Hannover Re: The somewhat different reinsurer

Ulrich Wallin, CEO

Morgan Stanley European Financials Confence
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Overview

Key facts about Hannover Re

Today

Majority shareholder:
50.2% held by Talanx AG*

More than 100 subsidiaries, branches and representative offices on all 5 continents

Total staff of roughly 2,400 employees

More than 5,000 insurance clients in about 150 countries

18 Feb 2004

Second Public Offering

30 Nov 1994

Initial Public Offering

1990

Life and health reinsurance as a strategic growth segment

1966

- Foundation by HDI as a subsidiary
- Non-life reinsurance

* Majority shareholder with 79.0% is HDI V.a.G.

We are among the top reinsurers in the world

Premium ranking 2012 in m. USD

Rank	Group	Country	GWP	NPW
1	Munich Re	D	37,251	36,167 [1)]
2	Swiss Re	CH	31,723	25,344
3	**Hannover Re**	**D**	**18,208**	**16,231** [1)]
4	Lloyd's[2)]	GB	15,785	11,371
5	Berkshire Hathaway Inc.	USA	15,059	15,059
6	SCOR	F	12,576	11,286
7	RGA	USA	8,233	7,907
8	China Re	RC	6,708	6,471
9	Korean Re	ROK	5,113	3,390
10	PartnerRe	BDA	4,712	4,567
11	Everest Re	BDA	4,311	4,081
12	Transatlantic Re	USA	3,577	3,456
13	London Re	CDN	3,319	3,268
14	Assicurazioni Generali	I	2,979	2,979
15	General Insurance Corporation of India	IND	2,776	2,534

Source: A.M. Best (September 2013)
1) Net premium earned
2) Reinsurance only

Hannover Re remains no. 1 position in RoE ranking

We aim to be one of the top 3 reinsurers in terms of RoE

	2009		2010		2011		2012		2013		2009 - 2013	
Company	RoE	Rank	RoE	Rank	RoE	Rank	RoE	Rank	RoE	Rank	avg. RoE	Rank
Hannover Re	**22.4%**	**3**	**18.2%**	**1**	**12.8%**	**1**	**15.4%**	**3**	**15.0%**	**3**	**16.8%**	**1**
Peer 9, Bermuda, non-life	24.4%	2	18.1%	2	(2.4%)	8	15.9%	2	18.0%	2	14.8%	2
Peer 6, Bermuda, composite	25.9%	1	11.5%	4	(7.6%)	10	16.9%	1	9.7%	7	11.3%	3
Peer 5, Bermuda, non-life	14.6%	4	9.9%	7	(1.3%)	7	12.9%	6	18.4%	1	10.9%	4
Peer 8, US, life & health	12.6%	5	12.9%	3	10.1%	2	9.9%	8	6.5%	10	10.4%	5
Peer 2, Germany, composite	11.8%	6	10.7%	5	3.1%	6	12.6%	7	12.3%	5	10.1%	6
Peer 7, France, composite	10.2%	7	10.1%	6	7.5%	4	9.1%	9	11.2%	6	9.6%	7
Peer 4, US, non-life	9.9%	8	7.1%	8	4.9%	5	15.2%	4	9.4%	8	9.3%	8
Peer 1, Switzerland, composite	2.3%	10	3.6%	10	9.6%	3	13.4%	5	13.7%	4	8.5%	9
Peer 3, US, non-life	2.7%	9	5.8%	9	(4.4%)	9	5.8%	10	9.1%	9	3.8%	10

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

Record result supported by non-life U/W result and tax effect

RoE of 15.0% well in excess of strategic target

Group

▶ Gross written premium: EUR 13,963 m. (+1.4%) ▶ Net premium earned: EUR 12,227 m. (-0.4%)		▶ GWP f/x-adjusted growth of 4.2% with contributions from both business segments
▶ EBIT: EUR 1,229 m. ▶ Group net income : EUR 895 m.		▶ Group net income up by 5.4%; positive impact from taxes
▶ RoE: 15.0% ▶ Book value per share: EUR 48.83 ▶ Dividend proposal: EUR 3.00		▶ RoE remains in excess of our minimum target ▶ Attractive dividend yield of 4.8%

Non-life R/I

EBIT: EUR 1,061 m.

