



somewhat
different

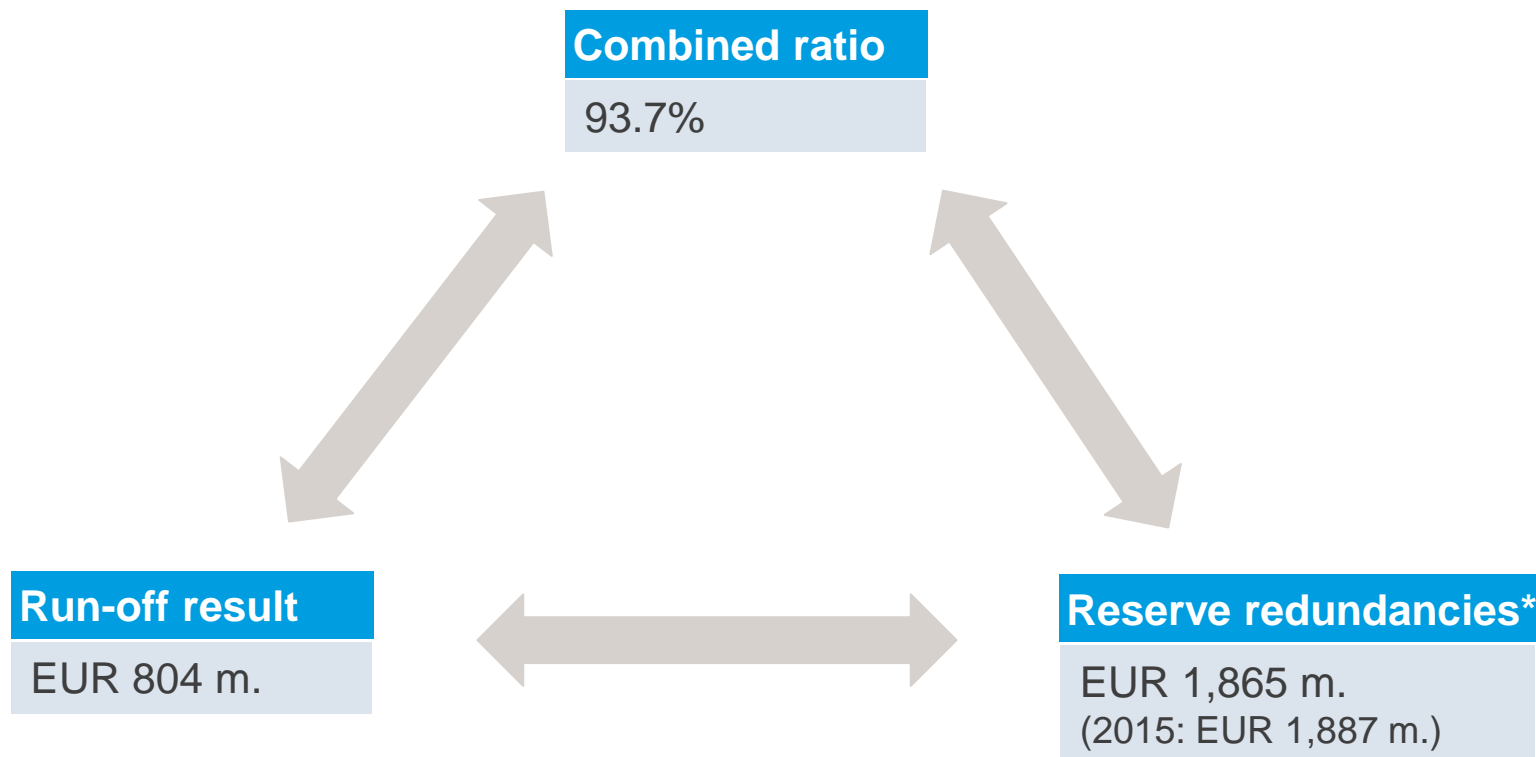
From the CFO's desk

How to read the run-off result / Update on yield expectations

Roland Vogel, Chief Executive Officer

Strong 2016 Hannover Re Group result

Our performance figures demonstrate a solid business development



* Redundancy of loss and loss adjustment expense reserve for P&C insurance business against held IFRS reserves, before tax and minority participations. Willis Towers Watson reviewed these estimates

Only a combined assessment enables the right conclusions to be drawn

Run-off result - two different perspectives

Understanding the data is crucial for interpretation, analysis and results!

	Balance sheet view	Actuarial view
Period	Run-off in the reporting period	Ultimate view
Perspective	Net after consolidation	Gross after consolidation
Year	Accident year	Underwriting year
Considered claims	Differentiation of current year and previous years' claims	Development of paid claims and claims reserves over lifetime
When do we see a run-off result?	Run-off result is the difference between change of claims reserves for previous years in the reporting period and the respective claims paid	Run-off is the result of a change of the ULR

How is the run-off result determined?

