1 Jan 2017 Property & Casualty Treaty Renewals

Renewals Conference Call
Hannover, 2 February 2017

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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 2016.

Reinsurance markets

Reinsurance market challenges continued in 1 Jan renewal

Reinsurance market highlights

- Q3/2016 figures indicate continued profitability of reinsurers despite
  - insured global catastrophe losses in 2016 above 10-year average – but no single mega-event
  - persistent soft market and low interest rate environment
  - only a benign uptick in inflation
- Excess of R/I supply from traditional reinsurance as well as from alternative capital
- 4th consecutive year of rate reductions with some lines of business below technical minimum
- Market maintained its ability to increase rates on loss-affected treaty business
- Limited growth in a few regions and a few new lines of business driven by
  - capital requirements as a result of new solvency regimes and
  - opportunistic purchases due to the soft market
- Moderate declines in most other classes and territories
- Persistent low rate environment created increased reinsurance demand and stronger interest in multi-line and multi-year coverages

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Our results

Selective profit-oriented U/W with diverse effects in single lines

Overall, increased premium incl. structured reinsurance

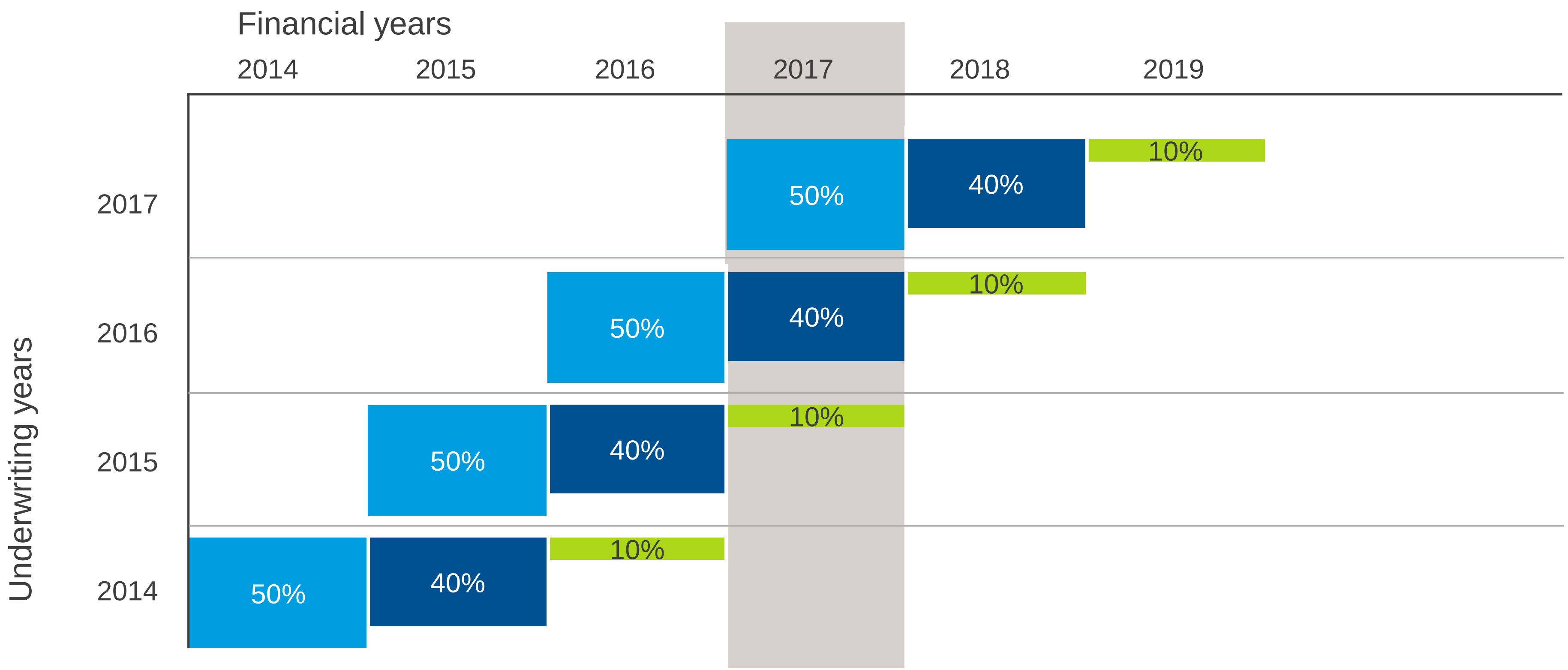
- We continued to be a preferred reinsurer thanks to our superior rating, our excellent client relationship management and our broad diversification by line of business and territory
- Showing continued to be excellent and enabled us to successfully concentrate on business that meets our margin requirements
- Significant additional demand resulted in premium increase in structured reinsurance
- We kept our capital allocated to NatCat unchanged in absolute terms (EUR 1.85 bn.)
- We stuck to our cycle management strategy and did not hold back from giving up premium where unprofitable
- We increased our premium in some areas of business such as US, UK, credit and in particular structured reinsurance
- In order to steer our net risk appetite, we purchased more retrocession at risk-adjusted rate reductions