- C/R improved to 94.9% (95.8% previous year)
- Slowdown in growth (+3.5% f/x adjusted) due to selective underwriting and strict adherence to margin requirements
- Net major losses of EUR 578 m. (8.4% of NPE) below expectation of EUR 625 m.

Life and health R/I

EBIT: EUR 151 m.

- Solid top line growth (+5.1% f/x adjusted)
- Technical result affected by Australian legacy DII business
- Underlying profitability at attractive levels

Investments

NII: EUR 1,412 m.

- RoI target excl. ModCo and inflation swaps of 3.4% achieved
- Slight decrease in ordinary investm. income within expected range
- Extraordinary investment income impacted by reduced realised gains and change in fair value of financial instruments
- Valuation reserves still at EUR 1.1 bn.

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Target Matrix 2013

Despite challenging market environment most targets outperformed

Business group	Key figures	Strategic targets	2013
Group	Return on investment[1]	≥3.4%	3.4 % ✓
	Return on equity	≥9.7%[2]	15.0% ✓
	Earnings per share growth (y-o-y)	≥10%	5.4%
	Value creation per share[3]	≥10%	3.6%
Non-life reinsurance	Gross premium growth[4]	3% - 5%	3.5% ✓
	Combined ratio	≤96%[5]	94.9% ✓
	EBIT margin[6]	≥10%	15.5% ✓
	xRoCA[7]	≥2%	5.4% ✓
Life and health reinsurance	Gross premium growth[8]	5% - 7%	5.1% ✓
	Value of New Business (VNB) growth	≥10%	(1.6%)
	EBIT margin[6] financial solutions/longevity business	≥2%	5.2% ✓
	EBIT margin[6] mortality and morbidity business	≥6%	1.2%
	xRoCA[7]	≥3%	8.3% ✓

1) Excl. inflation swap and ModCo
2) 750 bps above 5-year rolling average of 10-year German government-bond rate ("risk free"), after tax
3) Growth of book value + paid dividend
4) In average throughout the cycle; at unchanged f/x rates
5) Incl. expected net major losses of EUR 625 m.
6) EBIT/net premium earned
7) Excess return on the allocated economic capital
8) Organic growth only; at unchanged f/x rates; 5-year CAGR

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Outlook

Guidance for 2014

Major loss budget of EUR 670 m.

Hannover Re Group

- Gross written premium[1)] — flat to low single-digit growth rate
- Return on investment[2)] — ~ 3.2%
- Group net income[3)] — ~ EUR 850 m.
- Dividend pay-out ratio[4)] — 35% - 40%

1) At unchanged f/x rates
2) Excluding effects from derivatives (ModCo/inflation swaps)
3) Subject to no major distortions in capital markets and/or major losses in 2014 not exceeding approx. EUR 670 m.
4) Related to group net income according to IFRS

Rationale for the 2014 profit guidance

Net income ~ EUR 850 m.

- We expect that our life and health result will improve significantly
- Further strengthening of the confidence level of our non-life reserves may be limited due to IFRS accounting constraints → positive effect on C/R
- Continued high quality of non-life business in force in 2014 because of our stringent underwriting approach should safeguard a favourable underwriting result
- Less spending on retro at increased coverage
- Reducing Return on Investment will be partly compensated by returns from increased investment volume emanating from further positive cash flow → almost stable absolute NII

