 9.5 %, from € 466.4 million in 2014 to € 510.8 million in 2015. In relation to gross premiums earned, this represented a ratio of 24.3 % (2014: 23.6 %).

After a high € 30.5 million allocation to the equalisation provision (2014: € 70.4 million), the underwriting result net of reinsurance came to € – 21.6 million (2014: € – 8.4 million).

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 6,897 policies or 0.6 %, making a year's-end total of 1,164,153 policies, while gross premium receipts rose 5.2 % to € 144.7 million. After an allocation of € 300,000 to the equalisation provision, the underwriting result came to € 8.8 million (2014: € 8.7 million).

Liability insurance

Our total liability insurance portfolio grew 1.1 % to a year's-end total of 1,777,704 policies. Gross premiums rose 1.6 % to € 118.0 million. After a € 1.3 million withdrawal from the equalisation provision (2014: € 400,000), the underwriting result improved to € 24.8 million (2014: € 18.9 million).

Motor vehicle liability insurance

Our end-of-year motor vehicle liability insurance portfolio totalled 2,780,904 policies (2014: 2,713,784), plus 130,211 moped policies. Thanks to a combination of portfolio growth and price adjustments, gross premium receipts were 5.2 % up at € 590.5 million (2014: € 561.2 million). After a € 15.2 million withdrawal from the equalisation provision (2014: € 19.3 million allocation), the underwriting result came to € – 12.4 million (2014: € – 11.7 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 2,158,811 (2014: 2,128,715), on top of which came 24,738 partial-coverage moped policies. The combination of a growing portfolio and price adjustments led to policy growth of 4.7 %, taking the total to € 383.0 million). Due to a very high € 17.3 million allocation to the equalisation provision (2014: € 24.9 million), the underwriting result came to € – 5.0 million (2014: € – 2.9 million).

Fire and non-life insurance

At the end of the year, our fire and non-life insurance portfolio comprised a total of 2,668,210 policies (2014: 2,640,000). The gross premium receipts rose 5.5 % to € 328.5 million. After a € 2.5 million withdrawal from the equalisation provision (2014: € 2.1 million), the underwriting result came to € – 5.5 million (2014: € 500,000).

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

Our household contents insurance portfolio at the end of 2015 comprised 1,337,890 policies (2014: 1,329,036). The gross premium receipts rose 3.6 % to € 130.9 million and the underwriting result stood at € 8.7 million (2014: € 9.5 million).

Our homeowners' building insurance portfolio increased to 566,468 policies (2014: 550,078). Gross premiums rose strongly to € 153.0 million (2014: € 141.7 million), representing growth of 8.0 %. After a € 1.3 million withdrawal from the equalisation provision (2014: € 1.4 million allocation), the underwriting result stood at € – 16.0 million, significantly worse than the 2014 figure of € – 7.0 million).

In the other non-life segments (including fire), the number of policies in the portfolio totalled 763,852 (2014: 760,886). Gross premiums rose by 3.0 % to € 44.6 million. After a € 1.3 million withdrawal from the equalisation provision (2014: € 800,000 allocation), the underwriting result improved to € 1.7 million (2014: € – 2.1 million).

Legal expenses insurance

This segment is operated by DEVK Rechtsschutz-Versicherungs-AG. In 2015, our portfolio grew by 2.4 % to 866,394 policies. Gross premium receipts were up 6.7 % at € 129.4 million. At € – 8.5 million, the underwriting result was worse than in 2014 (€ – 6.7 million). The passing of the 2nd Modernisation Act for the Law concerning Legal Costs (Kostenrechtsmodernisierungsgesetz) on 1 August 2013 is still having a negative impact in this respect.

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 € 17.4 million (2014: € 18.5 million), after a € 100,000 allocation (2014: € 400,000) to the equalisation provision the underwriting result net of reinsurance registered a loss of € 800,000 (2014: € 30,000).

Active reinsurance

In 2015, DEVK Rückversicherungs- und Beteiligungs-AG's net premiums written before consolidation rose by 7.7 % to € 408.7 million. Income from DEVK-external business came to € 200.4 million (2014: € 181.2 million). The 2015 underwriting result before changes to the equalisation provision registered a significant improvement to € 21.9 million (2014: € 12.7 million). After another very high allocation to the equalisation provision, this year of € 23.5 million (2014: € 20.2 million), the underwriting result net of reinsurance improved to € – 1.6 million (2014: € – 7.5 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 65.5 million Swiss francs (CHF). With premium receipts of CHF 90.5 million (2014: CHF 70.9 million), the national financial statements for Switzerland recognised a loss of CHF 17.3 million (2014: CHF – 2.6 million).

DEVK Allgemeine Versicherungs-AG underwrote reinsurance business with a premium volume of € 24.1 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 € 36.4 million. In 2015, SADA's gross premiums written rose by 2.8 % to € 135.7 million (2014: € 132.0 million). Its domestic annual report discloses a net profit of € 3.3 million (2014: € 2.0 million).

Underwriting result net of reinsurance, life and health insurance

In 2015 gross premiums written fell by € 47.1 million to € 592.0 million (2014: € 639.1 million).

At € 238.4 million, the gross investment income was significantly higher than in 2014 (€ 220.6 million). Write-ups on securities totalling € 500,000 (2014: € 3.6 million) were recognised. Profits from disposals of investments rose to € 31.9 million (2014: € 14.0 million).

The net capital income rose to € 204.3 million (2014: € 192.3 million).

Claims expenses net of reinsurance totalled € 325.1 million (2014: € 314.4 million). DEVK Allgemeine Lebensversicherungs-AG's cancellation rate fell to 4.92 % (2014: 5.08 %).

Net operating expenses fell by 5.8 % to € 84.6 million.

A total of € 47.0 million (2014: € 66.8 million) was allocated to the provision for bonuses and rebates, representing 8.0 % (2014: 10.6 %) of gross premiums earned.

Technical pension fund result

Gross premiums written were € 29.7 million up, thus totalling € 115.1 million by the year's end. This represented a rise of 34.8 % as compared with the previous year.

At € 14.8 million, claims expenses came in at more than double the 2014 figure of € 6.9 million.

Pension fund operating expenses totalled € 2.3 million (2014: € 2.2 million). As in 2014, € 1.3 million of this sum was attributable to acquisition costs.

The 2014 net investment profit came to € 16.9 million (2014: € 14.2 million). This rise was the result of growing investment holdings.

Bonus and rebate expenses came to € 3.1 million (2014: € 5.4 million).

Non-technical account investment income

At € 325.8 million, investment income was well up on the 2014 figure of € 247.2 million. Also included were € 85.0 million in profits from disposals of investments (2014: € 28.4 million) as well as € 7.4 million in write-ups (2014: € 8.4 million).

At € 79.4 million, investment expenses were significantly higher than in 2014 (€ 66.7 million). Write-downs on investments rose to € 49.9 million (2014: € 47.5 million), losses from disposals of investments to € 8.4 million (2014: € 2.2 million) and administrative expenses to € 21.2 million (2014: € 17.0 million).

On balance, our net investment income was significantly up on the previous year's figure at € 246.4 million (2014: € 180.5 million).

Other result

The "Other" result, including the technical interest income, came to € – 62.8 million (2014: € – 59.0 million).

Profit from ordinary activities

Due to the high investment income, at € 174.3 million the result from ordinary activities exceeded the 2014 figure of € 126.0 million.

Operating result and appropriation of retained earnings

After comparatively high tax outgoings, the net profit for the year rose to € 88.5 million (2014: € 67.9 million), thus rising to a satisfactory level.

After an allocation of € 18.0 million to the retained earnings, as well as the deduction of the € 19.0 million portion of the result due to other shareholders, the net retained profit came to € 51.4 million (2014: € 39.4 million).

Group 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. The cash flow statement was prepared according to the provisions of DRS 21. The statement indicates that the 2015 cash flow from investment activities, in other words the funds required for the net investment volume, amounted to € 88.6 million. The necessary funds were gained both from our ongoing operations (€ 74.6 million) and from financing activities (€ 40.8 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), old version, in order to demonstrate our long-term ability to meet policy liabilities, amounted to € 1,366.2 million (2014: € 1,377.1 million), greatly exceeding the required solvency margin of € 432.4 million (2014: € 404.9 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 2014, in 2015 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 2015 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. The outlook for all our companies remains "stable".

