

somewhat  
different

# Hannover Re - growth opportunities despite the crisis?

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## Step up in ranking. . .

### . . . reflects strong premium growth

Premium ranking 2010 in m. USD				
Rank	Group	Country	GWP	NPW
1	Munich Re	D	31,280	n.a.
2	Swiss Re	CH	24,756	19,433
<b>3</b>	<b>Hannover Re</b>	<b>D</b>	<b>15,147</b>	<b>13,316*</b>
4	Berkshire Hathaway	USA	14,374	13,785
5	Lloyd's	GB	12,977	9,762
6	SCOR	F	8,872	8,141
7	RGA Re	USA	7,201	6,660

Premium ranking 2008 in m. USD				
Rank	Group	Country	GWP	NPW
1	Swiss Re	CH	29,212	24,296
2	Munich Re	D	28,820	27,199
3	Berkshire Hathaway	USA	12,827	12,123
<b>4</b>	<b>Hannover Re</b>	<b>D</b>	<b>11,446</b>	<b>10,196</b>
5	Lloyd's	GB	9,114	6,702
6	SCOR	F	8,185	7,500
7	RGA Re	USA	5,839	5,349

Source: A.M. Best (September 2011 and August 2009)

n.a. = not available

\* Net premium earned

## Back on pre-crisis profitability levels

### Even on after-tax basis, in spite of strong Bermuda competition

	2006		2007		2008		2009		2010		2006 - 2010	
Company	RoE	Rank	RoE	Rank	RoE	Rank	RoE	Rank	RoE	Rank	avg. RoE	Rank
Odyssey Re	28.3%	1	25.8%	1	20.5%	1	12.1%	6	9.2%	8	19.2%	1
Renaissance Re	27.5%	2	16.9%	4	(0.4%)	7	24.4%	2	18.1%	2	17.3%	2
<b>Hannover Re</b>	<b>18.7%</b>	<b>4</b>	<b>23.1%</b>	<b>2</b>	<b>(4.1%)</b>	<b>9</b>	<b>22.4%</b>	<b>3</b>	<b>18.2%</b>	<b>1</b>	<b>15.7%</b>	<b>3</b>
PartnerRe	21.8%	3	17.7%	3	1.1%	5	25.9%	1	11.5%	3	15.6%	4
Everest Re	18.2%	6	15.6%	5	(0.4%)	6	14.6%	4	9.9%	6	11.6%	5
Munich Re	13.5%	9	14.9%	7	6.5%	3	11.8%	7	10.7%	4	11.5%	6
Transatlantic Re	15.6%	8	15.4%	6	3.1%	4	13.2%	5	9.7%	7	11.4%	7
SCOR	12.7%	10	13.8%	8	8.9%	2	10.2%	8	10.1%	5	11.1%	8
Swiss Re	16.5%	7	13.3%	9	(3.3%)	8	2.3%	10	3.6%	10	6.5%	9
XL Re*	18.5%	5	3.6%	10	(31.8%)	10	2.7%	9	5.8%	9	(0.2%)	10

Ranking among shown peer group, based on company data, own calculation

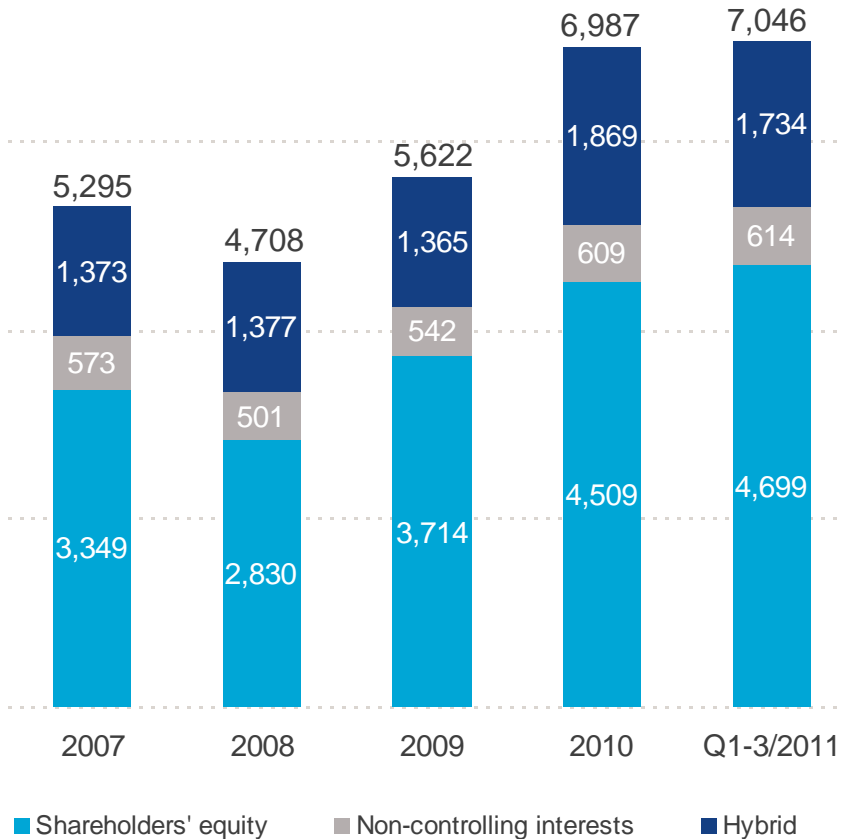
\* Based on XL Capital group figures

We aim to be one of the top 3 R/I in terms of RoE

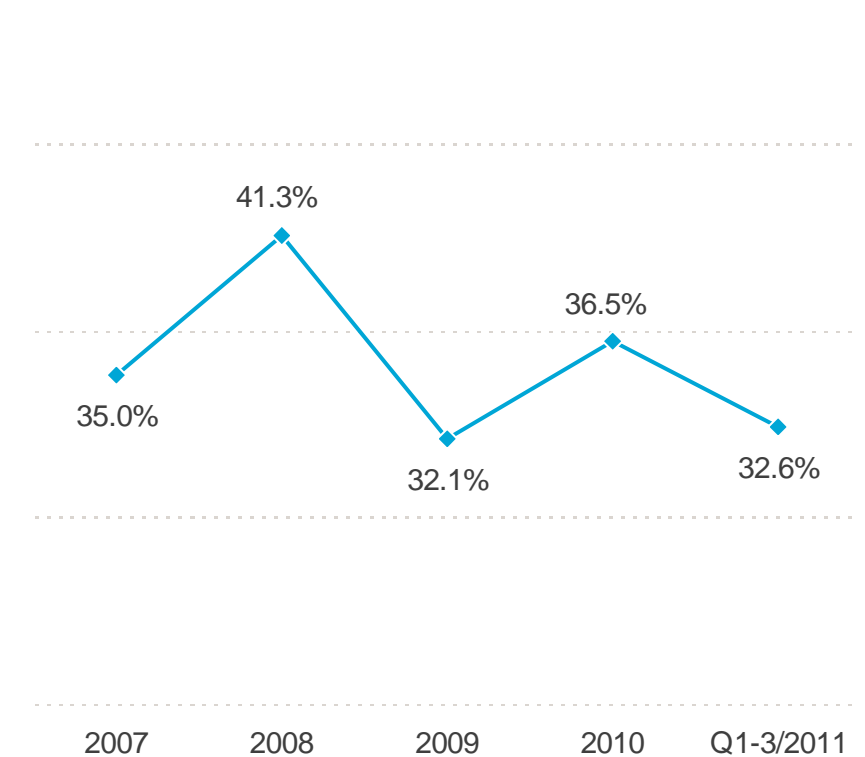
# Increase of shareholders' equity by more than 60% since 2008

