1 Jan 2016 Property & Casualty Treaty Renewals

Hannover, 3 February 2016

hannover re®

Important note

- Unless otherwise stated, the **renewals part** of the presentation is based on **Underwriting-Year (U/Y) figures**. This basis is only remotely comparable with Financial-Year (FY) figures, which are the basis of quarterly and annual accounts.
- The situation shown in this presentation exclusively reflects the developments in **Hannover Re's portfolio**, which may not be indicative of the market development.
- Pricing includes changes in risk-adjusted exposure, claims inflation and interest rates.
- Portfolio developments are measured at **constant foreign exchange rates** as at 31 December 2015.

Reinsurance markets

Competition continued to be intense

Reinsurance market highlights

- 4th consecutive year with NatCat losses below expectation and very good results posted by almost all market participants
- 3rd consecutive year with rate reductions leaves the P&C R/I business with clearly reduced margins
- Persistent low interest rate environment and currency influences impacted capacity supply and underwriting discipline
- Continued pressure on pricing, but largely stable terms and conditions
- Excess of R/I supply (from alternative capital and reinsurers) continues to increase
- Increased M&A activity in 2015 had partly positive/partly negative effect on R/I buying behaviour
- Broadening spectrum of coverage and types of placements
  - Stronger interest in multi-year coverages signals that market participants expect bottoming of the cycle
  - Innovation leading to new sources of income (e.g. cyber)
  - Risk-based solvency regulations introduced in several regions impacted R/I demand

Our results

Challenging renewals overall despite our selective U/W approach

HR's position in line with the strategy "long-term success in a competitive business"

- We continued to be a preferred reinsurer thanks to our superior rating, our excellent client relationship management and our broad diversification by line of business and territory, but we could not totally isolate ourselves from the overall market trend
- Showing continued to be excellent and enabled us to successfully concentrate on business that meets our margin requirements
- In the light of the current phase of the cycle, we kept our capital allocated to NatCat unchanged at 16% with an eye to reduced prices and volatility management
- In keeping with our cycle management in this soft market we did not hold back from giving up premium, especially in marine and aviation
- On the other hand, some areas of business such as German motor, US property and casualty and China continued to show a good rating quality which allowed us to increase our involvement there
- Terms and conditions largely stable
- In order to steer our net risk appetite, we purchased more retrocession
- HR is very well positioned in the soft market with conservative loss reserve buffers and a management expense ratio well below our peers’

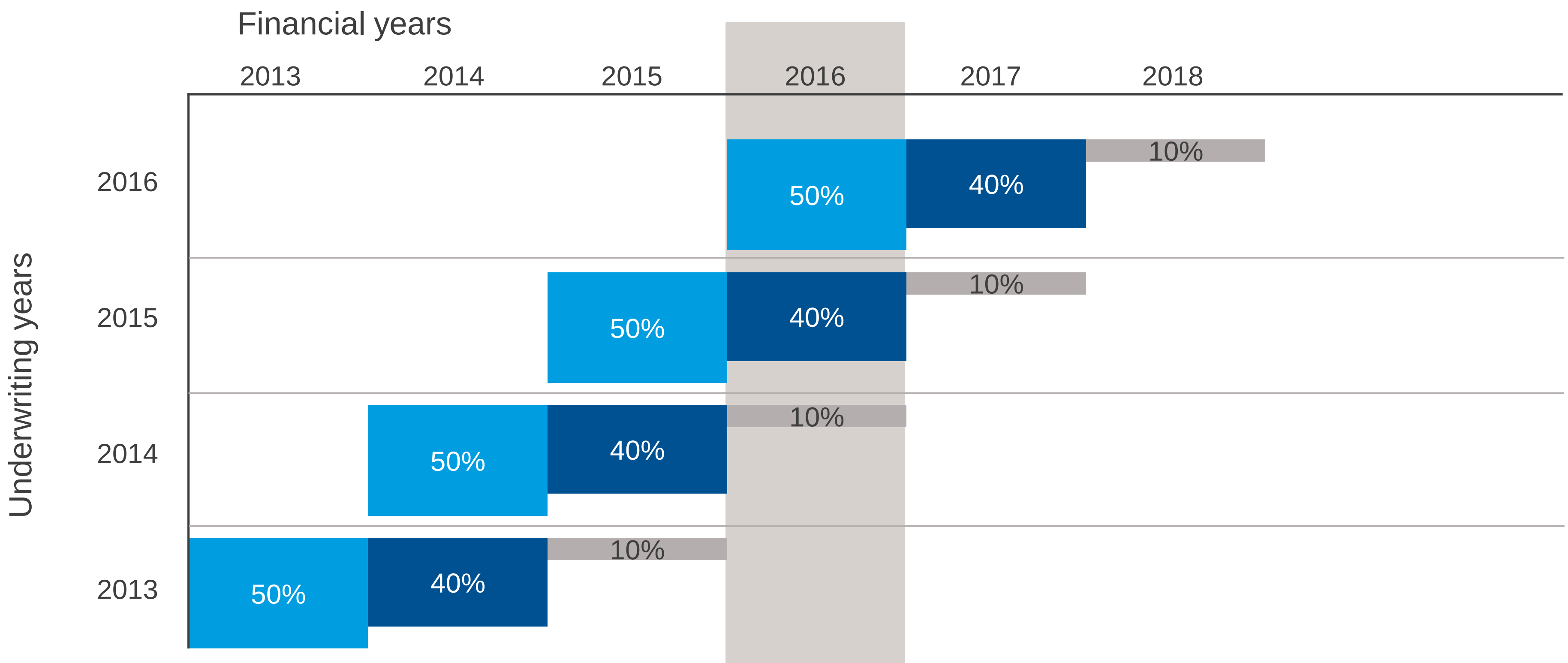
Pricing quality should still enable us to earn our cost of capital

hannover re®

Time lag between underwriting year and financial year

2016 financial year reflects pricing quality for 2014, 2015 and 2016 underwriting year