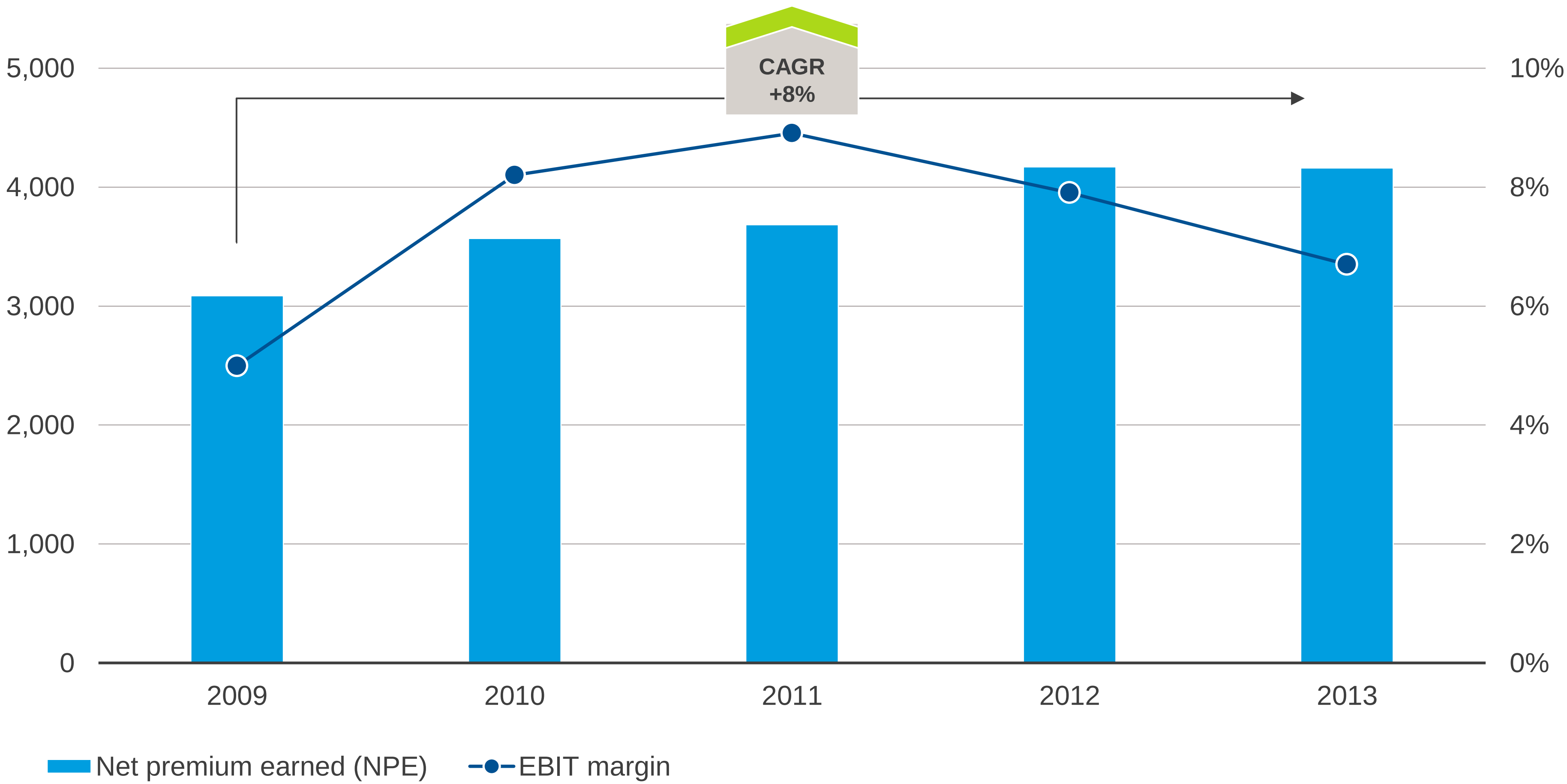
Subject to no major distortions in capital markets and/or major losses in 2014 not exceeding approx. EUR 670 m.

We are confident to achieve the guidance

Adjusted life & health EBIT margin meets targets

Underlying profitability at attractive levels

NPE and EBIT margin adjusted for US mortality & AUS disability in m. EUR



Improving result in life & health reinsurance

Australian disability business:

- Significantly reduced strain from legacy DII business in 2014
- Gradual improvement of group business due to significant rate increases

US mortality business:

- In-force management improves future earnings due to discontinuation of underperforming treaties
- Reduction of collateral costs for our US business will improve the IFRS result
- Profitable new business is becoming increasingly important for the overall business mix

Internal reserve studies 2009 - 2012 reviewed
by Towers Watson show increasing redundancies*

