



50  
years

somewhat  
different

# Strategic positioning in a competitive environment

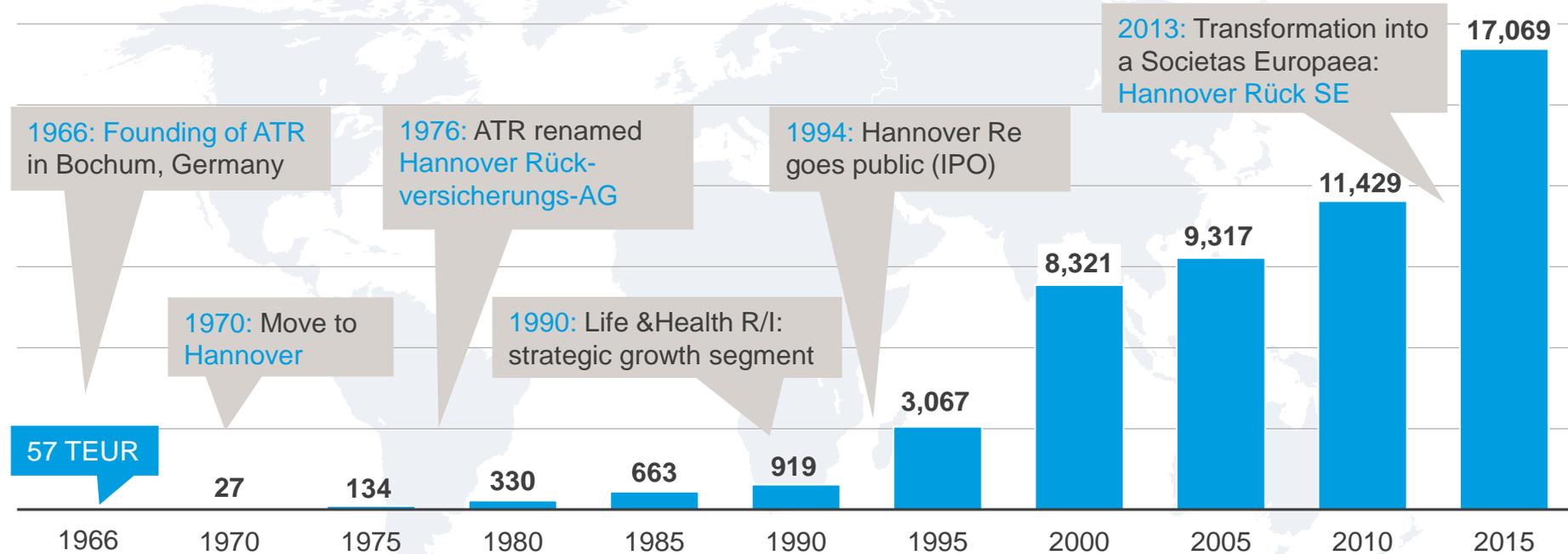
**Ulrich Wallin, Chief Executive Officer**

- ▶ **Hannover Re – A 50-year success story**
- ▶ Reinsurance is and will be an attractive business
- ▶ Positioned to outperform in the current market
- ▶ Increasing earnings in the medium term

# From a German in-house reinsurer to a global player

## Gross written premium development

in m. EUR



## Growth in number of employees



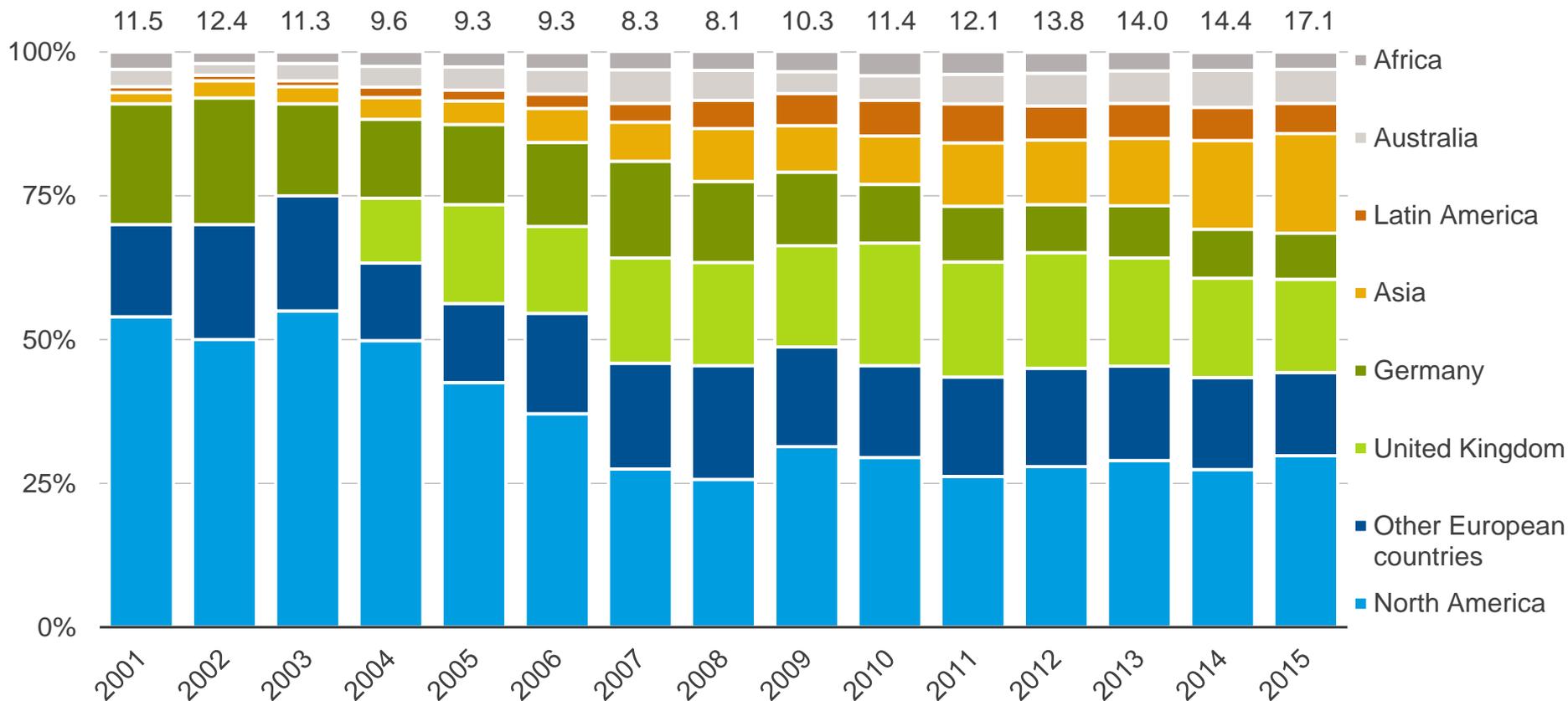
Based on local GAAP/HGB (1966 - 1997), US GAAP (1998 - 2003) and IFRS (as of 2004)