Premium distribution



hannover re®

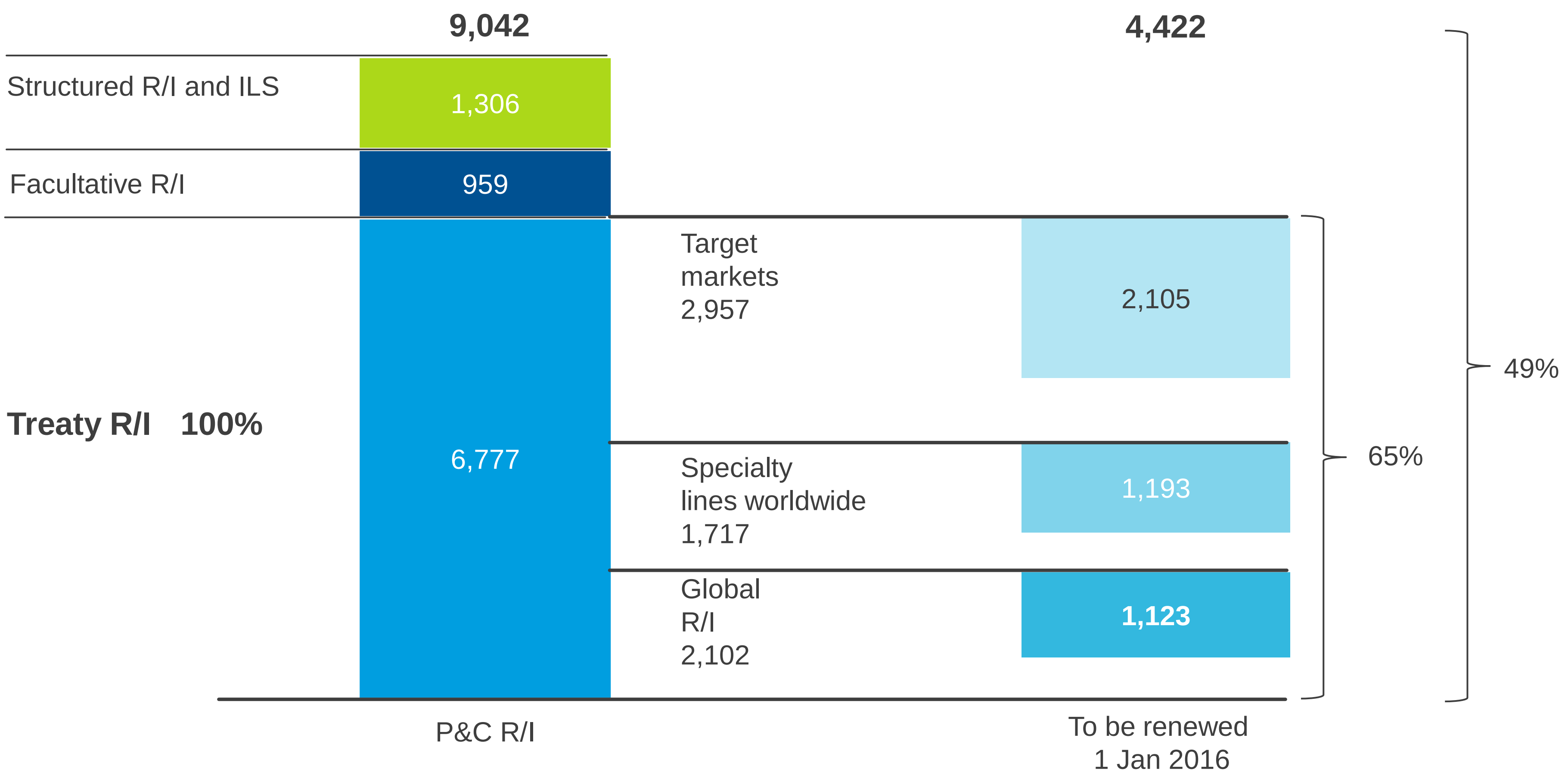
Our portfolio

65% of treaty reinsurance (R/I) renewed 1 January 2016

Equates to 49% of the total P&C premium

Estimated premium income U/Y 2016

in m. EUR

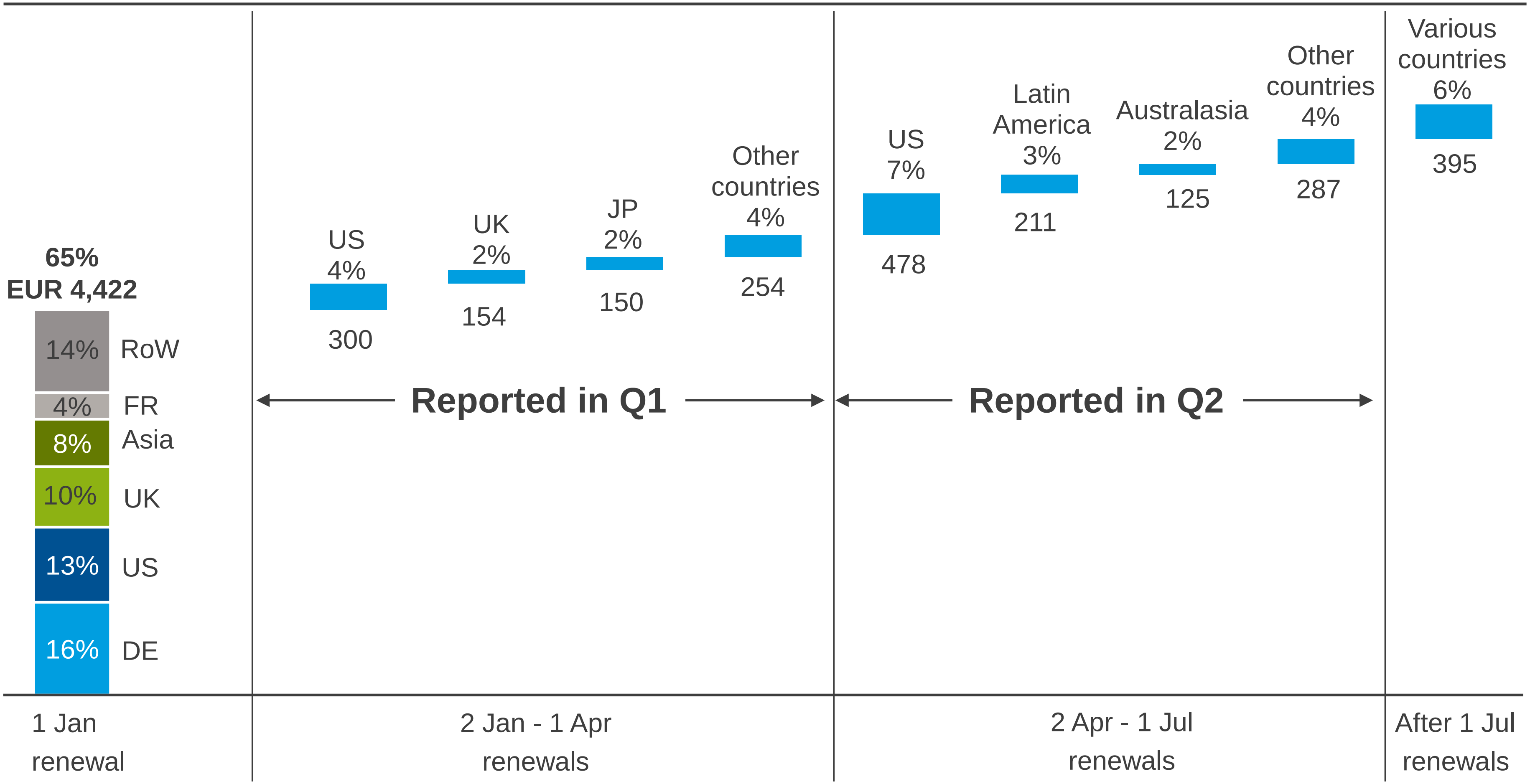


hannover re®

65% of treaty reinsurance (R/I) renewed 1 January 2016

Renewals split in 2016

Traditional treaty reinsurance (excl. structured R/I & ILS and facultative R/I) in m. EUR



Based on 2015 U/Y

hannover re®

Premium development overall rather stable ...
... but varies by line of business

Property & Casualty reinsurance	Lines of business	1/1/2015 Premium[1)]	Variance	1/1/2016 Premium[1)]
Target markets	North America[2)]	765	+8.5%	830
	Continental Europe[2)]	1,340	-3.0%	1,299
Specialty lines worldwide	Marine	208	-8.9%	189
	Aviation	210	-17.8%	172
	Credit, surety and political risks	467	-2.3%	456
	UK, Ireland, London market and direct	309	+5.5%	326
	Facultative R/I		Not reported	
Global R/I	Worldwide treaty[2)] R/I	982	-3.5%	948
	Cat XL	141	-5.5%	133
	Structured R/I and ILS		Not reported	
Total 1 Jan renewals		**4,422**	**-1.5%**	**4,355**

1) Premium estimates in m. EUR at unchanged f/x rates
2) All lines of business except those stated separately

hannover re®

Persistent broad softening of non-proportional business

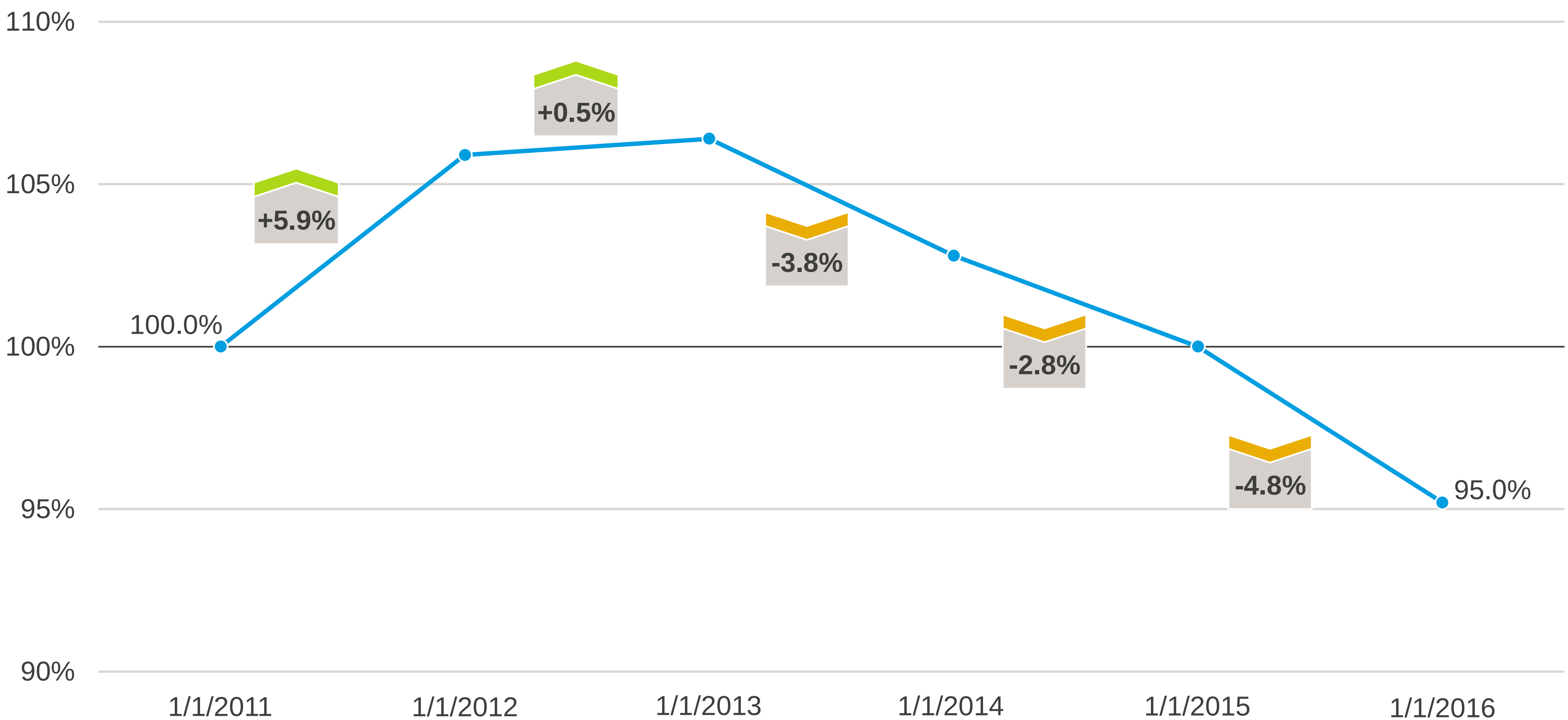
Non-proportional	Lines of business	1/1/2015 Of total premium[1)]	1/1/2016 Of total premium[1)]	XL price changes
Target markets	North America[2)]	56%	52%	-4.0%
	Continental Europe[2)]	27%	28%	-2.0%
Specialty lines worldwide	Marine	61%	60%	-13.0%
	Aviation	15%	13%	-12.0%
	Credit, surety and political risks	13%	14%	-4.3%
	UK, Ireland, London market and direct	30%	26%	-6.7%
	Facultative R/I	Not reported		
Global R/I	Worldwide treaty[2)] R/I	11%	11%	-0.7%
	Cat XL	100%	100%	-8.1%
	Structured R/I and ILS	Not reported		
Total 1 Jan renewals		**31%**	**30%**	**-4.8%**

1) Non-proportional premium estimates at unchanged f/x rates
2) All lines of business except those stated separately