## Financial leverage stable despite EUR 500 m. issue in 2010

**Policyholders' surplus** in m. EUR



**Financial leverage development\*** in %



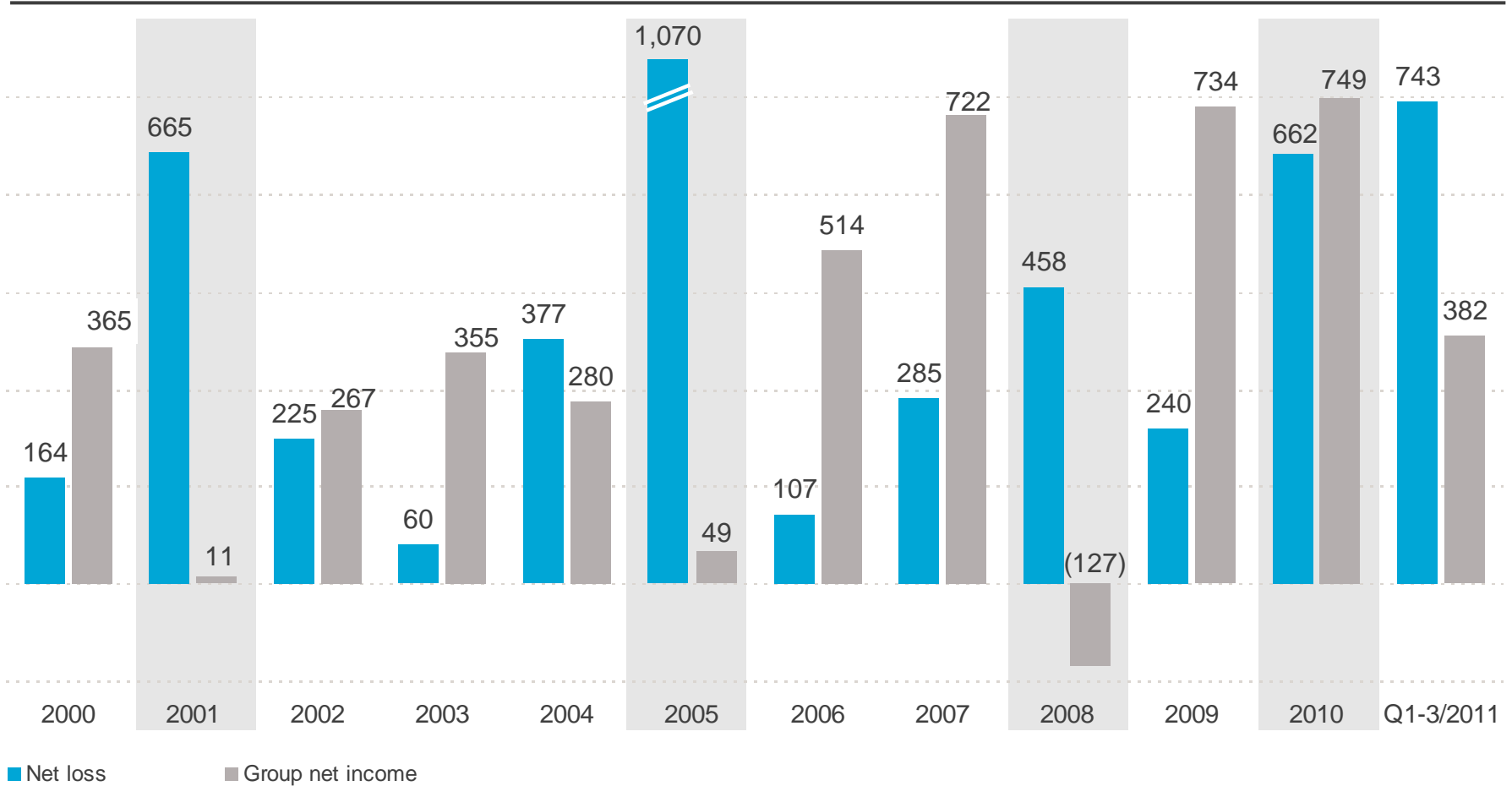
\* Hybrid vs. shareholders' equity (incl. non-controlling interests)