# Well balanced international portfolio

Geographical diversification with benefits for earnings and capital efficiency

Gross written premium (Group): geographical development

in bn. EUR



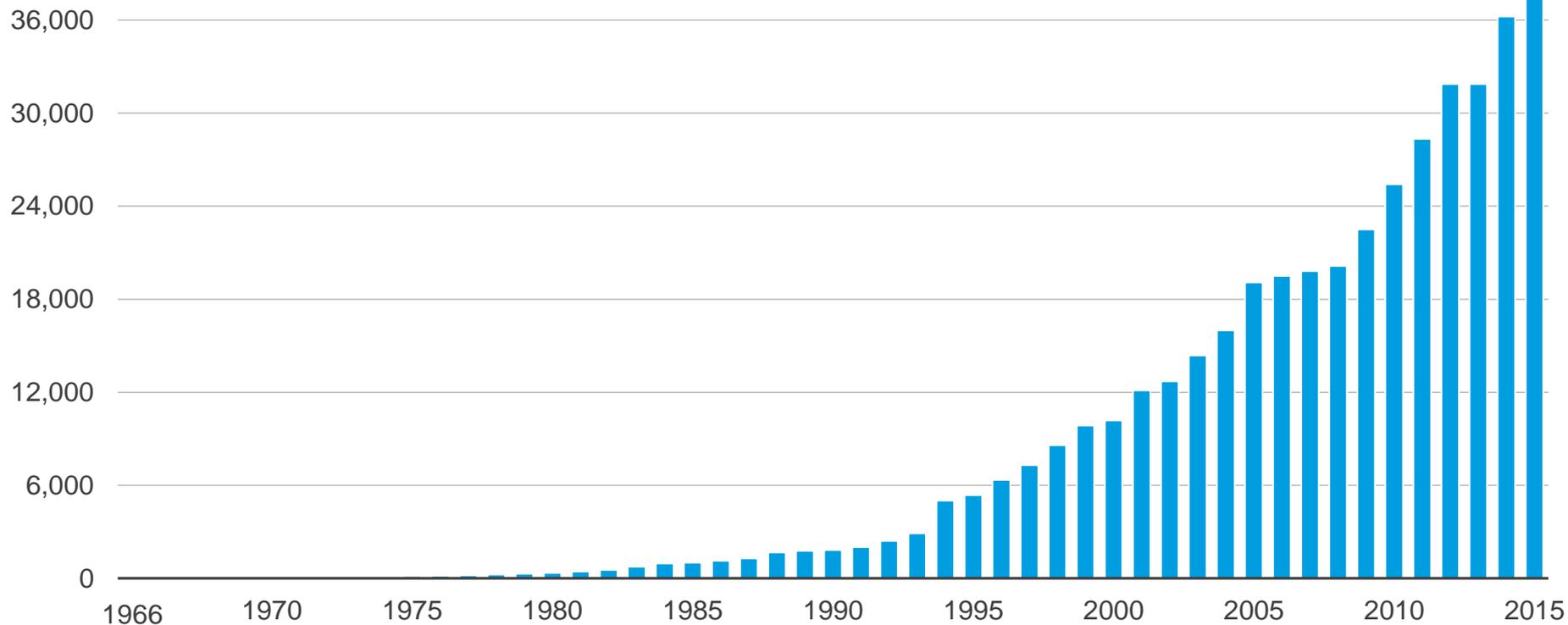
2001 - 2003 US GAAP, as from 2004 IFRS

# Steadily growing asset base ...

... proves the long-term success of the business model

## Development of assets under own management 1966 - 2015

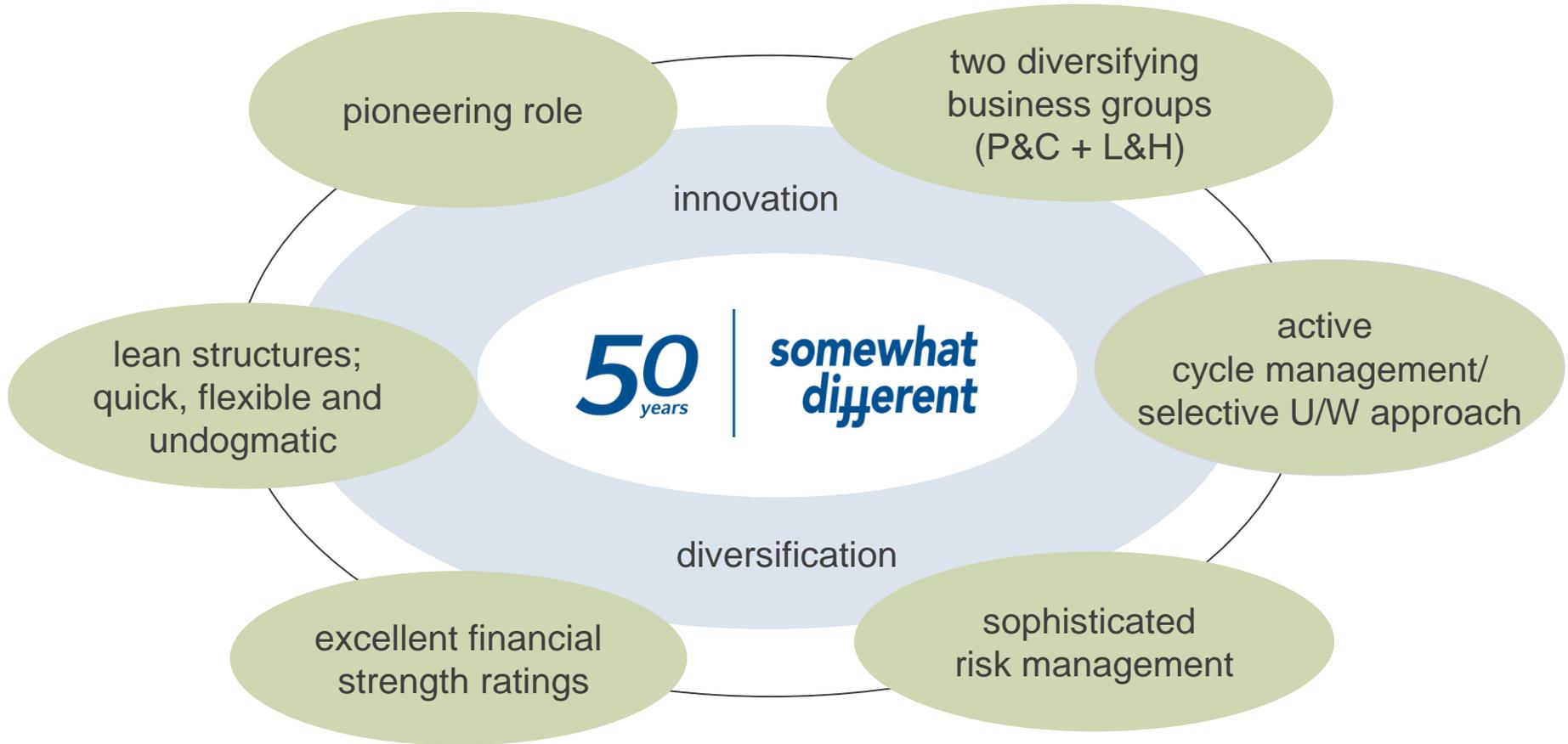
in m. EUR



Based on local GAAP/HGB (1966 - 1997), US GAAP (1998 - 2003) and IFRS (as of 2004)  
1966 - 1993: individual company figures (Hannover Rückversicherungs-AG)  
As of 1994: worldwide Group figures