hannover re®

Rating level for the first time below 2011 for non-prop. business

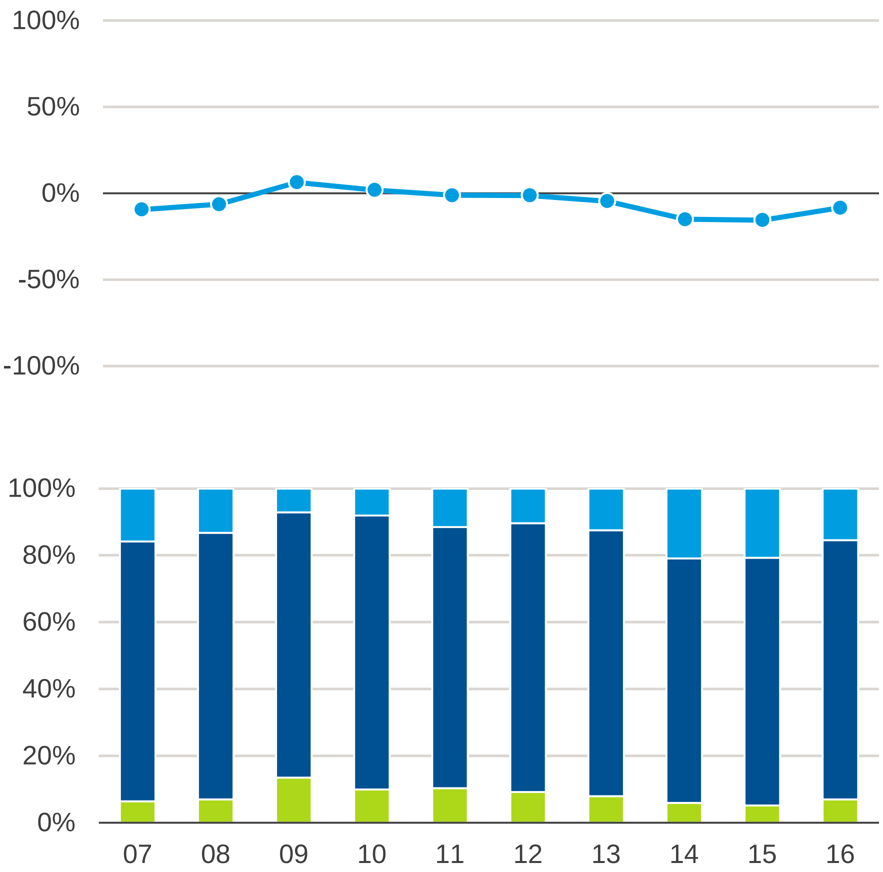
XL price changes on 1 January renewals



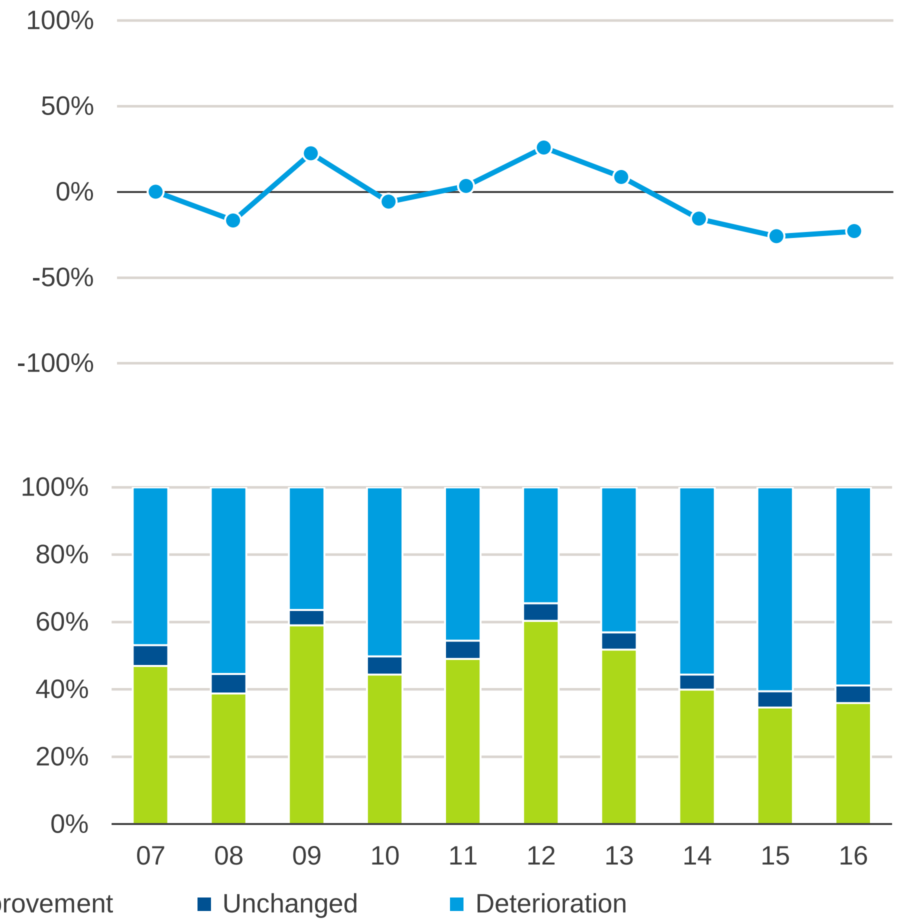
Stabilising of proportional commissions ...

... but continued RoL decreases

Number of proportional treaties[1)]



Number of non-proportional treaties[2)]



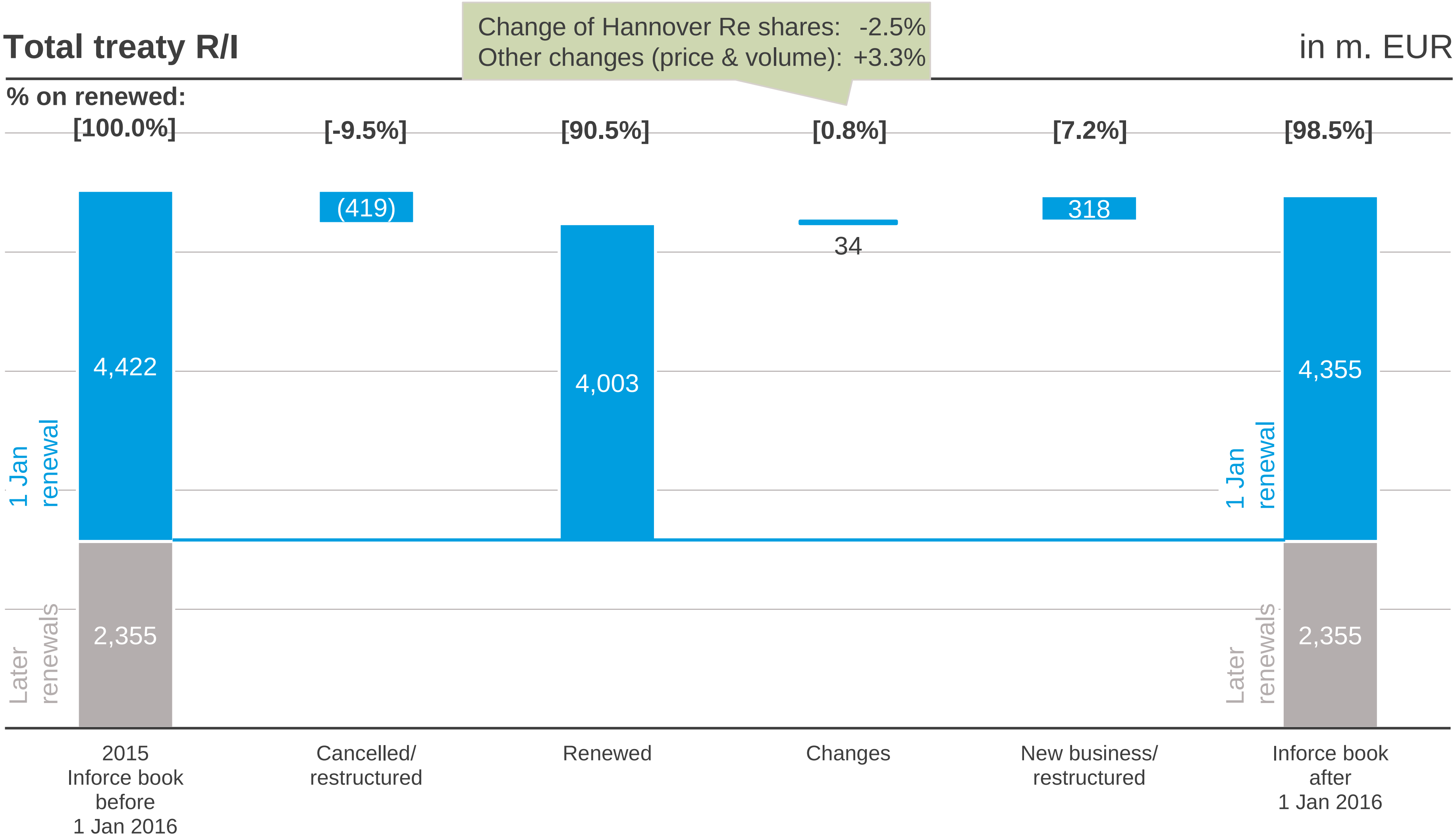
1) Comparison of commission

2) Comparison of Rate on Line (RoL)

As a leading reinsurer we kept our premium largely stable ...
... due to our diversification

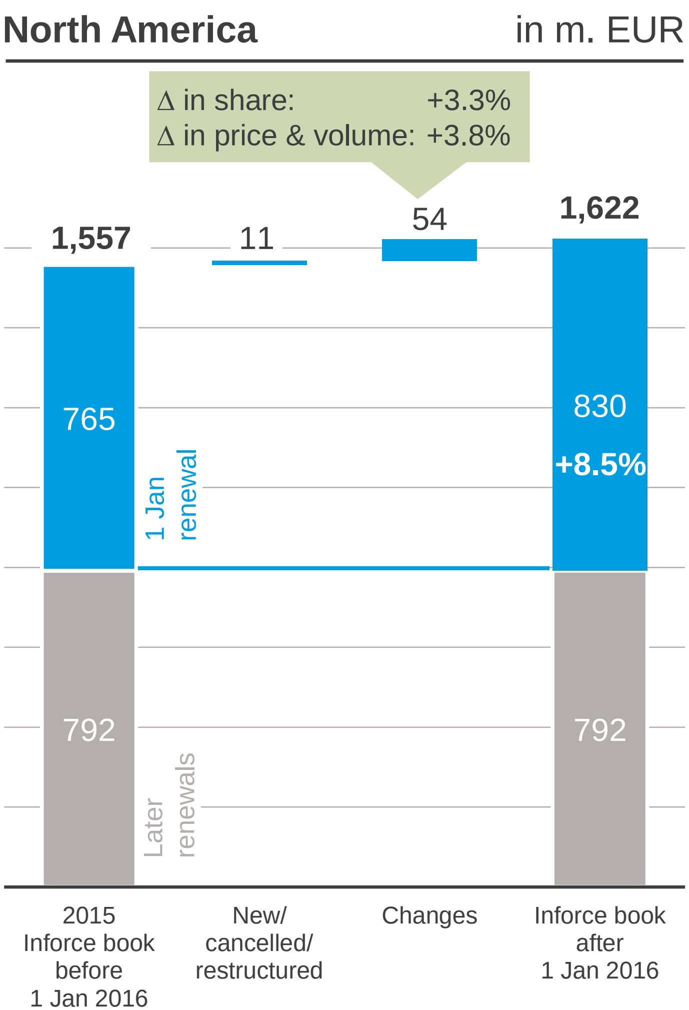
Total treaty R/I

in m. EUR



Continued opportunities for profitable business allow for growth

Rate development in line with our expectation



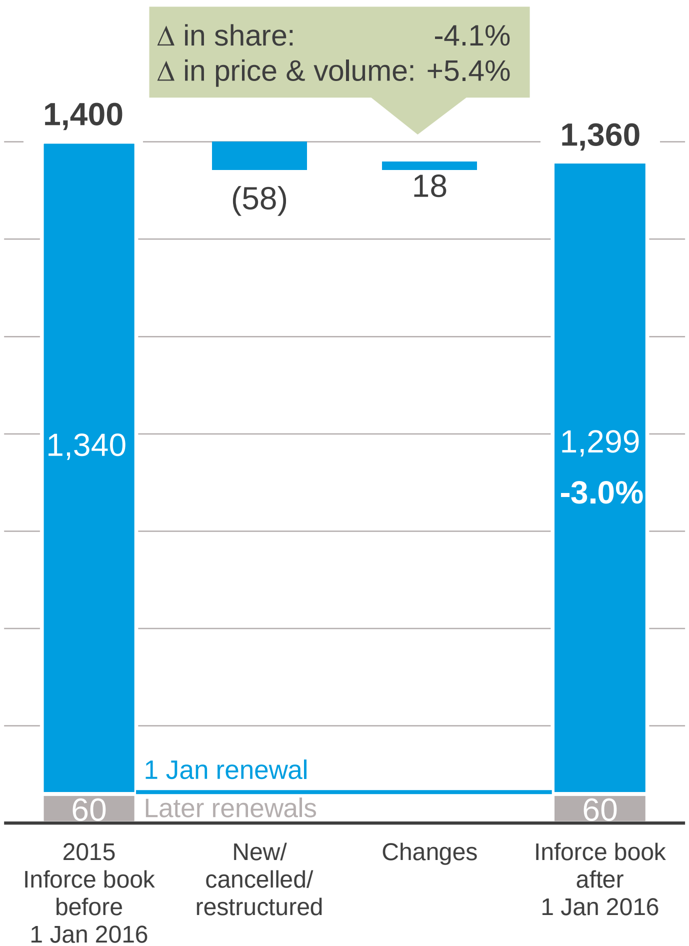
- Favourable macroeconomic development led to higher demand for primary insurance – we benefit from an increased involvement through our proportional reinsurance
- New and restructured treaties in an additional amount of EUR 103 m., whereas cancelled business amounted to EUR 92 m.
- US property: overall relatively slight rate reductions despite low loss activity
  - Loss free/profitable programmes: on average -5%
  - Loss affected +10 to +20%
- US casualty: mostly stable with a slowing of rate reductions
  - Increased interest for two-year placements
  - Slight premium growth in all three parts of our casualty book: standard, specialty and professional liability
- Canada: despite continued pressure on rates, selected attractive opportunities allowed for modest growth