Opening Balance Claims reserves

- Closing Balance Claims reserves (for previous years)

- Claims paid (for previous years)

= Run-off result

Net loss reserves and its run-off in P&C*

Net loss reserve and its run-off in the property and casualty reinsurance segment

NS3

in EUR million	31.12. 2006	31.12. 2007	31.12. 2008	31.12. 2009	31.12. 2010	31.12. 2011	31.12. 2012	31.12. 2013	31.12. 2014	31.12. 2015	31.12. 2016
Loss and loss adjustment expense reserve (from balance sheet)	13,646.5	13,017.0	13,882.1	14,179.4	15,465.5	16,823.2	17,439.3	18,029.3	19,859.1	21,851.1	22,759.8
Cumulative payments for the year in question and previous years											
One year later	2,643.2	2,569.4	3,041.8	2,832.7	2,521.3	3,220.0	2,999.0	3,265.1	3,587.9	3,353.0	
Two years later	4,446.5	4,427.5	4,721.7	4,086.3	4,202.5	5,002.4	4,654.5	5,096.2	5,364.9		
Three years later	5,826.6	5,576.2	5,494.2	4,923.5	5,220.5	5,954.9	5,872.9	6,233.0			
Four years later	6,654.7	6,133.3	6,092.3	5,584.1	5,881.8	6,908.0	6,736.1				
Five years later	7,056.1	6,574.5	6,581.8	6,095.8	6,655.3	7,636.4					
Six years later	7,400.7	6,942.7	6,915.5	6,604.3	7,208.4						
Seven years later	7,677.4	7,222.7	7,264.6	6,957.0							
Eight years later	7,906.7	7,515.6	7,530.0								
Nine years later	8,143.5	7,729.0									
Ten years later	8,308.8										
Loss and loss adjustment expense reserve (net) for the year in question and previous years plus payments made to date on the original reserve											
End of year	13,646.5	13,017.0	13,882.1	14,179.4	15,465.5	16,823.2	17,439.3	18,029.3	19,859.1	21,851.1	22,759.8
One year later	12,911.4	13,307.8	14,977.3	13,643.3	14,773.9	16,519.8	16,984.2	17,769.4	19,341.7	21,046.1	
Two years later	12,494.1	13,239.1	13,690.3	12,832.4	14,136.6	16,143.6	16,570.7	17,127.7	18,296.8		
Three years later	12,419.9	12,747.0	12,763.5	12,234.1	13,717.1	15,660.3	16,057.3	16,125.7			
Four years later	11,988.9	11,828.6	12,255.1	11,813.6	13,234.1	15,029.7	15,331.6				
Five years later	11,145.6	11,472.8	11,917.2	11,336.3	12,667.6	14,321.8					
Six years later	10,870.7	11,167.3	11,407.9	10,805.5	12,094.4						
Seven years later	10,592.8	10,755.0	10,918.3	10,385.4							
Eight years later	10,272.6	10,335.9	10,540.5								
Nine years later	9,857.3	10,058.7									
Ten years later	9,656.1										
Change relative to previous year											
Net run-off result	201.2	76.1	100.6	42.3	153.0	134.8	17.7	276.3	43.0	(240.9)	
As percentage of original loss reserve	1.5	0.6	0.7	0.3	1.0	0.8	0.1	1.5	0.2	-1.1	

* Source: Hannover Re Annual Report 2016 (page 200)

Run-off disregards development of claims reserves in the reporting period

Run-off result 2016 per accident year

Accident (underwriting-) year 2015 even negative

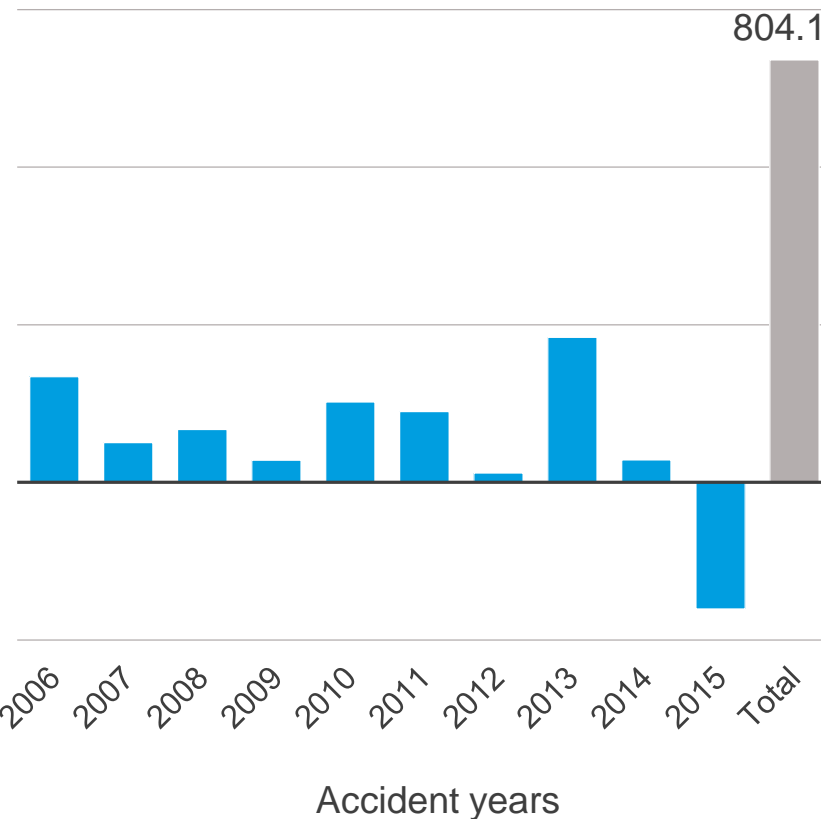
Net loss reserves and its run-off in P&C*

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Run-off profit FY 2016

in m. EUR



* Source: Hannover Re Annual Report 2016 (page 200)

Which factors have an influence on the run-off result?