# Hannover Re's success factors of the past ...

... will be preserved for the future



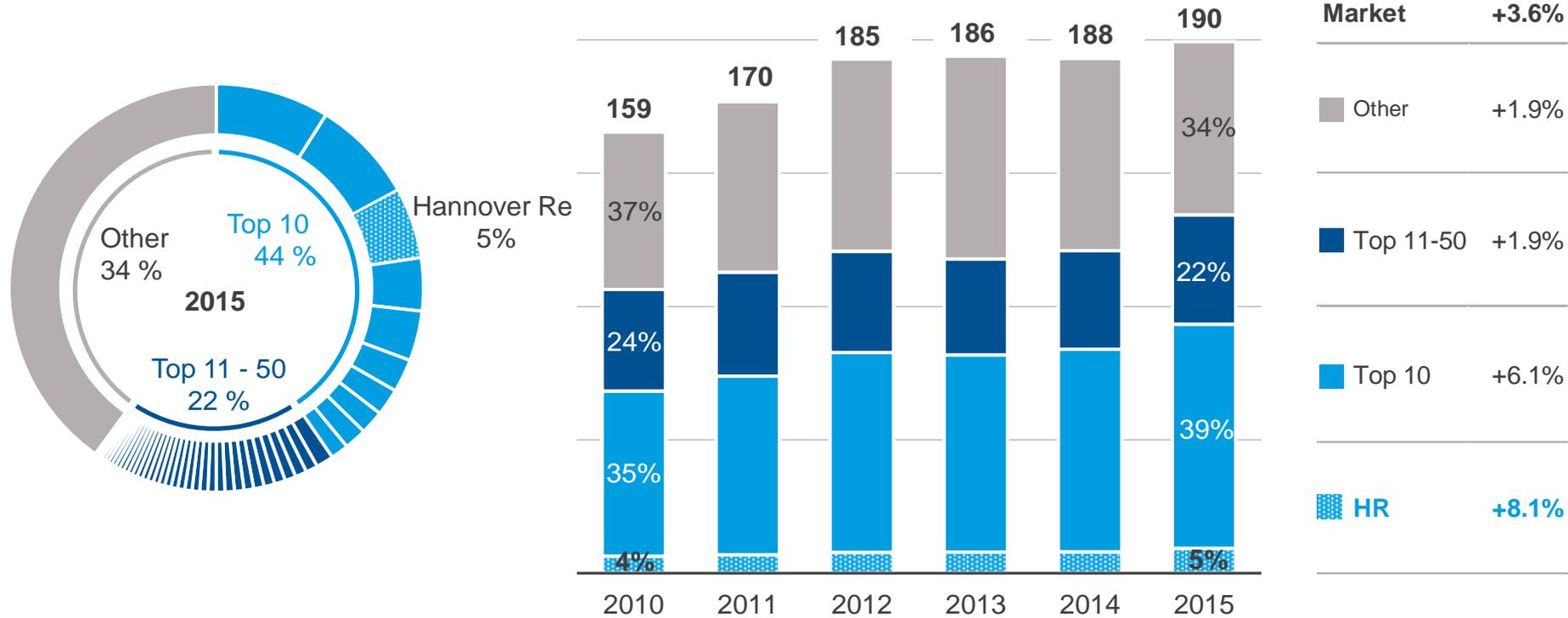
- ▶ Hannover Re – A 50 year success story
- ▶ **Reinsurance is and will be an attractive business**
- ▶ Positioned to outperform in the current market
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# Larger P&C players grow faster than the average peer

## Property & Casualty reinsurance in a global perspective

### Market size and concentration

in bn. EUR



Source: Own research (global market size based on estimate of total ceded premiums by primary insurers)  
 Top 10: Munich Re, Swiss Re, Lloyd's, Hannover Re, Berkshire, SCOR, China Re, PartnerRe, Everest Re, KoreanRe

### Hannover Re outperforms the market

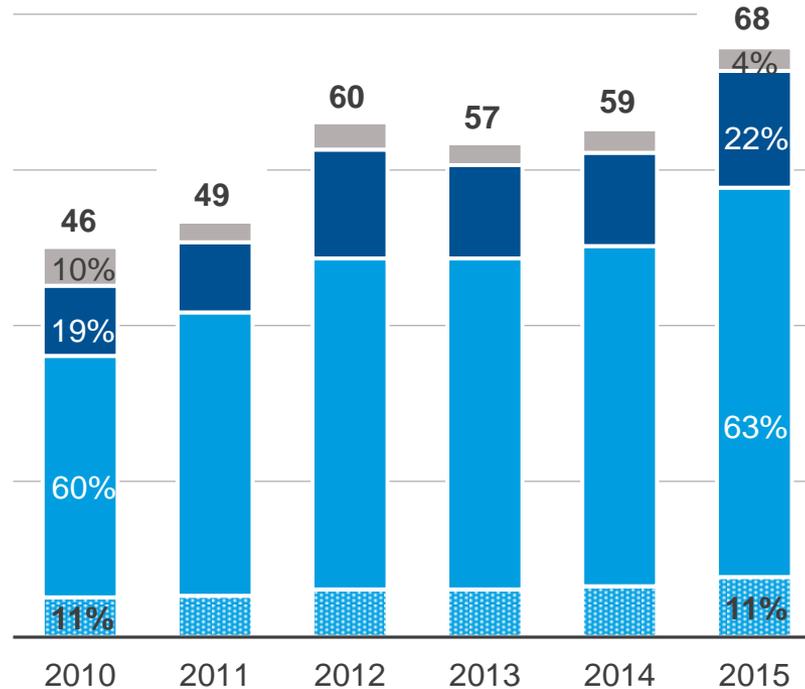
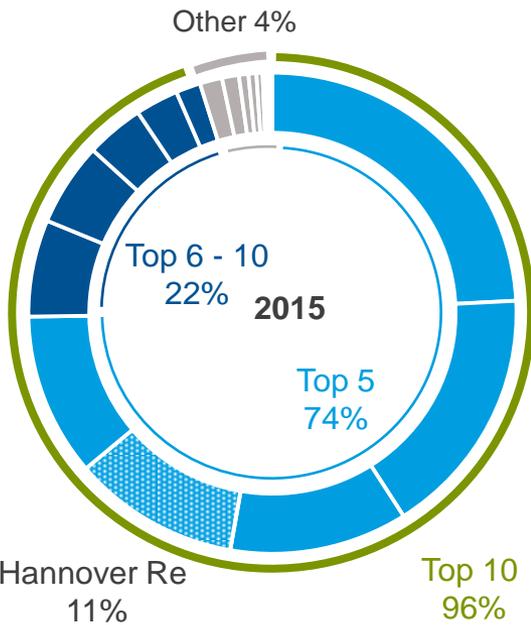
# Concentration on the Top 5/Top 10 players continues