# Improved profitability due to optimised risk positioning

## Reduced impact of major losses on net income

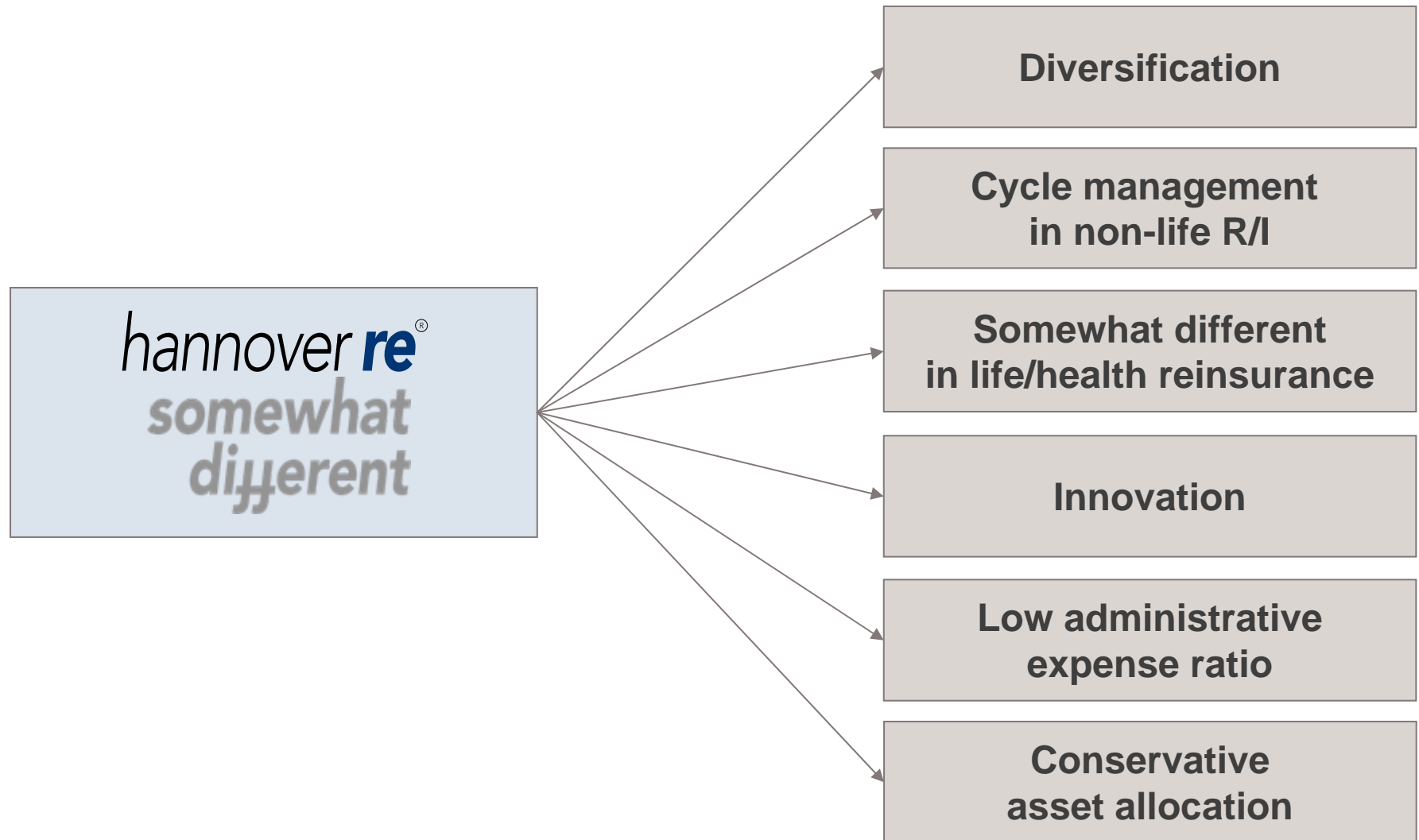
Net (major) losses\* vs. net income

in m. EUR



\* Claims over EUR 5 m. gross

## Our 6 major success drivers

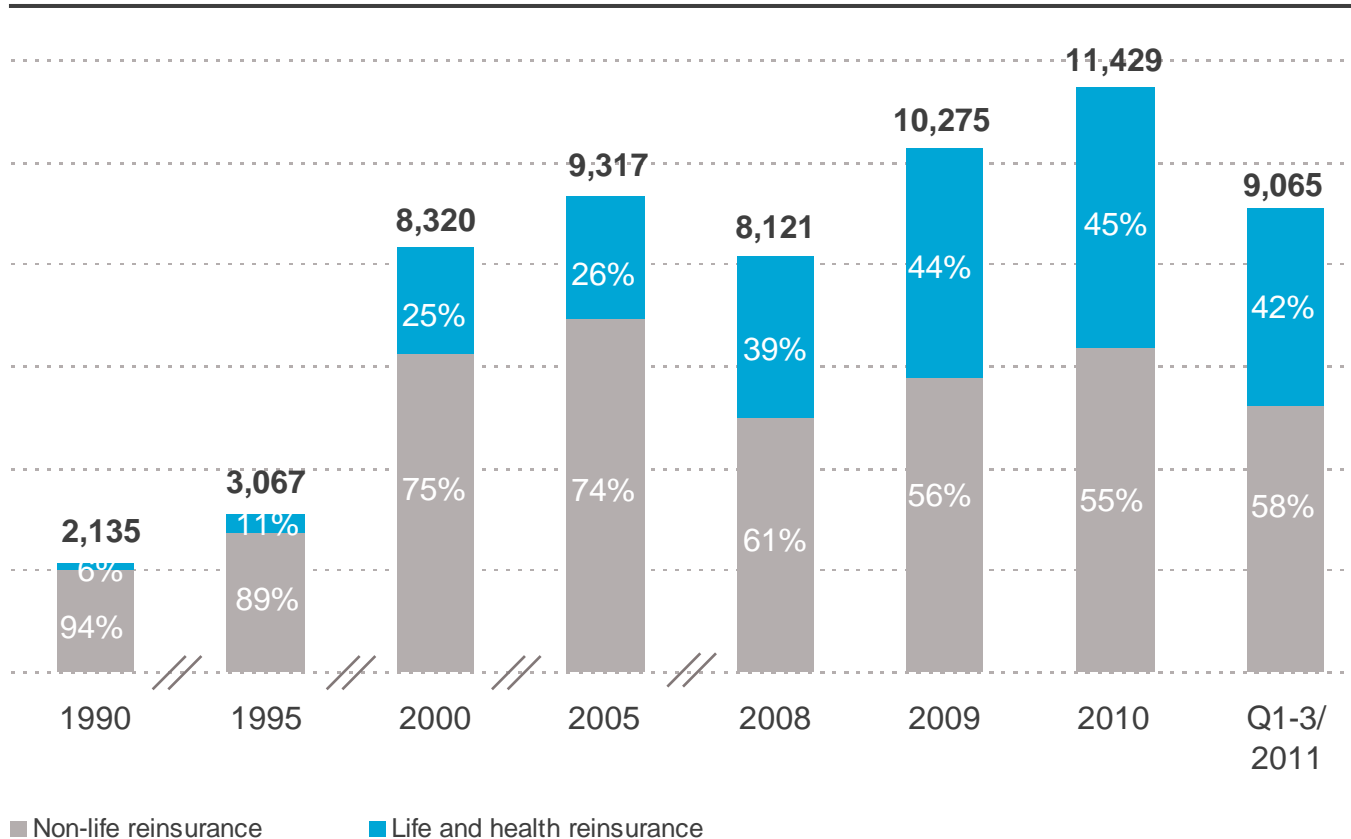


# Continuous increase of life and health R/I share

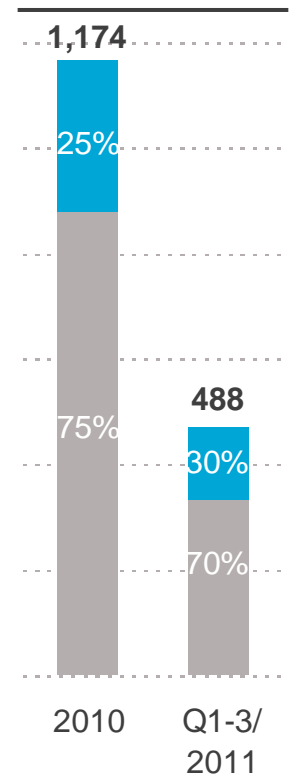
## Strong organic growth in 2009 plus acquisition of ING Life Re US portfolio

Gross written premium

in m. EUR



EBIT in m. EUR

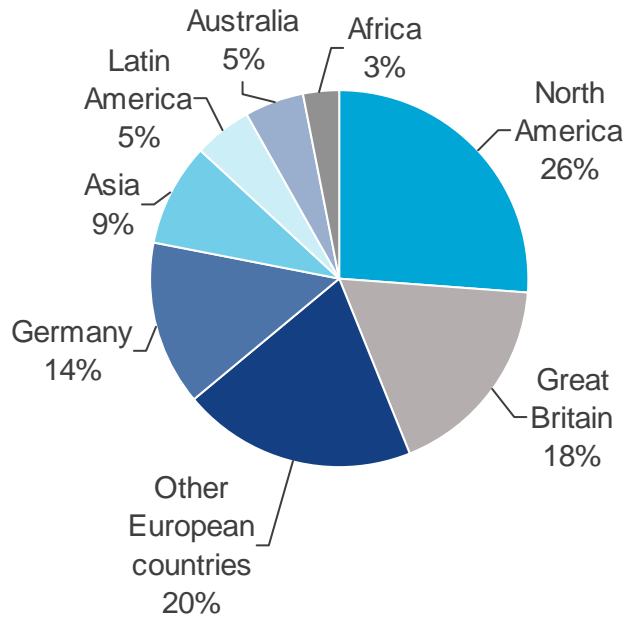


Reduction of group volatility due to improved diversification

# Still well balanced international portfolio . . . . . . despite strong growth of 41% within two years

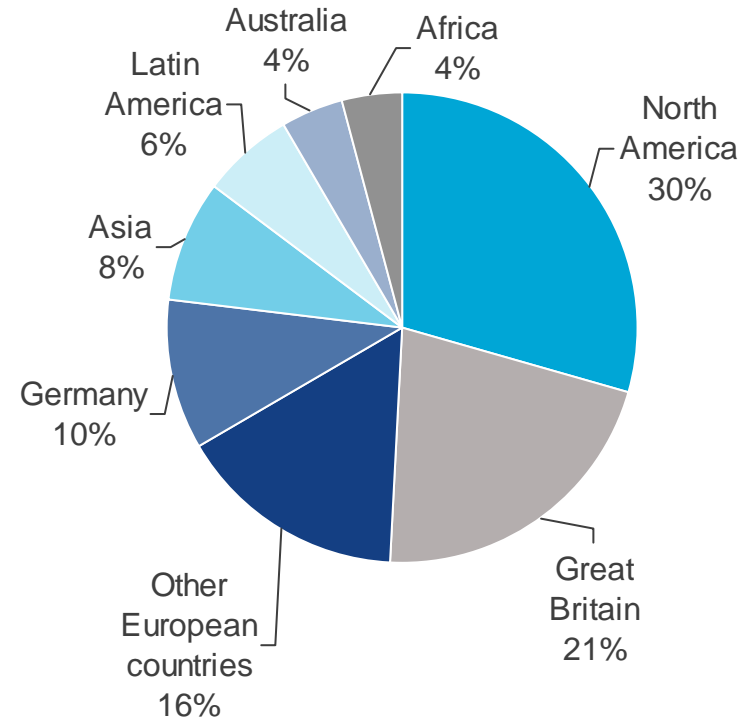
**GWP 2008**

EUR 8,121 m.