- For the HR Group, over the last 4 years, on average 3,1% of the net earned loss ratio for non-life business is due to reserve redundancy increases

in m. EUR

Year	Redundancy	Increase redundancy	Effect on loss ratio	Non-life premium (net earned)
2009	867	276	5.3%	5,230
2010	956	89	1.6%	5,394
2011	1117	162	2.7%	5,961
2012	1,307	190	2.8%	6,854
2009 - 2012 total		**717**		**23,439**
2009 - 2012 average		**179**	**3.1%**	**5,860**

- No change in conservative reserving policy in 2013

* Redundancy of loss and loss adjustment expense reserve for its non-life insurance business against held IFRS reserves, before tax and minority participations. Towers Watson reviewed these estimates - more details shown in the appendix

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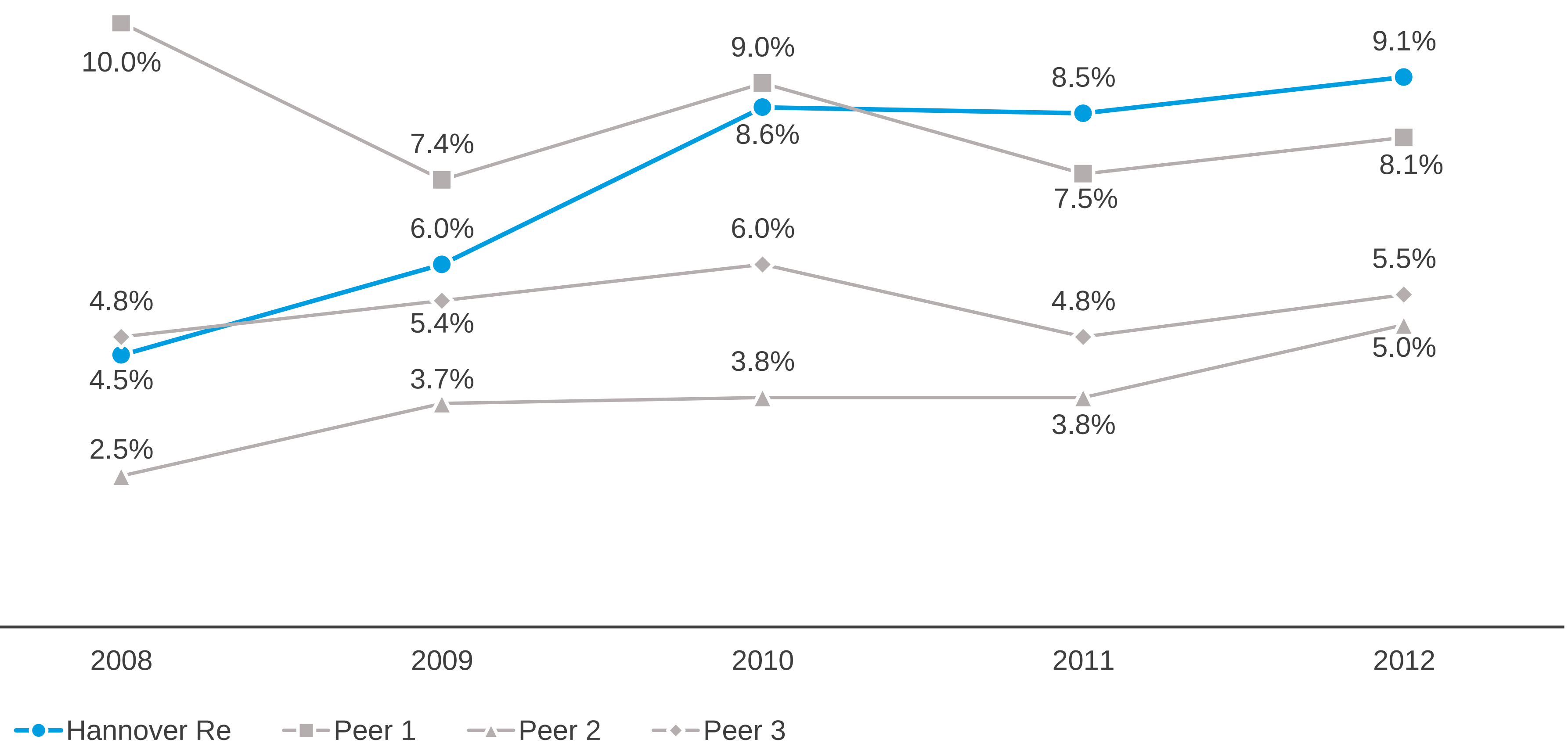
Improving reserve adequacy compared to peer group