## Life & Health reinsurance in a global perspective

### Market size and concentration

in bn. EUR

### 5-year CAGR



Market	+8.1%
Other	-8.5%
Top 6-10	+11.4%
Top 5	+8.8%
HR	+8.7%

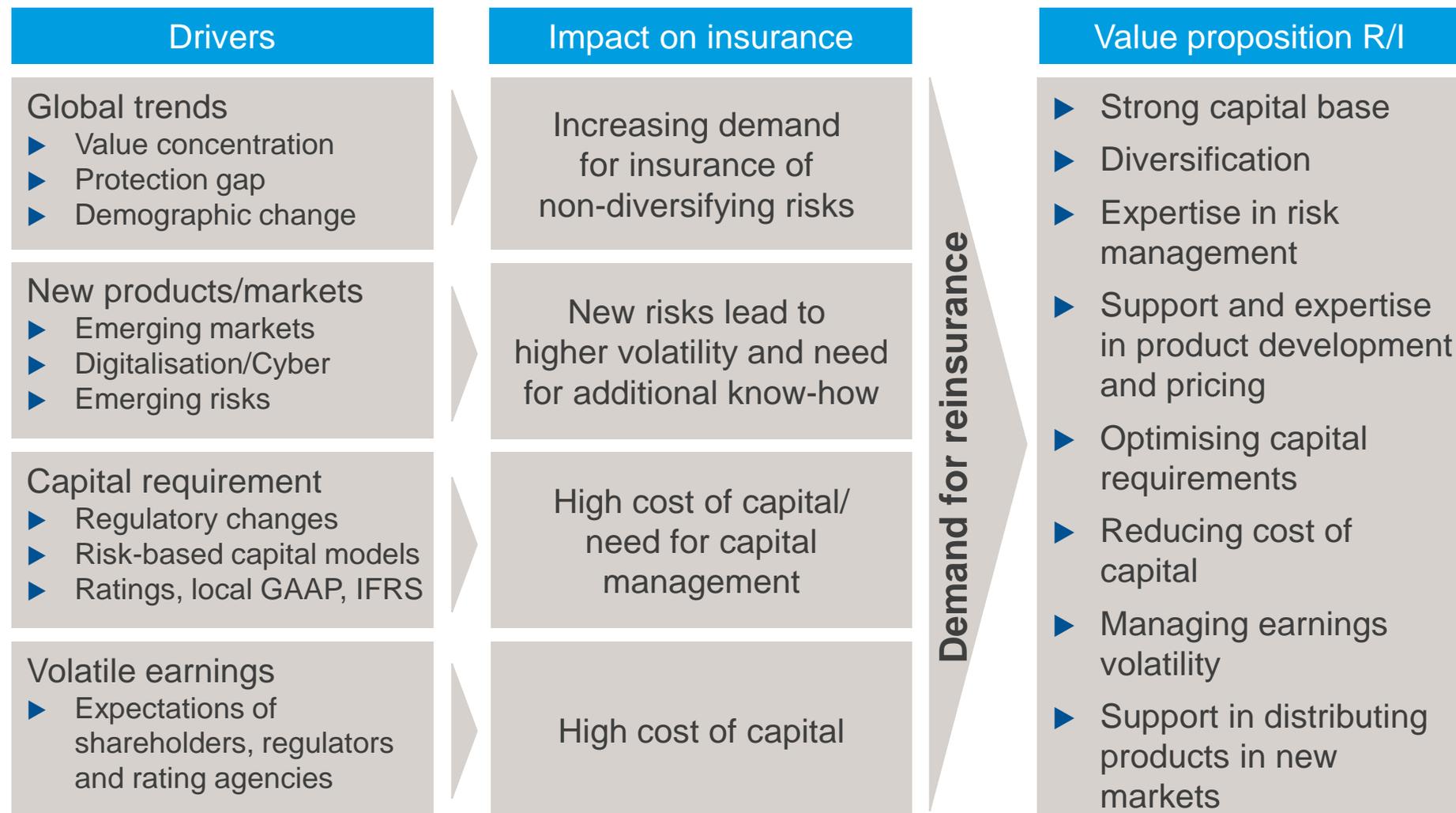
Source: Own research

Top 10: Munich Re, Swiss Re, RGA, Hannover Re, SCOR, Berkshire (incl. GenRe), Great West Lifeco, China Re, Korean Re, PartnerRe

## Hannover Re grows in line with market

# Reinsurance is and will be an attractive product

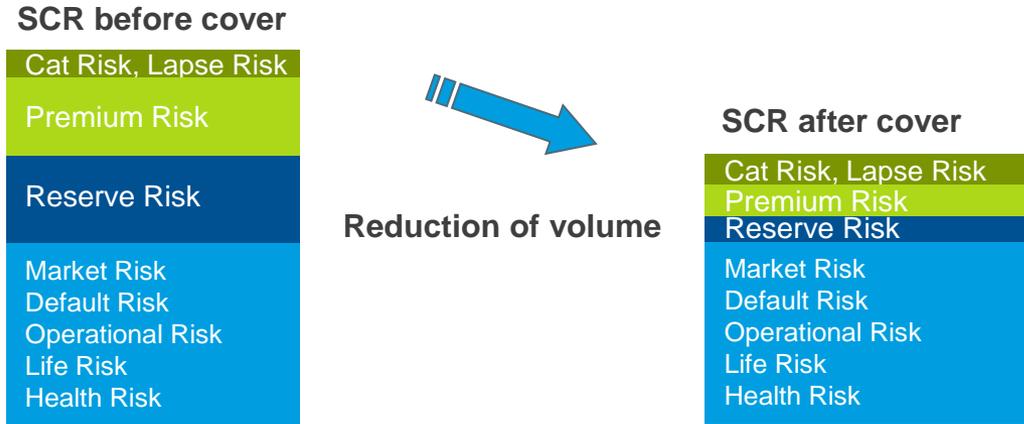
## Drivers for reinsurance demand



# Reinsurance has a high value contribution for our clients

## Efficient and flexible tool to manage earnings volatility and capital

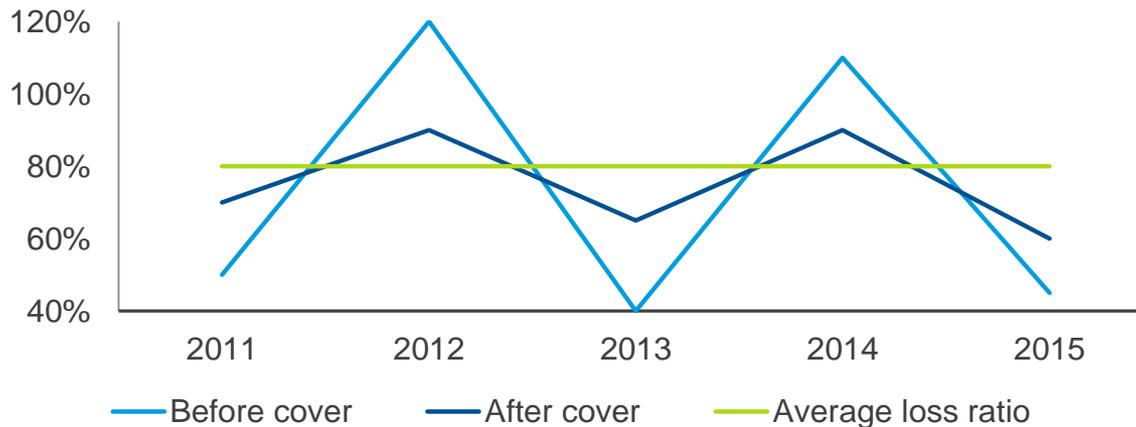
### Calendar-year quota share with run-off cover (schematic)



### Capital management

- ▶ Capital relief
- ▶ Optimisation of capital requirement in light of different regulations (Local GAAP, IFRS, SCR, rating agencies)

### Aggregate excess of loss balance sheet cover (schematic)



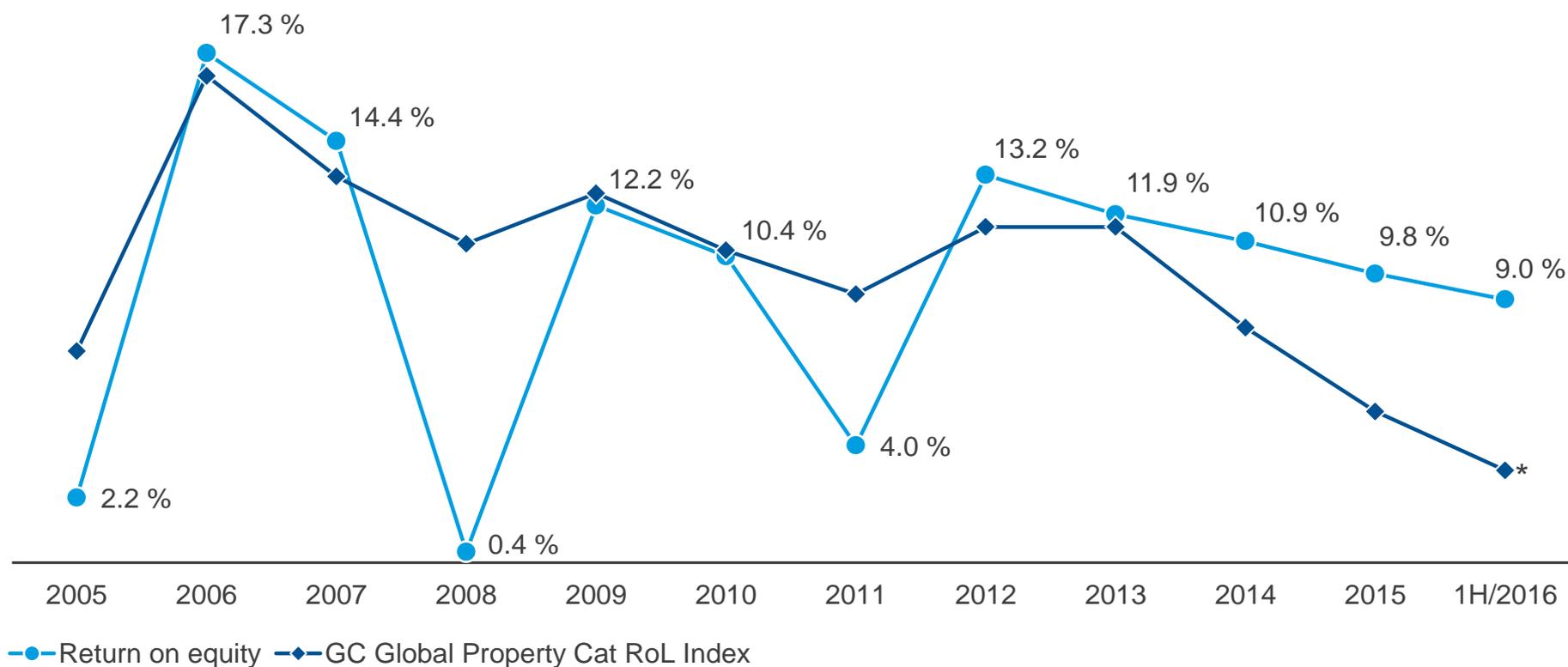
### Earnings volatility

- ▶ Managing and reducing earnings volatility
- ▶ Reducing cost of capital
- ▶ Not possible with equity or debt