Financial position

	2015 € 000s	2014 € 000s	Change € 000s
Investments	10,818,537	10,119,248	699,289
Unit-linked life assurance investments	87,061	70,890	16,171
Assets for the benefit and at the risk of employees and employers	228,145	198,297	29,848
Receivables arising out of direct insurance operations, pension fund business and reinsurance business	147,452	183,910	– 36,458
Other assets	487,784	432,698	55,086
Total assets	**11,768,979**	11,005,043	763,936
Equity	1,719,911	1,611,054	108,857
– of which other shareholders share € 219,205,000 (2014: € 184,197,000)			
Technical provisions	7,295,004	6,801,640	493,364
Unit-linked life insurance technical provisions	87,061	70,890	16,171
Technical pension fund provisions	492,616	396,572	96,044
Technical pension fund provisions to cover assets for the benefit of employees and employers	228,145	198,297	29,848
Liabilities arising out of direct insurance operations, pension fund business and reinsurance business, including deposits	803,767	827,832	–24,065
Other liabilities	1,142,475	1,098,758	43,717
Total capital	**11,768,979**	11,005,043	763,936

In the breakdown of the investment portfolio, the percentage attributable to the item "Land, land rights and buildings including buildings on third-party land" has increased from 5.3 % to 6.4 %. 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

Customer satisfaction is an important strategic goal for DEVK, which is why we measure the satisfaction of our customers every year. For this purpose, we draw on a sectoral index which assesses our own customer satisfaction against that of our rivals via a points scale. This enables us to measure developments over time and as compared with our competitors in graphic form. Currently, DEVK scores well above the industry average, but our aim over the coming years is for DEVK to achieve a leading position in the customer satisfaction ratings.

Employee satisfaction

At DEVK the opinion of our employees is important to us, Employees' satisfaction with their working environment, as well as with their bosses, colleagues, the work assigned to them and the corporate culture, go right to the heart of employer attractiveness. After the full-scale surveys in 2012 and 2014, a brief survey was conducted in 2015. Through six question areas this focused on how well employees identified with DEVK and on the implementation of measures since the previous survey. These findings were partially incorporated into the annual DEVK Satisfaction Index. In 2016 the third exhaustive company-wide survey of DEVK back office and field sales personnel will take place. Alongside the aim of achieving similar participation rates to those of 2012 (80 %) and 2014 (82 %), the chief focus will be on comparison of the results. This direct comparison will be documented in all the evaluations.

Social responsibility

DEVK is aware of its social responsibility as a successful insurer. For many years, we have taken on an above-average number of trainees by industry comparison, in both back office and sales/marketing roles. Furthermore, prior to possible professional training at DEVK, every year at our headquarters alone we offer some 60 school-age young people work experience that assists them in deciding what their future career paths might be. This gives young people a positive start to their working lives and helps them to integrate well into society.

Via a series of "days of action" (Tatkraft-Tagen) the DEVK meets its social responsibility towards disadvantaged groups in our society in a special way. In 2014 and 2015 we conducted 11 worthwhile activities with the aid of our action teams (Tatkraft-Teams). Volunteers from the regional management units and headquarters, from the back office and field sales all join forces to form an action team for one day. During these days of action we have for example undertaken the renovation and refurnishing of kindergartens, schools and retirement homes.

Personnel and sales staff numbers

Personnel are employed by DEVK Sach- und HUK-Versicherungsverein a.G. 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 a.G. and DEVK Lebensversicherungsverein a.G., 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 2,835 people internally in 2015, of whom 2,810 had their contracts of employment with DEVK Sach- und HUK-Versicherungsverein a.G. Employees with dual employment contracts are assigned to a given company on the basis of the predominant contractual share. 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 2015, 2,110 self-employed personnel worked for DEVK (2014: 2,129), on top of which 677 field sales agents were directly employed by DEVK Sach- und HUK-Versicherungsverein a.G. (2014: 619). However, the entire field sales force also operates on behalf of the various other DEVK companies.

For the second time DEVK offered its female employees and managers the opportunity to take part in an intercompany cross-mentoring programme for women. This involved seven companies providing young female personnel with experienced managers to advise and encourage them in their professional development.

Through the Förderkreis Talente (Talent Support Group) programme DEVK encourages promising young employees to qualify for career-independent, with a view to advancing their prospects. The participants, 50 % of whom were young female personnel in 2015, undergo two years of intensive training via a wide range of methods to enhance their personal, social and management skills.

For many employees reconciling work and family life poses a great challenge. Here at DEVK we offer employees alternative solutions tailored to people's personal situations and support them with a broad-based range of measures.

Overall verdict on the management report
All in all, the Group's net assets, financial position and results of operations proved satisfactory throughout 2015.

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

Macroeconomic trends

In view of the economic situation in the eurozone and the policies expected from European central banks, in 2016 we once again see no reason to expect strongly rising yields at the long end of the interest structure curve. The Fed's change of interest policy is the sole factor that could give impetus for somewhat higher yields. Here we expect further interest rate increases during 2016, as a result of which the interest structure curve in the eurozone may become even steeper.

Uncertainty concerning future equity market performance in the eurozone has grown markedly over recent months. Positive macroeconomic factors, in particular the weakness of the euro, low commodity prices and expectations of healthy growth in the US economy are offset by a variety of factors exerting a drag, such as the deteriorating performance of the emerging economies, lower domestic demand in China and the potential impact of the Fed pursuing a policy of raising interest rates. As a result we are expecting a continuation of the comparatively volatile market movements of recent months.

Given the current economic conditions €/US $ parity is possible, but appears increasingly unlikely. As regards commodity prices, despite sharp falls in some cases there are still no clear signs that the bottom has been reached. Energy prices in particular will continue to be reflected in very low inflation rates in the eurozone. Should energy prices start rising again that would have a direct impact on inflation rates.

Given China's importance as a market for export-oriented European companies, the country's economic performance has a massive influence on other economic areas, and this is reflected in the share prices of listed export companies. Further risks faced by the capital markets in 2016 are the debt problems besetting some countries, the possibility of Brexit and the strengthening or rekindling of political tensions in Europe and the Middle East.

Non-life and accident insurance

We anticipate increases of around 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. During 2016 we expect claims expenses to increase by around the same amount as the growth in premium receipts. Accordingly, before changes to the equalisation provision, we are expecting the technical account to yield a profit in the order of € 10 to 20 million. However, after allocations to the equalisation provision, we are currently expecting the underwriting result net of reinsurance to come in at around the zero mark.

Life assurance

As regards our performance during 2016, the tough macroeconomic environment and the competitive situation will continue to be the main determining factors.

In the field of providential products (occupational incapacity and pension provision), we do not expect to see any noteworthy changes in demand in the near future despite the uncertainties deriving from developments in the eurozone. 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. Accordingly, we expect broadly unchanged demand for life assurance products during 2016.

The number of early cancellations of policies can be expected to remain constant.

However, we are in a favourable competitive situation vis a vis other forms of investment. The comparatively high interest rates on offer, combined with the enduring trust in life insurance as a secure investment product means that it remains thoroughly competitive.

During 2016 we are expecting slight growth in premium receipts. In 2015 regular premium receipts will be above the 2014 level, whereas single premiums will register a fall. Meanwhile, over the coming year we expect similar trends to those of 2015 with regard to both policy numbers and insured benefits.

We also expect the supplementary premium provision (supplementary interest reserve) to increase significantly once again.

On the investment front, we expect DEVK Allgemeine Lebensversicherungs-AG to register a increasing absolute result in 2016 on a growing investment portfolio. In our view, the low interest rates available on new assets and repeat investments will ensure stable regular income. However, this situation would change if any of the risks touched upon above were to come to fruition.

Health insurance

Supplementary health insurance has been and remains a central and growing line of business for us. In this field, we are having to adjust to more intense competition, which we are combating via correspondingly vigorous marketing activities. For 2016 we are forecasting total premium receipts of € 80.5 million. We are expecting an increase of approximately € 5.2 million in claims expenses net of reinsurance (paid and deferred, including claims settlement expenses). This amount also includes an increase in the claims reserve.

In 2016, no-claims bonuses on the policy AM-V are expected to be much the same as in 2015.

Of the € 23.8 million provision for bonuses and rebates available on 31 December 2015, € 2.1 million has been earmarked for the limiting of premium adjustment on 1 January 2016 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 and excellent profitability 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 2016 we expect DEVK Krankenversicherungs-AG to register a slightly higher absolute result in the investments field on the back of a growing investment portfolio. In our view, the low interest rates available on new assets and repeat investments will lead to a reduction in the net interest rates they attract. though this would change if any of the risks touched upon above were to come to fruition.