**GWP 2010**

EUR 11,429 m.



## Hannover Re is well positioned. . . . . .to compete in the prevailing non-life market conditions

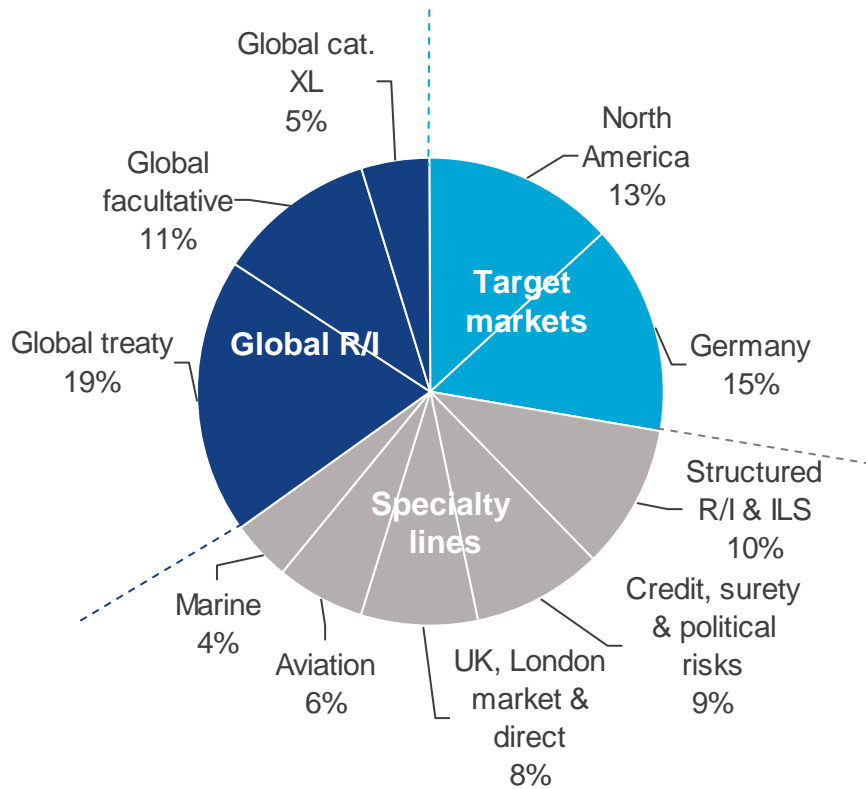
- ▶ Majority of business written via brokers
  - ↳ Flexibility to exercise cycle management
- ▶ Centralised underwriting safeguards underwriting discipline
- ▶ Our U/W tools & margin requirements are based on the CoC allocated
  - ↳ Selection of business that achieves our profitability targets
- ▶ We have defended our strong rating
  - ↳ Offers a broad cross-section of available business
- ▶ Risk-based solvency regimes such as Solvency II will support the development towards rational buying and writing of reinsurance
- ▶ Conservative reserving policy

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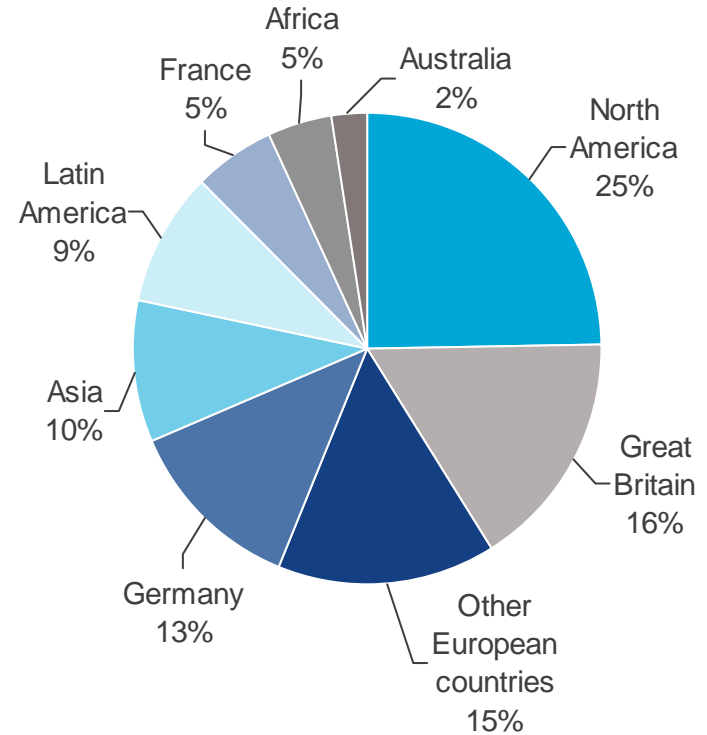
Growth in developed markets by seizing market opportunities

# Non-life reinsurance: very well diversified portfolio

## Divisions



## Regional split



2010 gross written premium: EUR 6,339 m.  
(2009: EUR 5,747 m.)

## We are somewhat different in life and health R/I

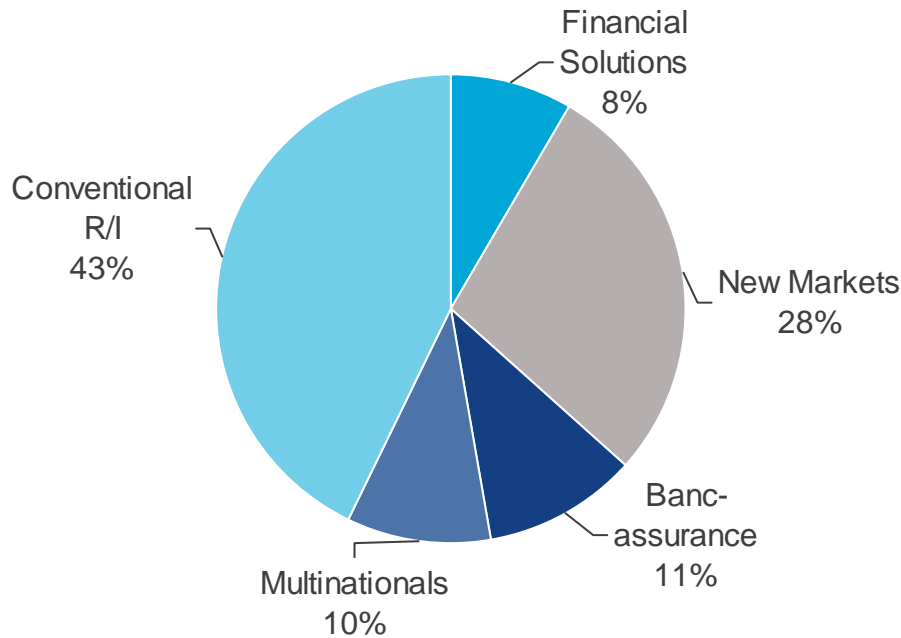
- ▶ We focus on five areas of business (our "five pillars")
- ▶ 10 key markets = 87% of our business;  
50 main clients = 80% of our portfolio
- ▶ Sophisticated state-of-the-art Client Relationship Management (CRM)
- ▶ Concentration on biometric rather than market risk (FOGs\* in 2010 < EUR 20 m.)
- ▶ We do consider acquisitions
  - But only if strategic fit/complement
  - No strategic prices

\* FOGs = Financial Options and Guarantees, for further information see Hannover Re's MCEV report 2010