# Reinsurance market conditions will improve ...

... when the RoE becomes sufficiently low

## Development of return on equity and Guy Carpenter Global Property Cat RoL Index



Source: Guy Carpenter

Return on equity based on company data (Top 10 of the Global Reinsurance Index (GloRe) with more than 50% reinsurance business), own calculation

\* Preliminary figures for 2016

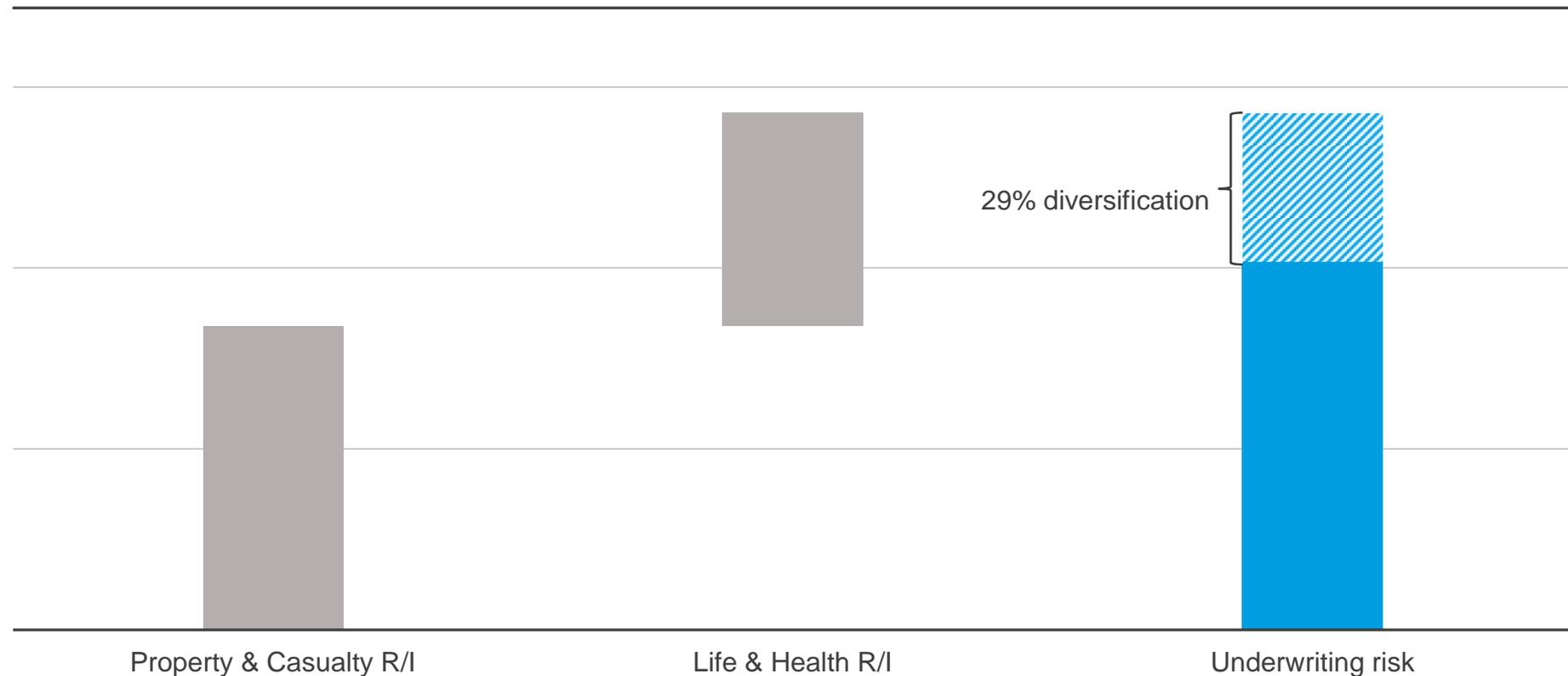
- ▶ Hannover Re – A 50 year success story
- ▶ Reinsurance is and will be an attractive business
- ▶ **Positioned to outperform in the current market**
- ▶ Increasing earnings in the medium term

# High diversification is an important part of our business model

Balanced mix of P&C and L&H business reduces capital requirement significantly

## Risk capital for the 99.5% VaR

in m. EUR

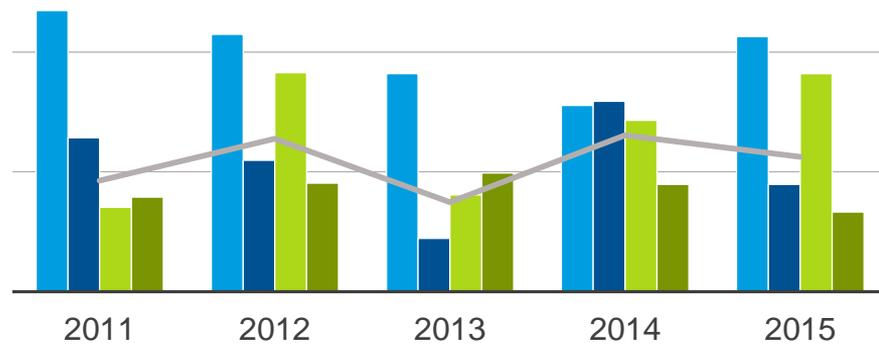


As at 30 June 2016

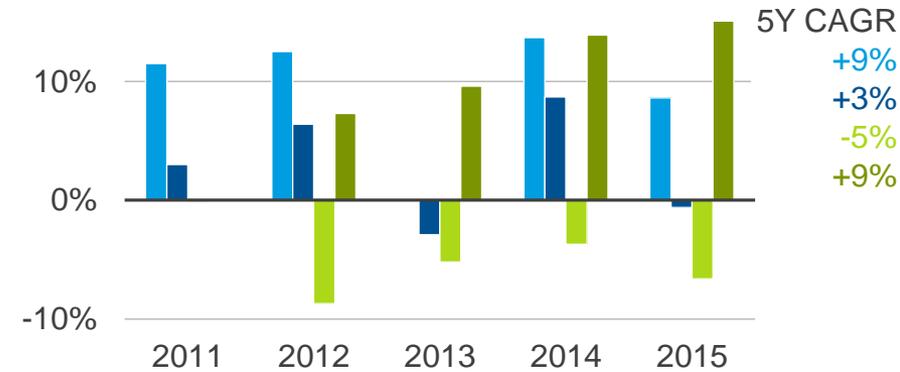
# Strong cash flow fuels growth of invested assets. . .