Our objective for the coming years is to maintain the profit transfer at its current level.

Pension fund business

We expect the occupational pension provision market, and in particular pension funds, to continue offering stable future sales opportunities. At Deutsche Bahn and its associates more and more employers are offering their employees collectively agreed old age provision which is based on or identical to the so-called 2 % rule. Over the coming years we expect to see around 6,000 new policies a year taken out, chiefly as a result of Deutsche Bahn AG's collectively agreed pension entitlements. The increase in the contributions made by employers will on the other hand have a negative impact on employees' willingness to build up occupational pension entitlements from their own funds, and we expect this to exert a side effect to the detriment of deferred compensation.

Given that the collectively agreed defined contribution payments on a percentage basis rise on a linear basis as wages and salaries increase (and assuming that wages and salaries at Deutsche Bahn AG will tend to rise by 2.5% per year), we can assume that premium receipts for 2016 will once again be slightly up on the previous year.

In 2016 we expect DEVK Pensionsfonds-AG to register a slightly higher absolute result on a growing investment portfolio. In our view, the low interest rates available on new assets and repeat investments will lead to a reduction in the net interest rates they attract.

During the coming year, we expect to be able to build on the satisfactory result registered in 2015.

Non-technical account

Assuming a significant fall in profits from disposals of investments, in 2016 we expect the Group's non-technical account to register a net investment result of around € 170 million, well down on the 2015 figure of € 246.4 million.

Profit from ordinary activities

As a consequence of the anticipated lower net investment result, overall we expect the 2016 result from ordinary activities to come in at around the same level as the 2014 result (€ 126.0 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.

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 2015, our customers rated the value for money we offer as "excellent".

Reinsurance business

Despite the large amount of capacity available to the market there continues to be stable demand for reputable, medium-sized reinsurers. The trend towards stable medium- to long-term partnerships has gained further ground. Despite the enduringly soft market environment we are confident that we can continue to prosper and, applying due underwriting discipline, further strengthen our relationships with our clients. We are also gaining a growing reputation as an expert partner when it comes to special and individually tailored solutions.

Life assurance

To reinforce our competitive position and broaden our product range, in 2016 we shall be launching the DEVK-JobStarter BU and DEVK-Garantierente vario (DEVK Guaranteed Pension vario), a pension insurance product with alternative guarantees. We shall continue to vigorously implement the updating of our product range, in the process focusing on strengthening our biometric products. This product range means that DEVK Allgemeine Lebensversicherungs-AG is well positioned both to meet the requirements of Solvency II and to satisfy current market needs.

In connection with the project Programm Leben (programme life) we are steadily phasing out the current portfolio management system and introducing a new, modern system. Four years into the project, our entire pension, occupational disability, occupational incapacity and endowment insurance operations, as well as our new business, are now managed in the new portfolio management system, with a largely complete business transaction and interface range.

Health insurance

Our underwriting policy and reinsurance methods provide a sound foundation for the company's continuing solid growth.

Furthermore, the ongoing 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

The DEVK Pensionsfonds-AG product range means we are 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 26 VAG (section 64a VAG old version), 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 operationalise the risk strategy in 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 the risk management methods and techniques employed and for the development and maintenance of the company-wide risk management system. It coordinates the company's risk management processes and supports those responsible for risk within individual departments.

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, the risk report is presented to the Management Board members responsible for the various risk areas as part of a Management Board submission. The risk report and the risk control process (identification, analysis, evaluation, management and monitoring) are updated on a quarterly basis. Reports are submitted to the 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	%
2006	63.7	2011	68.3
2007	63.2	2012	66.5
2008	64.8	2013	67.6
2009	65.9	2014	66.4
2010	68.3	2015	70.1

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. 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.

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.

Settlement result, net of reinsurance, as % of original provision			
Year	%	Year	%
2006	9.4	2011	9.9
2007	11.2	2012	9.3
2008	11.0	2013	9.6
2009	9.3	2014	7.5
2010	11.6	2015	7.0

Our equalisation provisions provide an additional safety cushion that contributes to the smoothing of our underwriting results. As of 31 December 2015, their volume totalled € 336.4 million (2014: € 304.0 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, cost 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 in charge 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.

The cost risk consists in the fact that the actual costs may exceed the costs assumed for accounting purposes. Our estimates indicate positive cost results over the next few years, and the cost calculations incorporate sufficient safety margins.

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 always been higher than the mean technical interest rate of our life assurance portfolios. However, due to the prevailing low interest rates the formation of the supplementary interest reserve now has to be financed primarily from our investment income. Given that, on top of this, the prevailing low interest rates are proving to be a long-term, or at least longer term, phenomenon, the overall interest risk has increased markedly.

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, The purpose of the regulation is to ensure that life insurance companies take timely steps to strengthen their premium reserves in times of low interest through the formation of a supplementary interest reserve. For 2015 the reference interest rate was set at 2.88 %. Over the coming years, we expect this supplementary interest reserve to increase markedly in size as compared with 2015, even if market interest rates rise. In both the short and medium terms, adequate buffers are available to finance the technical interest rate and the establishment of the supplementary interest reserve. However, if interest rates remain over the long term at the level of the first quarter of 2016, the risk will grow that our regular investment income will no longer be capable of financing the technical interest rate and the cost of maintaining the supplementary interest reserve. We shall combat this risk via a variety of measures, such as the realisation of revaluation reserves.

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 risks in relation to **health insurance** 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 mean company-specific technical interest rate (MTIR) applied has been achieved every year since operations commenced in 1994. We are confident that our safety margins in this respect are adequate. We have applied a technical interest rate of 2.75 % to all new business engaged in since 21 December 2012. In 2015, the MTIR was 3.105 %.

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 view of the actuary in charge, the mortality probabilities used to calculate pension benefits do not include adequate safety margins. Because of this, since 2014 we have made allocations to a biometric reserve set up for this sub-portfolio. Accordingly, for newly commencing benefits we have made the transition to mortality tables incorporating greater safety margins in order to adequately account for future longevity risk. This transition was conducted in consultation with BaFin and with the consent of an independent trustee. In the opinion of the responsible actuary, the probability tables we otherwise use incorporate adequate safety margins. Furthermore, through painstaking product development and continual actuarial trend analyses, we ensure that the accounting principles applied for new business and calculating reserves are suitable and factor in adequate safety margins.

Since 21 December 2012, biometric risk has continued to be influenced by the European Court of Justice's gender neutrality ruling, which means that the portfolio's gender composition has 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. Accordingly additional smoothing and stabilisation potential is available.

For policies involving regular 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 4.8 % of booked gross premiums. Of these, an average of 4.6 % had to be written off. In relation to the booked gross premiums, the average default rate over the past three years was 0.2 %. 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 € 25.8 million (2014: € 25.8 million).

Amounts receivable from reinsurance at the end of the year came to € 50.7 million. An overview of amounts receivable broken down according to the ratings of our reinsurance partners is given in the following table:

Rating category	Receivables in € millions
AA+	0.22
AA	1.72
AA–	5.05
A+	2.84
A	0.47
A–	0.81
BBB+	0.02
BBB	0.20
BB+	0.11
No rating	39.27

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 continue to comply with the investment ordinance which remained officially in force until 31 December 2015 and which we have decided, by Executive Board resolution, to retain as the principal foundation of our investment policies.

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 2015, the Group held interest-bearing investments to a total value of € 8.3 billion. Of these, a total of € 4.3 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 € 3.6 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 € 432.0 million, a figure that includes € 52.5 million in hidden charges. A change in returns of up to +/– 1 % would entail a corresponding value change ranging from € – 651.1 million to € 741.5 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 securities 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 in total represent a 6.8 % share 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). Directly held asset-backed securities make up less than 0.5 % of our total investments. In 2015 our bond investments focused on international bearer bonds issued by banks and companies, as well as bonds issued by German federal states. These chiefly involved bearer papers that were assigned to the fixed assets, and also registered securities.

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, 11 % of the company's investments are in government bonds, 14.4 % in corporate bonds and 45.4 % in securities and deposits with banks and other financial service providers. The bulk of our investments in banks is either covered by various statutory and private deposit protection schemes or involves interest-bearing securities that are protected in law by special guarantee funds.