- ▶ Cautious estimation for proportional business (recurring effects)
- ▶ Regular actuarial review of claims experiences
- ▶ Run-off result reporting based on accident year; allocation of IBNR to accident years
- ▶ Influence of Advanced Solutions business

Several factors influence the run-off result, leading to volatility per year

Redundancies materialise over time

~3/4 of Hannover Re Group reserves

U/Y	Ultimate loss ratio 2010	Ultimate loss ratio 2011	Ultimate loss ratio 2012	Ultimate loss ratio 2013	Ultimate loss ratio 2014	Ultimate loss ratio 2015	Ultimate loss ratio 2016	Paid losses 2016	Case reserves 2016	IBNR balance 2016
2005	96.2%	95.8%	94.1%	92.7%	93.3%	92.8%	92.3%	84.3%	3.8%	4.2%
2006	63.3%	62.1%	60.9%	59.5%	57.5%	56.5%	54.6%	43.7%	6.2%	6.2%
2007	78.3%	77.1%	77.5%	77.2%	75.6%	75.0%	74.2%	57.7%	7.5%	9.1%
2008	83.2%	84.1%	81.8%	80.9%	80.3%	78.0%	75.9%	56.5%	8.2%	11.3%
2009	78.3%	75.8%	73.1%	72.7%	70.1%	69.9%	68.5%	46.0%	8.3%	14.2%
2010	81.2%	84.1%	81.4%	78.9%	80.0%	79.0%	78.0%	50.2%	10.0%	14.4%
2011		85.6%	82.4%	81.9%	80.9%	81.8%	80.1%	50.1%	10.0%	19.9%
2012			89.1%	83.1%	79.1%	79.8%	79.6%	48.7%	12.0%	18.9%
2013				82.8%	80.1%	78.9%	75.3%	42.6%	11.4%	21.3%
2014					79.0%	75.7%	75.3%	35.4%	15.8%	24.2%
2015						82.6%	80.3%	30.2%	18.6%	31.4%
2016							83.6%	15.5%	18.7%	49.4%

Lowered ULR

Lowered ULR

Based on reported loss triangles for Hannover Re/E+S Rück
As at 31 December 2016 (in m. EUR), consolidated, IFRS

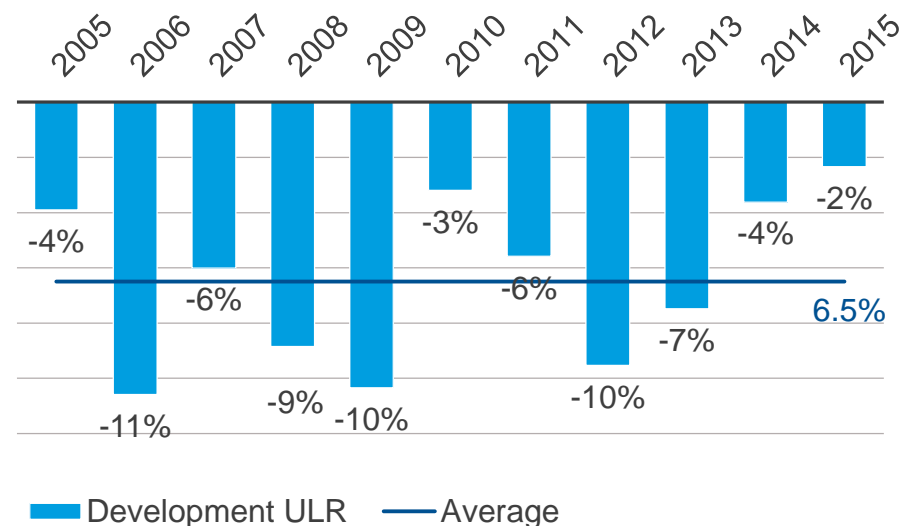
Consistent and sustainable positive reserve development ...

... while stable reserve redundancies are rolled forward

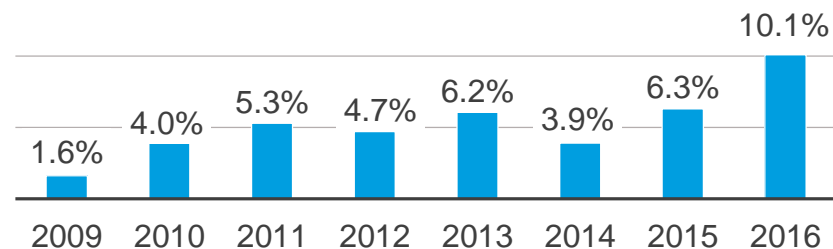
Distribution of reserve redundancies* as at 31 Dec

UY	Dec 2009	Dec 2010	Dec 2011	Dec 2012	Dec 2013	Dec 2014	Dec 2015	Dec 2016
2000	1%	1%	1%	1%	0%	0%	0%	0%
2001	1%	1%	1%	1%	0%	0%	0%	0%
2002	8%	4%	3%	2%	1%	0%	0%	0%
2003	10%	7%	2%	2%	3%	2%	0%	0%
2004	12%	8%	4%	4%	4%	2%	1%	1%
2005	12%	15%	12%	8%	6%	6%	2%	2%
2006	17%	17%	17%	17%	11%	7%	6%	4%
2007	18%	17%	19%	18%	12%	8%	7%	7%
2008	15%	11%	13%	11%	10%	14%	10%	8%
2009	6%	16%	15%	14%	15%	14%	13%	12%
2010		3%	12%	14%	13%	15%	12%	12%
2011			2%	6%	12%	13%	14%	13%
2012				2%	7%	8%	13%	15%
2013					3%	7%	12%	13%
2014						3%	7%	9%
2015							3%	5%
2016								0%