hannover re®

Stable market position in a heterogeneous environment

More volume from long-term client relationships

Continental Europe in m. EUR

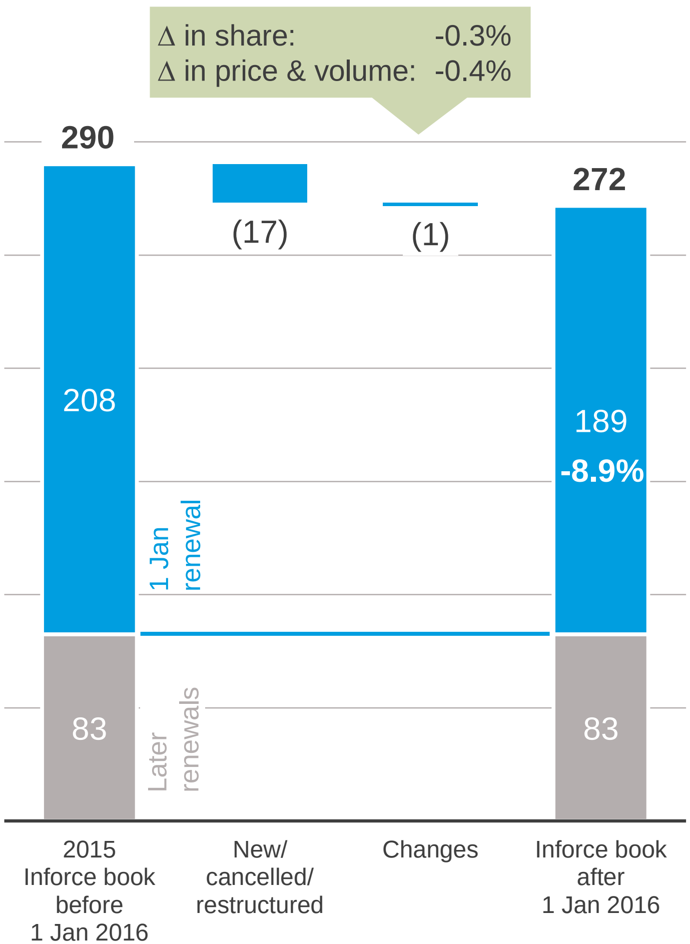


- Germany: market position further strengthened and better diversified
  - 5th consecutive year of higher original motor rates
  - Our high market share in R/I of private lines where rates continue to increase, but reduced involvement in commercial lines which were still very competitive
  - Expected premium reductions due to restructuring of R/I programmes of a Group client were partly offset by increased share with target clients
- Other Continental European countries: further deterioration of terms and pricing
  - France: extension of existing client relationships
  - Netherlands and Nordics: with pleasing signings, we kept our position as one of the market leaders and hence our business volume remained stable
  - Southern and Eastern Europe: difficult economic environment and ongoing high competition; rates under significant pressure

Continue to be a market leader for marine XL

Market share marginally reduced due to our cycle management

Marine in m. EUR

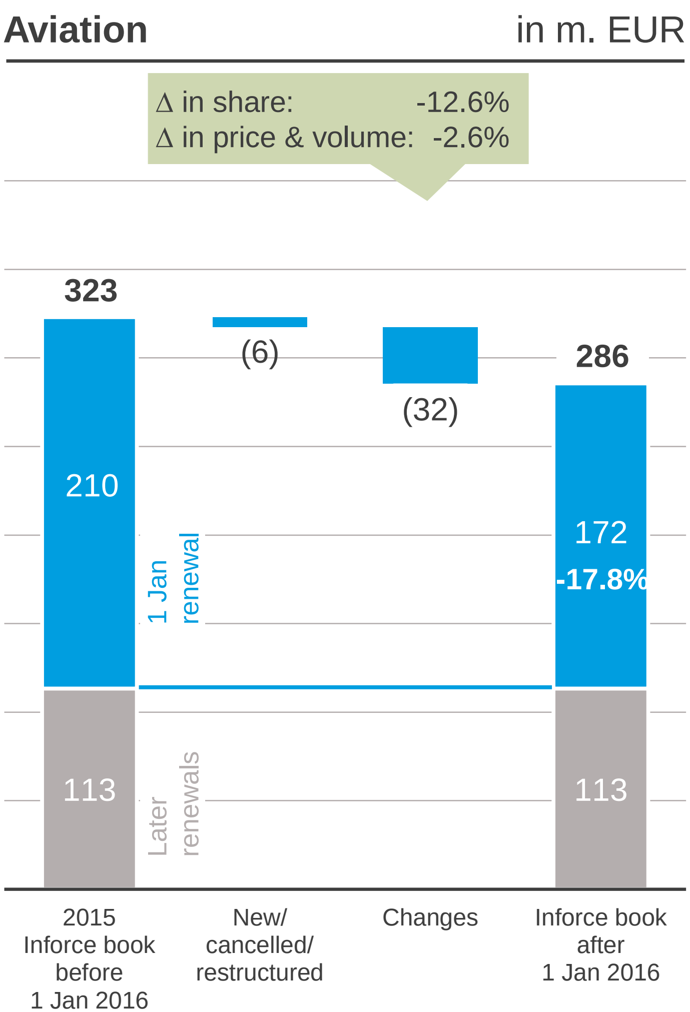


- Softening of rates (down 10% - 15%) across all territories and lines of business more pronounced than expected; terms and conditions broadened
- Major losses in 2015 did not brake further softening
- Energy market: collapse of oil price produced less demand for primary and reinsurance coverage
- Premium volume decreased due to restructuring of a large number of R/I programmes
- Limited amount of new business written at still acceptable margins

hannover re®

With regard to cycle management we reduced our involvement

Another year in the soft stage of the cycle

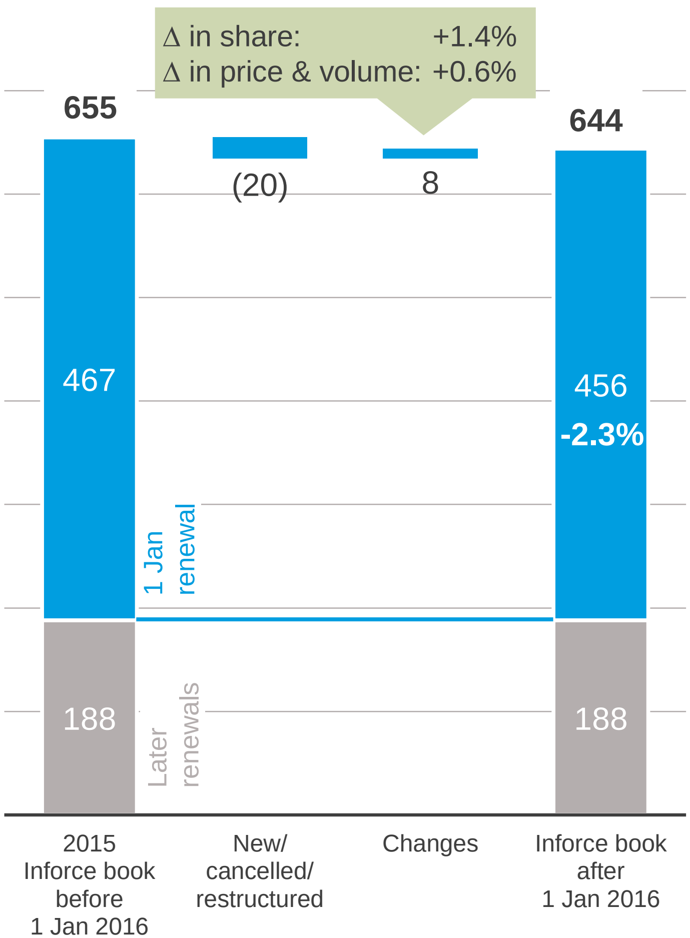


- Incurred large airline and space losses did not hold against price erosion
- Difficult environment with abundant capacities and fierce competition
  - Non-prop.: rate reductions of 10% to even 15% on loss-free programmes higher than expected
  - Prop.: increased commissions led us to reduce our lines on some large programmes
- With an eye to our cycle management approach we only renewed business that earns our cost of capital
- Defended our lead position on good-quality accounts

Maintained market share ...

... without giving up profitability requirements

Credit, surety and pol. risks in m. EUR



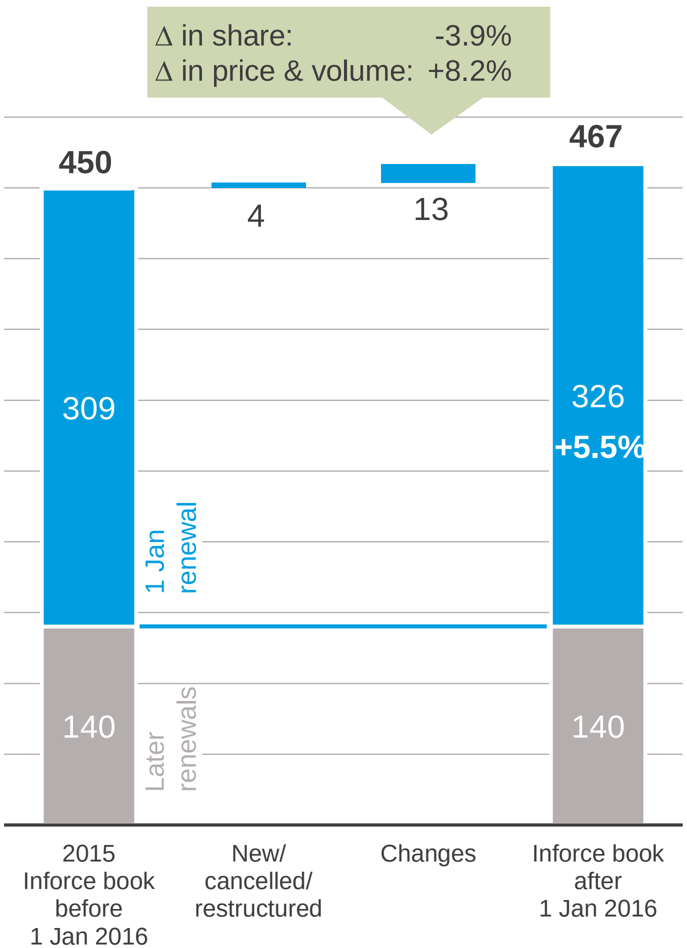
- Continued good showing and signing of business
- Signs of a slowdown in softening: commissions almost stable and stronger interest in two-year treaties
- Credit: quality of renewal book should safeguard the profitability level
  - Maintained expiring market shares with some increase at reasonable terms
  - Stabilised net retentions at our cedents
- Surety: kept signed lines at expiring level
- Political risks: slightly increased premium
  - Focus on existing long-term relationships led to organic growth and therefore sustained our leading position
- Higher loss probability in the emerging markets resulted in some improved pricing and terms & conditions