The ratings of the issuers of our interest-bearing investments break down as follows (2014):

AA or better	54.2 %	(51.4 %)
A	27.5 %	(31.6 %)
BBB	14.4 %	(12.8 %)
BB or worse	3.9 %	(4.2 %)

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 are in EuroStoxx50 or DAX companies, as a result of which our portfolio's performance very closely matches that of those indices. A 20 % change in market prices would alter the value of our equity portfolio by € 259.0 million. Both German and European share indices rose during 2015, In the medium term we continue to expect a positive performance, albeit with high levels of volatility in some cases.

We have applied a value protection model to our equity investments in order to limit market risks. Should growing economic problems lead to a significant downturn, various courses of action are open to us. In light of the uncertain economic situation, we actively managed our ratio of equity investments throughout the year.

The fixed-asset equities and equity funds show a positive valuation reserve of € 52.3 million and contain no hidden liabilities.

Real estate

On the balance sheet date, our real-estate investments totalled € 1,000.3 million. Of this total, a sum of € 304.0 million is invested in indirect mandates, including restricted special funds in office and other commercial real estate.

Our direct holdings worth € 696.3 million are subject to scheduled annual depreciation of approximately € 10.9 million. No significant 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.

Solvency II

The insurance industry has undergone radical changes to its supervisory regime. On 17 January 2015 the European Commission published the corresponding delegated acts in the Official Journal of the European Union, and in March 2015 the German Bundesrat passed the Act to Modernise Financial Supervision of Insurance Undertakings (Gesetz zur Modernisierung der Finanzaufsicht über Versicherungen [VAG-Novelle]), thereby implementing the EU Solvency II Directive in German law. The provisions of Solvency II have been mandatory since 1 January 2016.

interest levels, meeting the new Solvency II capital adequacy requirements will pose a severe challenge for life insurers. To ensure the existence of adequate cover even in the event of further falls in interest rates, DEVK Lebensversicherungs-AG has obtained the regulatory authority's approval for the application of the transitional regulations provided for by the new law. Moreover, the company has taken measures to reduce its solvency capital requirements and further build up its equity.

The new requirements of Solvency II have been progressively implemented by DEVK Versicherungen through a project launched in 2013.

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.

Corporate governance statement

The target figures for increasing the proportion of women on the Supervisory Board, Executive Board and at the first and second leadership levels, with 1 September 2015 as the starting date, have been set as follows:

Supervisory Board	13 %
Management Board	17 %
Top management level	11 %–13 %
Middle management level	18 %–22 %

The deadline for the achievement of these target figures is 30 June 2017.

Cologne, 18 March 2016

The Management Board

Gieseler **Rüßmann** **Scheel** **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 2015

Assets	€	€	€	2014, € 000s
A. Intangible assets				
I. Industrial property rights created in-house and similar rights and assets		93,841		–
II. Licences, industrial property rights and similar rights and assets acquired for valuable consideration, as well as licences in such rights and assets		63,532,345		50,352
III. Goodwill		5,569,910		6,427
IV. Payments on account		126,392		12,026
			69,322,488	68,805
B. Investments				
I. Real estate and similar land rights, including buildings on third-party land		693,304,725		539,001
II. Investments in affiliated companies and participating interests				
1. Shares in affiliated companies	33,633,236			457
2. Loans to affiliated companies	51,797,000			–
3. Shares in associated companies	26,888,541			23,452
4. Participating interests	266,508,144			236,401
5. Loans to companies in which a participating interest is held	3,326,861			3,903
		382,153,782		264,213
III. Other investments				
1. Shares, units or shares in investment funds and other variable-interest securities	1,664,666,599			1,451,430
2. Bearer bonds and other fixed-interest securities	4,053,962,145			3,554,740
3. Mortgage loans and annuity claims	717,962,462			706,958
4. Other loans	3,065,178,763			3,360,599
5. Deposits with banks	2,121,066			3,302
6. Other investments	90,673,762			102,770
		9,594,564,797		9,179,799
IV. Deposits with ceding companies		148,514,054		136,235
			10,818,537,358	10,119,248
C. Investments for the benefit of life assurance policyholders who bear the investment risk				
			87,061,035	70,890
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			**228,144,728**	198,297
Balance carried forward:			11,203,065,609	10,457,240

Liabilities and shareholders' equity	€	€	€	2014, € 000s
A. Capital and reserves				
I. Retained earnings				
1. Loss reserve pursuant to section 37 of the Insurance Supervision Act	169,666,441			166,066
2. Other retained earnings	1,249,950,175			1,201,553
		1,419,616,616		1,367,619
II. Equity difference due to currency conversion		14,412,009		10,906
III. Profit/loss carried forward		15,144,955		8,779
IV. Net retained profit		51,400,280		39,421
V. Adjusting item due to capital consolidation		131,746		131
VI. Other shareholders' shares		219,205,462		184,197
			1,719,911,068	1,611,053
B. Technical provisions				
I. Provision for unearned premiums				
1. Gross amount	102,906,529			97,226
2. of which: Reinsurance amount	1,615,738			1,938
		101,290,791		95,288
II. Premium reserve				
1. Gross amount	4,288,021,919			3,979,625
2. of which: Reinsurance amount	1,677,146			1,408
		4,286,344,773		3,978,217
III. Provision for claims outstanding:				
1. Gross amount	2,645,123,279			2,497,948
2. of which: Reinsurance amount	382,741,698			393,197
		2,262,381,581		2,104,751
IV. Provision for bonuses and rebates				
1. Bonuses	297,340,084			307,856
2. Rebates	1,519,053			1,786
		298,859,137		309,642
V. Equalisation provision and similar provisions		336,377,172		303,987
VI. Other technical provisions				
1. Gross amount	10,266,431			10,699
2. of which: Reinsurance amount	515,453			943
		9,750,978		9,756
			7,295,004,432	6,801,641
C. Technical reserves in life assurance business, where the investment risk is borne by the policyholders				
– Premium reserve			**87,061,035**	70,890
D. Technical pension fund provisions				
I. Premium reserve		477,035,287		381,394
II. Provision for claims outstanding		303,729		480
III. Provision for bonuses and rebates		15,276,540		14,698
			492,615,556	396,572
Balance carried forward:			9,594,592,091	8,880,156

Assets	€	€	€	2014, € 000s
Balance carried forward:			11,203,065,609	10,457,240
E. Receivables				
I. Receivables arising out of direct insurance operations:				
1. Policyholders	77,796,410			110,366
2. Intermediaries	18,712,499			21,917
		96,508,909		132,283
II. Receivables from pension fund business				
1. Employers and beneficiaries	97,928			48
2. Intermediaries	135,562			144
		233,490		192
III. Receivables arising out of reinsurance operations		50,710,182		51,435
IV. Other receivables		137,150,998		106,338
of which:			**284,603,579**	290,248
Affiliated companies: € 19,433				–
from companies in which a participating interest is held: € 1,136,707				–
F. Other assets				
I. Tangible assets and inventories		21,029,363		21,248
II. Cash at bank, cheques and cash in hand		97,864,921		71,071
III. Other assets		4,215,115		3,051
			123,109,399	95,370
G. Prepayments and accrued income				
I. Accrued interest and rent		140,370,131		146,682
II. Other prepayments and accrued income		17,830,423		15,503
			158,200,554	162,185
Total assets			**11,768,979,141**	11,005,043

Liabilities and shareholders' equity	€	€	€	2014, € 000s
Balance carried forward:			9,594,592,091	8,880,156
E. Technical pension fund provisions in accordance with the assets for the benefit of employees and employers				
– Premium reserve			**228,144,728**	198,297
F. Provisions for other risks and charges				
I. Provisions for pensions and similar commitments		556,794,780		490,583
II. Provisions for taxation		97,566,355		137,766
III. Other provisions		51,977,710		67,040
			706,338,845	695,389
G. Deposits received from reinsurers				
			128,423,042	133,725
H. Other liabilities				
I. Liabilities arising out of direct insurance operations				
1. Policyholders	611,465,689			626,421
2. Intermediaries	5,454,527			8,029
3. Third-party shareholders	3,238			11
		616,923,454		634,461
II. Liabilities arising out of pension fund business towards				
1. Employers	208,142			148
2. Beneficiaries	10,872			–
		219,014		148
III. Liabilities arising out of reinsurance operations		58,201,840		59,498
IV. Amounts owed to banks		348,843,268		323,746
V. Other liabilities		64,258,960		55,168
of which:			**1,088,446,536**	1,073,021
Tax: € 22,974,396				21,009
Social security: € 657,397				622
Affiliated companies: € 4,006,517				76
I. Accruals and deferred income				
			10,917,518	12,562
K. Deferred tax liabilities				
			12,116,381	11,893
Total liabilities			**11,768,979,141**	11,005,043