Development of booked ULR by U/Y since 2009



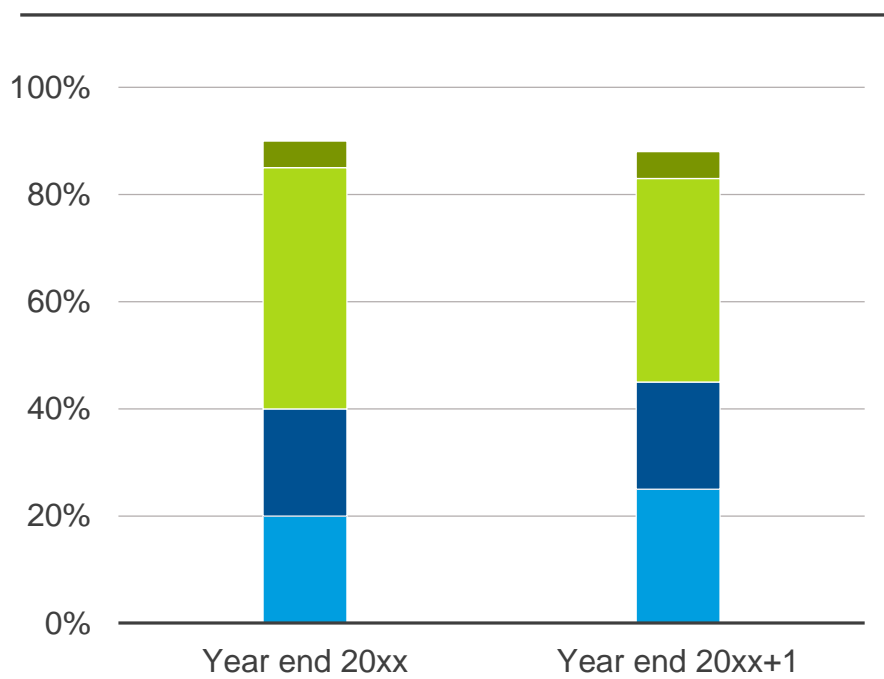
Run-off profit (financial year) in % of NPE



* According to Hannover Re own review; for Hannover Re/E+S Rück Standard P&C business

Simplified example

Impact on run-off result and confidence level



■ Paid claims ■ Case reserves ■ IBNR ■ Redundancy

- ▶ Booked ULR (incl. Management Adjustment) lowered from 90% to 88%
- ▶ Actuarial ULR lowered from 85% to 83%
- ▶ Stable redundancy of 5%

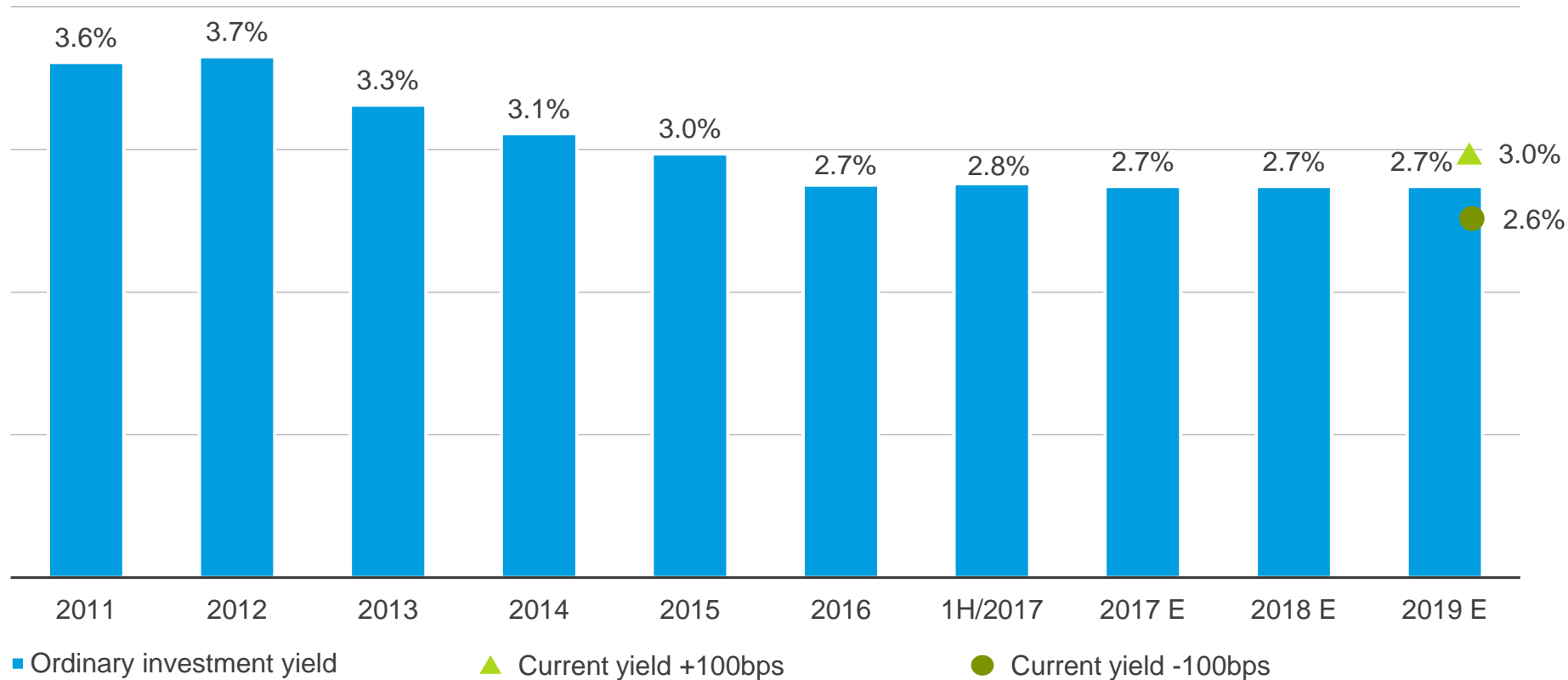
Conclusion:

The run-off result is driven by the improved actuarial ULR. The redundancy is kept stable at 5%

Ordinary return on investments stabilises in 2018 and 2019

100 bps sensitivity more or less unchanged

Ordinary yield from assets under own management

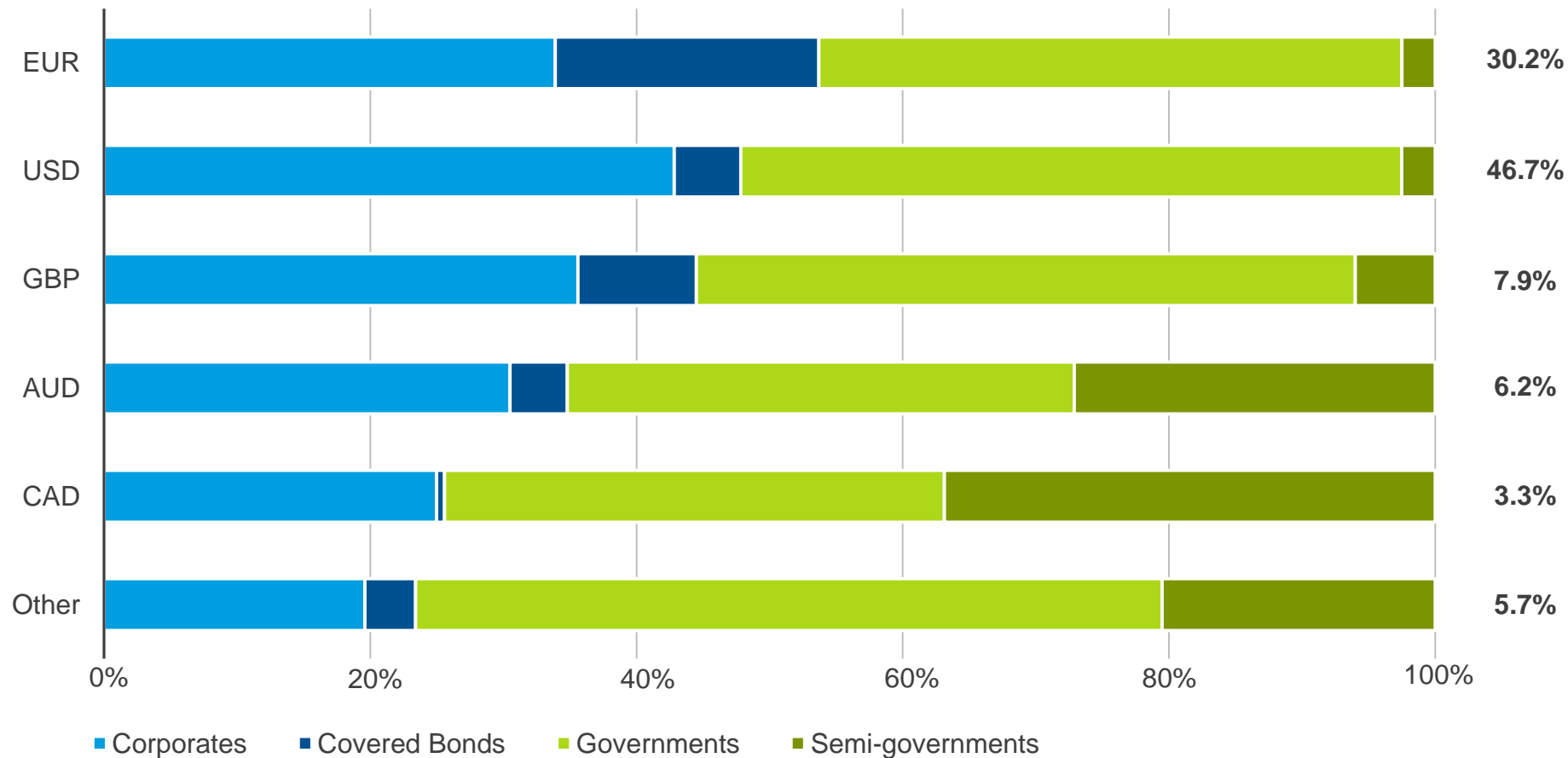


As at 30 June 2017

Fixed-income allocation varies significantly per currency

Fixed-income portfolio

EUR 35 bn.

