



somewhat
different

From the CFO's desk

Investment update and German GAAP particularities

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Investment update

Asset allocation rather stable

Slight increase in governments and high-yielding bonds at expense of coverededs

Tactical asset allocation¹⁾

Investment category	2011	2012	2013	2014	1H/2015
Fixed-income securities	90%	92%	90%	90%	89%
- Governments	19%	19%	19%	21%	23%
- Semi-governments	23%	23%	20%	19%	19%
- Corporates	31%	33%	36%	36%	36%
Investment grade	29%	30%	33%	33%	32%
Non-investment grade ³⁾	3%	3%	3%	3%	4%
- Pfandbriefe, Covered Bonds, ABS	16%	17%	15%	14%	12% ²⁾
Equities	2%	2%	2%	2%	2%
- Listed	<1%	<1%	<1%	< 1 %	< 1 %
- Private Equity	2%	2%	2%	2%	2%
Real estate/real estate funds	2%	2%	4%	4%	4%
Others³⁾	<1%	1%	1%	1%	1%
Short-term investments & cash	5%	3%	4%	4%	4%
Total balance sheet values in bn. EUR	28.3	31.9	31.9	36.2	37.4

1) Economic view based on market values without outstanding commitments for Private Equity and Alternative Real Estate as well as fixed-income investments of EUR 800.3 m. (EUR 716.3 m.) as at 30 June 2015

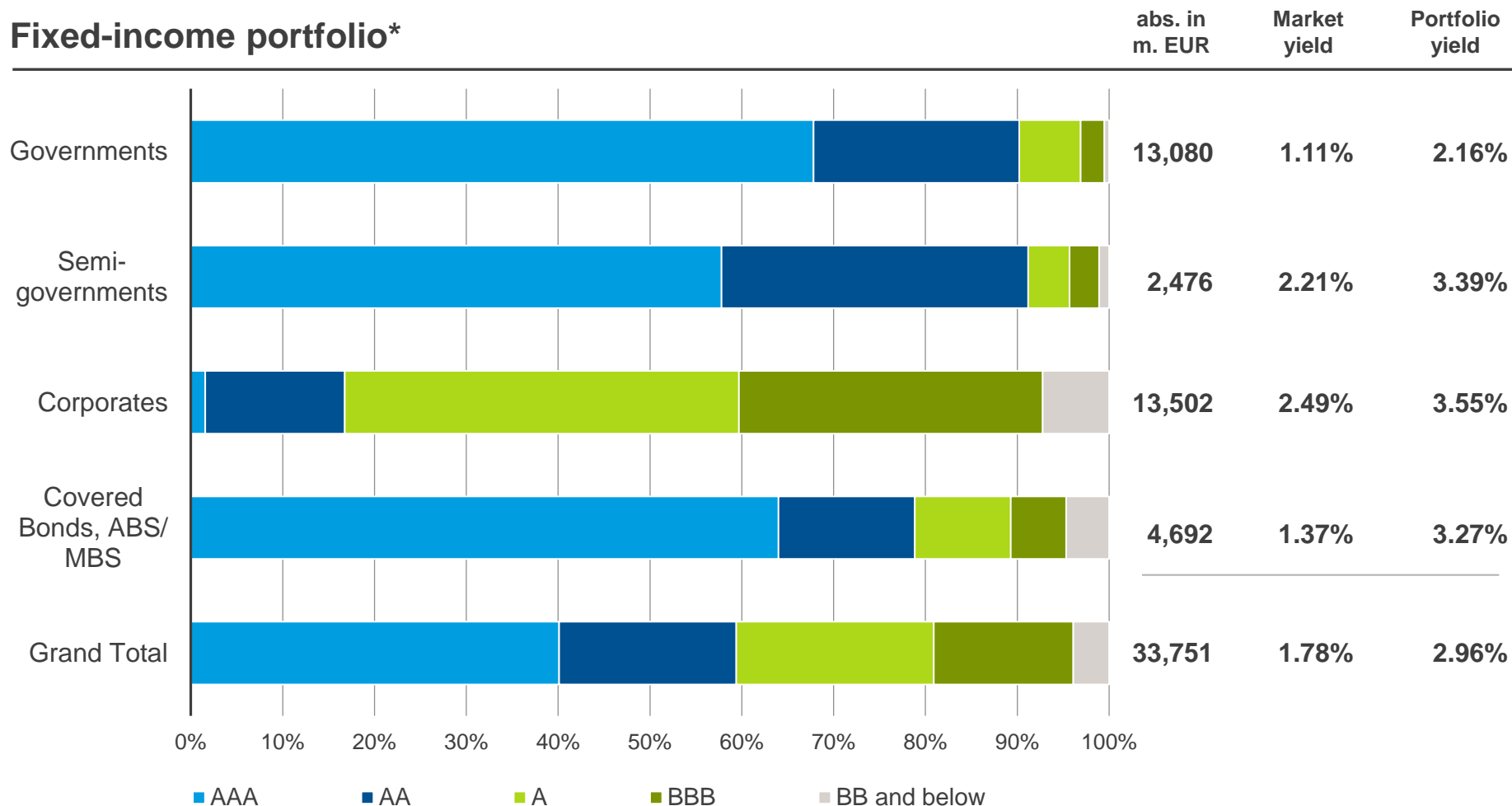
2) Of which Pfandbriefe and Covered Bonds = 80.6%

3) Reallocation of High Yield Funds from Others to Corporates – Non-investment grade adjusted retrospectively

Portfolio yield supports ordinary income target ...

