



somewhat
different

Conference Call on Interim Report 1/2014

Hannover, 7 May 2014

hannover **re**[®]

Good start to 2014

RoE of 15.3% well in excess of strategic target

Group

▶ Gross written premium:	EUR 3,624 m. (-3.6%)	▶ GWP f/x-adjusted growth of -0.7% mainly due to active cycle management in non-life
▶ Net premium earned:	EUR 2,913 m. (-5.5%)	
▶ EBIT:	EUR 350 m.	▶ Group net income provides good basis for meeting full-year target
▶ Group net income :	EUR 233 m.	
▶ RoE:	15.3%	▶ RoE remains in excess of our minimum target
▶ Book value per share:	EUR 52.26	▶ Book value per share at highest level ever
▶ Shareholders' equity:	EUR 6,302 m.	▶ Shareholders' equity up by 7.0%

Non-life R/I

EBIT: EUR 280 m.

- ▶ Strong profitability (EBIT margin of 17.2%) driven by favourable underwriting result (C/R of 94.4%)
- ▶ Selective underwriting and strict adherence to margin requirements results in decline in premium (f/x-adjusted -1.7%)
- ▶ Only one major loss of net EUR 31 m. reported (1.9% of NPE)

Life and health R/I

EBIT: EUR 66 m.

- ▶ Heading for a normalised EBIT in 2014
- ▶ Overall solid EBIT margin of 5.1%
- ▶ Attractive new business growth offset by reduced premium income from two large financing treaties (f/x-adjusted growth of 0.7%)

Investments

NI: EUR 361 m.

- ▶ RoI of 3.4% above full-year target of 3.2%
- ▶ Ordinary investment income within expected range
- ▶ Realised gains increased due to redemption of subordinated bond and change of the balance sheet currency of our Bermudian entities

Pleasing results supported by strong non-life U/W result

Net investment income above expectations

Group figures in m. EUR	Q1/2013	Q1/2014	Δ
Gross written premium	3,758	3,624	-3.6%
Net premium earned	3,081	2,913	-5.5%
Net underwriting result	31	3	-92.0%
- Incl. funds withheld	125	91	-27.2%
Net investment income	355	361	+1.8%
- From assets under own mgmt.	261	273	+4.5%
- From funds withheld	94	89	-5.6%
Other income and expenses	(20)	(14)	-28.3%
Operating profit/loss (EBIT)	367	350	-4.6%
Interest on hybrid capital	(31)	(28)	-11.4%
Net income before taxes	335	322	-4.0%
Taxes	(87)	(62)	-28.0%
Net income	249	259	+4.4%
- Non-controlling interests	17	27	+52.6%
Group net income	231	233	+0.7%
Retention	89.9%	88.4%	
EBIT margin (EBIT/Net premium earned)	11.9%	12.0%	
Tax ratio	25.8%	19.4%	
Earnings per share	1.92	1.93	

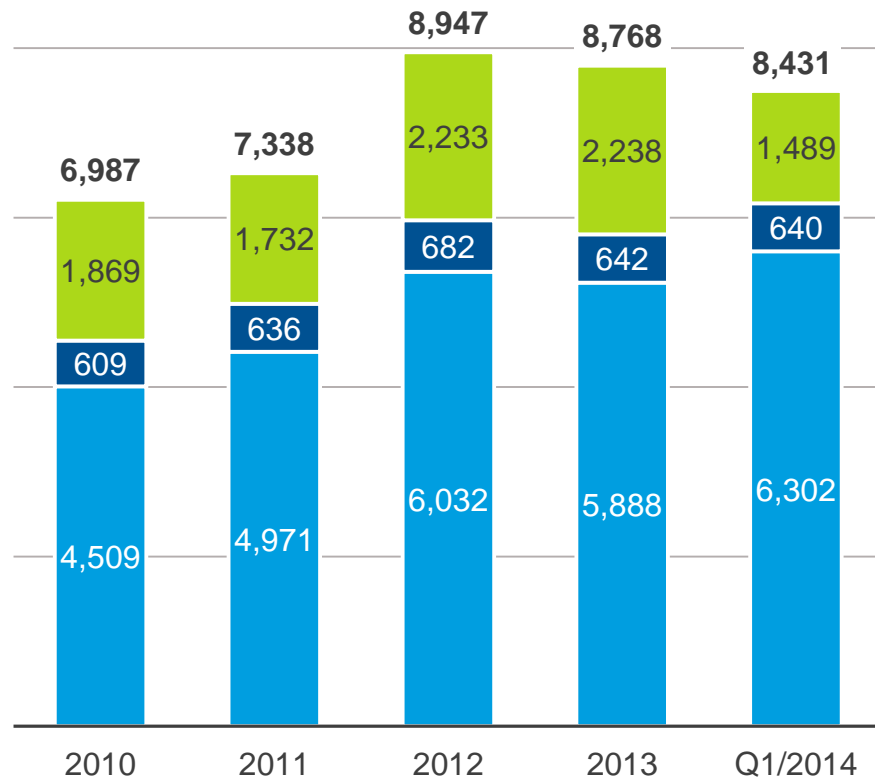
YTD

- ▶ GWP f/x-adjusted growth of -0.7% mainly due to active cycle management in non-life
- ▶ NPE f/x-adjusted growth of -2.6%
- ▶ Tax ratio below expectation mainly affected by relatively high income contribution from subsidiaries in lower-tax countries