Conservative reserving policy leads to buildup of reserve redundancies

Reserve adequacy by underwriting year as a percentage of total reserves



Source: Bank of America Merrill Lynch Global Research; European peers

Competitive markets required high technical discipline

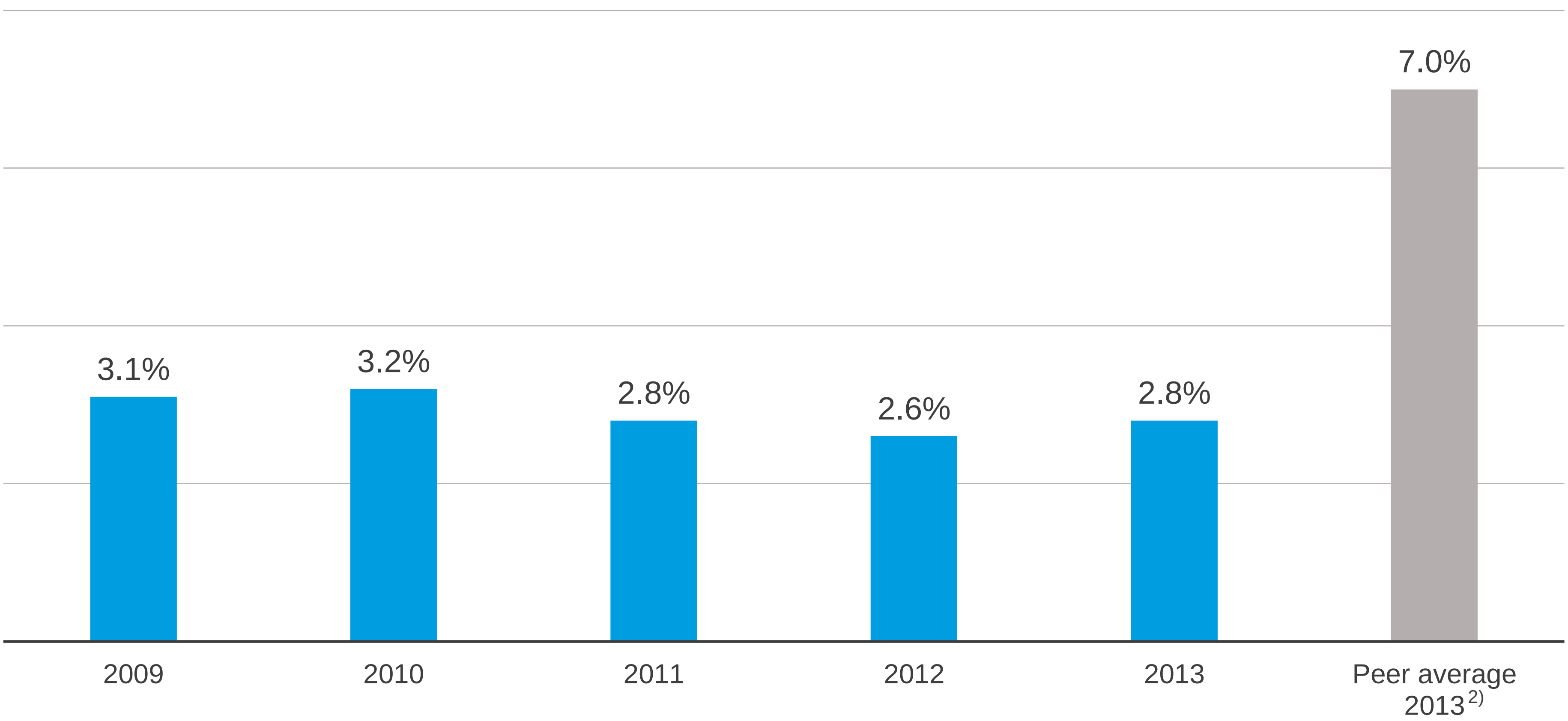
Profitability-orientated U/W approach is key