... but market yields lead to RoI dilution in line with expectation

Fixed-income portfolio*

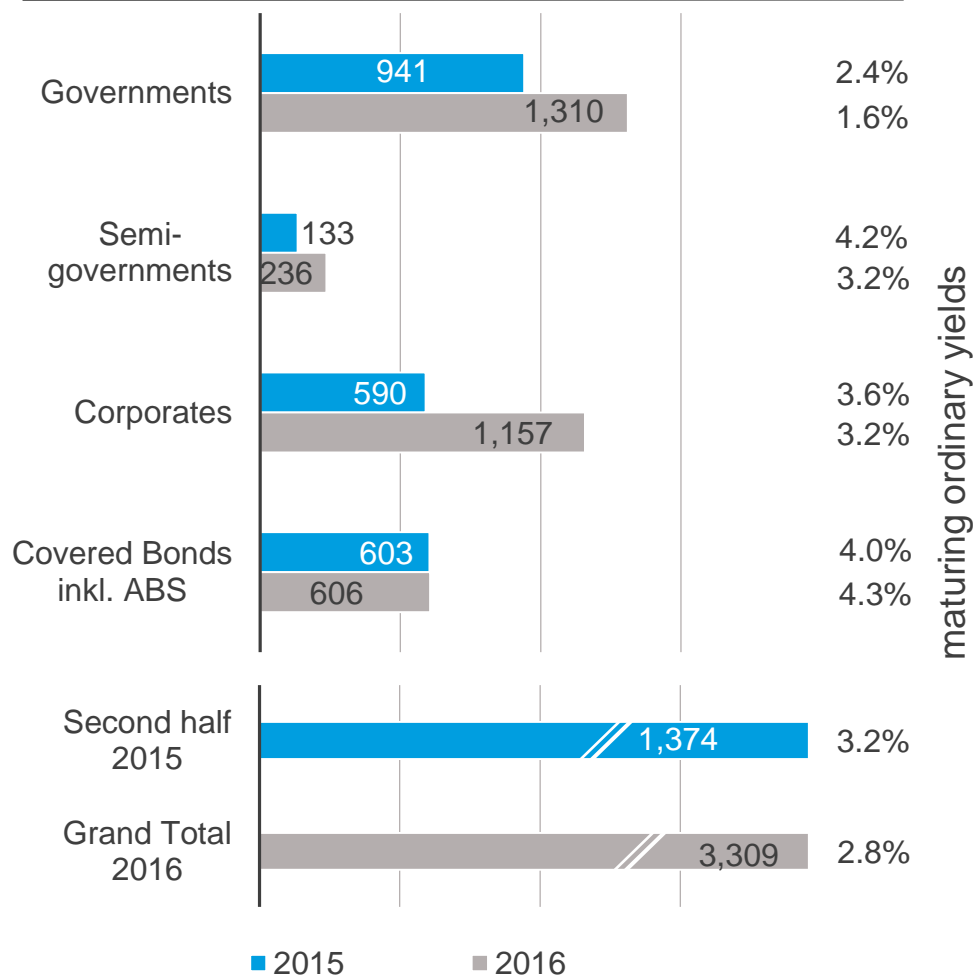


* Preliminary analysis as at 15 Aug 2015, excluding short-term investments and cash, governments according to economic view