Shareholders' equity increased by 7%

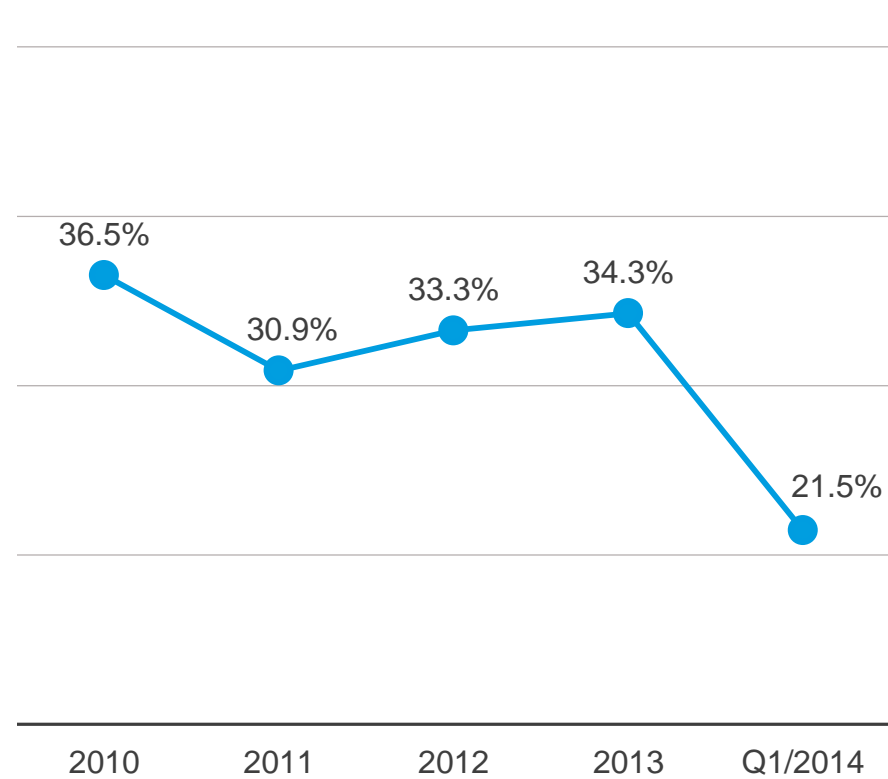
Financial leverage reduced due to EUR 750 m. subordinated bond redemption

Policyholders' surplus in m. EUR



■ Shareholders' equity ■ Non-controlling interests ■ Hybrid

Financial leverage development*

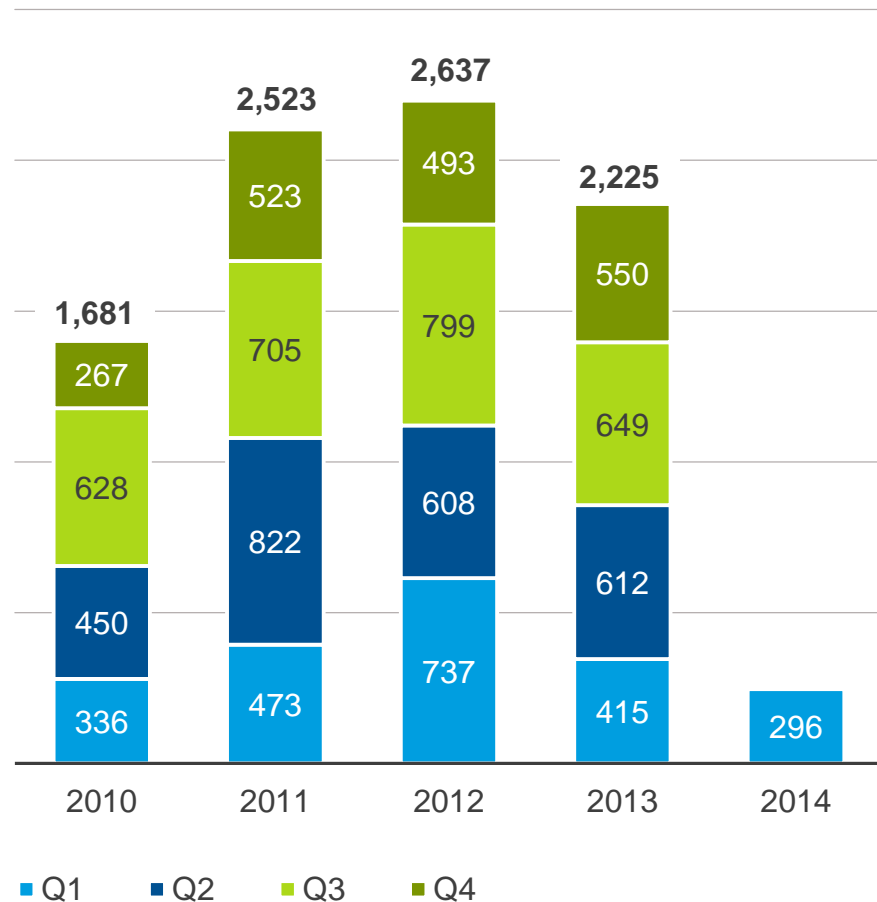


* Hybrid vs. shareholders' equity (incl. non-controlling interests)