- Superior rating enabled us to sustain high-quality business mix
- We kept capital allocation unchanged and did not increase our weighting on catastrophe business
- We discontinued quite a few large treaties because of lack of expected profitability on the back of lower rates
- This was partly offset by new business as well as some underlying business growth in emerging markets and higher shares in profitable business
- Cost savings on our retro programme coupled with increased coverage
- We kept our terms and conditions largely unchanged

The quality of our book is still very good

Lower costs becoming a more important competitive advantage
Administrative costs are the lowest in the industry

Administrative expense ratio[1)] in %



Own calculation
1) Administrative expenses + other technical expenses (in % of net premium earned)
2) Alleghany, Everest Re, Munich Re (reinsurance only), PartnerRe, RGA, SCOR, Swiss Re

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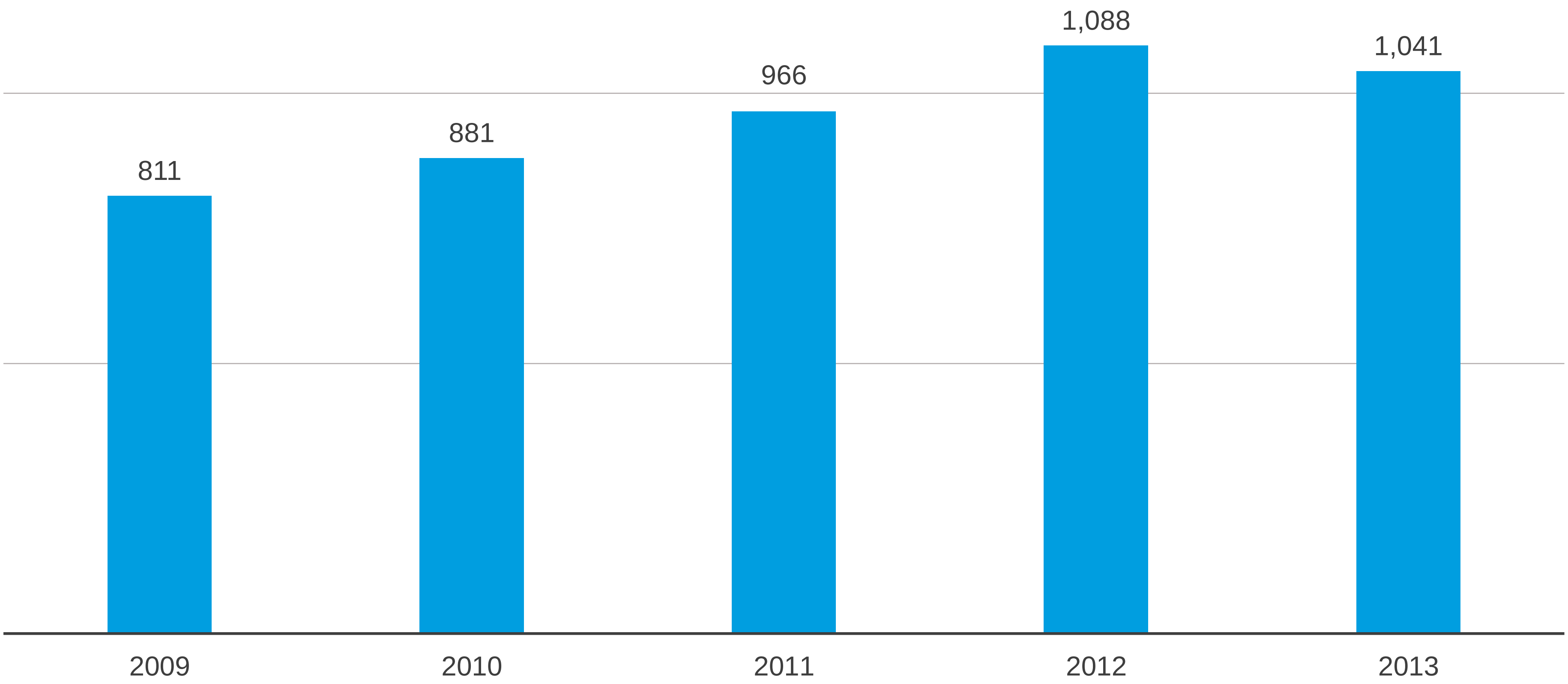
Almost stable absolute ordinary investment income in 2014