hannover re®

Pleasing 1/1 renewal outcome

Business opportunities utilised in a competitive market

UK, London market & direct in m. EUR



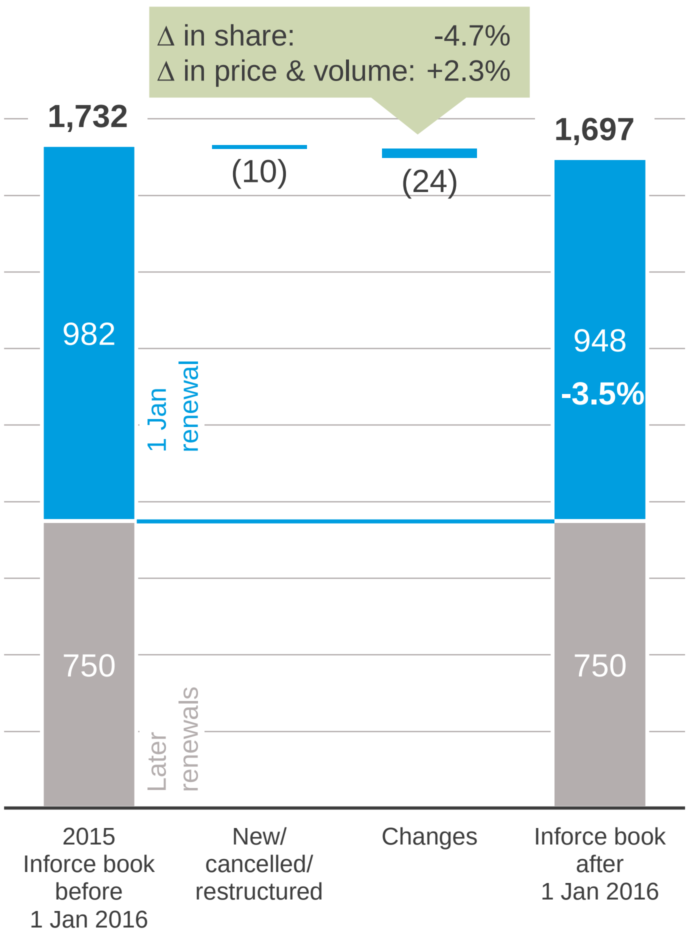
- Stable UK motor XL rates for the second year after three consecutive years of strong rate increases benefiting from underlying primary rate increases
- By contrast, reductions are “the norm” in most other classes of business
- Reduced shares in programmes with property and catastrophe exposure
- Selected growth opportunities in direct business

hannover re®

Selective underwriting resulted in reduced premium overall

Large volume (43%) will be renewed later

Worldwide treaty R/I in m. EUR

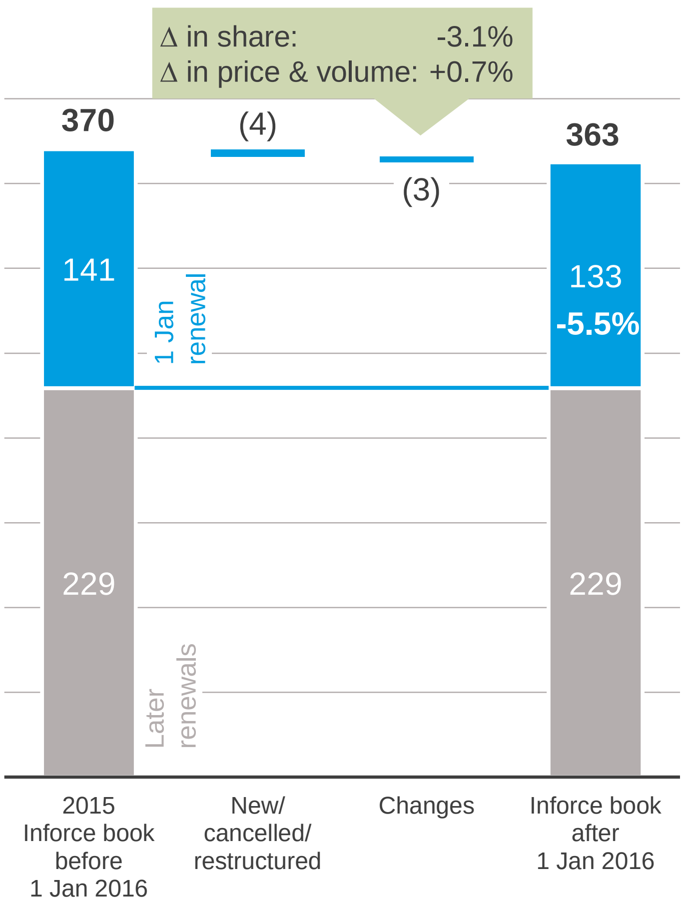


- Continued softening of terms and conditions in most markets
- China: marketing efforts bearing fruit, leading to double-digit growth based on well-diversified business
- Rest of Asia: reduced our shares where necessary following a clear cycle management approach
- Latin America: challenging economic conditions leading to reduction in rates (down to -10%), but majority of book renews later
- South Africa: premium increases in original currency
- Australia/New Zealand: not a major renewal date but increased market position through extended key client relationships
- Agriculture: mostly uncoupled from general market environment, renewed at expiring terms and conditions, but bulk of business renews in the 1st quarter

Oversupply in capacity puts pressure on catastrophe business

Strict adherence to technical underwriting approach

Cat XL in m. EUR



- Our excellent security was sought after to cover natural catastrophe risks
- Opportunities to grow mostly declined due to insufficient terms and conditions
- US: slowdown of rate decrease development
  - Price reductions up to 6% for loss-free treaties
  - Some cedents bought more limits (top and bottom layers)
- Europe: double-digit premium reductions due to rate decreases and higher retentions
- Latin America: softening of rates in the region of around 5% - 10%; growth in the underlying business

Outlook

Financial-year figures

Portfolio quality should still enable us to earn the cost of capital

U/Y 2016 profitability clearly impacts financial year results

	Lines of business	Volume[1]	Profitability[2]
Target markets	North America[3]	↗	+
	Continental Europe[3]	↘	+/-
Specialty lines worldwide	Marine	↘	+
	Aviation	↘	-
	Credit, surety and political risks	↗	+
	UK, Ireland, London market and direct	↗	+/-
	Facultative R/I	↘	+
Global R/I	Worldwide treaty[3] R/I	→	+
	Cat XL	↘	-
	Structured R/I and ILS	↘	+/-

1) In EUR, development in original currencies can be different
2) ++ = well above CoC; + = above CoC; +/- = CoC earned; - = below Cost of Capital (CoC)
3) All lines of business except those stated separately

Guidance for 2016

Hannover Re Group

- Gross written premium[1)] ____ stable to small reduction
- Return on investment [2) 3)] ____ ~ 2.9%
- Group net income[2)] ____ ~ EUR 950 m.
- Dividend pay-out ratio[4)] ____ 35% - 40%
  (The ratio may increase in light of capital management considerations)

1) At unchanged f/x rates
2) Subject to no major distortions in capital markets and/or major losses in 2016 not exceeding the large loss budget of EUR 825 m.
3) Excluding effects from ModCo derivatives
4) Related to group net income according to IFRS

Rationale for the 2016 profit guidance

Long-term success in a competitive business

- We expect further increased profits from our Life & Health business excluding 2015 termination fees

- Despite further rate reductions on our P&C business the quality of our portfolio should still allow us to keep C/R at or below 96.0%
  - Supported by continued high confidence level of our P&C reserves and
  - Better conditions of our increased retrocession coverage

- We expect to achieve a largely stable absolute NII on the back of an increased investment volume (from a further positive cash flow) despite low interest rate environment

- We are maintaining our competitive advantage of low admin expenses

Subject to no major distortions in capital markets and/or major losses in 2016 not exceeding the major loss budget of EUR 825 m.

We are confident to achieve the guidance

Disclaimer

This presentation does not address the investment objectives or financial situation of any particular person or legal entity. Investors should seek independent professional advice and perform their own analysis regarding the appropriateness of investing in any of our securities.

While Hannover Re has endeavoured to include in this presentation information it believes to be reliable, complete and up-to-date, the company does not make any representation or warranty, express or implied, as to the accuracy, completeness or updated status of such information.

Some of the statements in this presentation may be forward-looking statements or statements of future expectations based on currently available information. Such statements naturally are subject to risks and uncertainties. Factors such as the development of general economic conditions, future market conditions, unusual catastrophic loss events, changes in the capital markets and other circumstances may cause the actual events or results to be materially different from those anticipated by such statements.

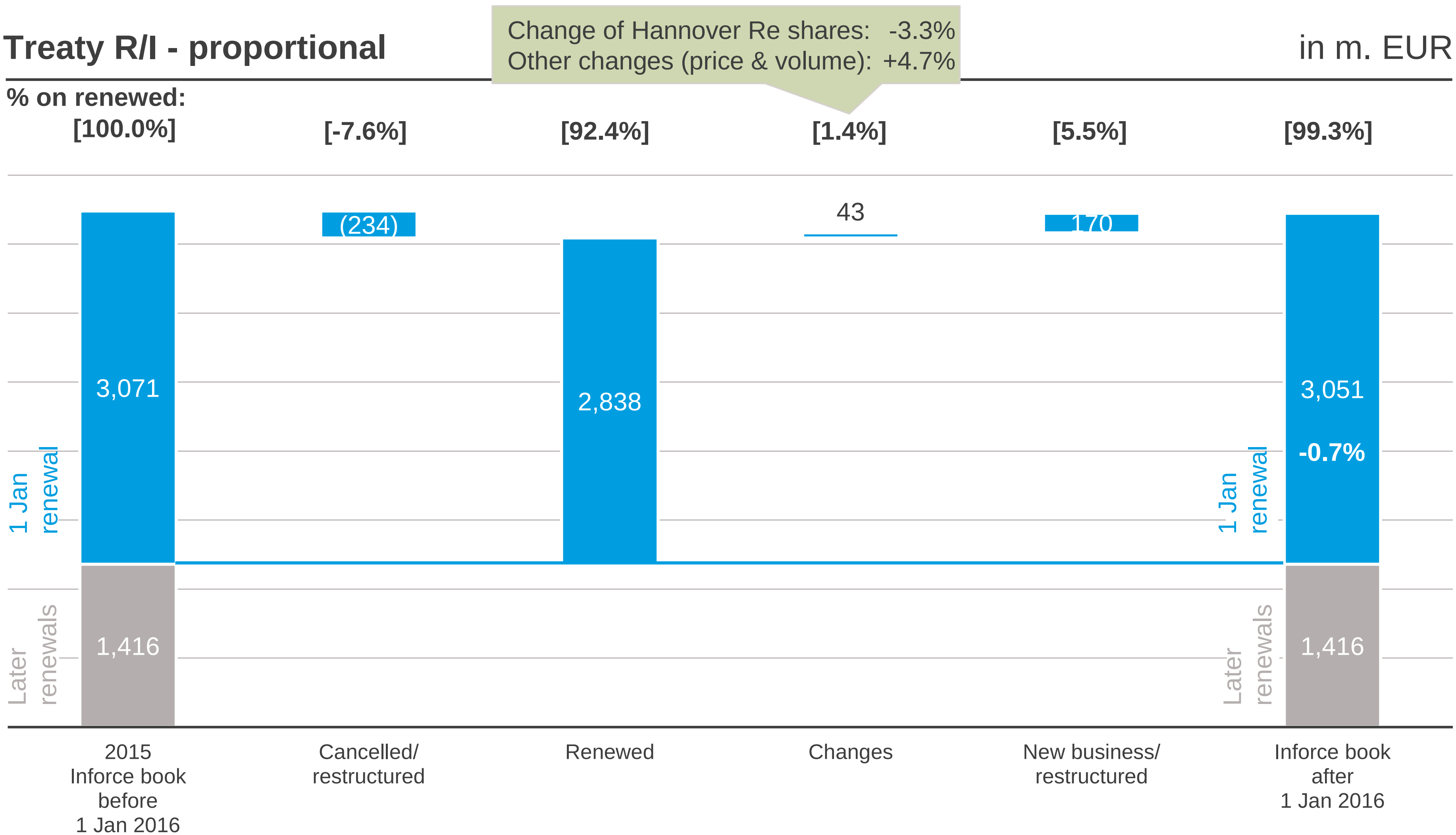
This presentation serves information purposes only and does not constitute or form part of an offer or solicitation to acquire, subscribe to or dispose of, any of the securities of Hannover Re.