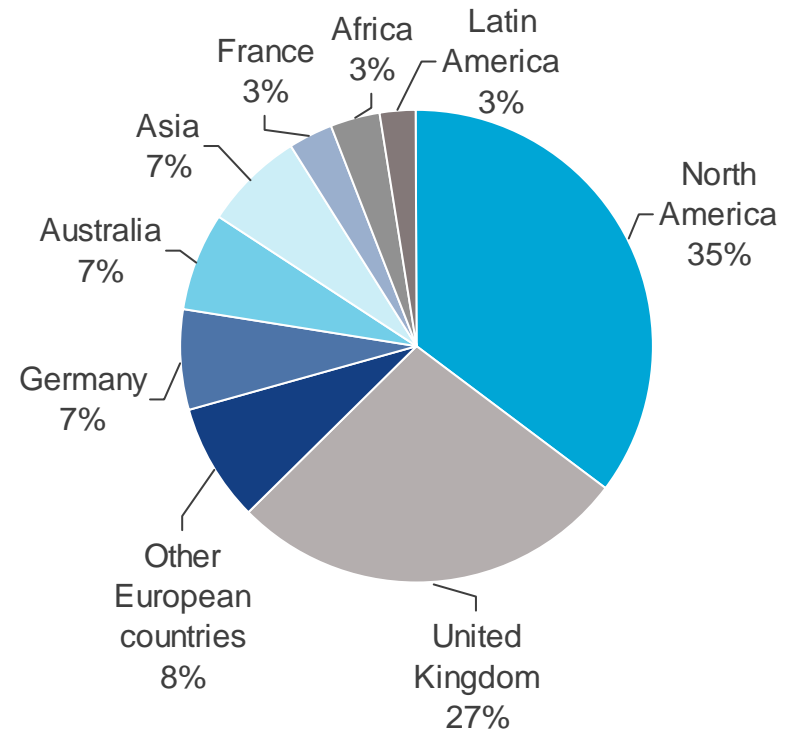
 Focused, long-term, growth-oriented, win-win approach

# Life and health reinsurance: well diversified portfolio

## 5 strategic pillars



## Regional split



2010 Gross written premium: EUR 5,090 m.  
(2009: EUR 4,529 m.)

## Hannover Re: an innovative reinsurer

- ▶ The expertise and experience of our underwriters has allowed us to develop leading positions in a variety of specialty markets
- ▶ Our superior market positioning and local knowledge allow us to grow in emerging markets