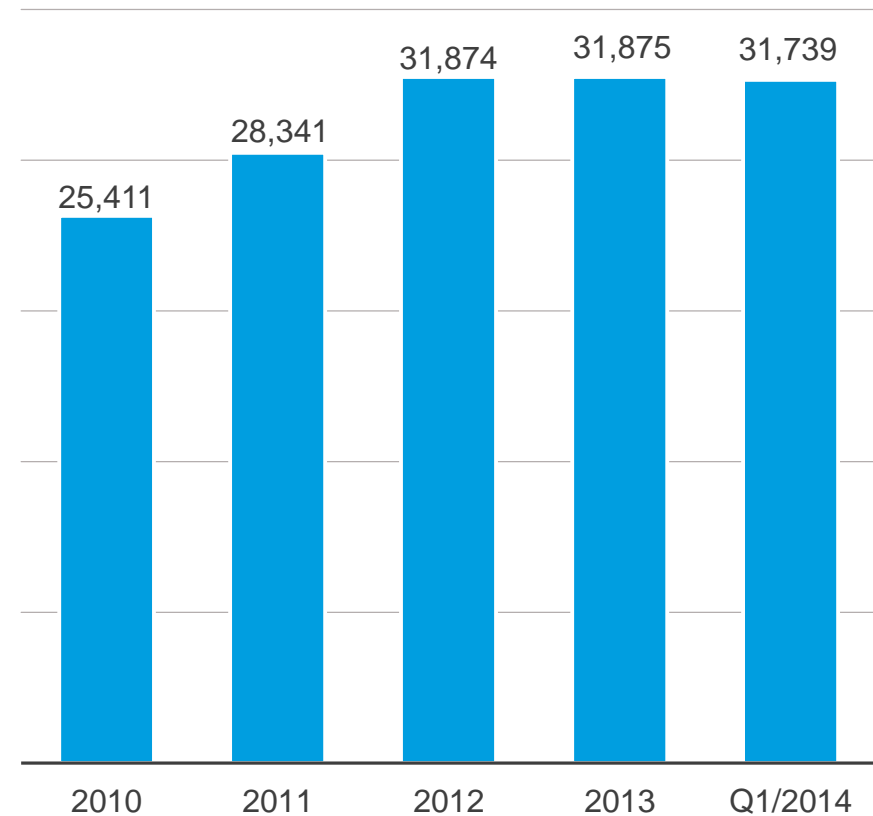
Continued positive cash flow

Stable AuM despite redemption of EUR 750 m. hybrid bond

Operating cash flow in m. EUR



Assets under own management (AuM) in m. EUR



Excellent results

Underwriting and investment income contributed positively

Non-life reinsurance in m. EUR	Q1/2013	Q1/2014	Δ
Gross written premium	2,198	2,108	-4.1%
Net premium earned	1,692	1,632	-3.6%
Net underwriting result incl. funds withheld	102	91	-10.1%
Combined ratio incl. interest on funds withheld	94.0%	94.4%	+0.4%p
Net investment income from assets under own management	183	201	+9.7%
Other income and expenses	(26)	(12)	-54.4%
Operating profit/loss (EBIT)	259	280	+8.4%
Tax ratio	25.8%	23.3%	-2.5%p
Group net income	175	198	+13.1%
Earnings per share	1.45	1.64	