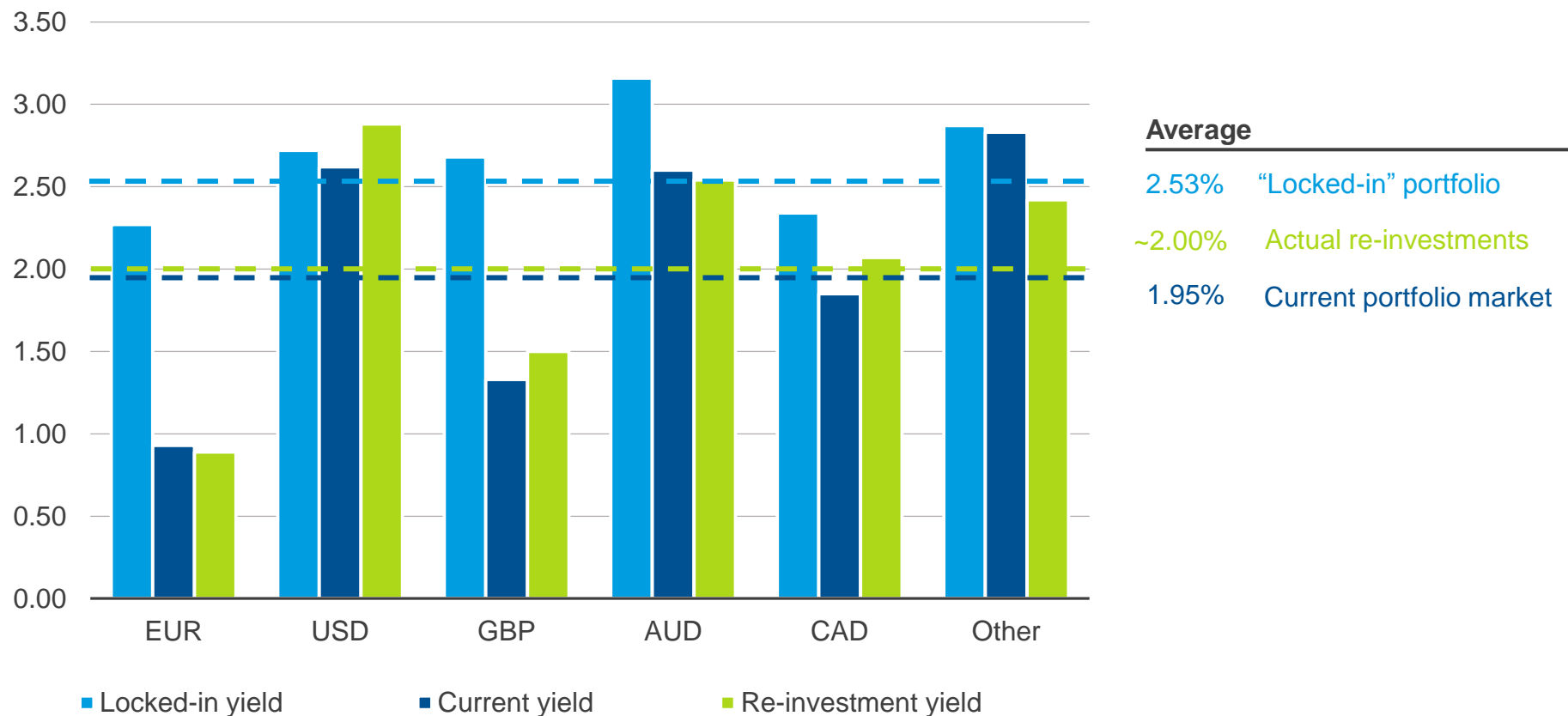


* Analysis as at 30 Jun 2017, excluding short-term investments and cash

Three key figures to evaluate the fixed-income return

EUR and GBP as drivers of the reinvestment gap

Yield analysis per currency of fixed-income portfolio*



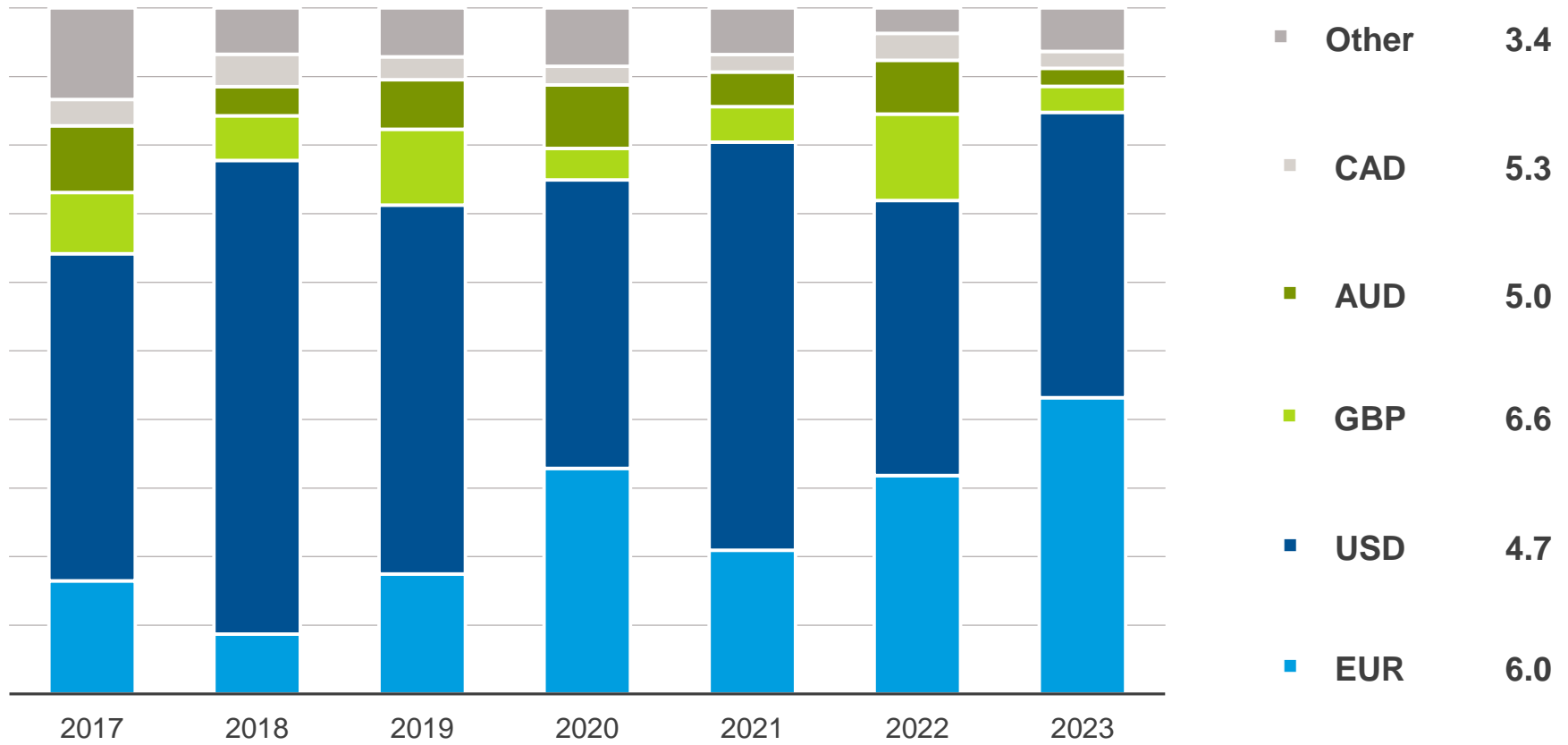
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Duration targets determine maturity profile per currency