### Equity substitutes

- ▶ We pioneered securitisations
  - for risk-management purposes
  - ILS

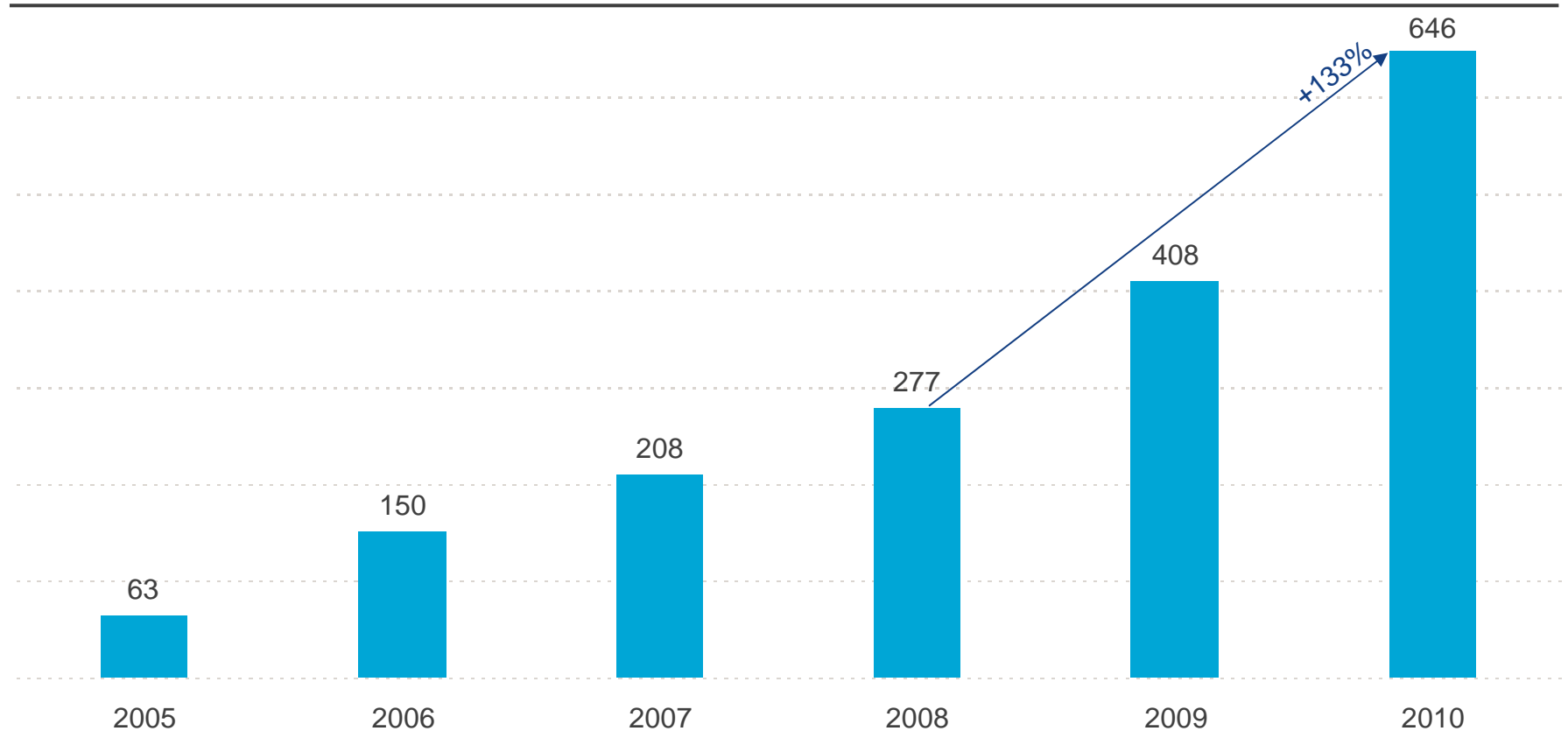
### New products/markets

- ▶ Enhanced annuities
- ▶ Energy savings
- ▶ Retakaful

# Enhanced annuities: an innovative market

Net premium earned

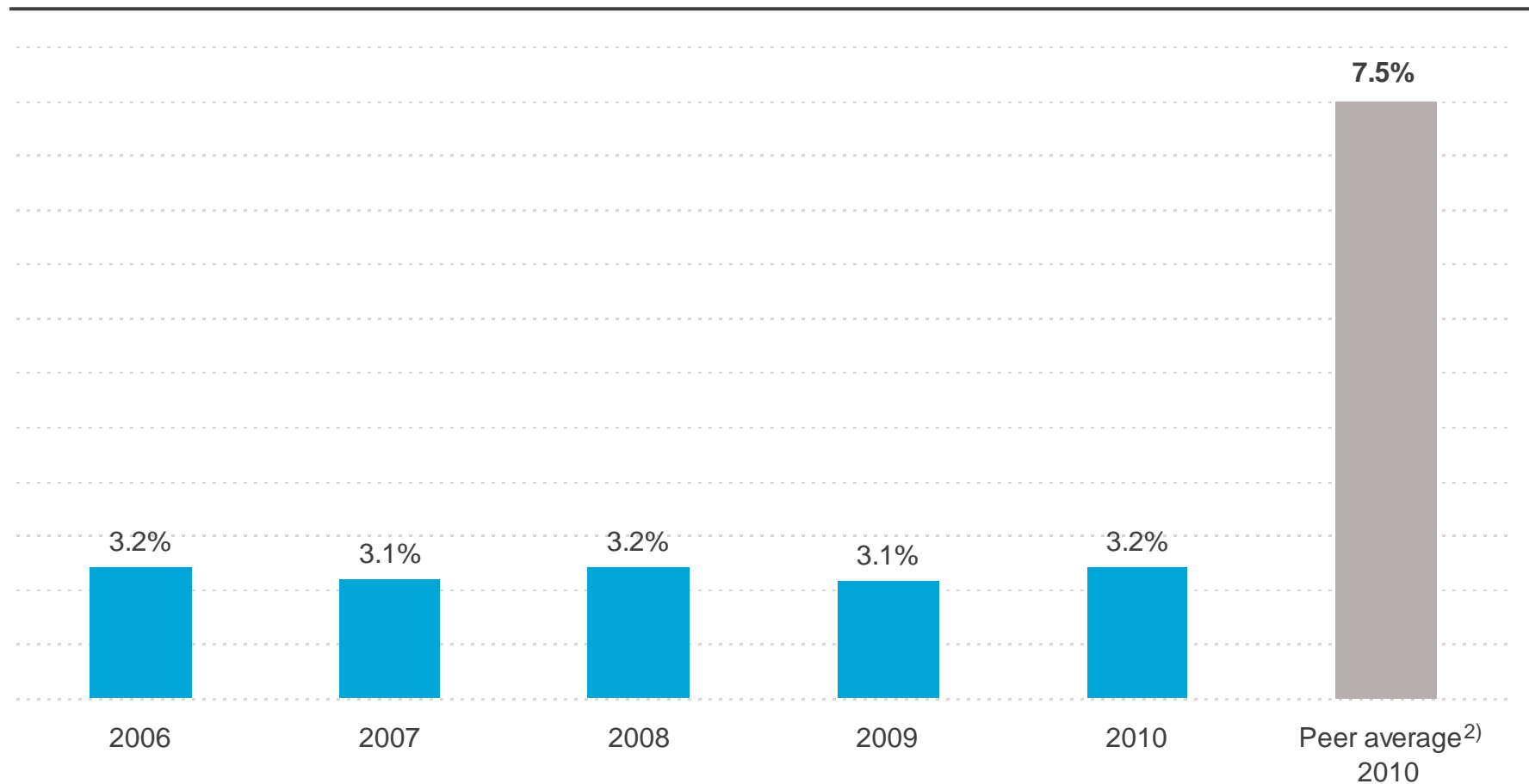
in m. EUR



# Hannover Re remains the absolute cost leader

## Our overhead ratio is less than half of the industry average

### Administrative-expense ratio<sup>1)</sup>



Own calculation

1) Administrative expenses + other technical expenses (in % of net premium earned)

2) Munich Re, SCOR, Swiss Re, Transatlantic Re, PartnerRe, Everest Re

## Lowest administrative expense ratio within our peer group\*

### How?

- ▶ Lean, efficient infrastructure with no non-life underwriting authority in USA
- ▶ High exposure to broker biz to be able to execute strict cycle mgmt
- ▶ No unbundled services
- ▶ Lead positions only in carefully selected areas
- ▶ No attempt to offer everything to everyone, but rather concentrate on market segments in which we have a particular expertise

### Why?

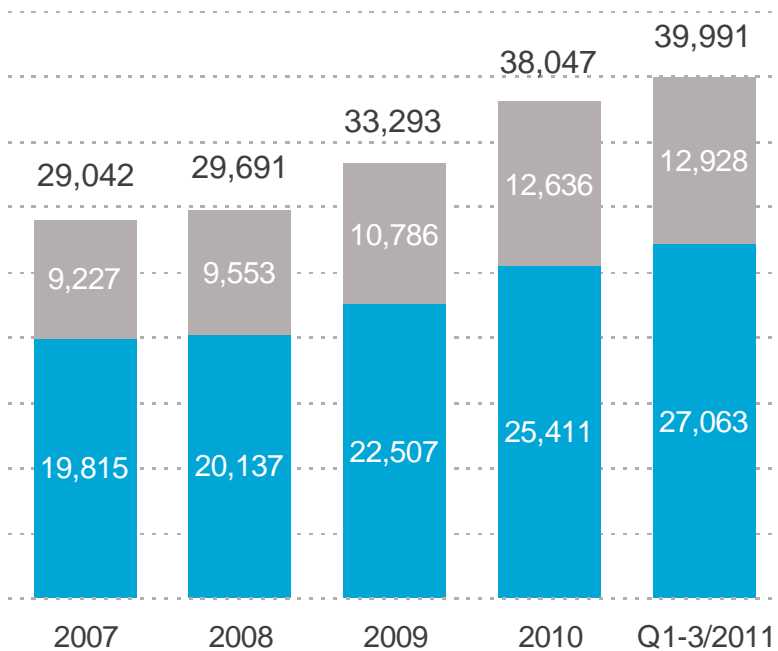
- ▶ To be competitive
- ▶ To have a better choice of business
- ▶ To have better access to niches
- ▶ To be profitable

\* Munich Re, SCOR, Swiss Re, Transatlantic Re, PartnerRe, Everest Re

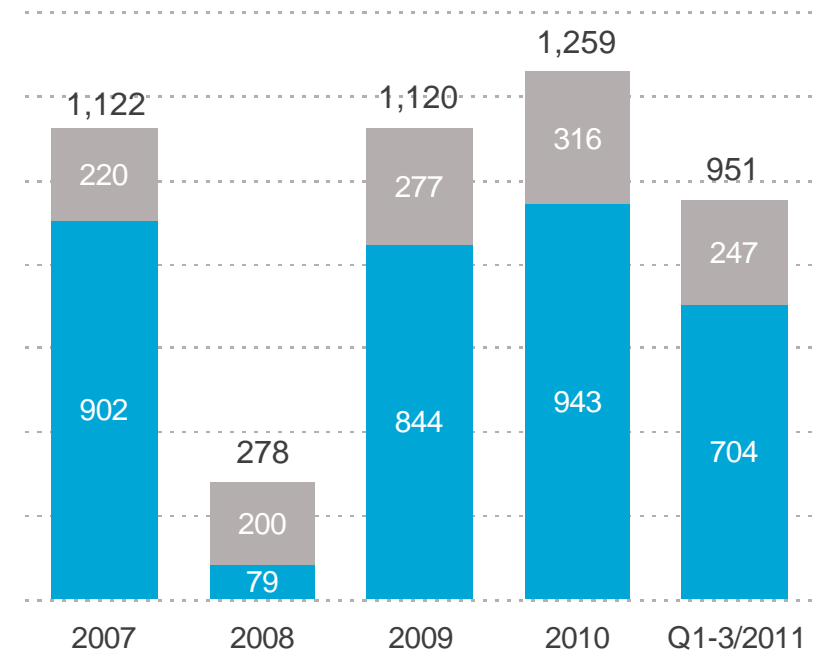
# Higher investment volume supports investment income