YTD

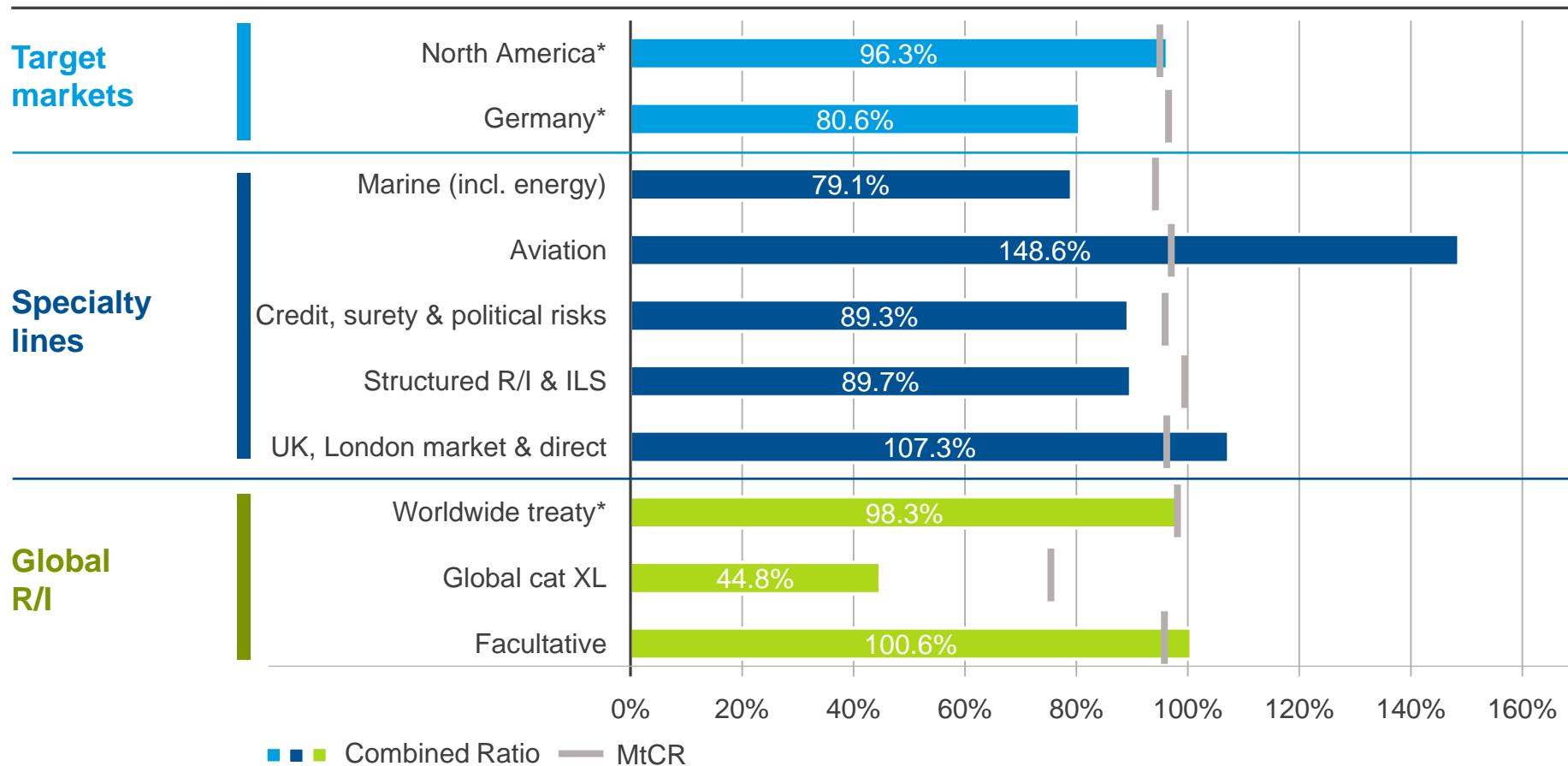
- ▶ GWP f/x-adjusted growth -1.7% as a result of active cycle management in a competitive market, e.g. reduced premium income from NatCat business
- ▶ Only one major loss of EUR 31 m. (1.9% of NPE) well below budget of EUR 156 m. for Q1/2014
- ▶ Increased level of realisations predominantly in connection with bond redemption and the change of the balance sheet currency of our Bermudian entities
- ▶ Minor impact from inflation swaps (EUR -1.2 m.)
- ▶ EBIT margin of 17.2% (Q1/2013: 15.3%) well above target