## . . .and helps to offset pressure from low interest rates

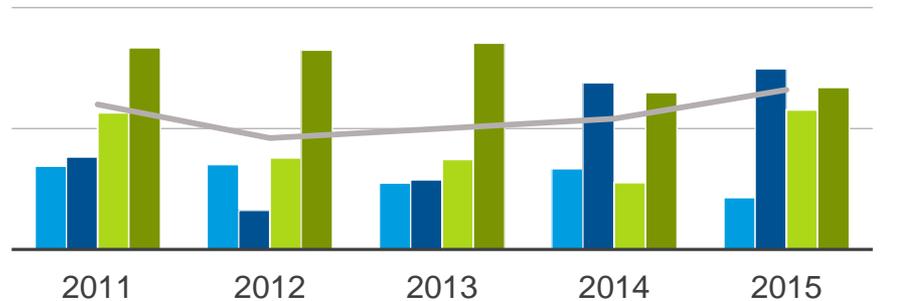
**HR has the highest cash flow/NPE ratio** in %



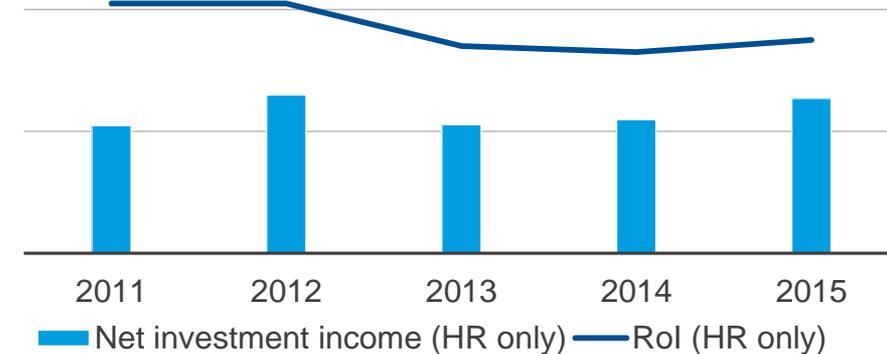
**HR AuM growth is above peers' average**



**HR realises less than peers' average** in % of NII\*



**NII (AuM) stable despite lower RoI** in m. EUR



■ Hannover Re ■ Peer 1 ■ Peer 2 ■ Peer 3 — ∅ Peer 1-3

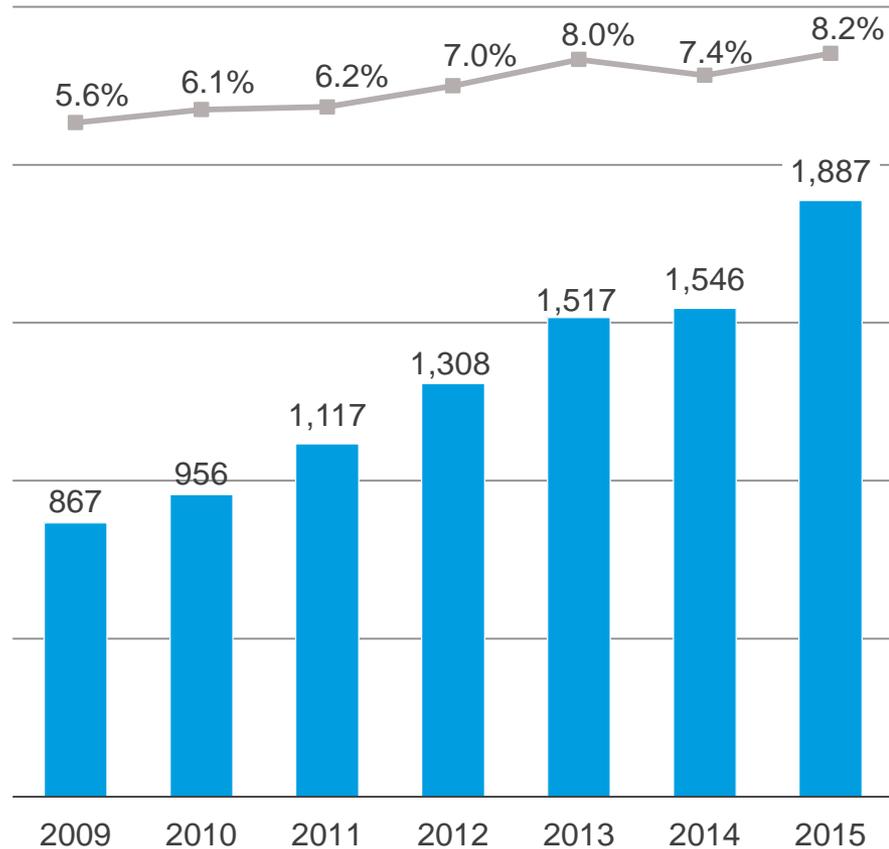
\* From assets under own management

Data from company reporting, own calculations; Peers: Munich Re, Swiss Re, SCOR

# Consistent and sustainable positive reserve development ...

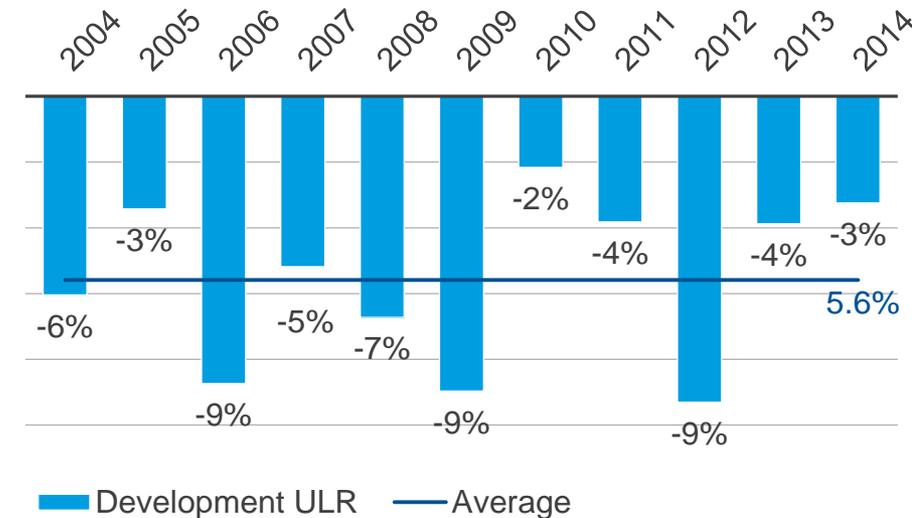
## ... while increasing reserve redundancies to all-time high level in 2015

**Reserve redundancies\*** in m. EUR/in % of reserves

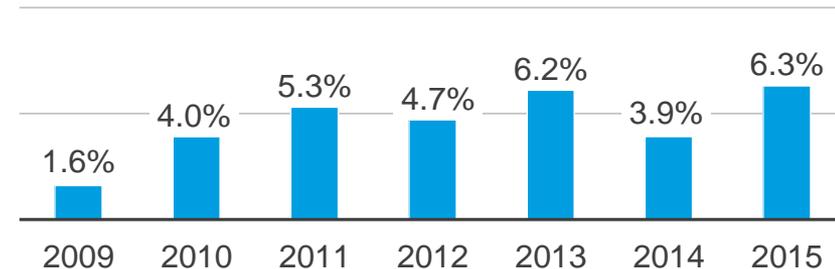


\* According to Willis Towers Watson

**Development of booked ULR by U/Y since 2009**



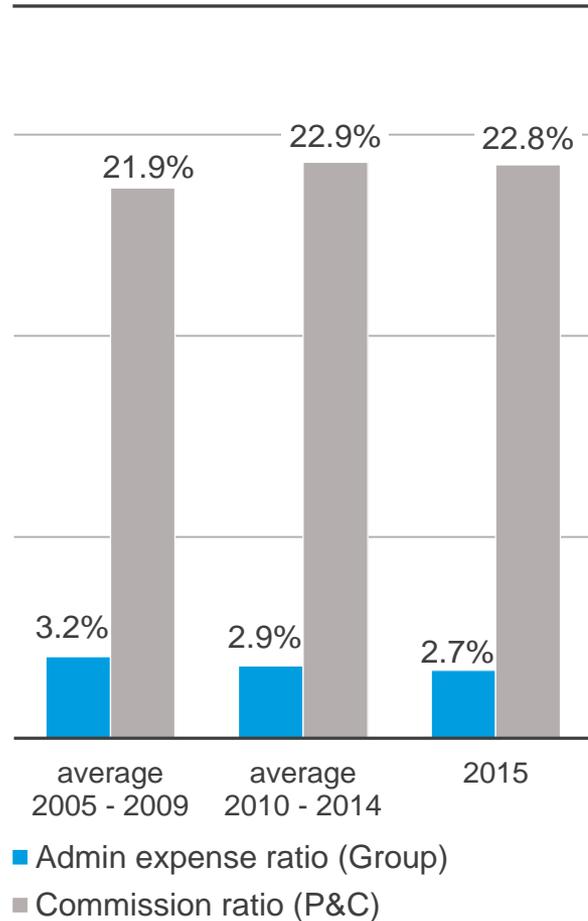
**Run-off profit (financial year)** in % of NPE