Appendix

Nearly unchanged volume in proportional business

Treaty R/I - proportional

in m. EUR

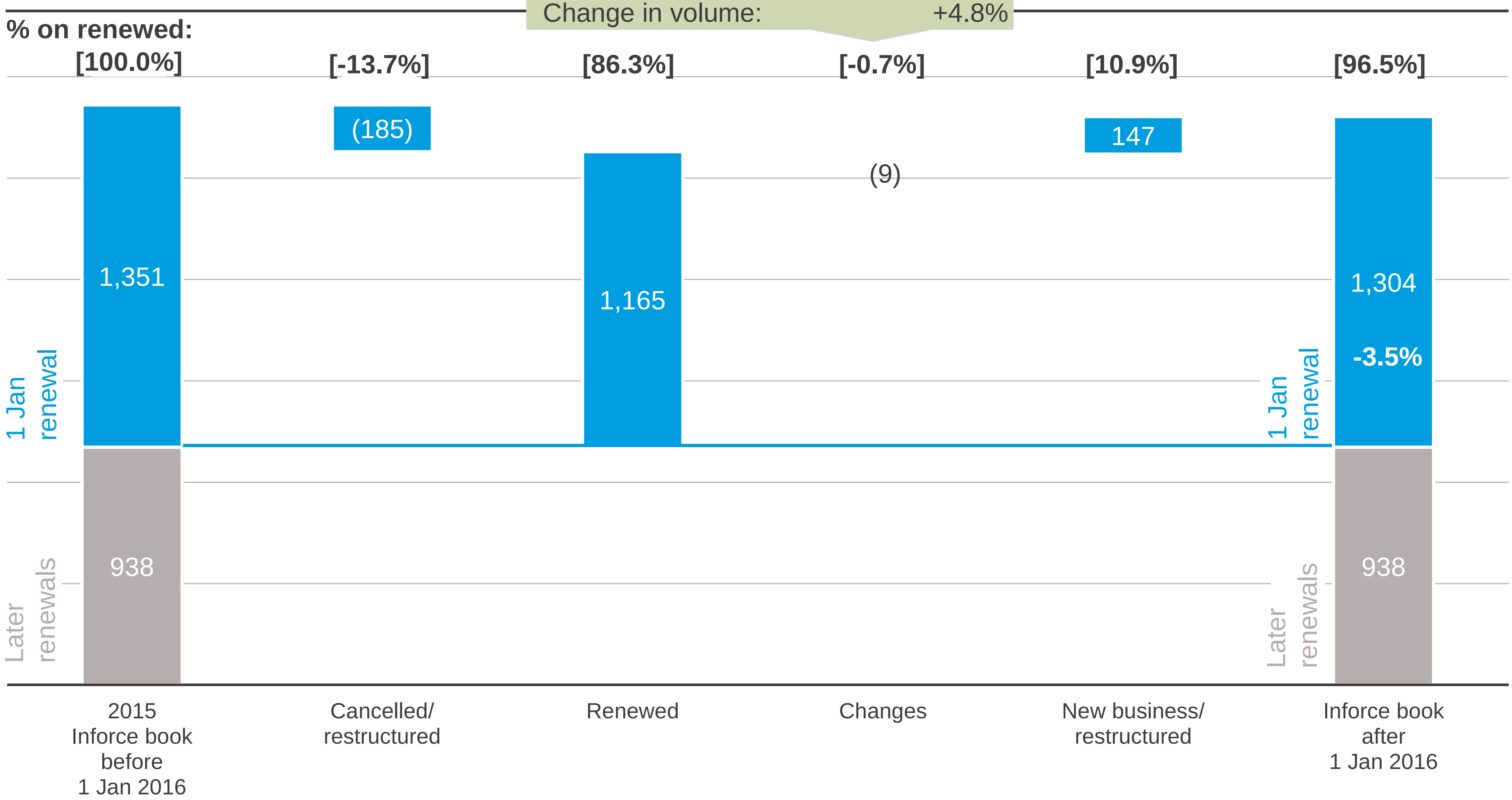


Share of non-prop. business decreases to 30% of our P&C book

Treaty R/I - non-proportional

in m. EUR

Change of Hannover Re shares:	-0.7%
Change in price:	-4.8%
Change in volume:	+4.8%

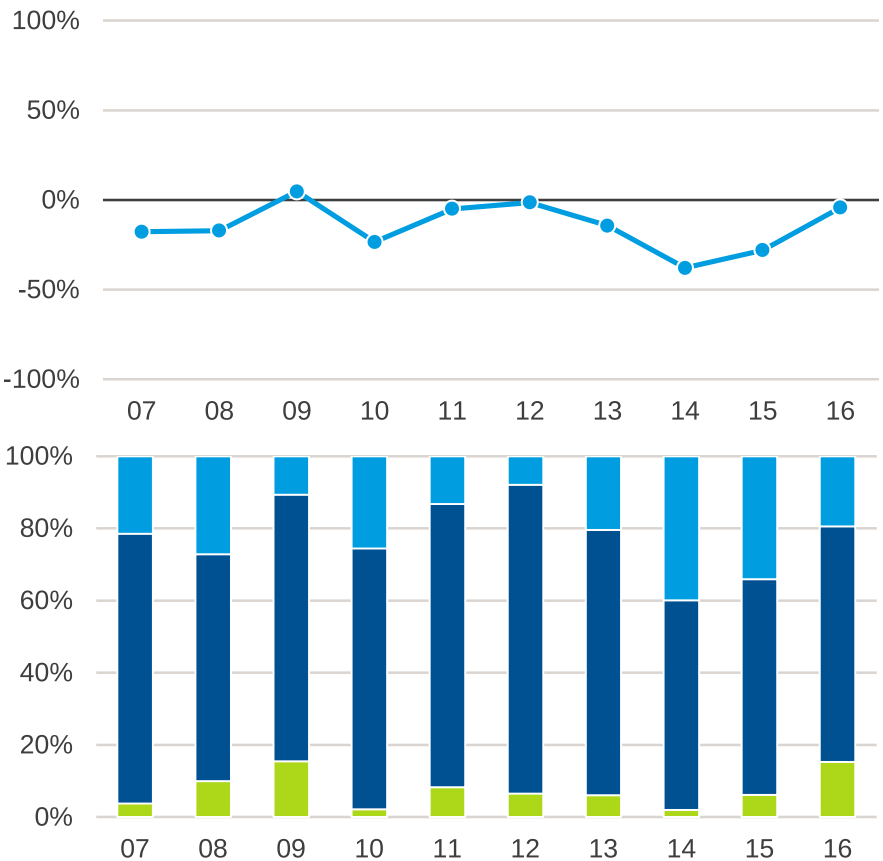


hannover re®

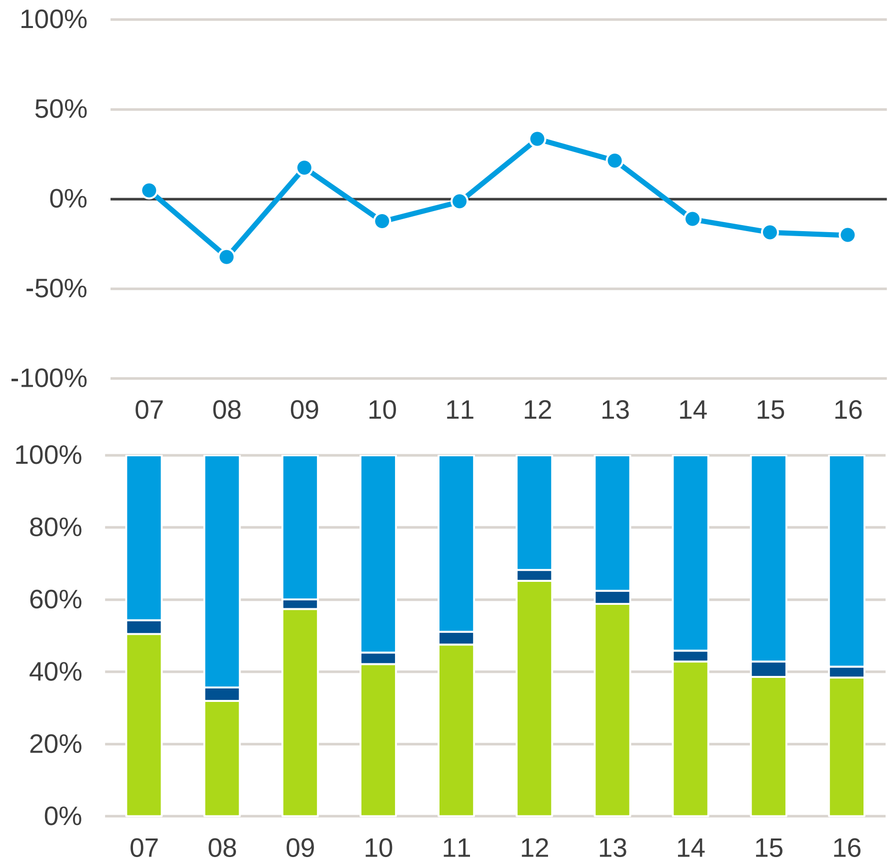
Proportional business holds up comparatively better

North America

Number of proportional treaties1)



Number of non-proportional treaties2)



Net change (improvement - deterioration) | Improvement | Unchanged | Deterioration