Consolidated profit and loss account

for the period from 1 January to 31 December 2015

Items	€	€	€	2014, € 000s
I. Technical account for non-life and accident insurance business				
1. Earned premiums, net of reinsurance				
a) Gross premiums written	2,111,249,244			1,988,903
b) Outward reinsurance premiums	154,146,650			166,797
		1,957,102,594		1,822,106
c) Change in the gross provision for unearned premiums	– 9,553,508			– 11,395
d) Change in the provision for unearned premiums, reinsurers' share	– 322,404			231
		– 9,875,912		– 11,164
			1,947,226,682	1,810,942
2. Allocated investment return transferred from the non-technical account, net of reinsurance			**5,310,529**	5,020
3. Other technical income, net of reinsurance			**1,783,490**	1,569
4. Claims incurred, net of reinsurance				
a) Claims paid				
aa) Gross amount	1,385,318,372			1,291,361
bb) Reinsurers' share	90,047,264			111,283
		1,295,271,108		1,180,078
b) Change in the provision for claims				
aa) Gross amount	142,867,142			107,490
bb) Reinsurers' share	10,442,507			14,023
		153,309,649		121,513
			1,448,580,757	1,301,591
5. Changes in other technical provisions, net of reinsurance				
a) Premium reserve, net of reinsurance		– 4,382,988		– 2,011
b) Other technical provisions, net of reinsurance		– 1,305,628		771
			– 5,688,616	– 1,240
6. Bonuses and rebates, net of reinsurance			**441,474**	4,128
7. Net operating expenses				
a) Gross operating expenses		510,775,494		466,370
b) of which: Reinsurance commissions and profit participation		29,930,650		28,365
			480,844,844	438,005
8. Other technical charges, net of reinsurance			**9,857,709**	10,515
9. Subtotal			**8,907,301**	62,052
10. Change in the equalisation provision and similar provisions			**– 30,486,667**	– 70,436
11. Underwriting result, net of reinsurance Non-life and accident insurance			**– 21,579,366**	– 8,384

Items	€	€	€	2014, € 000s
II. Technical account for the life and health insurance business				
1. Earned premiums, net of reinsurance				
a) Gross premiums written	591,955,489			639,074
b) Outward reinsurance premiums	2,276,340			2,074
		589,679,149		637,000
c) Change in the net provision for unearned premiums		2,328,332		– 7,481
			592,007,481	629,519
2. Contributions from the gross premium refunds provision			**8,895,618**	18,705
3. Income from other investments				
a) Income from participating interests		3,774,588		2,189
b) Income from other investments		202,261,711		200,847
c) Income from write-ups		535,865		3,587
d) Gains on the realisation of investments		31,856,442		13,977
			238,428,606	220,600
4. Unrealised gains on investments			**2,827,598**	3,441
5. Other technical income, net of reinsurance			**614,454**	8,299
6. Claims incurred, net of reinsurance				
a) Claims paid				
aa) Gross amount	325,357,754			315,880
bb) Reinsurers' share	1,428,957			949
		323,928,797		314,931
b) Change in the provision for claims				
aa) Gross amount	1,021,439			– 217
bb) Reinsurers' share	163,856			– 282
		1,185,295		– 499
			325,114,092	314,432
7. Changes in other technical provisions, net of reinsurance				
a) Premium reserve				
aa) Gross amount	– 320,184,757			– 352,719
bb) Reinsurers' share	269,566			– 123
		– 319,915,191		– 352,842
b) Other technical provisions, net of reinsurance		87,240		– 295
			– 319,827,951	– 353,137
8. Bonuses and rebates, net of reinsurance			**46,977,876**	66,810
9. Net operating expenses				
a) Acquisition costs	70,966,558			77,133
b) Administration costs	14,358,944			13,232
c) of which:		85,325,502		90,365
Reinsurance commission and profit participation		764,652		642
			84,560,850	89,723
10. Investment charges				
a) Investment management charges, interest expenses and other charges on capital investments		4,806,946		4,281
b) Write-downs on investments		25,450,159		21,396
c) Losses on the realisation of investments		3,887,958		2,578
			34,145,063	28,255
11. Unrealised gains on investments			**829,670**	104
12. Other technical charges, net of reinsurance			**18,797,069**	15,785
13. Underwriting result, net of reinsurance from life and health insurance			**12,521,186**	12,318

Items	€	€	2014, € 000s
III. Pension fund technical account			
1. Earned premiums			
– Premiums written		**115,108,764**	85,401
2. Contributions from the gross premium refunds provision		**2,482,683**	1,753
3. Income from other investments			
a) Income from other investments			
– Income from other investments	17,499,748		14,630
b) Income from write-ups	–		–
c) Gains on the realisation of investments	583,811		474
		18,083,559	15,104
4. Unrealised gains on investments		**9,594,968**	4,721
5. Other technical pension fund income		**1,751,910**	1,205
6. Claims expenses			
a) Claims paid	14,993,631		7,151
b) Change in the provision for claims	– 176,857		– 220
		14,816,774	6,931
7. Changes in other technical pension fund provisions			
– Premium reserve		**– 125,489,009**	– 92,143
8. Bonuses and rebates		**3,061,562**	5,420
9. Pension fund operating expenses			
a) Acquisition costs	1,291,327		1,295
b) Administration costs	964,554		920
		2,255,881	2,215
10. Investment charges			
a) Investment management charges, interest expenses and other charges on capital investments	833,403		894
b) Write-downs on investments	20,064		–
c) Losses on the realisation of investments	371,986		58
		1,225,453	952
11. Unrealised gains on investments		**337,398**	–
12. Other technical pension fund expenses		**848**	43
13. Technical pension fund result		**– 165,041**	480

Items	€	€	€	2014, € 000s
IV. Non-technical account				
1. Underwriting result, insurance and pension fund business net of reinsurance:				
a) Non-life and accident insurance		– 21,579,366		– 8,384
b) Life and health insurance		12,521,186		12,318
c) Pension fund business		– 165,041		480
			– 9,223,221	4,414
2. Investment income where not stated under II 3 or III 3.				
a) Income from shares in associated companies	680,137			929
b) Income from participating interests	33,809,061			19,479
of which:				
from affiliated companies: € 52,000				52
c) Income from other investments	198,951,551			190,062
of which:				
from affiliated companies: € 11,453				–
d) Income from write-ups	7,397,505			8,417
e) Gains on the realisation of investments	84,957,541			28,360
f) Income from a profit pooling, profit transfer and partial profit transfer agreements	232			–
		325,796,027		247,247
3. Investment expenses where not stated under II 10 or III 10.				
a) Investment management charges, interest expenses and other charges on capital investments	21,169,797			16,961
b) Write-downs on investments	49,900,510			47,534
c) Losses on the realisation of investments	8,375,629			2,215
		79,445,936		66,710
		246,350,091		180,537
4. Allocated investment return transferred from the non-technical account		7,056,717		10,313
			239,293,374	170,224
5. Other income		63,652,141		50,891
6. Other charges		119,422,414		99,530
			– 55,770,273	– 48,639
7. Profit from ordinary activities			**174,299,880**	125,999
8. Taxes on income		84,419,476		56,567
9. Deferred tax change		– 53,749		– 153
10. Other taxes		1,466,651		1,670
			85,832,378	58,084
11. Net profit for the year			**88,467,502**	67,915
12. Allocation to retained earnings				
a) to the loss reserve pursuant to section 37 of the Insurance Supervision Act (VAG)		3,600,000		3,500
b) to other retained earnings		14,417,500		14,025
			18,017,500	17,525
13. Portion of result due to other shareholders			**19,049,722**	10,969
14. Net retained profit			**51,400,280**	39,421