Most lines outperform the MtCR

Aviation hit by the Malaysian Airline loss

Combined Ratio Q1/2014 vs. MtCR

in %



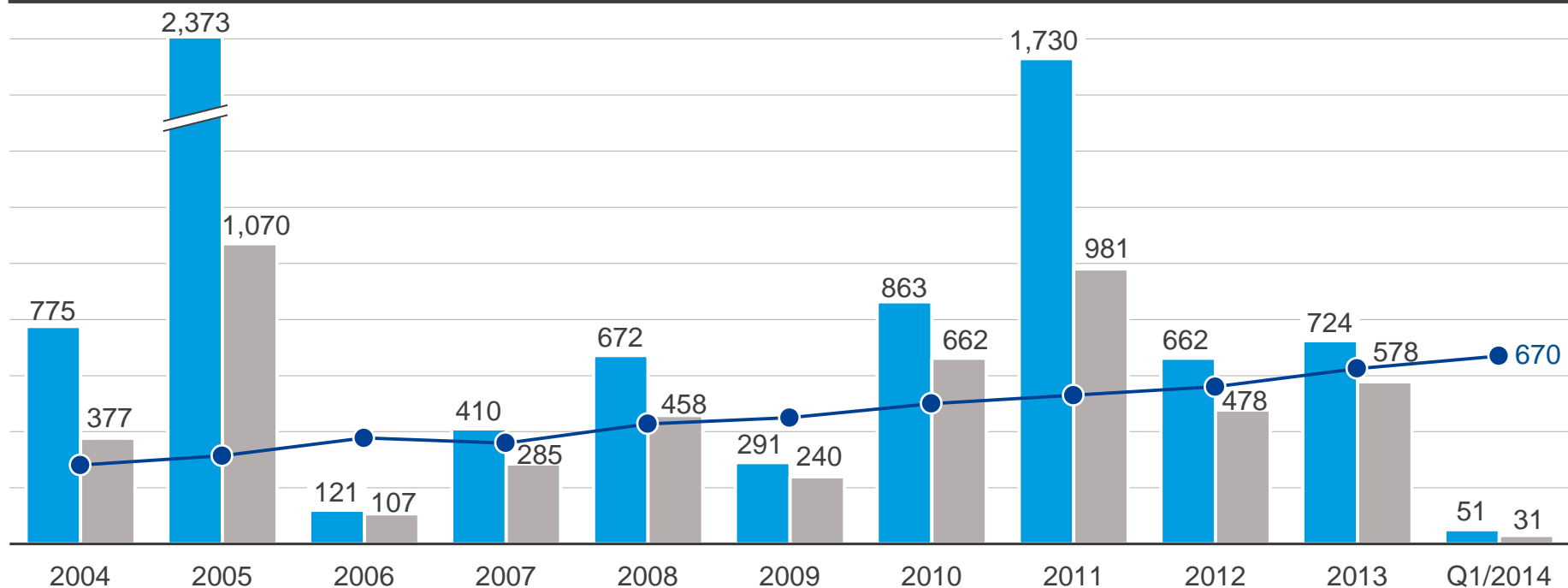
MtCR = Maximum tolerable Combined Ratio

* All lines of non-life reinsurance except those stated separately

Only one major loss reported in Q1/2014

Natural and man-made catastrophe losses¹⁾

in m. EUR



Natural and man-made catastrophe losses in % of non-life premium²⁾

10%	34%	2%	8%	13%	5%	14%	25%	9%	9%	2%
7%	20%	2%	6%	11%	5%	12%	16%	7%	8%	2%

■ Gross ■ Net ●-● Expected net catastrophe losses

1) Up to 2011 claims over EUR 5 m. gross, from 2012 onwards claims over EUR 10 m. gross

2) 2004 - 2006 adjusted to new segmentation

Heading for a normalised result in 2014

Solid EBIT margin

Life and health R/I in m. EUR	Q1/2013	Q1/2014	Δ
Gross written premium	1,560	1,517	-2.8%
Net premium earned	1,389	1,281	-7.8%
Net underwriting result incl. funds withheld	24	(1)	-102.6%
Net investment income from assets under own management	72	67	-6.8%
Other income and expenses	7	(1)	-116.6%
Operating profit/loss (EBIT)	102	66	-36.0%
EBIT margin	7.4%	5.1%	-2.3%p
Tax ratio	26.2%	19.6%	-6.6%p
Group net income	75	43	-42.2%
Earnings per share	0.62	0.36	

YTD

- ▶ GWP f/x-adjusted growth +0.7%, mainly from China and longevity business; offset by reduced premium income from two large financing treaties
- ▶ Increased retention mainly due to retrocession for UK BAT
- ▶ Technical result slightly below expectations
- ▶ NII at expected level; minor impact from ModCo derivatives (EUR +1.6 m.)
- ▶ EBIT margins:
 - Financial Solutions and Longevity business: 5.9% above target of 2%
 - Mortality and Morbidity business: 4.5% below target of 6%

Ordinary result in line with expectation

Realised gains mainly due to bond redemption and f/x-change of Bermudian entities

in m. EUR	Q1/2013	Q1/2014	RoI
Ordinary investment income*	247	244	3.1%
Realised gains/losses	35	54	0.7%
Impairments/appreciations & depreciations	(3)	(6)	-0.1%
Change in fair value of financial instruments	3	7	0.1%
Investment expenses	(21)	(28)	-0.3%
NII from assets under own mgmt.	261	273	3.4%
NII from funds withheld	94	89	
Total net investment income	355	361	

Change in fair value of financial instruments	31 Dec 13	31 Mar 14
Fixed income (AFS)	426	669
Fixed income (HTM, L&R)	342	379
Equities and shares in limited partnerships	284	299
Total	1,052	1,347






* Incl. results from associated companies

YTD

- ▶ Continued low interest rate impacts ordinary income; but in line with plan
- ▶ Realisations above average predominantly in connection with bond redemption of EUR 750 m. and the change in the balance sheet currency from EUR to USD of our Bermudian entities
- ▶ Change in fair value of financial instruments: minor influence of inflation swaps and ModCo derivatives
- ▶ Valuation reserves increased from year-end levels due to decreasing yields