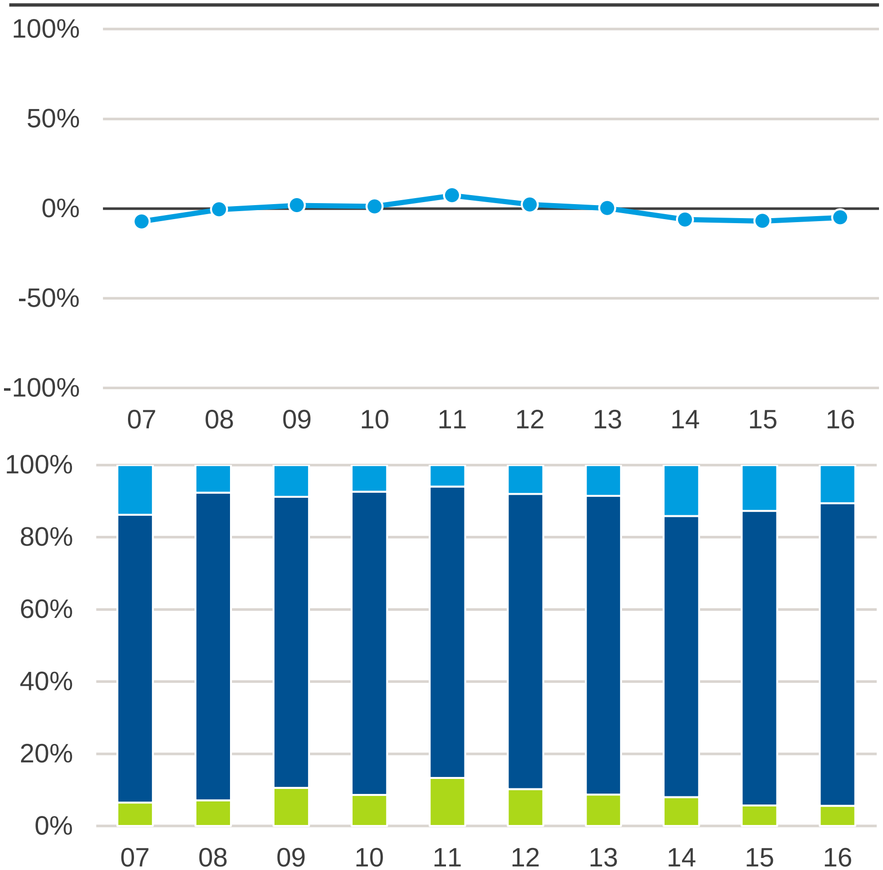
1) Comparison of commission

2) Comparison of Rate on Line (RoL)

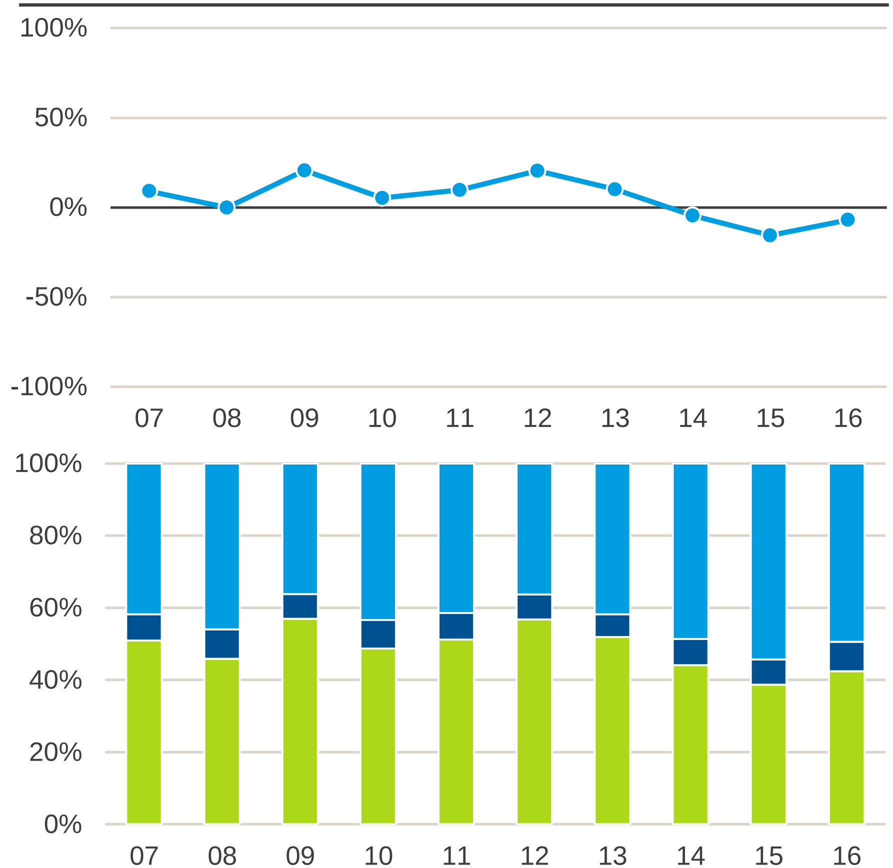
hannover re®

Softening in Europe more pronounced in non-prop. business
Continental Europe

Number of proportional treaties[1)]



Number of non-proportional treaties[2)]



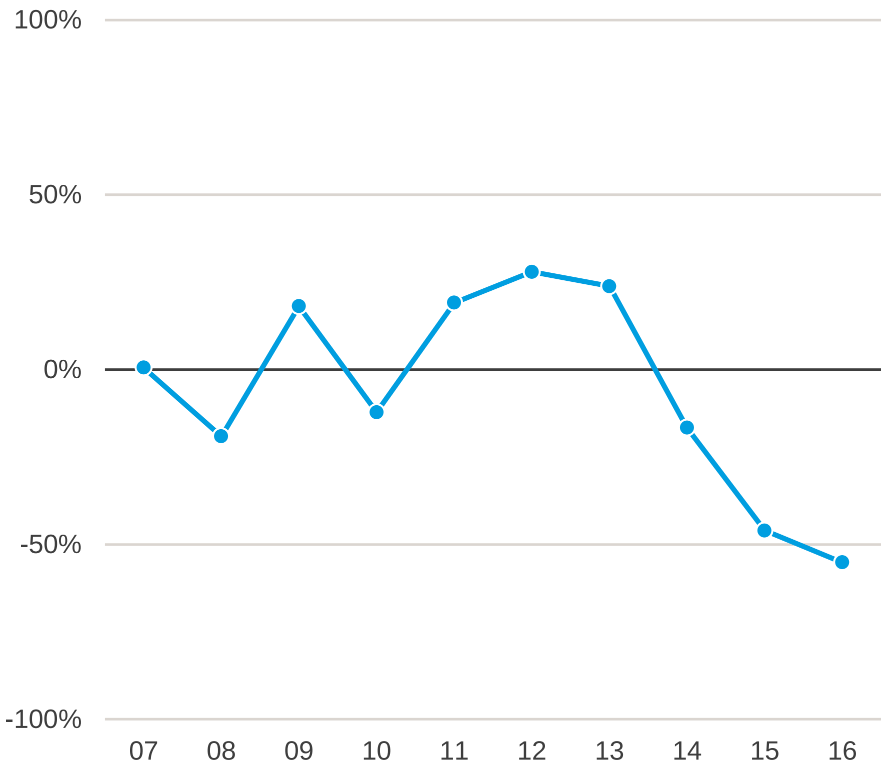
Net change (improvement - deterioration) Improvement Unchanged Deterioration

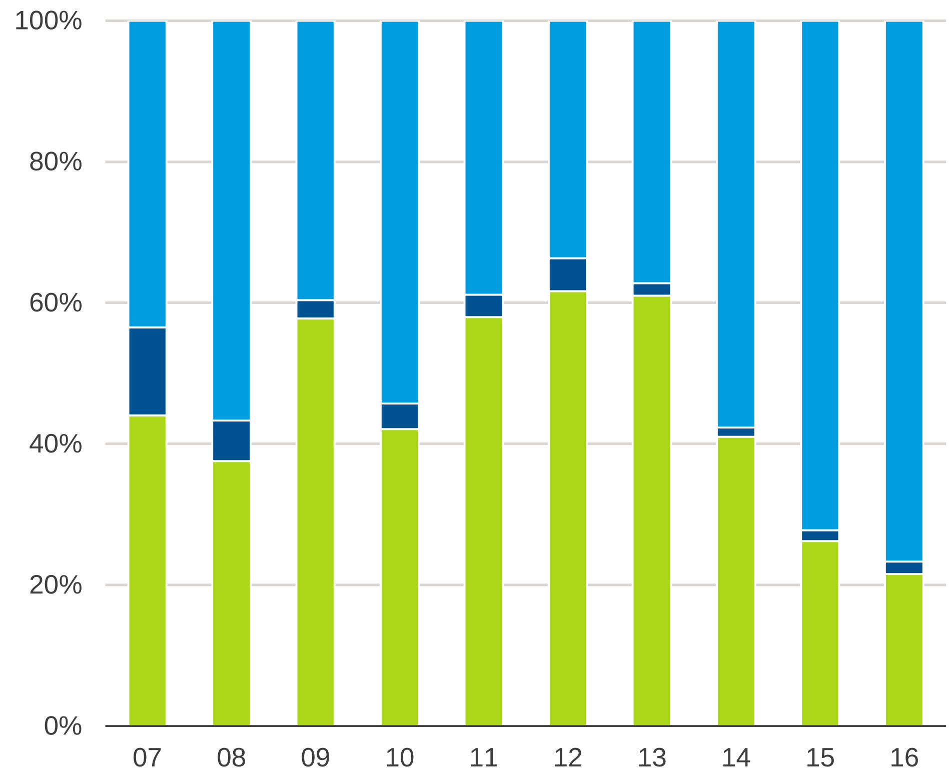
1) Comparison of commission 2) Comparison of Rate on Line (RoL)

Continued rate deterioration
Marine

Number of non-proportional treaties

Comparison of Rate on Line (RoL)