Cash flow statement

Cash flow statement to 31 December 2015

Items	
	2015, € 000s
Result for year (consolidated net profit/loss for the year including other shareholder's share of the result)	88,468
Increase/decrease in technical provisions, net of reinsurance	635,427
Increase/decrease in deposits with ceding companies and deposits taken from retrocessionaires	– 11,554
Increase/decrease in accounts payable to ceding companies and retrocessionaires	– 6,599
Increase/decrease in other receivables	– 11,652
Increase/decrease in other liabilities	– 6,568
Changes in other balance sheet items not attributable to investment or financing activities	– 672,758
Other off-balance sheet expenses & income as well as adjustments to the result for the year	80,199
Profit/loss from disposals of investments, tangible assets and intangible assets	– 104,762
Tax expenses/income	– 108,454
Income tax payments	192,874
Cash flow from ongoing operations	**74,621**
Proceeds from disposals from the group of consolidated companies	118
Proceeds from disposals of tangible assets	107
Proceeds from disposals of intangible assets	3
Payments for additions to the group of consolidated companies	– 32,046
Payments for investments in tangible assets	– 7,742
Payments for investments in intangible assets	– 14,309
Proceeds from the disposal of investments in unit-linked life assurance	6,586
Payments for investments in unit-linked life assurance	– 41,349
Cash flow from investment activities	**– 88,632**
Proceeds from additions to equity by other shareholders	25,144
Payments to other shareholders for equity reductions	– 3,151
Dividends paid to other shareholders	– 6,442
Proceeds and payments from other financing activities*	25,254
Cash flow from financing activities	**40,805**
On-balance-sheet changes to cash and cash equivalents	26,794
Changes in cash and cash equivalents relating to exchange rates and valuations	–
Changes in cash and cash equivalents relating to the group of consolidated companies	–
Cash and cash equivalents at the start of the year	71,071
Cash and cash equivalents at the end of the year**	**97,865**

The cash flow statement has been drawn up in accordance with the provisions of DRS 21, "Cash Flow Statements". 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 € 363,000.
** Cash and cash equivalents includes the funds recorded in the balance sheet item "Cash at banks, cheques and cash in hand".

Statement of shareholders’ equity

Shareholders’ equity movements

Statement of shareholders’ equity

	Parent company				Minority shareholders				Shareholders’ equity
	Generated shareholders’ equity	Cumulative other consolidated result		Equity	Minority capital	Cumulative other consolidated result		Equity	
		Equity difference due to currency conversion	Other neutral transactions			Equity difference due to currency conversion	Other neutral transactions		
	€ 000s	€ 000s	€ 000s	€ 000s	€ 000s	€ 000s	€ 000s	€ 000s	€ 000s
31.12.2013	**1.494.597**	**8.131**	**– 135.935**	**1.366.793**	**188.056**	**–**	**– 9.496**	**178.560**	**1.545.353**
Issuing of shares	–	–	–	–	4.358	–	–	4.358	4.358
Dividends paid out	–	–	–	–	– 6.722	–	–	– 6.722	– 6.722
Changes to the group of consolidated companies	–	–	5	5	–	–	– 1.827	– 1.827	– 1.822
Other changes	–	2.775	338	3.113	–	–	– 1.141	– 1.141	1.972
Consolidated net profit for the year	56.946	–	–	56.946	10.969	–	–	10.969	67.915
31.12.2014	**1.551.543**	**10.906**	**– 135.592**	**1.426.857**	**196.661**	**–**	**– 12.464**	**184.197**	**1.611.054**
Issuing of shares	–	–	–	–	21.994	–	–	21.994	21.994
Dividends paid out	–	–	–	–	– 6.442	–	–	– 6.442	– 6.442
Changes to the group of consolidated companies	–	–	–	–	–	–	– 1	– 1	– 1
Other changes	–	3.506	925	4.431	–	1.118	– 711	407	4.838
Consolidated net profit for the year	69.418	–	–	69.418	19.050	–	–	19.050	88.468
31.12.2015	**1.620.961**	**14.412**	**– 134.667**	**1.500.706**	**231.263**	**1.118**	**– 13.176**	**219.205**	**1.719.911**

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 Asset Management Gesellschaft mbH, Cologne, 100 %
– DEVK Omega GmbH, Cologne, 75 %
– DEVK Private Equity GmbH, Cologne, 65 %
– DEVK Saturn GmbH, Cologne, 100 %
– DEVK Service GmbH, Cologne, 74 %
– DEVK Unterstützungskasse GmbH, Cologne, 100 %
– DEVK Zeta GmbH, Cologne, 100 %
– DEVK Europa Real Estate Investment Fonds SICAV-FIS, Luxembourg (L), 68 %
– DEREIF Brüssel Lloyd George S.a.r.l., Luxembourg (L), 100 %
– DEREIF Immobilien 1 S.a.r.l., Luxembourg (L), 100 %
– DEREIF London Eastcheap Court S.a.r.l., Luxembourg (L), 100 %
– DEREIF London 10, St. Bride Street S.a.r.l., Luxembourg (L), 100 %
– DEREIF London Birchin Court S.a.r.l., Luxembourg (L), 100 %
– DEREIF London Coleman Street S.a.r.l., Luxembourg (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, SCI, Yutz (F), 100 %
– DEREIF Stockholm Vega 4 AB, Stockholm (S), 100 %
– DEREIF Wien Beteiligungs GmbH, Vienna (A), 100 %
– DEREIF Wien Nordbahnstrasse 50 OG, Vienna (A), 100 %
– DP7, Unipessoal LDA, Lisbon (P), 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 %
– OUTCOME Unternehmensberatung GmbH, Cologne, 100 %
– SADA Assurances S.A., Nîmes (F), 100 %.

The subsidiaries
– DEVK Alpha GmbH, Cologne, 100 %
– DEVK Beta GmbH, Cologne, 100 %
– DEVK Gamma GmbH, Cologne, 100 %
– DEVK Versorgungskasse GmbH, Cologne, 100 %
– DEVK Web-GmbH, Cologne, 100 %
– DRED Zeus Vermögensverwaltungs-AG, Cologne, 100 %

– DRED SCS, Luxembourg (L), 68 %
– JUPITER VIER GmbH, Cologne, 100 %
– KASSOS Beteiligungs- und Verwaltungs-GmbH, Cologne, 100 %
– Lieb' Assur S.A.R.L., Nîmes (F), 100 %
– Reisebüro Frenzen GmbH, Cologne, 52 %
– TRAVELWORLD GmbH, Köln, 52 %
– Pragos Wohnungsunternehmen AG & Co. KG, Cologne

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, pursuant to section 296 paragraph 2 sentence 1 HGB. 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 2015 DEREIF Immobilien 1 established or acquired four new property companies (hereinafter also referred to as subsidiaries).

The companies DEREIF Wien Nordbahnstrasse 50 GmbH, with real estate in Vienna, DP7, UNIPESSOAL LDA. with real estate in Lisbon and DEREIF London Coleman Street, with real estate in London, were newly established.
In 2015, DEREIF Immobilien 1 acquired 100 % of the shares in the company DEREIF Wien Beteiligungs GmbH, which has its headquarters in Vienna.
The initial consolidation of these companies took place in 2015 applying the revaluation method.
The capital consolidation of the newly established companies was carried out pursuant to section 301 paragraph 2 sentence 1 HGB on the basis of the valuation made on the date on which the companies became subsidiaries.
The equity capital of the newly established subsidiaries at the time of their establishment was equal to the cost of acquisition of the shares held by the participating companies.

The capital consolidation of DEREIF Wien Beteiligungs GmbH, which was acquired during the financial year, took place on the basis of the company's capital. Due to the company's status as a pure holding company with no operational activities, the remeasurement of its assets and liabilities at the time of acquisition would have served no purpose.

Due to its negligible nature, the positive difference of € 2,000 arising from the difference between the cost of acquisition and the company's capital was not recognised as goodwill, rather being offset against the other retained earnings, with no effect on income.

All the property companies prepare their domestic annual financial statements in their respective national currencies by 31 August.
Before their incorporation into the consolidated financial statements, the annual financial statements of subsidiaries with different accounting dates and recognition methods were adjusted by the 30 November deadline to ensure compliance with the unified recognition and measurement principles laid down by the parent company for use in the consolidated financial statement.
Any significant occurrences taking place between then and the consolidated financial statements accounting date, to wit 31 December 2015, are recognised and recorded in these subsidiaries' interim financial statements.

In 2015 the subsidiaries DEVK Alpha GmbH, DEVK Beta GmbH, DEVK Web-GmbH, DEVK Zeus Vermögensverwaltungs-AG and JUPITER VIER GmbH were eliminated from the group of consolidated companies due to the fact that they do not undertake any operational activities and therefore meet the criterion for subordinate importance pursuant to section 296 paragraph 2 HGB.

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 EGHGB in conjunction with section 301 paragraph 1 No. 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 two exceptions, the goodwill is subjected to scheduled depreciation over a five-year period. For two companies, 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 companies' 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 Kapitalanlagegesellschaft 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.
Before their incorporation into the consolidated financial statements, the annual financial statements of subsidiaries with different accounting dates and recognition methods were adjusted by the 30 November deadline to ensure compliance with the unified recognition and measurement principles laid down by the parent company for use in the consolidated financial statements. Any significant occurrences taking place between then and the consolidated financial statements accounting date, 31 December 2015, are recognised and recorded in these subsidiaries' interim financial statements.