Low EUR maturities in 2018 and 2019

Maturities of fixed-income portfolio* per currency

Modified duration

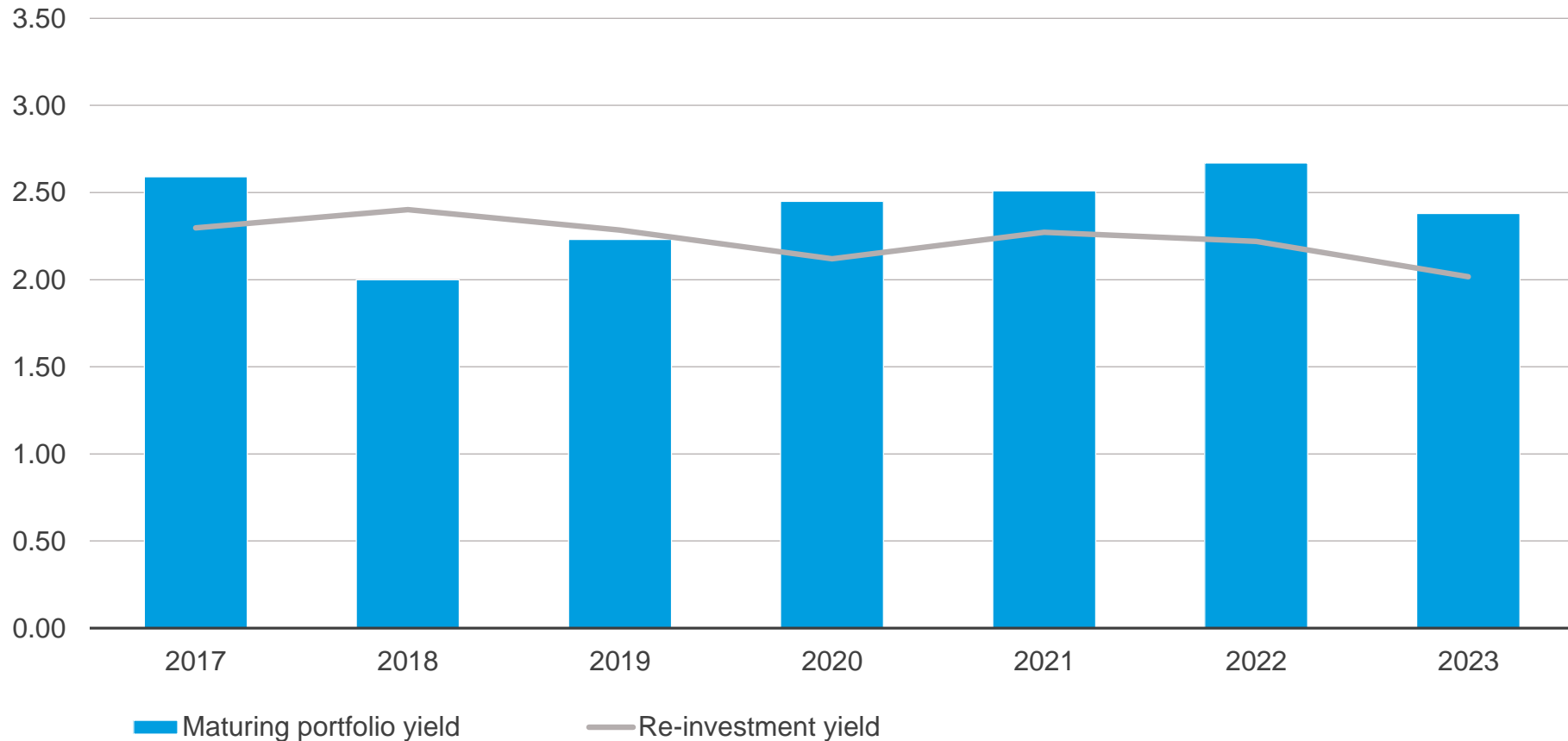


* As at 30 Jun 2017, excluding short-term investments and cash

Altogether, ordinary from fixed income stabilises in 2018/2019

Long-term scenario dependent on interest rate development

Yearly analysis of fixed-income portfolio maturing vs. re-investment yield*