## Increased importance of funds withheld

**Total investments** in m. EUR



**Investment income** in m. EUR



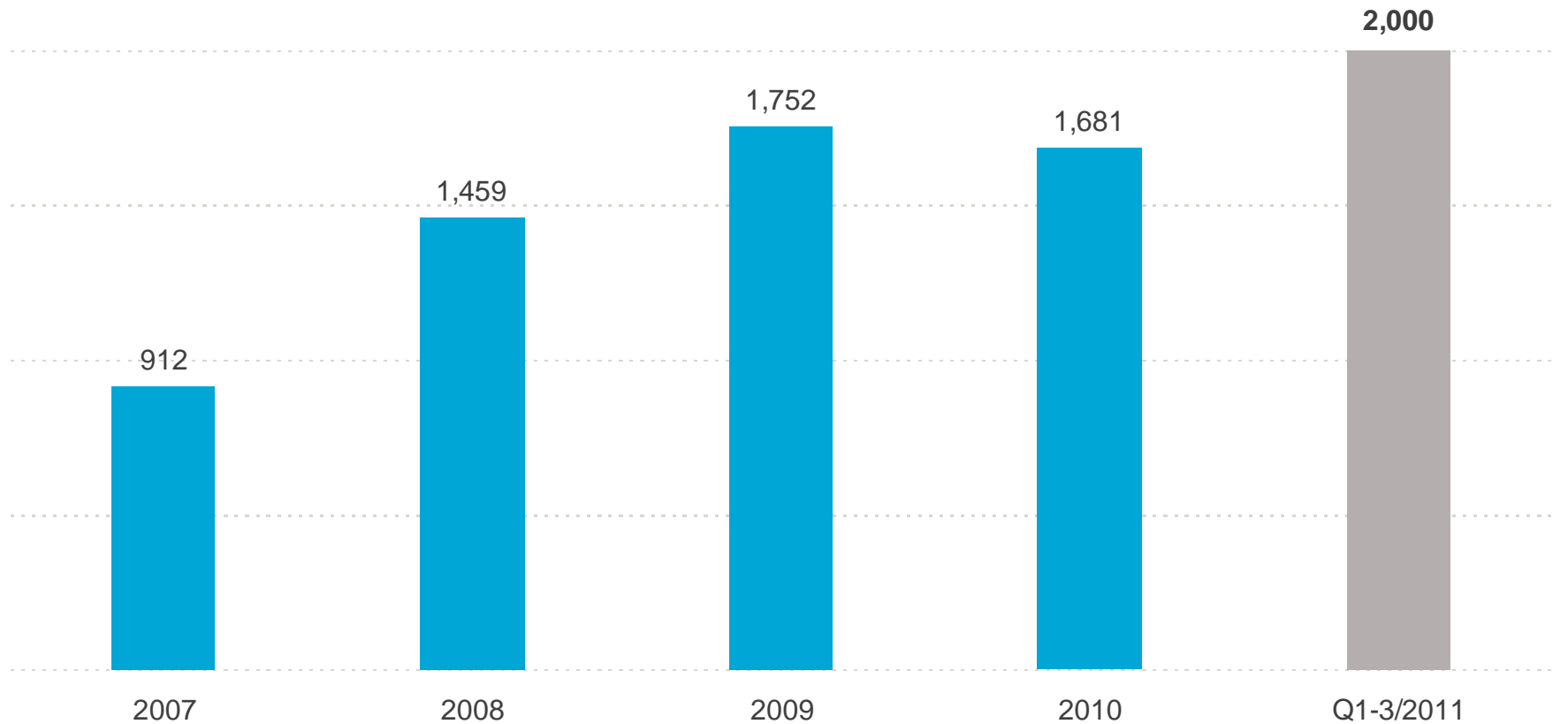
- Assets under own management
- Funds withheld and contract deposits

- Net income from assets under own management
- Income and expenses on funds withheld and contract deposits

# Continued highly positive cash flow from operating activities

## Operating cash flow

in m. EUR



# Steady flows into corporates and covereds

## Volume increase due to strong cash flow and unrealised gains

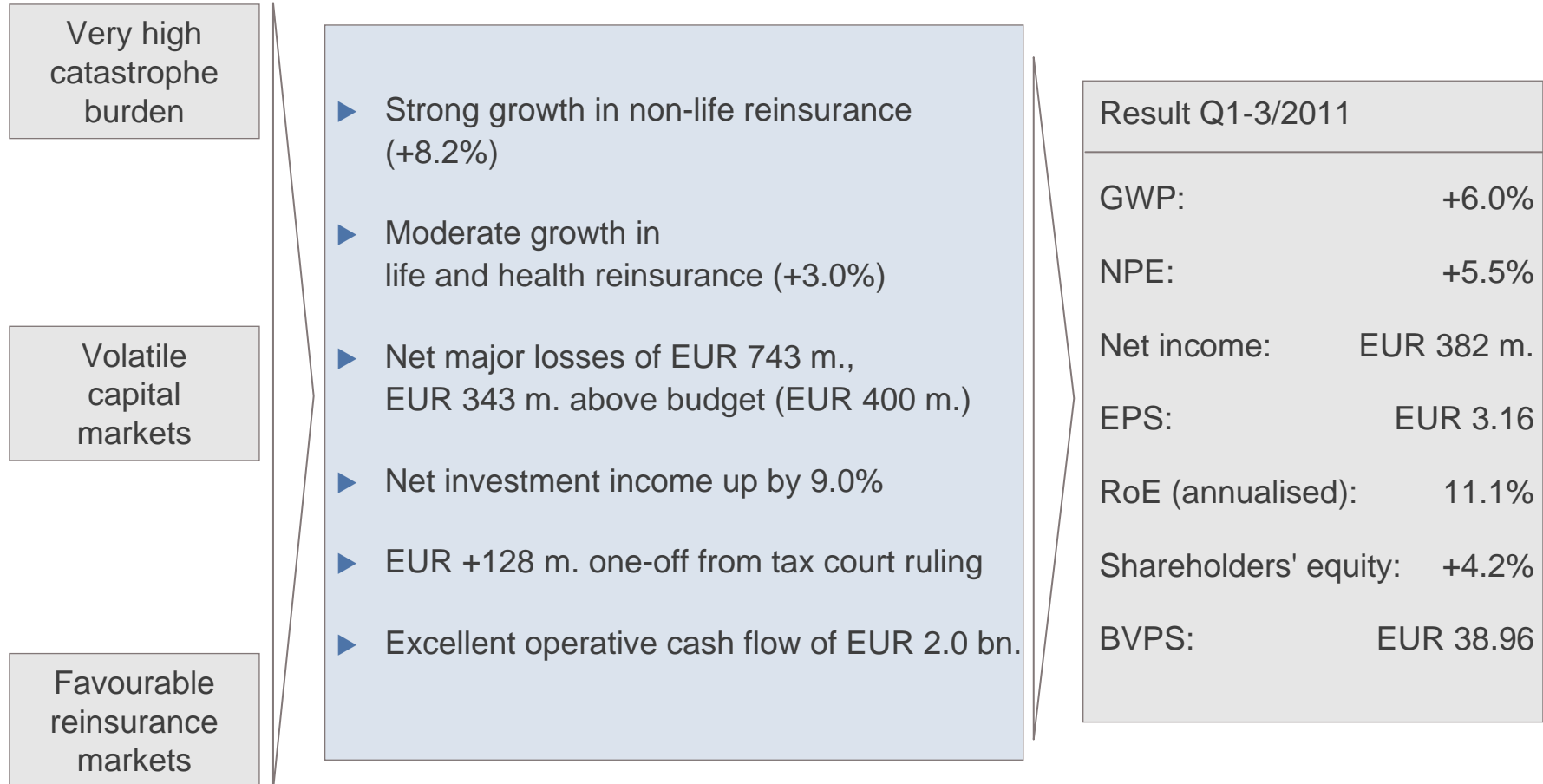
Tactical Asset Allocation <sup>1)</sup>					
Investment category	2007	2008	2009	2010	30.09.2011
<b>Fixed-income securities</b>	<b>79%</b>	<b>89%</b>	<b>87%</b>	<b>84%</b>	<b>88%</b>
• Governmentals	19%	28%	25%	23%	19%
• Semi-governmentals	20%	23%	26%	21%	23%
• Corporates	26%	23%	22%	25%	29%
Investment grade	24%	22%	20%	24%	28%
Non-investment grade	2%	1%	2%	1%	1%
• Pfandbriefe, Covered Bonds, ABS	15%	15%	15%	16%	17% <sup>2)</sup>
<b>Equities</b>	<b>12%</b>	<b>3%</b>	<b>2%</b>	<b>4%</b>	<b>2%</b>
• Listed	10%	< 1%	< 1%	2%	< 1%
• Private Equity	2%	3%	2%	2%	2%
<b>Real Estate/Real Estate Funds</b>	<b>&lt; 1%</b>	<b>&lt; 1%</b>	<b>1%</b>	<b>2%</b>	<b>2%</b>
<b>Others</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>
<b>Short-term investments (STI) &amp; cash</b>	<b>6%</b>	<b>6%</b>	<b>8%</b>	<b>8%</b>	<b>6%</b>
<b>Total balance sheet values in bn. EUR</b>	<b>19.8</b>	<b>20.1</b>	<b>22.5</b>	<b>25.4</b>	<b>27.1</b>