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 of life assurance policyholders who bear the investment risk, for whose policies an investment fund is to be established pursuant to section 125 paragraph 5 VAG (section 54b VAG old version), 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 336 VAG (section 11c VAG old version) and article 16 section 2 of the 3rd Implementation Act/EEC to the VAG old version, the precepts and accounting principles underlying the calculation were in line with the business plans either approved, prevailing or submitted for approval. The portfolio of new policies, on the other hand, is in line with section 341f HGB and section 88 VAG (section 65 VAG old version), 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 DAV 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, company's in-house tables based on 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 policy generations from 2003 onwards and from July 2015 onwards, the company-specific table DAV 1997 I was devised, which addresses or differentiates between ten different professional groups.
For the supplementary occupational disability insurance up to the 2000 policy generation, 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 up until policy generation 2008 the premium reserve was also adjusted to table DAV 2008 T.
Depending on the policy generation, accounting principles derived from the HEUBECK 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 %, 1.75 % or 1.25 %. Pursuant to section 5 paragraph 4 DeckRV, a supplementary interest reserve with a reference interest rate of 2.88 % was formed for policies with technical interest rates of 4.0 %, 3.5 %, 3.25 % and 3.0 %. A supplementary interest reserve with a valuation interest rate of 2.75% was formed for the existing policies. 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. As a rule, from 2015 the zillmerisation rate stands at 2.5 % of the premium amount.

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 as a rule 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 in accordance with 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 88 VAG (section 65 VAG old version) 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.

For all risk types except occupational incapacity, 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. A provision based on updated empirical experience has been formed to cover the occupational incapacity risk. This method guarantees risk assessment closely based on reality.
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.

In response to the rulings by the European Court of Justice and the German Federal Court of Justice on 19 December 2013 and 7 May 2014 respectively, expenditure arising from the possible cancellation of policies was recognised under **Other technical provisions**. In so doing, a probability of availment [of this provision] was applied.

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 240 sentence 1 Nos. 10–12 VAG (section 116 VAG old version) 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 of employees and employers bearing the investment risk 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 %. The modified HEUBECK generations actuarial tables (2005 G) 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 terminal bonus funds were calculated separately for each policy, taking their individual technical start into account. The terminal bonus fund was calculated pursuant to section 28 paragraphs 7a to 7d RechVersV, with a discount rate of 2.5 % p.a.

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 the HEUBECK 2005 G actuarial tables. The discounting interest rate was calculated as a seven-year average pursuant to the hitherto prevailing Regulation on the Discounting of Provisions (Rückstellungsabzinsungsverordnung).
It was set at 3.89 % (2014: 4.55 %) and calculated on the basis of an assumed residual term of 15 years (section 253 paragraph 2 sentence 2 HGB).
The financing age on expiry corresponds with the contractual age on expiry.
The assumed rate of pay increase was set at 1.95 % or 2.1 % p.a., and the rate of pension increase at between 1.0 % and 1.95 % p.a.

The **liabilities arising out of pension fund operations** were measured at their settlement values.

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 calculations were 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 2015 financial year

Assets	Balance sheet value 2014 € 000s	Additions € 000s	Transfers € 000s	Disposals € 000s	Write-ups € 000s	Write-downs € 000s	Balance sheet value 2015 € 000s
A. Intangible assets							
1. Industrial property rights created in-house and similar rights and assets	–	113	–	–	–	19	94
2. Licences, industrial property rights and similar rights and assets acquired for valuable consideration, as well as licences in such rights and assets	50,352	14,162	11,934	3	–	12,913	63,532
3. Goodwill	6,427	–	–	–	–	857	5,570
4. Payments on account	12,026	34	-11,934	–	–	–	126
5. Total A.	68,805	14,309	–	3	–	13,789	69,322
B.I. Real estate and similar land rights, including buildings on third-party land							
	539,001	167,285	–	2,139	–	10,842	693,305
B.II. Investments in affiliated companies and participating interests							
1. Shares in affiliated companies	457	33,176	–	–	–	–	33,633
2. Loans to affiliated companies	–	51,797	–	–	–	–	51,797
3. Shares in associated companies	23,452	3,555	–	118	–	–	26,889
4. Participating interests	236,401	88,932	–	53,005	762	6,582	266,508
5. Loans to companies in which a participating interest is held	3,903	75	–	284	5	372	3,327
6. Total B.II.	264,213	177,535	–	53,407	767	6,954	382,154
Total	**872,019**	**359,129**	**–**	**55,549**	**767**	**31,585**	**1,144,781**

Notes to the consolidated balance sheet

Re Assets B.

Investments

The revaluation reserves include hidden liabilities totalling € 103.7 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	25,423	23,099
Fixed-asset securities	704,162	650,095
Mortgage loans	29,872	28,695
Other loans	233,355	222,738
Silent participating interests	10,000	9,776

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	28,343	1,701	1,416
	Short call options	3,500	142	106
	Forward purchase GBP	21,852	–	– 220
Bearer bonds	Forward purchases	30,000	–	– 1,016
Registered bonds and notes receivable	Forward purchases	210,000	–	882
Other investments	Credit default swaps	28,000	731	– 235
Other prepayments and accrued income	Swaps	100,000	1,313	25,719

Valuation methods

Short options:	European options	Black-Scholes
	American options	Barone-Adesi
Forward purchase GBP:	Present value method	
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 Tsd. €	Current value Tsd. €	Hidden reserves/ hidden charges Tsd. €	Limitation on daily redemption
Equity funds	16,647	826,216	76,710	
Bond funds	1,756	121,663	2,643	
Mixed funds	7,139	181,613	1,253	
Real-estate funds	7,917	207,128	20,460	between any time up to € 50,000 and 6 months

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 € 10,213,358.

The consolidation of three new subsidiaries has led to an increase in holdings of real estate and buildings of € 154,417,880. Without this addition, after disposals and scheduled depreciation and amortisation by the existing Group companies, this balance sheet item would amount to € 538,886,845.
As a result, 2015 income from real estate increased by € 2,122,873, investment administration expenses by € 297,725 and depreciation of real estate and buildings by € 935,744.

Re Assets B.III.

Other investments

Other loans

	2015 € 000s	2014 € 000s
a) Registered bonds	1,674,237	1,586,113
b) Notes receivable and loans	1,242,589	1,558,845
c) Loans and advance payments on insurance certificates	12,277	14,543
d) Other loans	136,076	201,098
Total	**3,065,179**	3,360,599

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	Bilanzwert €
DEVK Vermögensverwaltung Classic	4,239,84	190,072
Monega BestInvest Europa	32,026,47	1,757,613
Monega Chance	116,957,75	3,835,044
Monega Ertrag	250,657,31	14,753,692
Monega Euro-Bond	266,128,29	14,171,331
Monega Euro-Land	154,712,79	6,234,925
Monega Fairinvest	147,195,14	7,433,355
Monega Germany	92,790,30	6,713,378
Monega Innovation	2,776,83	159,446
Monega Short Track	1,223,03	58,864
Monega Zins ProAktiv	112,380,67	4,228,885
SpardaRentenPlus	5,453,20	551,097
UniCommodities	650,19	22,263
UniDividendenASS A	743,69	43,178
UniEM Global	7,769,03	519,049
UniEuroKapital	317,12	21,206
UniEuroRenta	724,04	48,474
UniFavorit Aktien	478,33	55,495
UniGlobal	41,811,90	7,791,230
UniRak	162,672,13	18,468,167
UniWirtschaftsaspirant	132,48	4,271
Total		**87,061,035**

Re Assets D.

Investments for the benefit of employees and employers	Share units Number	Balance sheet value €
Monega Rentenfonds (bond fund)	186,957	9,955,482
Monega Aktienfonds (equities fund)	4,405,958	218,189,246
Total		**228,144,728**

Re Assets E.I.

Receivables arising out of direct insurance operations

The amounts owed by policyholders comprise:

a) Due claims	€ 12,236,577
b) Claims not yet due	€ 41,262,992
	€ 53,499,569

Re Assets G.II.