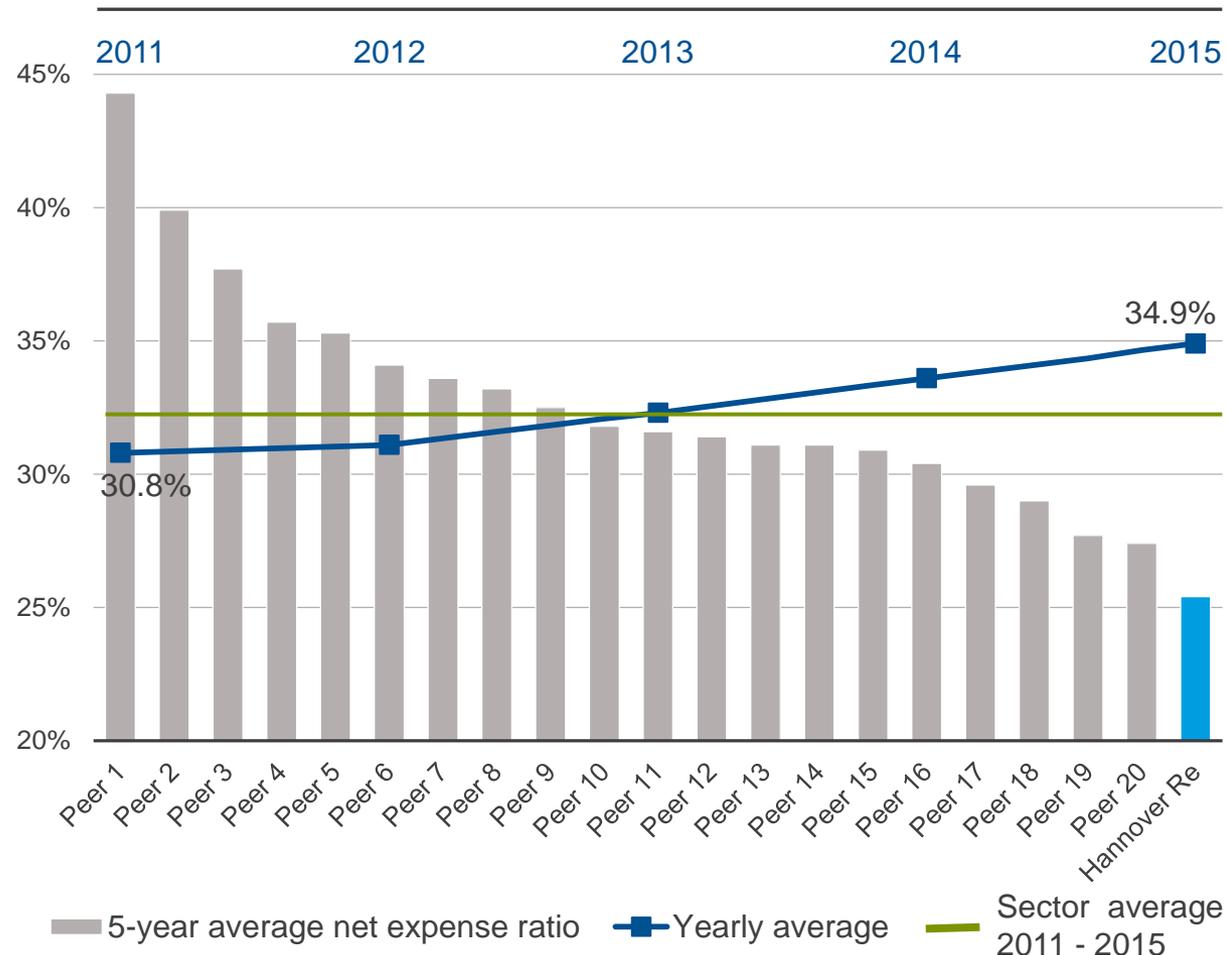
# Low expense ratio is an important competitive advantage

## Hannover Re largely maintained its ratio in contrast to increasing industry trend

### Expense ratio



### Net expense ratio (P&C reinsurance)\*

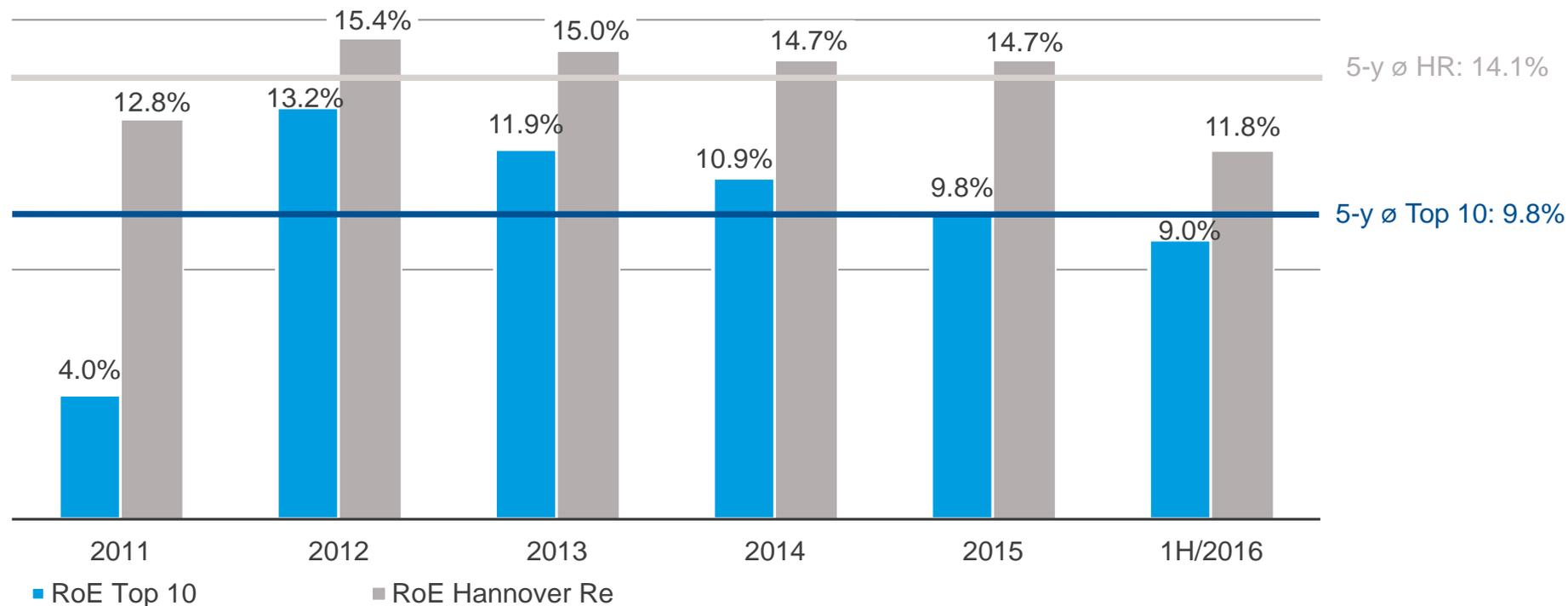


\* Source: Global Reinsurance Highlights 2016 (S&P Global Ratings)