Maturity pattern 2015 and 2016

Heterogeneous maturing yield profile per asset class

Fixed-income maturities in m. EUR



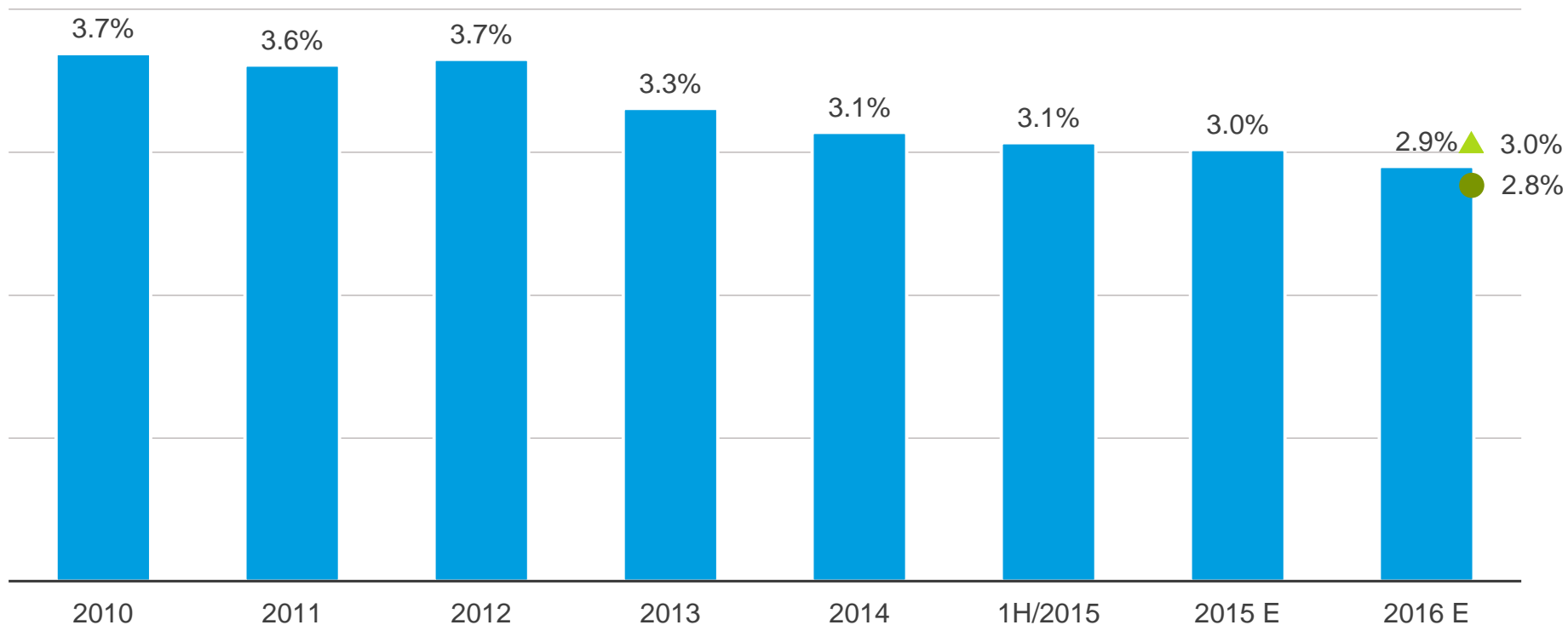
► Simulation assumptions

- Maturing fixed-income securities re-invested according to current market yields
- (Re)investment of short-term investments (STIs) at current low returns
- New cash flows in 2015 and 2016 reinvested at an average of 1.76% p.a.

Ordinary return on investments declines at appr. 15 bps p.a.

Return sensitivity at 10 bps per 100 bps yield movements

Expected ordinary yield in 2015/2016 from assets under own management* in %



■ Expected ordinary investment yield ▲ Current yield +100bps ● Current yield -100bps

Analysis as at 30 June 2015

* Excluding special effects from insurance-linked derivatives 1H/2015

Ordinary investment yield development ...

... follows our long-term projections

Ordinary investment income (average expectation) from assets under own management

Asset class ²⁾	Allocation 06/2015	2015 E	2016 E
Governments	35%	2.2%	2.1%
Semi-governments	7%	3.4%	3.3%
Corporates	36%	3.5%	3.5%
Covered Bonds incl. ABS/MBS	13%	3.2%	2.8%
Short-term investments (ex Short Govies) ¹⁾	3%	1.0%	1.0%
Real Estate ¹⁾	4%	5.3%	5.3%
Private Equity ¹⁾	2%	6.0%	6.0%
Cash In - Second half 2015	+EUR 0,8 bn.	1.8%	1.8%
Cash In - 2016 ³⁾	+EUR 1,2 bn.		1.8%
Total	EUR 37.4 bn.	3.0%	2.9%