Reducing RoI will be partly compensated by positive cash flow

Ordinary investment income in m. EUR



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Appendix

Details on reserve review by Towers Watson

Subtitle

- The scope of Towers Watson's work was to review certain parts of the held loss and loss adjustment expense reserve, net of outwards reinsurance, from Hannover Rück SE's consolidated financial statements in accordance with IFRS as at each 31 December from 2009 to 2012, and the implicit redundancy margin, for the non-life business of Hannover Rück SE. Towers Watson concludes that the reviewed loss and loss adjustment expense reserve, net of reinsurance, less the redundancy margin is reasonable in that it falls within Towers Watson's range of reasonable estimates.
  - Life reinsurance and health reinsurance business are excluded from the scope of this review.
  - Towers Watson's review of non-life reserves as at 31 December 2012 covered 99.1% of the gross and net held non-life reserves of €18.6 billion and € 17.3 billion respectively. Together with life reserves of gross €3.0 billion and net €2.8 billion, the total balance sheet reserves amount to €21.6 billion gross and €20.1 billion net.
  - The results shown in this presentation are based on a series of assumptions as to the future. It should be recognised that actual future claim experience is likely to deviate, perhaps materially, from Towers Watson's estimates. This is because the ultimate liability for claims will be affected by future external events; for example, the likelihood of claimants bringing suit, the size of judicial awards, changes in standards of liability, and the attitudes of claimants towards the settlement of their claims.
  - The results shown in Towers Watson's reports are not intended to represent an opinion of market value and should not be interpreted in that manner. The reports do not purport to encompass all of the many factors that may bear upon a market value.
  - Towers Watson's analysis was carried out based on data as at evaluation dates for each 31 December from 2009 to 2012. Towers Watson's analysis may not reflect development or information that became available after the valuation dates and Towers Watson's results, opinions and conclusions presented herein may be rendered inaccurate by developments after the valuation dates.
  - As is typical for reinsurance companies, the claims reporting can be delayed due to late notifications by some cedants. This increases the uncertainty in the estimates.
  - Hannover Rück SE has asbestos, environmental and other health hazard (APH) exposures which are subject to greater uncertainty than other general liability exposures. Towers Watson's analysis of the APH exposures assumes that the reporting and handling of APH claims is consistent with industry benchmarks. However, there is wide variation in estimates based on these benchmarks. Thus, although Hannover Rück SE's held reserves show some redundancy compared to the indications, the actual losses could prove to be significantly different to both the held and indicated amounts.
  - Towers Watson has not anticipated any extraordinary changes to the legal, social, inflationary or economic environment, or to the interpretation of policy language, that might affect the cost, frequency, or future reporting of claims. In addition, Towers Watson's estimates make no provision for potential future claims arising from causes not substantially recognised in the historical data (such as new types of mass torts or latent injuries, terrorist acts), except in so far as claims of these types are included incidentally in the reported claims and are implicitly developed.
  - In accordance with its scope Towers Watson's estimates are on the basis that all of Hannover Rück SE's reinsurance protection will be valid and collectable. Further liability may exist for any reinsurance that proves to be irrecoverable.
  - Towers Watson's estimates are in Euros based on the exchange rates provided by Hannover Rück SE as at each 31 December evaluation date. However, a substantial proportion of the liabilities is denominated in foreign currencies. To the extent that the assets backing the reserves are not held in matching currencies, future changes in exchange rates may lead to significant exchange gains or losses.
  - Towers Watson has not attempted to determine the quality of Hannover Rück SE's current asset portfolio, nor has Towers Watson reviewed the adequacy of the balance sheet provisions except as otherwise disclosed herein.

- In its review, Towers Watson has relied on audited and unaudited data and financial information supplied by Hannover Rück SE and its subsidiaries, including information provided orally . Towers Watson relied on the accuracy and completeness of this information without independent verification.
- Except for any agreed responsibilities Towers Watson may have to Hannover Rück SE, Towers Watson does not assume any responsibility and will not accept any liability to any person for any damages suffered by such person arising out of this commentary or references to Towers Watson in this document.