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 345.0 m. (EUR 272.6 m.) as at 30 September 2011

2) Of which Pfandbriefe and Covered bonds = 88%

# Return on equity increased to 11.1% despite Q1 losses

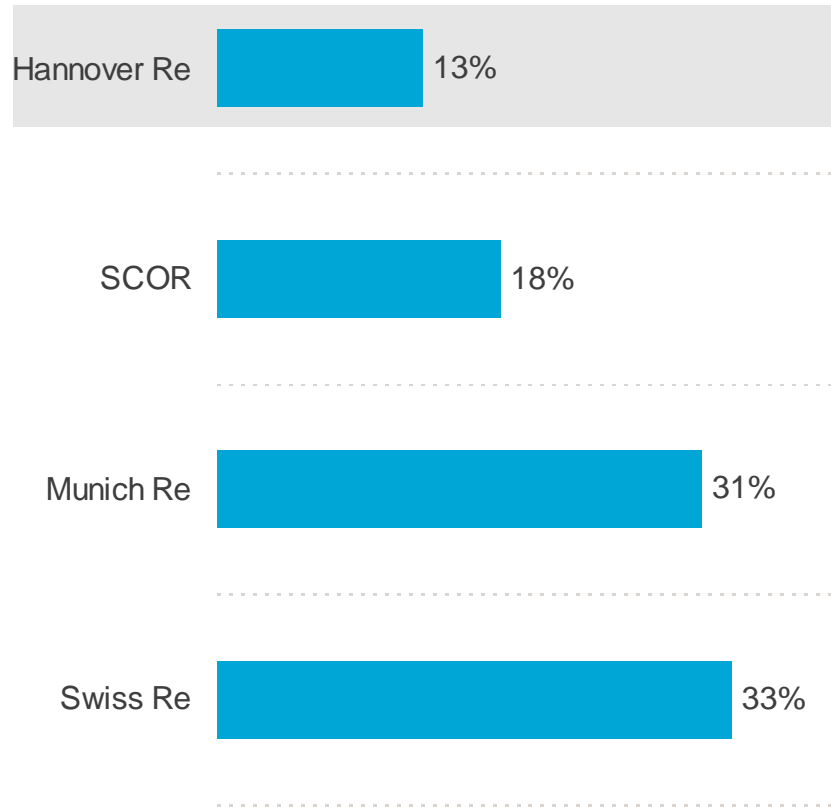
## Overall positive development of Q2 continues in Q3



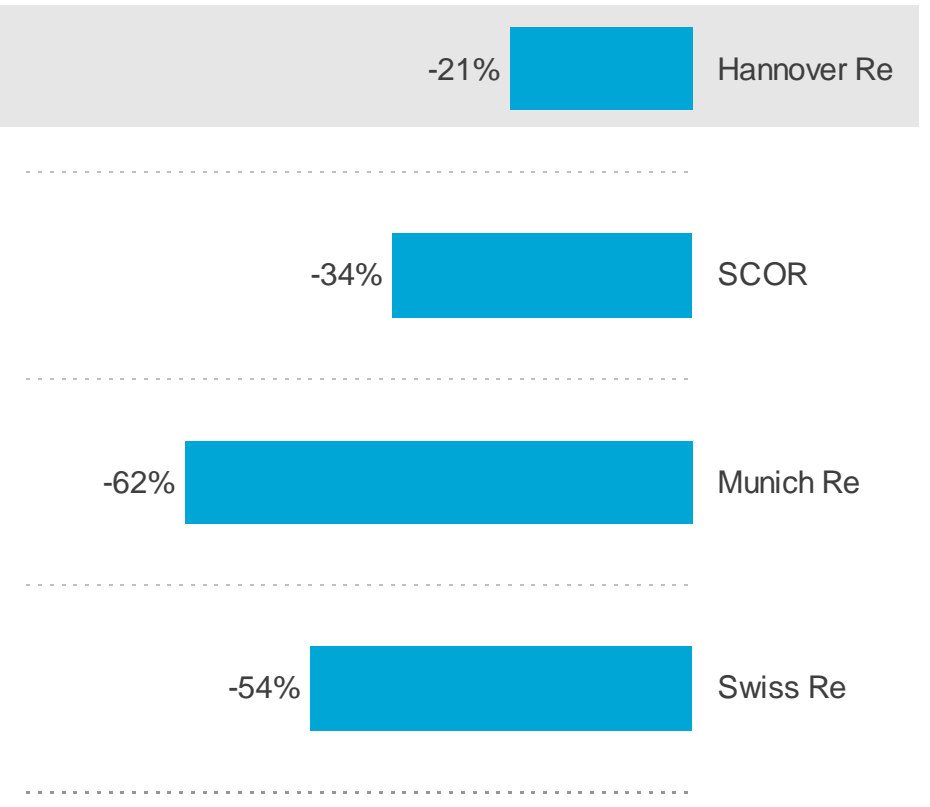
# Hannover Re Cat losses are relatively lower than peers'

## Our retro cover minimised impact on Hannover Re's net income 2011

**Major cat losses as of Q1-3/2011 in % of NPE<sup>1)</sup>**



**Decline of net income 2011 in % due to cat losses<sup>2)</sup>**



1) Source: Aon Benfield (Nat Cat losses as of Q1-3/2011, including Japan EQ, NZ EQ II, Australian events)

2) Source: Figures based on Bloomberg net income consensus estimates as of 1 March 2011 and 31 October 2011 (local currencies)

## Guidance for 2011

### After Q3/2011 we reiterate our net income target

- ▶ Hannover Re Group
  - Gross written premium (GWP)<sup>1)</sup> ..... ~ +7% - +8%
  - Net premium earned (NPE)<sup>1)</sup> ..... ~ +7% - +8%
- ▶ Non-life reinsurance (NPE)<sup>1)</sup> ..... ~ +8% - +10%
- ▶ Life and health reinsurance (NPE)<sup>1)</sup> ..... > +5%
- ▶ Return on investment<sup>2)3)</sup> ..... ~ 3.5%
- ▶ Net income<sup>2)</sup> ..... > EUR 500 m.
- ▶ Dividend pay-out ratio<sup>4)</sup> ..... could exceed 40%

1) At unchanged f/x rates

2) Subject to no major distortions in capital markets and/or major losses in Q4/2011 not significantly exceeding the expected losses

3) Excluding effects from inflation swaps

4) Related to group net income according to IFRS, depending on underwriting result and IFRS equity development in Q4/2011

## Financial calendar

<b>1 February 2012</b>	<b>1 January Non-life Treaty Renewals</b>
14 March 2012	Press Conference on 2011 Annual Results
15 March 2012	Analysts' Conference in Frankfurt and London
3 May 2012	Annual General Meeting
3 May 2012	Interim Report 1/2012
10 August 2012	Interim Report 2/2012
18 October 2012	Investors' Day 2012
6 November 2012	Interim Report 3/2012

Subject to changes

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