1) Fixed approximation

2) Economic perspective deviating from accounting/legal perspective

3) Conservative projection

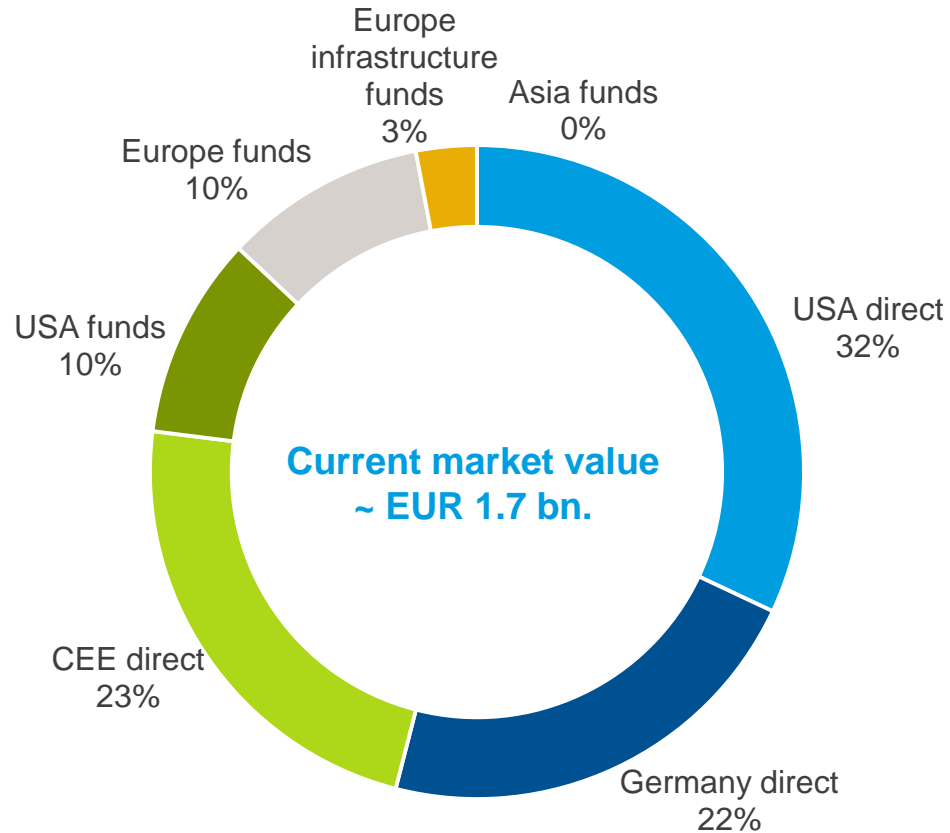
Hannover Re's real estate portfolio

Real estate quota of roughly 4%

Current strategy defines a target quota of around 5%

Diversification of investment programs

in %



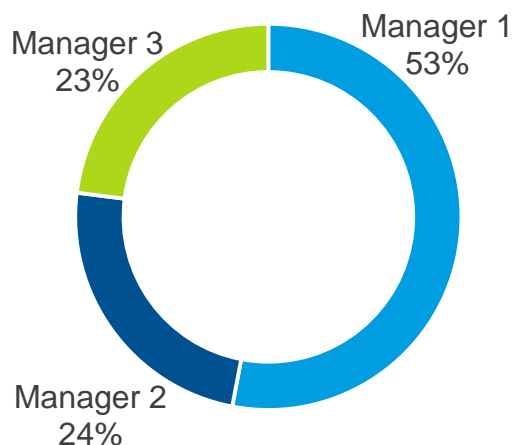
Analysis as of 30 June 2015

Broad diversification through ...

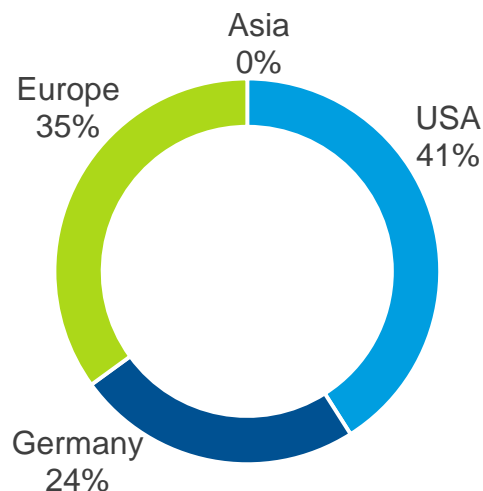
... real estate sectors, risk-/ return styles, market maturity and manager

- ▶ Investments executed through three different managers
- ▶ Regional focus on mature and transparent markets
- ▶ Direct investments dominate with around $\frac{3}{4}$ of total portfolio ($\frac{1}{4}$ funds)
- ▶ Quota is reflected in risk-/ return profile as well (lower risk $\frac{3}{4}$ vs. medium risk $\frac{1}{4}$)
- ▶ Diversification also through different real estate sectors with focus on office