Target Matrix 2014

Most targets achieved

Business group	Key figures	Strategic targets	Q1/2014
Group	Return on investment ¹⁾	≥3.2%	3.4 % 
	Return on equity	≥9.6% ²⁾	15.3% 
	Earnings per share growth (y-o-y)	≥10%	0.7%
	Value creation per share ³⁾	≥10%	n.a.
Non-life reinsurance	Gross premium growth ⁴⁾	3% - 5%	-1.7%
	Combined ratio	≤96% ⁵⁾	94.4% 
	EBIT margin ⁶⁾	≥10%	17.2% 
	xRoCA ⁷⁾	≥2%	n.a.
Life and health reinsurance	Gross premium growth ⁸⁾	5% - 7%	0.7%
	Value of New Business (VNB)	≥EUR 180 m.	n.a.
	EBIT margin ⁶⁾ financial solutions/longevity business	≥2%	5.9% 
	EBIT margin ⁶⁾ mortality and morbidity business	≥6%	4.5%
	xRoCA ⁷⁾	≥3%	n.a.

1) Excl. inflation swaps and ModCo

3) Growth of book value + paid dividend

5) Incl. expected net major losses of EUR 670 m.

7) Excess return on the allocated economic capital

2) 750 bps above 5-year rolling average of 10-year German government-bond rate ("risk free"), after tax

4) In average throughout the cycle; at unchanged f/x rates

6) EBIT/net premium earned

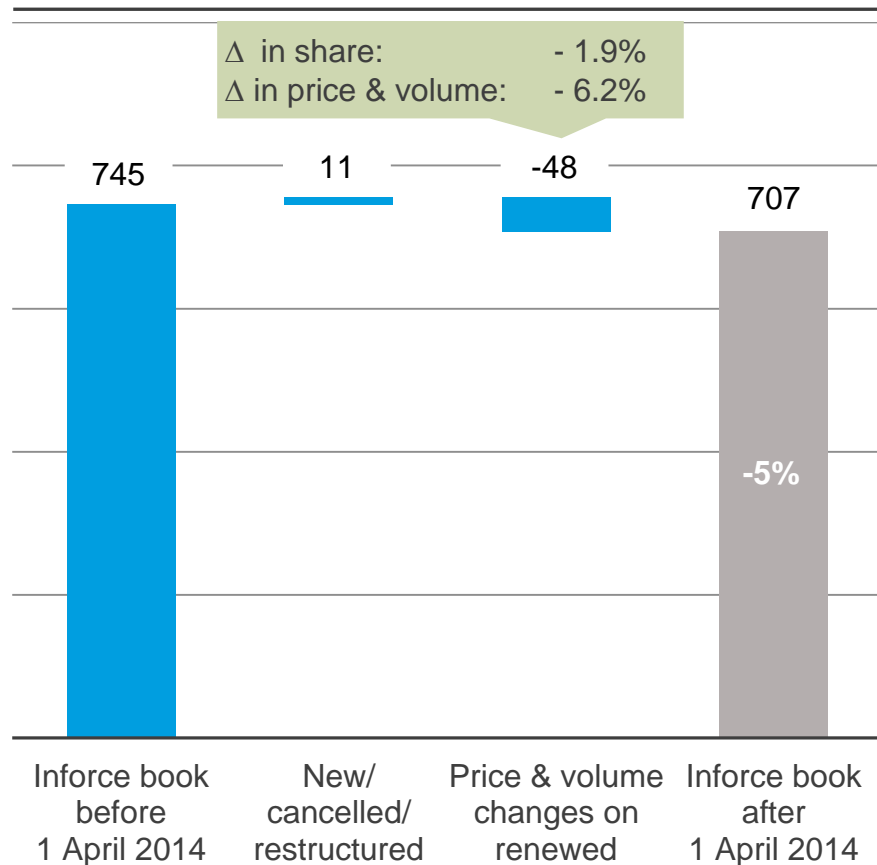
8) Organic growth only; at unchanged f/x rates; 5-year CAGR

Outlook 2014

5% decrease in premium reflects cycle management

Non-life treaty renewals: 2 January 2014 - 1 April 2014

April renewals in m. EUR



- ▶ Volume reflects strict adherence to margin requirements
- ▶ Japan
 - Market volume down due to consolidations
 - Successful business relationships with three large clients led to additional business
 - In total 6% decrease in premium volume at stable market share
- ▶ Agriculture
 - Additional business due to initiatives in China and India
- ▶ UK
 - Premium decrease in double-digit EURm.-range due to discontinuation of one large account
- ▶ Global cat volume decreases by 5%

At unchanged f/x rates

Guidance for 2014

Major loss budget of EUR 670 m.

