

Deutsche Rück

Risk partnership – trustworthy and consistently reliable

Deutsche Rück is one of the few medium-sized reinsurers in Germany with great financial strength and a stable credit rating. Standard & Poor's once again awarded us a rating of "A+" with a stable outlook in November 2017. The rating reflects the agency's view of Deutsche Rück's very strong financial risk profile and its extremely strong capitalization.

Market position

Deutsche Rückversicherung AG can look back on a successful 2017 financial year. We further consolidated our market position in Germany, Austria and Central and Eastern Europe – in the German-speaking market as one of the leading reinsurers. In 2017 gross premiums increased from about €925 million to about €962 million, a rise of 4.0 %.

Market strategy

Deutsche Rück concentrates its underwriting activities on the German-speaking market, in which it has been active since its foundation, as well as on the European markets. The company is a professional and competent partner in all matters relevant to non-life and life reinsurance. Deutsche Rück provides consistent underwriting and tailor-made solutions, which are geared towards the regional requirements of its target markets and specific clients' needs throughout Europe. For its shareholding cedants, the public insurers, Deutsche Rück acts as the leading reinsurer.

Our distinct expertise and client orientation, as well as outstanding creditworthiness and consistent market behaviour have made Deutsche Rück one of the most avidly sought partners in Europe today.

Expertise and Client advisory

Our thoughts and actions are geared to primary insurers. We develop specialist, individually tailored offers and exact concepts for our clients. Our partnership with them is based on service and dialogue. We ensure swift and efficient decision-making processes in keeping with the regional requirements of our target markets, rather than being guided by abstract global corporate objectives.

Proficient, experienced and dedicated staff with market expertise plus a lean organizational structure enable us to fulfill our clients' wishes and requirements swiftly, in a flexible and focused manner. Our clients benefit from the know-how of our actuaries from market segments and from Central Underwriting Management. The actuarial services range from in-depth analysis of portfolio, premium and claims development all the way to comprehensive portfolio analysis and the production of optimal cover concepts. Our geoscientific analyses help our clients assess the loss potentials in their natural-hazard portfolios, and adequately shape any risk transfer that may be necessary. Thanks to the close collaboration between geoscientists, actuaries and market mana-

gers, we can offer responsible and prudent support to our clients.

Continuity and Consistency

Deutsche Rück has stood for stable and sustainable partnership as well as continuity in client relationships for more than 65 years. This policy has yielded excellent results for our clients and shareholders. As a quality-oriented service reinsurer, we strive to reconcile clients' cover needs with our own results objectives over time.

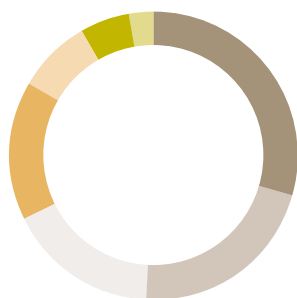
Our stable shareholding structure and solid capital base mean that our underwriting decisions are unaffected by short-term changes in the market climate. This enables us to answer the needs of our clients with a greater degree of flexibility and allows us longer-term perspectives.

Reinsurance portfolio

Deutsche Rück writes reinsurance business primarily in its domestic market of Germany and in neighbouring German-speaking countries. To improve the

PORTFOLIO STRUCTURE 2017

by net premiums



29.5 %	Fire/BI/EC
21.6 %	Homeowners' comprehensive/windstorm insurances
16.7 %	Other lines of insurance
15.7 %	Motor insurance
8.2 %	Liability insurance
5.6 %	Life insurance
2.7 %	Accident insurance

PORTFOLIO by class of business	2017		2016	
	gross	net	gross	net
in €m				
Fire/BI/EC	288.2	138.4	284.4	135.0
Homeowners' comprehensive/windstorm insurances	274.2	101.7	274.0	104.2
Other lines of insurance	215.6	78.3	191.0	74.3
Motor insurance	77.0	73.9	75.5	73.2
Liability insurance	38.7	38.6	40.3	40.2
Life insurance	56.0	26.2	46.6	29.0
Accident insurance	12.7	12.7	13.4	13.4
Total	962.4	469.8	925.2	469.3

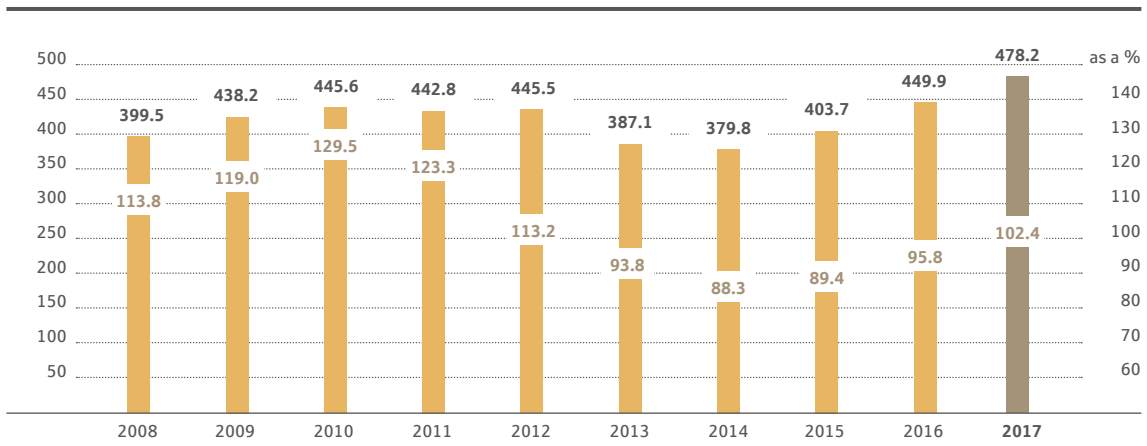
geographical diversification of risk, this territory has been extended to include Eastern European markets. Besides our business with our shareholder cedants, mainly consisting of property insurance risks, roughly a third of our business comes from relationships with clients outside our shareholder group. Here, our focus lies on optimising the diversification of our lines to include casualty lines. Although these risks are almost exclusively retained, there is an extensive retrocession programme for shareholder property business. A substantial proportion of the business accepted from our cedants is transferred back to them via

retrocession. This enables regionally focussed companies to achieve a cross-regional spread of risks. The remaining retrocession requirement arises from the acceptance of risk peaks in shareholder storm/ natural hazards business along with the further diversification of reinsurance risks to include the European market.