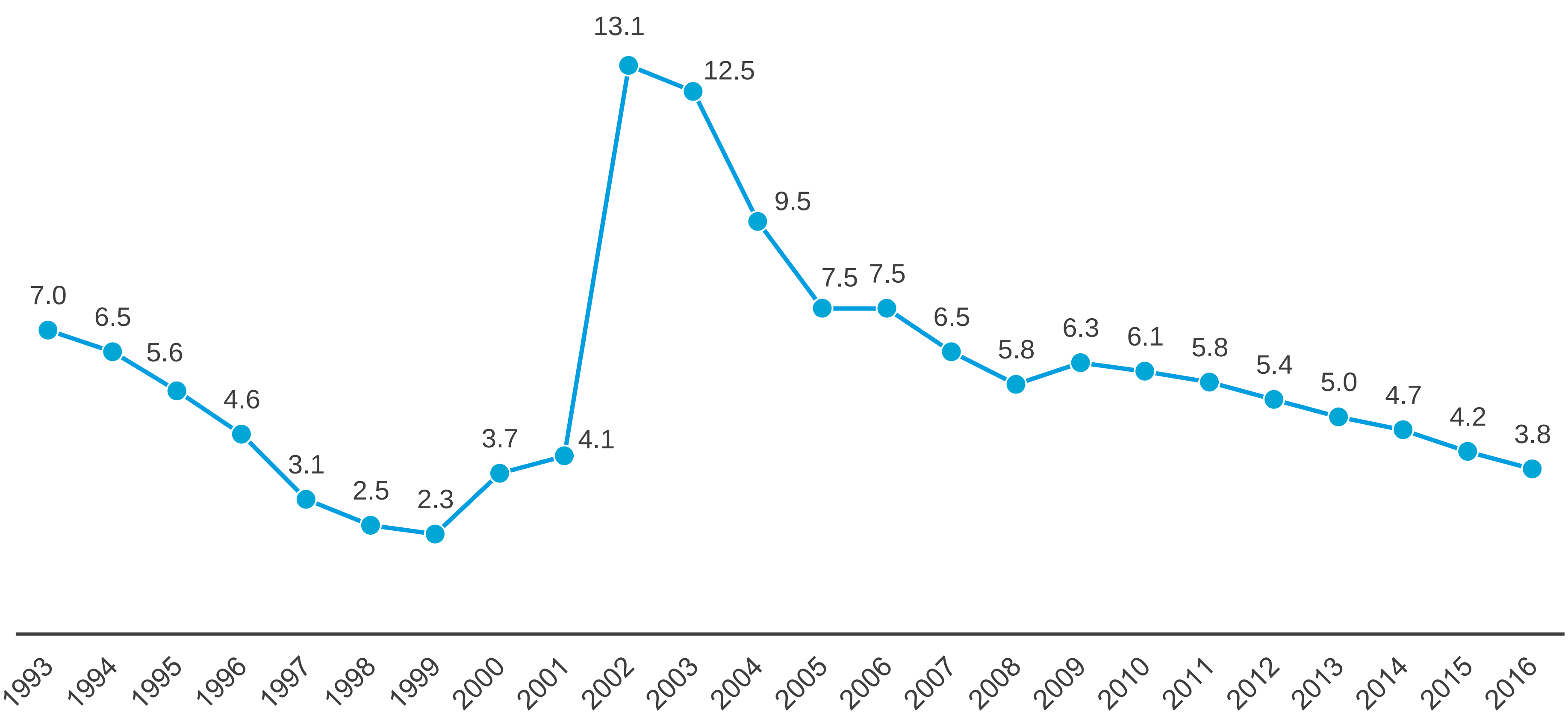


Net change (improvement - deterioration) Improvement Unchanged Deterioration

The market has reached the pre-2001 RoL level

Aviation RoL index

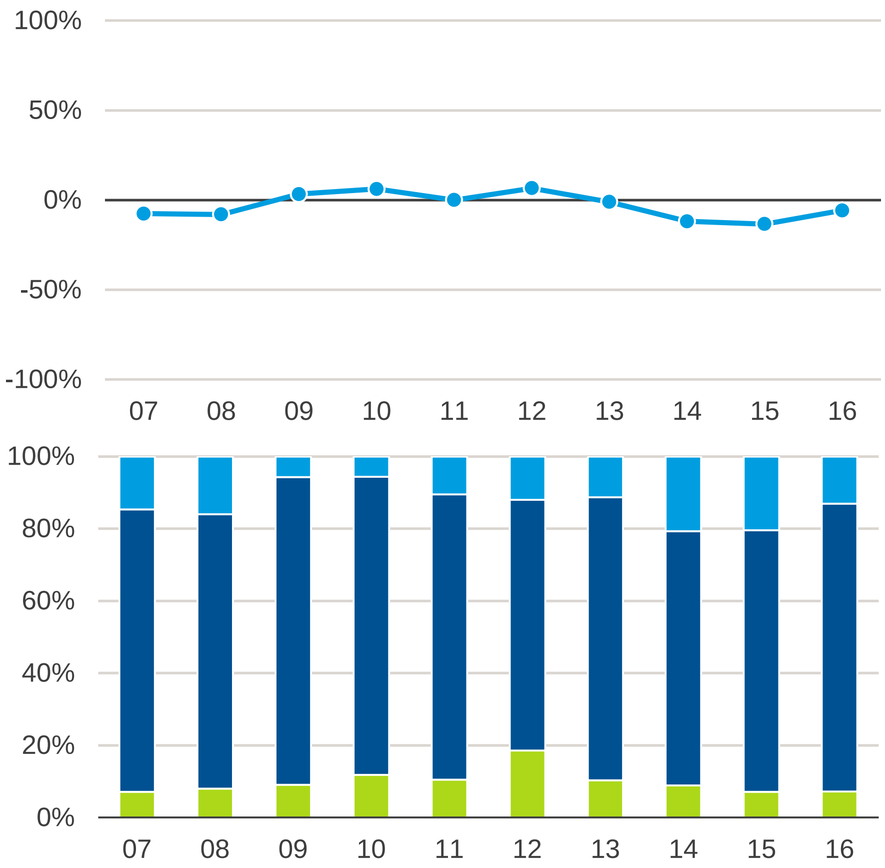
in %



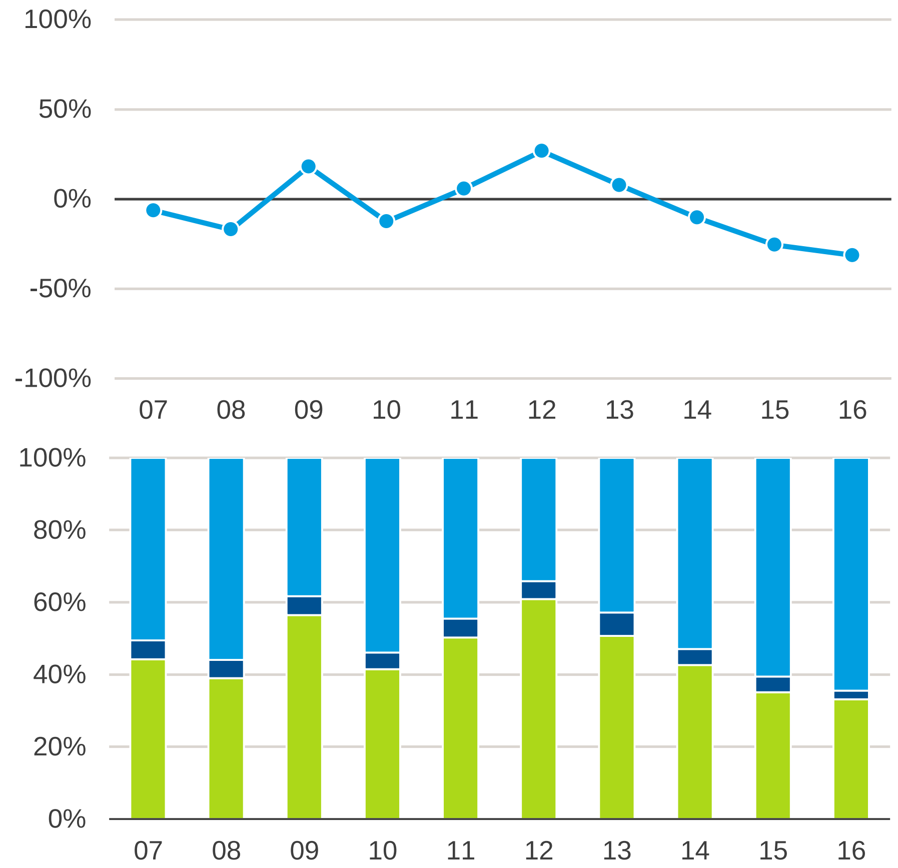
Assessment of market developments derived from the Hannover Re Aviation account
Based on known non-proportional layers fully or substantially exposed to a market loss above USD 500 m.

Proportional commissions stabilising
Worldwide treaty R/I

Number of proportional treaties[1)]



Number of non-proportional treaties[2)]



Net change (improvement - deterioration) Improvement Unchanged Deterioration

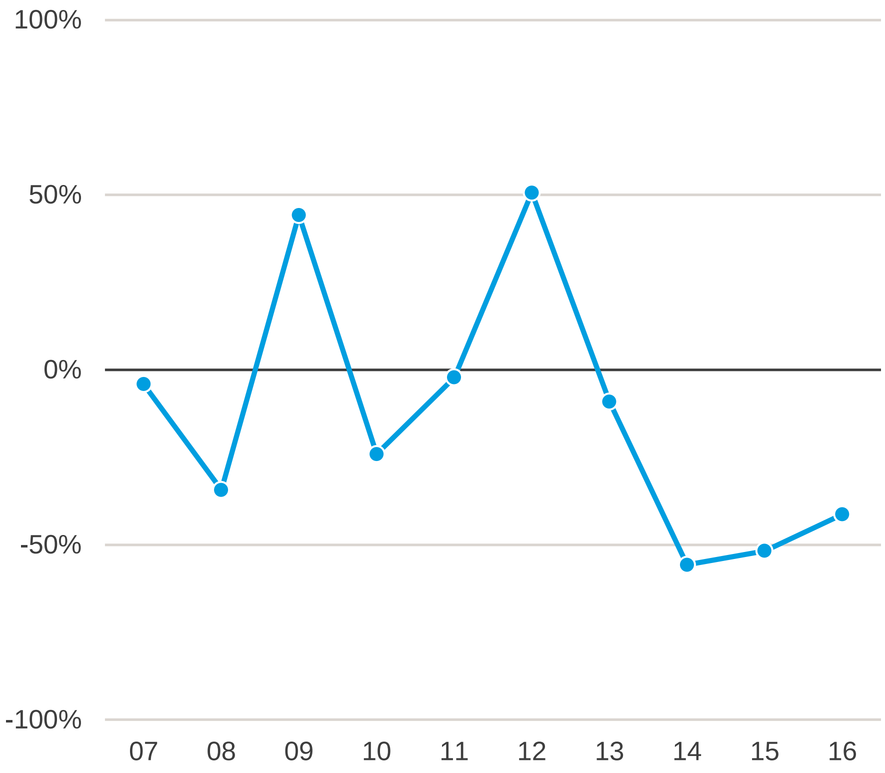
1) Comparison of commission

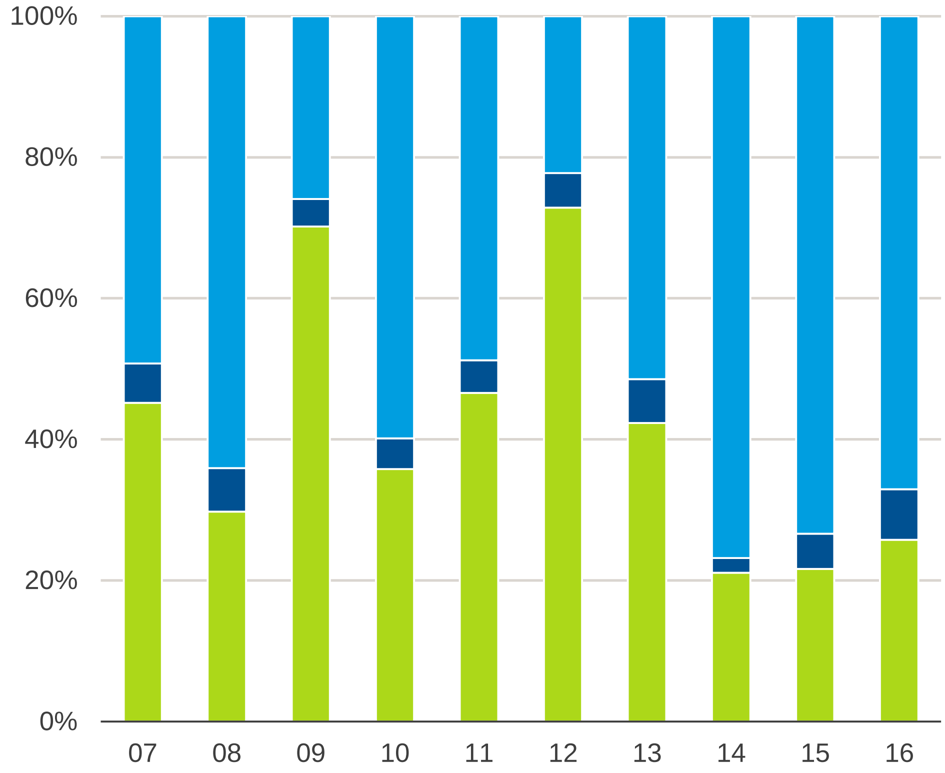
2) Comparison of Rate on Line (RoL)

RoL deterioration seems to be losing momentum

Number of Cat XL treaties

Comparison of Rate on Line (RoL)





Net change (improvement - deterioration) ■ Improvement ■ Unchanged ■ Deterioration

hannover re®