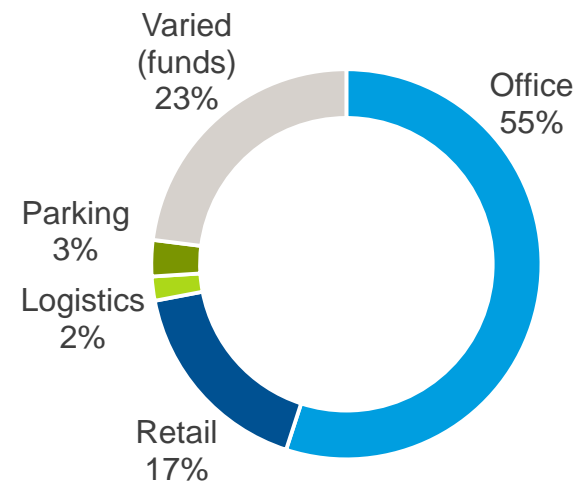
Manager diversification



Geographic diversification



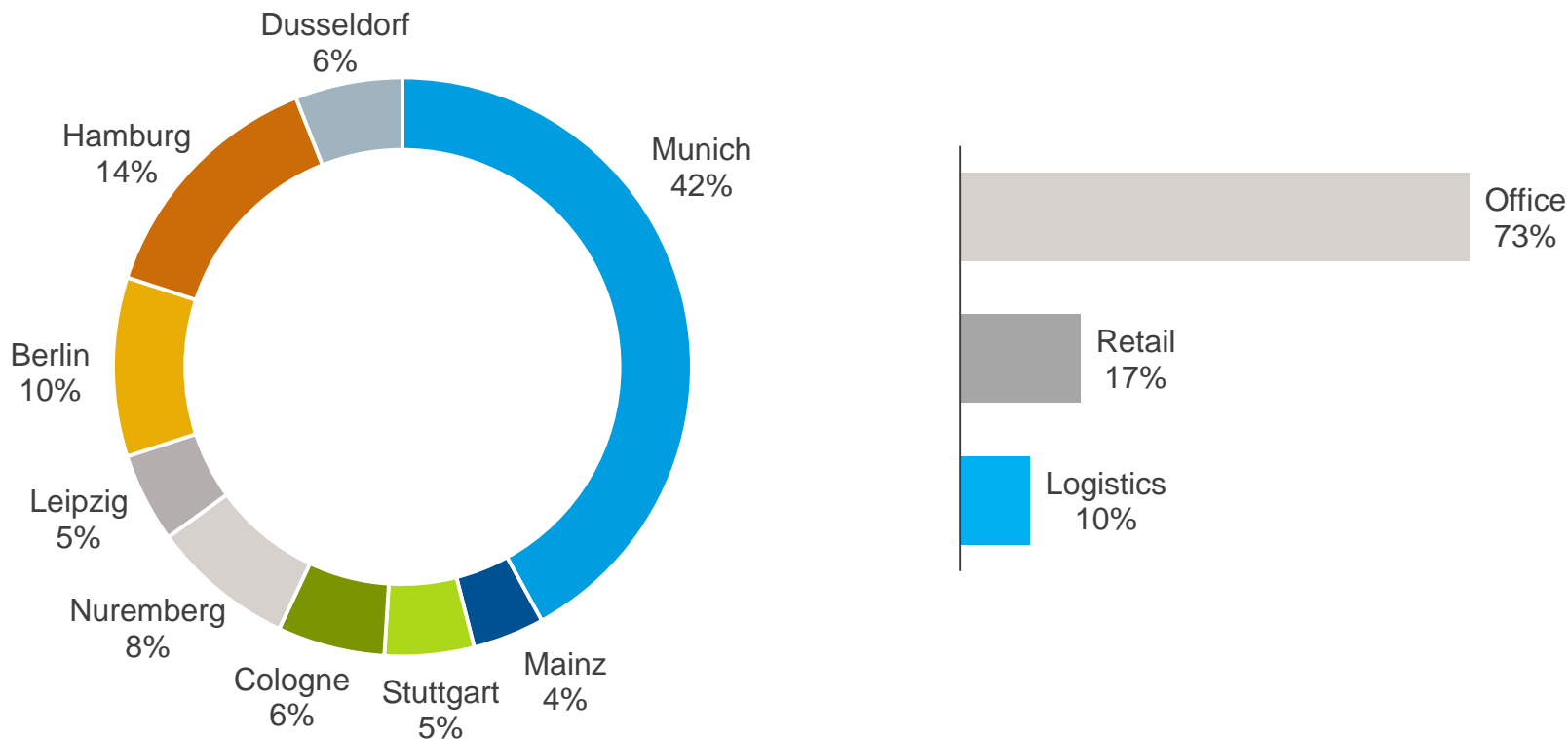
Sector diversification



Direct investments in Germany

Portfolio 1/3 with current budget of EUR 500 million

Allocation in Germany

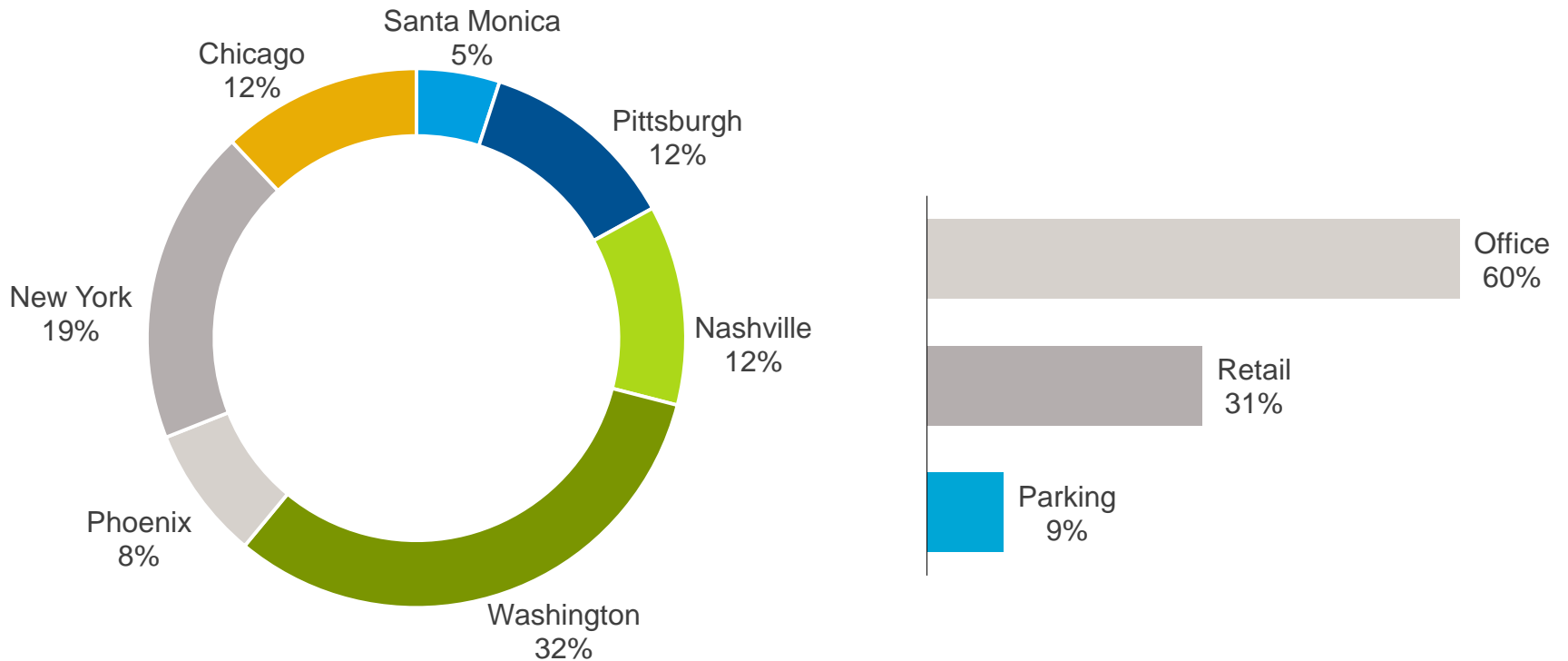


Current market value: EUR 311.9 m.

Direct investments in the US

Portfolio 2/3 with current budget of USD 700 million

Allocation in the US

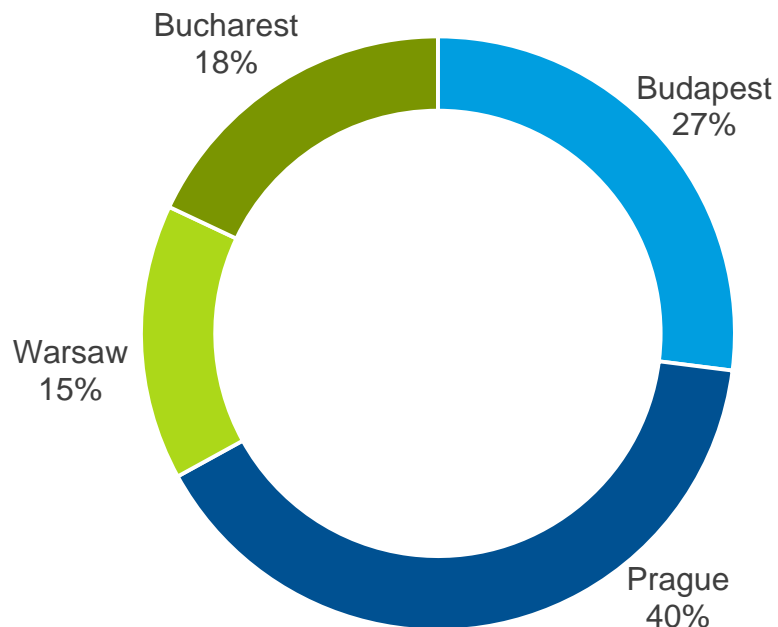


Current market value: USD 617.5 m.

Direct investments in Central and Eastern Europe

Portfolio 3/3 with current budget of EUR 500 million

Allocation in CEE



Current market value: EUR 336.2 m.

Attractive performance over all budgets depending on market timing (entry, dispositions, etc.)

- ▶ Returns of real estate portfolios since inception*
 - between 4.8% and 10.5% (funds) with investments since 2004
 - between 4.4% and 14.2% (direct) with investments since 2008
- ▶ Latest annual performance (2014) in line with expectations
 - between 6.4% and 14.9% (funds)
 - between 4.7% and 11.0% (direct)
 - IFRS contribution to ordinary income EUR 100.3 m.
- ▶ Increased prices in top-market segment noticeable (significant decline in yields), but still opportunities depending on geography and individual deal character

* IRRs per 30 June 2015 and since inception of the individual investment programme

German GAAP and equalisation reserve

Balance sheet Hannover Rück SE as at 12/2014

German GAAP is "somewhat different", too

in m. EUR

Assets		Liabilities	
Investments	22,981	Subscribed capital, capital reserve	1,002
Deposits	18,932	Retained earnings	380
Receivables	2,405	Disposable profit	515
Others	638	Subordinated loans	1,500
		Equalisation reserve	2,812
		Deposit received from retrocessionaires	7,308
		Provisions, other liabilities	31,439
Total	44,956		44,956