Hannover Re Group

- ▶ Gross written premium¹⁾ _____ flat to low single-digit growth rate
- ▶ Return on investment²⁾ _____ ~ 3.2%
- ▶ Group net income³⁾ _____ ~ EUR 850 m.
- ▶ Dividend pay-out ratio⁴⁾ _____ 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

Overall largely stable portfolio with continued good quality

Development of non-life reinsurance lines of business (FY 2014e)

	Lines of business	Volume ¹⁾	Profitability ²⁾
Target markets	North America ³⁾		+
	Germany ³⁾		+
Specialty lines	Marine (incl. energy)		++
	Aviation		+/-
	Credit, surety & political risks		+
	Structured R/I & ILS		+/-
	UK, London market & direct		+/-
Global R/I	Worldwide treaty ³⁾		+
	Global cat XL		+
	Facultative		+

1) Premium development in EUR at unchanged f/x rates

2) ++ = well above CoC; + = above CoC; +/- = CoC earned; - = below Cost of Capital (CoC)

3) All lines of business except those stated separately

Life and health R/I profitability back on track in 2014

Positive contributions from all reporting categories






	Reporting categories	Volume ¹⁾	Profitability ²⁾
Financial Solutions	Financial Solutions	→	++
	Longevity	↗	+
Risk Solutions	Mortality	→	+
	Morbidity	→	+/-

1) Premium development in EUR at unchanged f/x rates

2) ++ = well above CoC; + = above CoC; +/- = CoC earned; - = below Cost of Capital (CoC)

We are confident of achieving the 2014 profit guidance

Net income ~ EUR 850 m.

-  We expect that our life and health result will improve significantly compared to 2013
-  Further strengthening of the confidence level of our non-life reserves may be limited due to 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
-  Declining 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.

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Appendix

Our strategic business groups at a glance

Q1/2014 vs. Q1/2013

in m. EUR	Non-life reinsurance		Life and health reinsurance		Total	
	Q1/2013	Q1/2014	Q1/2013	Q1/2014	Q1/2013	Q1/2014
Gross written premium	2,198	2,108	1,560	1,517	3,758	3,624
Change in GWP	-	-4.1%	-	-2.8%	-	-3.6%
Net premium earned	1,692	1,632	1,389	1,281	3,081	2,913
Net underwriting result	98	88	(67)	(85)	31	3
Net underwriting result incl. funds withheld	102	91	24	(1)	125	91
Net investment income	187	205	162	152	355	361
From assets under own management	183	201	72	67	261	273
From funds withheld	4	4	90	85	94	89
Other income and expenses	(26)	(12)	7	(1)	(20)	(14)
Operating profit/loss (EBIT)	259	280	102	66	367	350
Interest on hybrid capital	(0)	(0)	(0)	0	(31)	(28)
Net income before taxes	259	280	102	66	335	322
Taxes	(67)	(65)	(27)	(13)	(87)	(62)
Net income	192	215	76	53	249	259
Non-controlling interest	17	17	0	9	17	27
Group net income	175	198	75	43	231	233
Retention	89.8%	91.2%	90.0%	84.5%	89.9%	88.4%
Combined ratio (incl. interest on funds withheld)	94.0%	94.4%	98.3%	100.0%	95.9%	96.9%
EBIT margin (EBIT / Net premium earned)	15.3%	17.2%	7.4%	5.1%	11.9%	12.0%
Tax ratio	25.8%	23.3%	26.2%	19.6%	25.8%	19.4%
Earnings per share	1.45	1.64	0.62	0.36	1.92	1.93

Asset allocation largely unchanged

Assets under management volume stable despite bond redemption in February

Tactical asset allocation¹⁾

Investment category	2010	2011	2012	2013	Q1/2014
Fixed-income securities	84%	89%	91%	89%	89%
- Governments	23%	19%	19%	19%	20%
- Semi-governments	21%	23%	23%	20%	19%
- Corporates	25%	30%	32%	34%	34%
Investment grade	24%	29%	30%	33%	33%
Non-investment grade	1%	1%	2%	2%	2%
- Pfandbriefe, Covered Bonds, ABS	16%	16%	17%	15%	15% ²⁾
Equities	4%	2%	2%	2%	2%
- Listed	2%	<1%	<1%	<1%	<1%
- Private Equity	2%	2%	2%	2%	2%
Real estate/real estate funds	2%	2%	2%	4%	4%
Others	2%	2%	2%	2%	2%
Short-term investments & cash	8%	5%	3%	4%	4%
Total balance sheet values in bn. EUR	25.4	28.3	31.9	31.9	31.7

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 623.2 m. (EUR 598.5 m.) as at 31 March 2014

2) Of which Pfandbriefe and Covered Bonds = 83.1%

Stress tests on assets under own management

Unchanged focus on the credit portfolio

Portfolio	Scenario	Change in market value in m. EUR	Changes in OCI before tax in m. EUR
Equity prices	-10%	-3	-3
	-20%	-6	-6
Yield curves	+50 bps	-642	-521
	+100 bps	-1,254	-1,019
Credit spreads	+50%	-621	-574