Other prepayments and accrued income

Premium on registered bonds	€ 6,909,735
Advance payments for future services	€ 10,920,688
	€ 17,830,423

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	
31.12.2014	€ 259,539,910
Withdrawal in 2015 for:	
Interest-bearing accumulation	€ 18,180,218
Increase in amount	€ 3,220,596
Bonus shares paid out	€ 25,854,324
Allocation from the 2015 net profit	€ 37,539,465
31.12.2015	**€ 249,824,237**

Breakdown of	€ millions
already determined but not yet allocated regular bonus shares	26.97
Final bonus shares	2.28
Amounts for the minimum participation in the revaluation reserves	3.76
Final bonus fund for financing	
of bonus pensions	–
of final bonus shares	22.07
The minimum participation in the revaluation reserve	30.91
Non-index-linked part	163.83

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	**€ 499,003,150**

Re Liabilities I.

Accruals and deferred income

Discount points on registered bonds	€ 6,911,807
Advance rental receipts	€ 3,976,541
Other accruals and deferred income	€ 29,170
	€ 10,917,518

Notes to the profit and loss account

Booked gross premiums in € 000s	2015					2014
	Non-life/ casualty	Life	Health	Pension fund	Total	Total
1. Direct insurance operations						
Domestic	1,711,224	517,960	73,996	115,109	2,418,289	2,355,961
Other EEC countries	135,709	–	–	–	135,709	132,010
Total 1.	1,846,933	517,960	73,996	115,109	2,553,998	2,487,971
2. Reinsurance coverage provided						
	264,316	–	–	–	264,316	225,407
Total	**2,111,249**	**517,960**	**73,996**	**115,109**	**2,818,314**	2,713,378

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

Acquisition expenses	€ 394,282,075
Administration costs	€ 204,074,801

Re Item II.3.b)

Income from other investments

aa) Income from real estate and similar land rights, including buildings on third-party land	€ 6,119,925
bb) Income from other investments	€ 196,141,786
	€ 202,261,711

Re Item IV.2.c)

Income from other investments

aa) Income from real estate and similar land rights, including buildings on third-party land	€ 32,618,467
bb) Income from other investments	€ 166,333,084
	€ 198,951,551

Personnel expenses
Personnel expenses totalled € 325,199,875 (2014: € 286,664,026). These include expenses for the risk portion of the allocation to the pension provision.

During the year under review, Management Board remuneration totalled € 2,280,509 (2014: € 2,084,212). The retirement pensions of former Management Board members and their surviving dependants totalled € 1,725,395) (2014: € 1,630,292). On 31 December 2015, a pension provision totalling € 24,872,756 (2014: € 20,450,878) was recognised for this group of persons. The Supervisory Board remuneration totalled € 609,440 (2014: € 606,158) and Advisory Board remuneration came to € 88,332 (2014: € 94,984).

Auditors' fees
A fee of € 1,174,002 was paid in 2015 for services rendered by the Group's auditors (KPMG AG Wirtschaftsprüfungsgesellschaft and its affiliated companies) for the parent company and its subsidiaries.
This broke down into € 769,834 for audit services, € 47,805 for other certification services, € 24,646 for tax advisory services and € 331,717 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 € 317.5 million.

On the balance sheet date, we had outstanding financial obligations totalling € 31.8 million from open short put options, € 141.0 million in multi-tranche notes payable and € 240.0 million from open forward purchases. The payment obligations in relation to approved mortgage loans not yet paid out totalled € 72.8 million.

In compliance with the statutory provisions of section 221ff VAG (sections 124ff VAG old version), 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 Group 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 € 3,516,818.

In compliance with the statutory provisions of section 221ff VAG (sections 124ff VAG old version), 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 2016 payment commitment in this connection is € 380,148.

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 € 461.8 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 3,842, made up of 151 executives, 3,627 salaried employees and 64 waged employees.

Cologne, 18 March 2016

The Management Board

Gieseler **Rüßmann** **Scheel** **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 2015. 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, 24 March 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr Ellenbürger	**Dr Hübner**
Auditor	Auditor

Supervisory Board report

During 2015, 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 2015 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 2015 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, 13 May 2016

The Supervisory Board

Kirchner
Chairman

Abbreviations used

ABS	Asset-backed securities
AG	Aktiengesellschaft
AktG	German Stock Corporations Act
ALM	Asset Liability Management
AltZertG	Pension Contracts Certification Act
BaFin	German Financial Supervisory Authority
BGH	German Federal Court of Justice
BilMoG	German Act on Modernisation of Accounting Regulations
CHF	Swiss francs
DAV	Association of German Actuaries
DAX	German Share Index
DeckRV	Regulation concerning accounting principles for premium reserves
Dr	Doctor
DRS	German accounting standards
ECB	European Central Bank
EDP	Electronic data processing – IT
EEC	European Economic Community
EGHGB	Introductory Act to the German Commercial Code
EStG	German Income Tax Act
etc.	Et cetera
e.V.	Registered association (e.V.)
Fed	Federal Reserve System
GBP	British pound (sterling)
GDP	Gross domestic product
GDV	German Insurance Association
GmbH	German private limited company
HGB	German Commercial Code
IDW	Institute of Public Auditors in Germany
KonTraG	German Control and Transparency in Business Act
KWG	German Banking Act
MTIR	Mean company-specific technical interest rate
No.	Number
NRW	North Rhine-Westphalia
ORSA	Own Risk and Solvency Assessment
p.a.	Per annum
RechVersV	German Regulation on Accounting in the Insurance Sector
ret.	In retirement
SEK	Swedish krona
€ 000s	Thousand(s)
VAG	German Insurance Undertakings Supervision Act
VVG	German Insurance Contracts Act

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Paul Epper

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Olaf Nohren

Marketing, Sales Systems and Direct Sales
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Life
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Actuary in Charge / Actuarial Office
Jürgen Weiler

Non-life / HUK Operations
Thomas Doll

KINEX / Accounting / Central Office Applications Partner
Lothar Diehl

Investments
Joachim Gallus

Non-life / HUK Claims
Rüdiger Burg

Revision
Gerd Stubbe

Information Processing and Telecommunications
Klaus Dresbach

Project Portfolio Management / Management Organisation
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Corporate Planning and Controlling
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– 1 March 2016 –

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Heiko Jabs / Wolfgang Axtmann

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Helmut Martin / Klaus-Peter Reitz

50668 Cologne, Riehler Strasse 3
Sebastian Baumgart / Franz-Josef Schneider / Wolfgang Riecke

55116 Mainz, Gärtnergasse 11 – 15
Thomas Huck / Dirk Strempel

80335 Munich, Hirtenstrasse 24
Christian Rähse / Rudolf Ullmann / Florian Hagemann

48143 Münster, Von-Steuben-Strasse 14
Axel Berberich / Stefanie Hölscher

90443 Nürnberg, Essenweinstrasse 4 – 6
Christian Rähse / Rainer Spieß

93055 Regensburg, Richard-Wagner-Strasse 5
Christian Rähse / Rainer Spieß

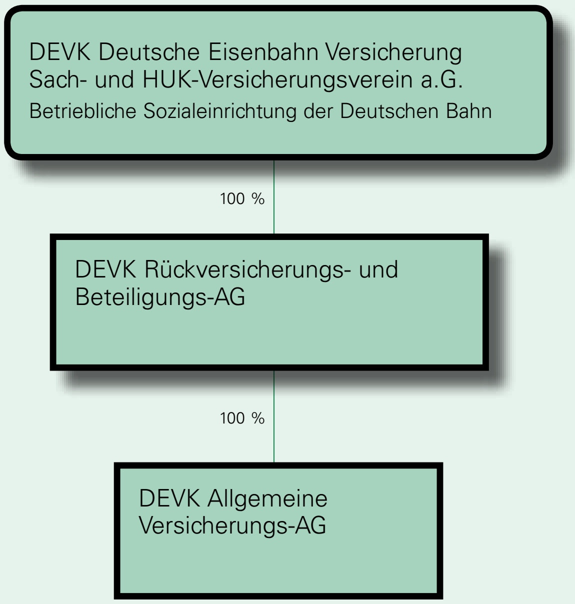
66111 Saarbrücken, Trierer Strasse 16 – 20
Thomas Huck / Dirk Strempel / Klaus Dieter Feller

19053 Schwerin, Wismarsche Strasse 164
Mario Kühl / Thomas Maudrey

70190 Stuttgart, Neckarstrasse 146
Heiko Jabs / Markus Otterbach / Nikolaus Hax

42103 Wuppertal, Friedrich-Engels-Allee 20
Heinz Kuhnen / Steffen Kaufmann

Organizational chart of DEVK Versicherungen



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