Good individual results are the basis for an attractive dividend

Hannover Rück SE (German GAAP)

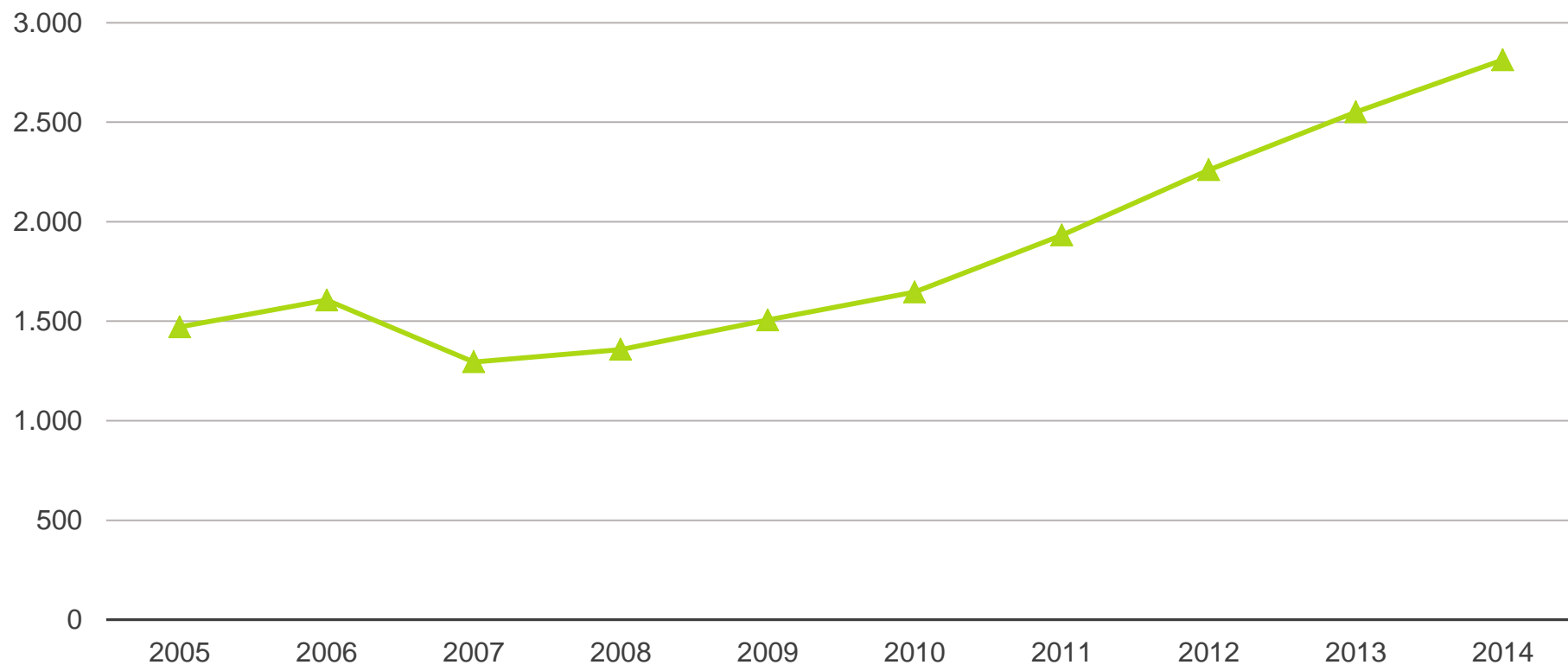
in m. EUR	2010	2011	2012	2013	2014
Retained earnings	379	380	380	380	380
Allocation to equalisation reserve	141	293	341	268	278
Profit for the financial year	406	270	410	367	421
Profit carried forward from previous year	6	25	41	89	94
Allocations to other retained earnings	(110)	(1)	0	0	0
Disposable profit	302	294	451	456	515
Disposable profit + retained earnings					895
Paid dividends	277	253	362	362	513
Dividend payout ratio (German GAAP)	92%	86%	80%	79%	100%
Dividend payout ratio (IFRS basis)	37%	42%	42%	40%	52%

Equalisation reserve

Positive U/W results have led to a remarkable increase

Development since 2005

in m. EUR



Methodology of calculation - legally mandated

1. Based on the observation of loss ratios over the last 15 or 30 years (observation period) and their volatility, a standard deviation is determined for each line of business
2. This standard deviation is to be multiplied by 4.5 and the earned premium to establish the provisional target amount.
3. The provisional target amount is reduced if the loss experience of the last 3 years confirms a sufficient reserve.
4. If the target amount is not yet reached, 3.5% thereof is to be allocated to the reserve irrespective of the actual loss ratio.
5. If the loss experience in the financial year was better than in the observation period, the difference between the two ratios is to be multiplied by the earned premium in the financial year. The product of this calculation is to be allocated, to the extent that the target amount is not reached.
6. If the loss ratio in the financial year is higher than the loss ratio in the observation period a withdrawal is made. This withdrawal is reduced if the loss experience of the last 3 years is more favourable than in the observation period.