As at 31 March 2014

Fixed-income book well balanced

Allocation reflects reinsurance liabilities

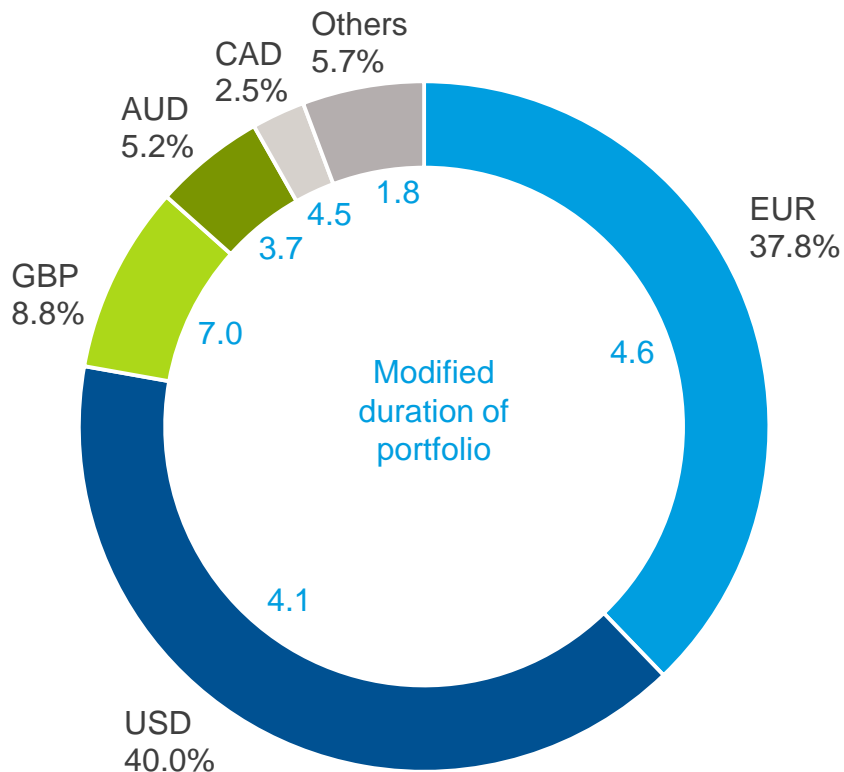
	Governments	Semi-governments	Corporates	Pfandbriefe, Covered Bonds, ABS	Short-term investments, cash	Total
AAA	18.5%	49.5%	1.5%	62.8%	-	25.8%
AA	65.2%	46.9%	15.2%	14.6%	-	33.4%
A	9.8%	2.3%	48.0%	10.4%	-	23.2%
BBB	5.2%	1.2%	29.2%	7.1%	-	14.0%
<BBB	1.2%	0.2%	6.1%	5.1%	-	3.6%
Total	100.0%	100.0%	100.0%	100.0%	-	100.0%
Germany	8.7%	41.4%	5.5%	24.7%	30.2%	17.6%
UK	8.8%	2.9%	8.6%	9.8%	3.0%	7.4%
France	8.3%	3.6%	6.2%	7.9%	1.2%	6.2%
GIIPS	2.6%	0.5%	3.6%	8.5%	0.0%	3.3%
Rest of Europe	11.0%	22.9%	19.4%	30.3%	3.7%	19.4%
USA	43.5%	9.2%	35.5%	4.5%	11.7%	26.0%
Australia	3.7%	7.9%	7.9%	8.9%	14.9%	7.4%
Asia	7.7%	2.2%	4.4%	0.0%	25.6%	4.8%
Rest of World	5.7%	9.4%	8.9%	5.4%	9.8%	7.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total b/s values in bn. EUR	6,443	6,054	11,001	4,626	1,182	29,307

As at 31 March 2014

Currency allocation matches liability profile of balance sheet

Active asset liability management ensures durational match to a large extent

Currency split of investments



- ▶ Modified duration of fixed income mainly congruent with liabilities
- ▶ GBP's higher modified duration predominantly due to life business

Modified duration

2013	4.4
2012	4.5
2011	4.2

Modified duration as at 31 March 2014: 4.4 (31 December 2013: 4.4)

Market sensitivity of inflation hedges

Roll down of discount effects on a rather stable curve of expectations

- ▶ Average hedged inflation level of 2.03% (EUR) and 2.46% (USD) p.a.
 - P&L effect YTD EUR -1.2 m. (thereof -3.7 m. EUR; +2.5 m. EUR of USD)
 - OCI effect YTD EUR +0.5 m. (thereof -1.7 m. EUR; +2.2 m. EUR of USD)
- ▶ Instruments held as inflation hedges (31 March 2014) with volume of EUR 3,315 m.
 - EUR 2,767 m. equivalent swap volume with average duration of 1.1 years
 - EUR 547 m. volume of inflation linker with average duration of 5.1 years
- ▶ Sensitivity to inflation risk:

in m. EUR	Inflation Swaps: Change in market value through P/L	Inflation Linked Bonds: Change in market value through OCI	Total economic inflation effect before taxes
Inflation expectation*: +100 BP	+31	+30	+61
Inflation expectation*: -100 BP	-31	-29	-60
Inflation expectation*: +400 BP	+128	+128	+256

* CPI - Consumer Price Index (US inflation index)

HICP - Harmonised Indices of Consumer Prices (EU inflation index; actually traded is the sub-index HICP ex tobacco)

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