Performance and capital base

Equity and other securities developed as follows:

DEVELOPMENT OF EQUITY* 2008 – 2017
in €m

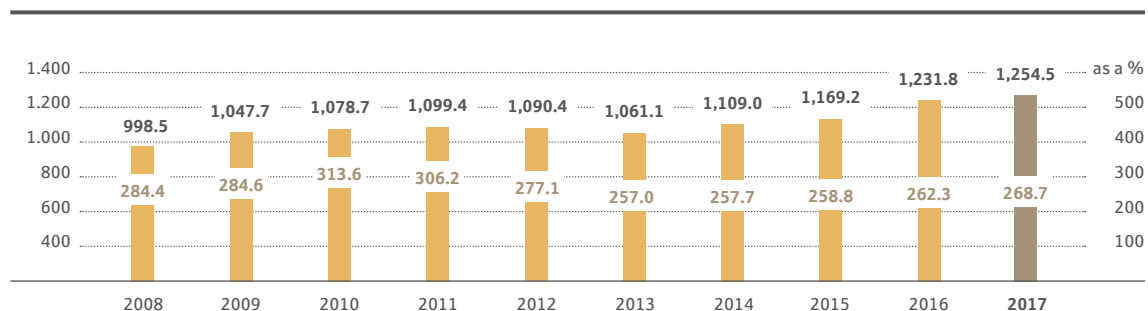


*Equity capital after appropriation of profit, profit-sharing rights outstanding and equalization reserves

■ as a % of net premiums earned

DEVELOPMENT OF COVER* 2008 – 2017

in €m



*Equity capital plus provisions for future policy benefits and outstanding claims

■ as a % of net premiums earned

Deutsche Rück pursues a selective, profit-oriented underwriting policy that places profit before growth. The company's strategy is to be available to cedants as a partner offering a high level of security over

the long term. To this end, Deutsche Rück enjoys an above-average solvency ratio and excellent financial strength.

OVERVIEW – KEY FIGURES SOLVENCY II

in €m

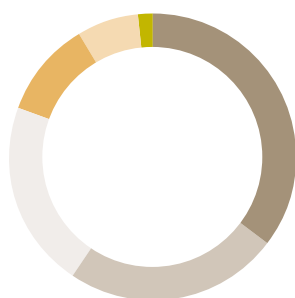
	2017	2016
Total assets	2,049.5	1,898.3
Total liabilities	1,355.0	1,249.1
Eligible own funds (tier 1)	691.5	646.2
Eligible own funds (tier 2)	60.2	60.7
= Total available own funds	751.7	706.9
SCR	336.0	330.6
Ratio of eligible own funds to SCR	224 %	214 %
MCR	118.4	109.1
Ratio of eligible own funds to MCR	604 %	612 %

Investment policy

Deutsche Rück's portfolio structure is reflected in the composition of our investment portfolio. We pursue a conservative investment policy with the aim of investing the assets for liquidity and security as well as good returns. Our assets are broadly diversified and our capital is predominantly invested in fixed-interest securities. Based on security principles, we attach particular importance to the selection of issuers with good credit ratings, while keeping an eye on the even distribution of individual risks. We added an appropriate share of tangible fixed assets

to our portfolio at an early stage, to ensure that we could continue to generate stable income in a low interest rate environment. Our main focus is on the principle of maintaining liquidity in order to assure the rapid settlement of claims specifically required in property insurance. If necessary, funds from capital investments can be provided any time. In 2017 the book value of capital investments including deposits added up to € 1,330.0 million while valuation reserves came to € 172.2 million.

INVESTMENT STRUCTURE AS AT 31 DECEMBER 2017



- 35.3 % Registered bonds, notes receivable and loans (including land charge claims)
- 24.2 % Shares, interests or shares in investment assets and other variable-yield securities
- 21.3 % Investments in affiliated companies and shareholdings
- 10.6 % Fixed-interest securities
- 7.1 % Deposits retained
- 1.5 % Deposits with banks

Business framework

Deutsche Rückversicherung Aktiengesellschaft was founded in 1951. In keeping with our Articles of Association, we provide reinsurance cover for all classes of insurance. Our company is authorised to engage in all business and take all measures deemed conducive to achieving its object. Like all reinsurance companies, Deutsche Rück is subject to control by the German Federal Financial Supervisory Authority (BaFin).

We are based in the Federal Republic of Germany, with the associated underlying legal, economic and political conditions. Reinsurance activities and capital flows are not obstructed. There are no restrictions on freedom of investment and freedom in transferring claims payments and investment income.

Deutsche Rück is wholly owned by public insurance companies. The shares are widely spread, so that no single shareholder holds a majority. Deutsche Rück's Board of Executive Directors is currently made up of three people. The Board's members, which are appointed by the Supervisory Board, manage the company's business and represent it. The shareholders' representatives on the Supervisory Board are members of the Boards of Executive Directors of public insurance companies.

Deutsche Rück. Reliable reinsurance.

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