# Hannover Re is one of the most profitable reinsurers

Low interest rate environment is increasing the pressure on reinsurer's RoE

## Development of return on equity



Top 10 of the Global Reinsurance Index (GloRe) with more than 50% reinsurance business  
Data based on company data, own calculation

- ▶ Hannover Re – A 50 year success story
- ▶ Reinsurance is and will be an attractive business
- ▶ Positioned to outperform in the current market
- ▶ **Increasing earnings in the medium term**

# Increasing earnings in the medium term

Sustainable earnings power of ~EUR 1 bn. in an unchanged market environment

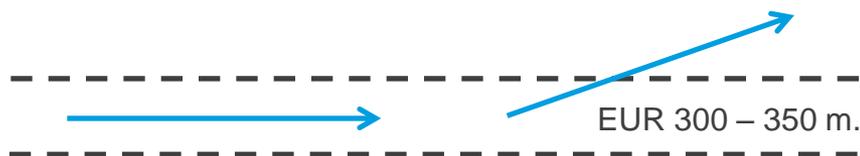
## Property & Casualty reinsurance results



## Positioned to outperform

- ▶ High confidence level of reserves supporting stable earnings despite soft market (C/R ≤ 96%)
- ▶ Strong market position and financial strength enable us to outgrow the market when market conditions improve
- ▶ Better conditions for our increased retro coverage

## Life & Health reinsurance results



## Increasing profits in the medium term

- ▶ Improving underlying profitability masked by legacy US mortality business in the short term (2017/2018)
- ▶ Favourable trends from positive VNB (2011-2015: EUR 1.9 bn.) visible as IFRS results from 2019 onwards

## Investments



## Stable absolute NII in low yield environment

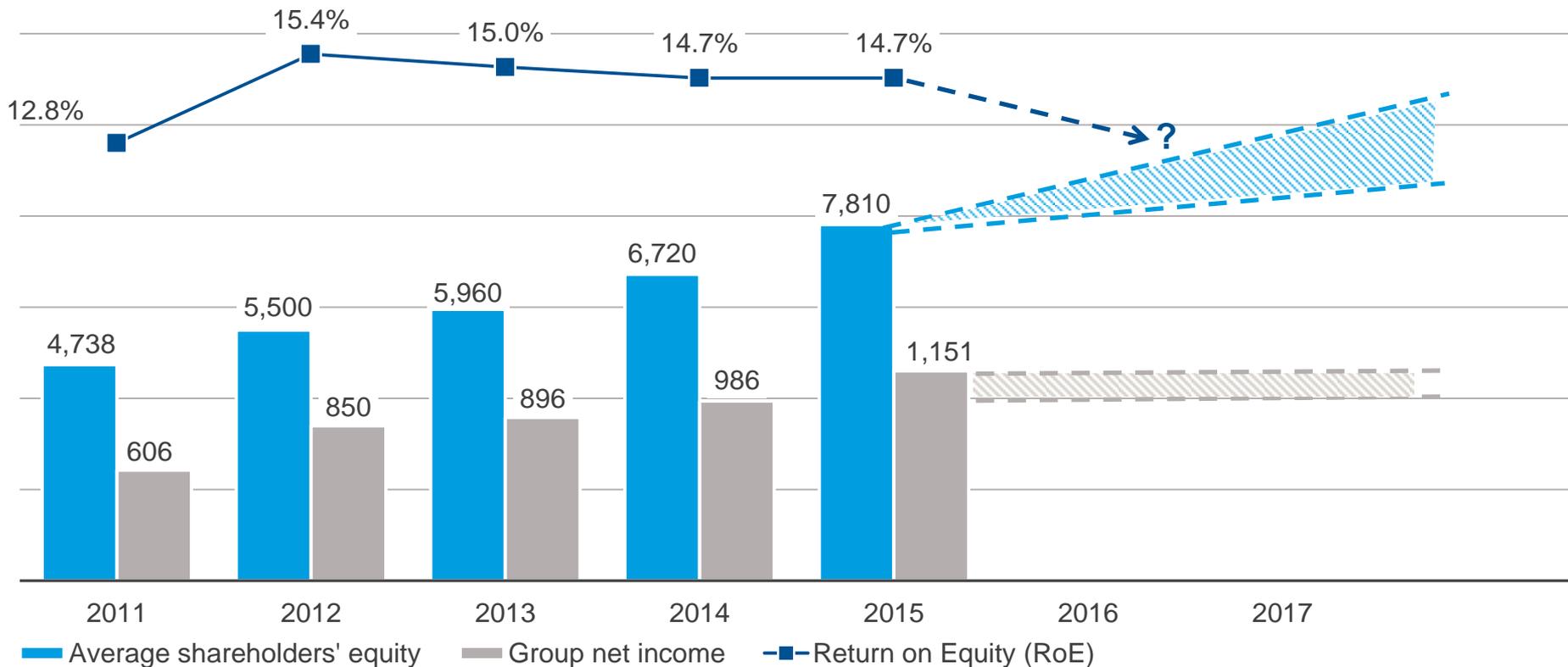
- ▶ Pressure from low interest rates and declining return on investments offset by ...
- ▶ ... increasing investment volume from further positive cash flow

# Short-term profit growth may not keep pace with capital growth

Interest rate environment has two negative effects: RoI and RoE

## Shareholders' equity and RoE

in m. EUR



**Hannover Re manages its capital in years of flat earnings expectations**

# Dividend payout will increase in years with flat earnings

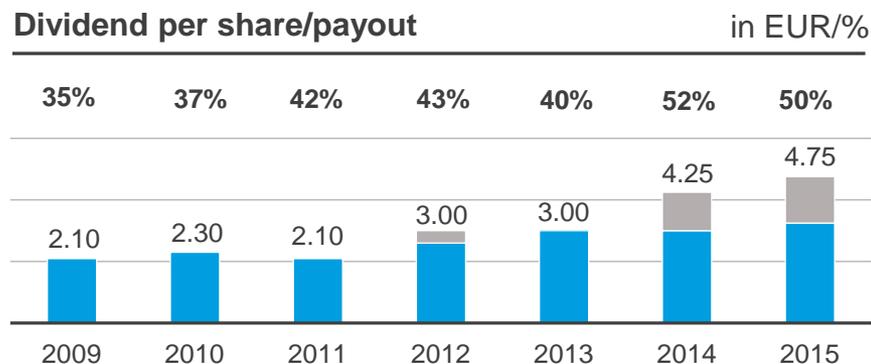
## Our considerations with regard to our dividend policy

### Earnings

- ▶ Strategic payout: 35 - 40 % of Group IFRS results
- ▶ Retaining 60 - 65 % to finance future growth

### Return on equity

- ▶ Provide an attractive level of return on shareholders' equity based on the following criteria:
  - 900 bps above risk-free
  - Be among the most profitable R/I companies relative to peers



### Capitalisation

- ▶ Maintain & achieve regulatory requirements (i.e. Solvency II) & ratings; S&P (AA-), A.M. Best (A+)
- ▶ Margin for organic/inorganic growth, if opportunities arise
- ▶ Excess capital distributed via special dividend

### Consistency

- ▶ Aim to steadily increase or at least maintain base dividend in accordance with the growth of the business

## Hannover Re continues to be an attractive investment

- ▶ Hannover Re has developed into a top-tier reinsurer
- ▶ The reinsurance market will continue to grow
- ▶ Hannover Re is positioned to be successful in a competitive business
- ▶ Earnings likely to be stable in the short term, but ...

**...medium- and long-term trend of growing earnings will continue**

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