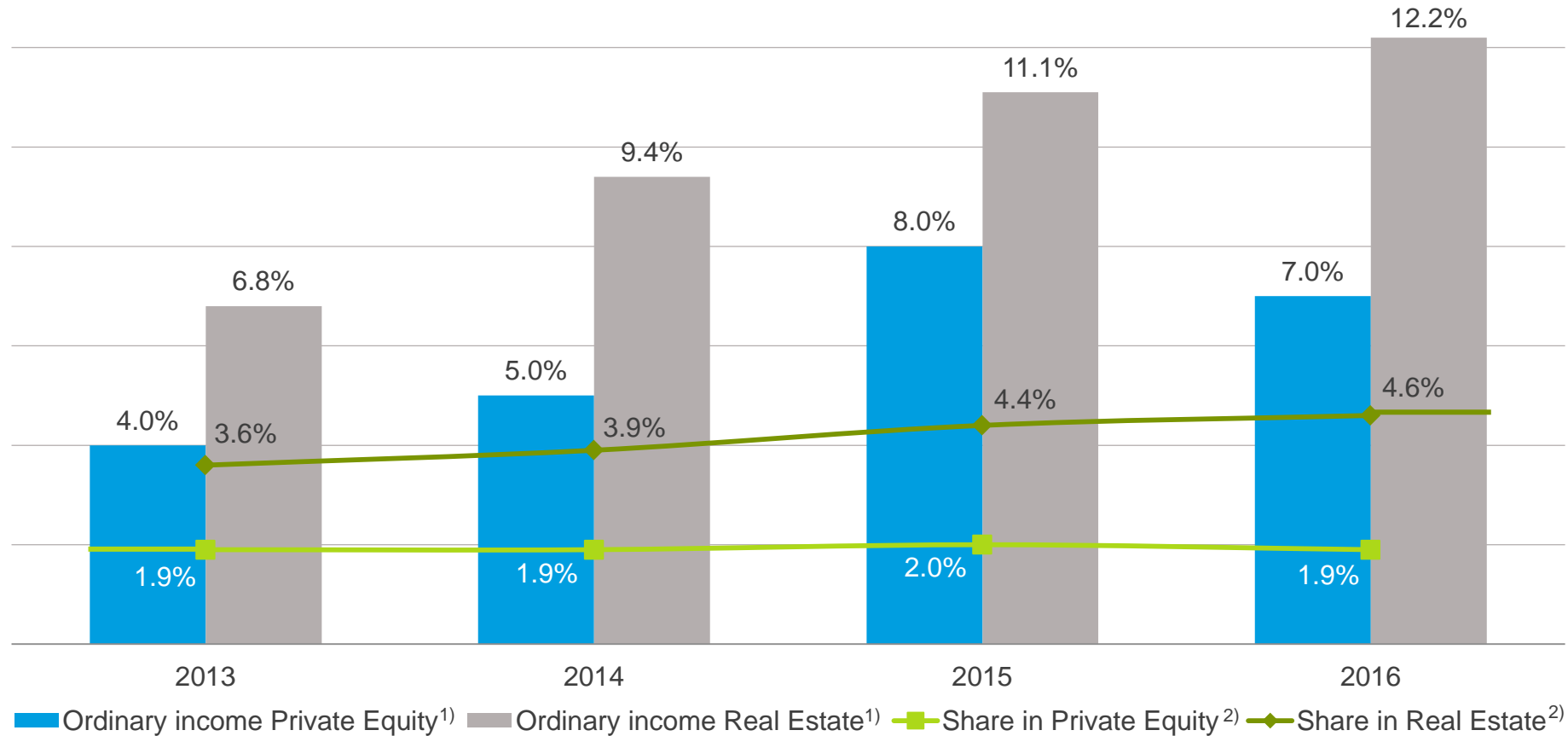


* As at 30 June 2017, excluding short-term investments and cash

Growing contribution from alternative assets to inv. income ...

... as Private Equity remains stable and Real Estate constantly increases

Private Equity and Real Estate income stakes and quota



1) In % of total ordinary income

2) In % of total AuM

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