Calculation of the equalisation reserve (simplified example)

Complicated and challenging to forecast

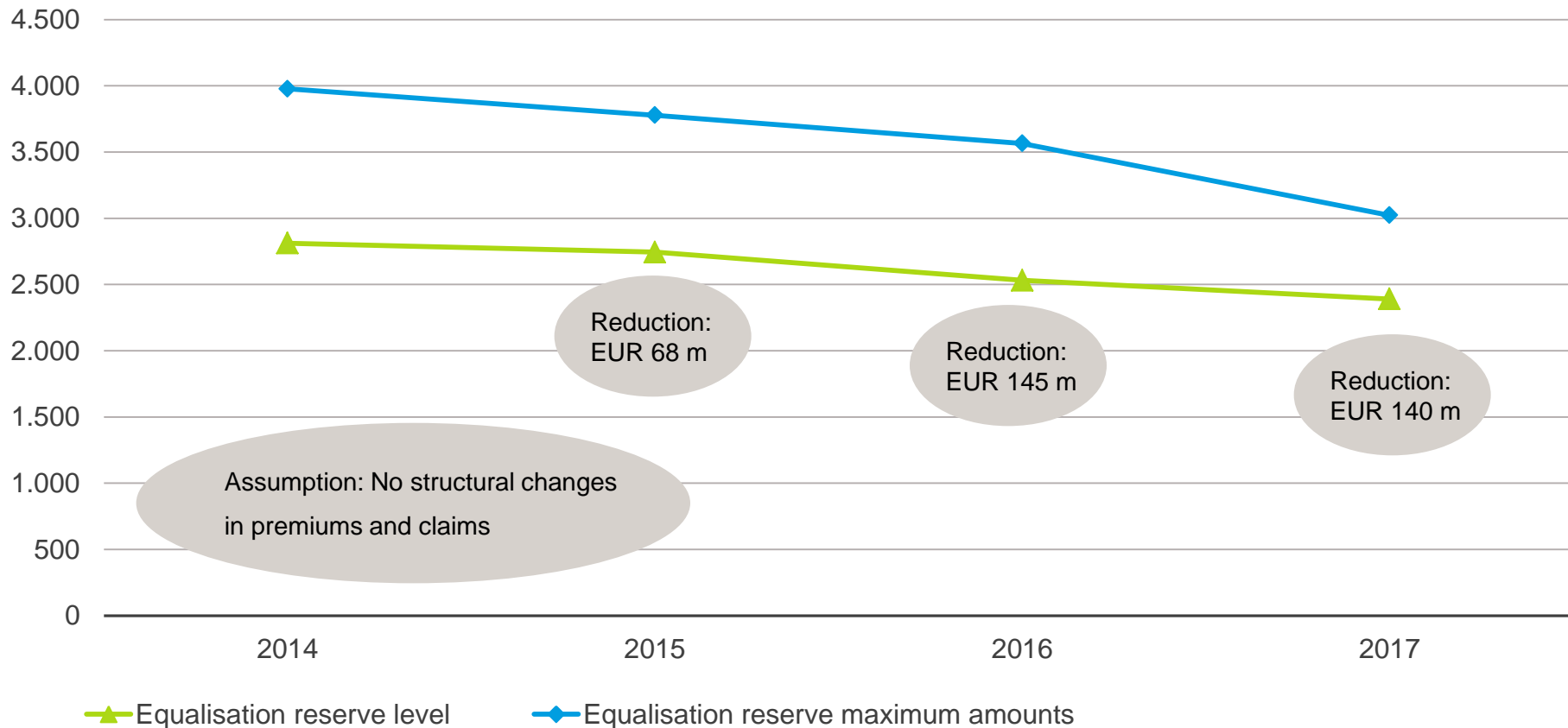
Observ. period years	Loss ratio %	Average ratio in the observation period %	Deviation	Squared deviation	
2000	85.00	90.20	5.20	27.04	
⋮	⋮	⋮	⋮	⋮	
2014	96.00	90.20	-5.80	33.64	
		Average squared deviation		30.00	
		Standard deviation (square root)		5.50	
		Standard deviation x 4.5		24.75	
		Earned premium 2015		100,000,000.00	
		Provisional target amount (as % of premium)		24,750,000.00	
		Threshold loss ratio from 2013 to 2015		86.00	
		Loss ratio in the observation period		90.20	
		Deviation		-4.20	
		x 3		-12.60	
		Shortfall (as % of premium)		-12,600,000.00	
		Target amount (maximum amount)		12,150,000.00	
		Loss ratio 2015		94.00	
		Loss ratio in the observation period		90.20	
		Excess claims		3.80	
		Reduction due to threshold loss ratio		2.52	
		Withdrawal as percentage of premium, amount		1.28	1,280,000.00

Outlook impacted by volumes & decreasing standard deviations

As volatile years will no longer be considered (2001 in 2017)

Forecast until 2017

in m. EUR



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