Our portfolio continues to earn our cost of capital

Time lag between underwriting year and financial year

2017 financial year reflects pricing quality in underwriting years 2015 - 2017

Premium distribution



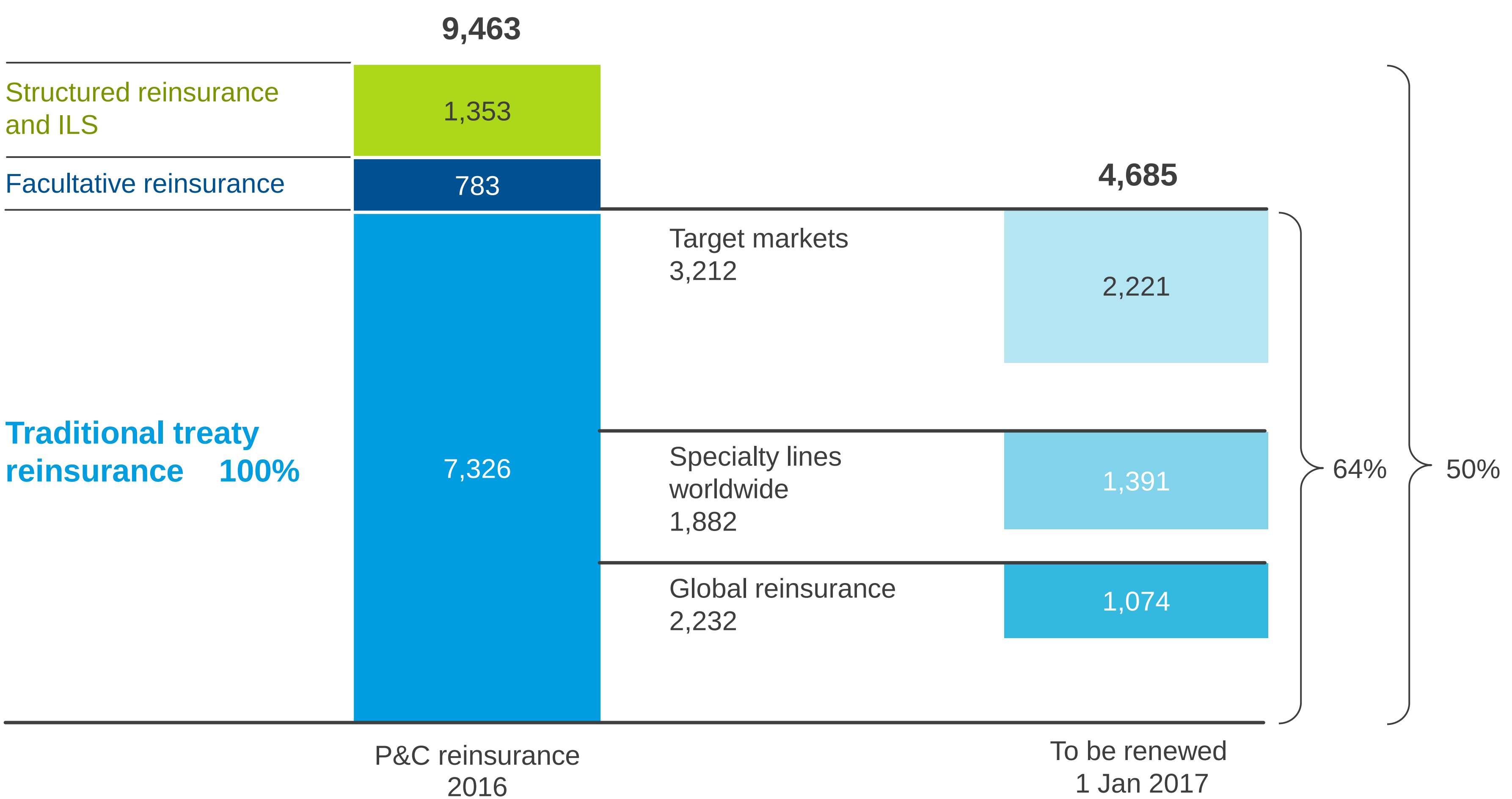
Our portfolio

64% of treaty reinsurance to be renewed 1 January 2017

Equates to 50% of the total P&C reinsurance premium

Estimated premium income U/Y

in m. EUR



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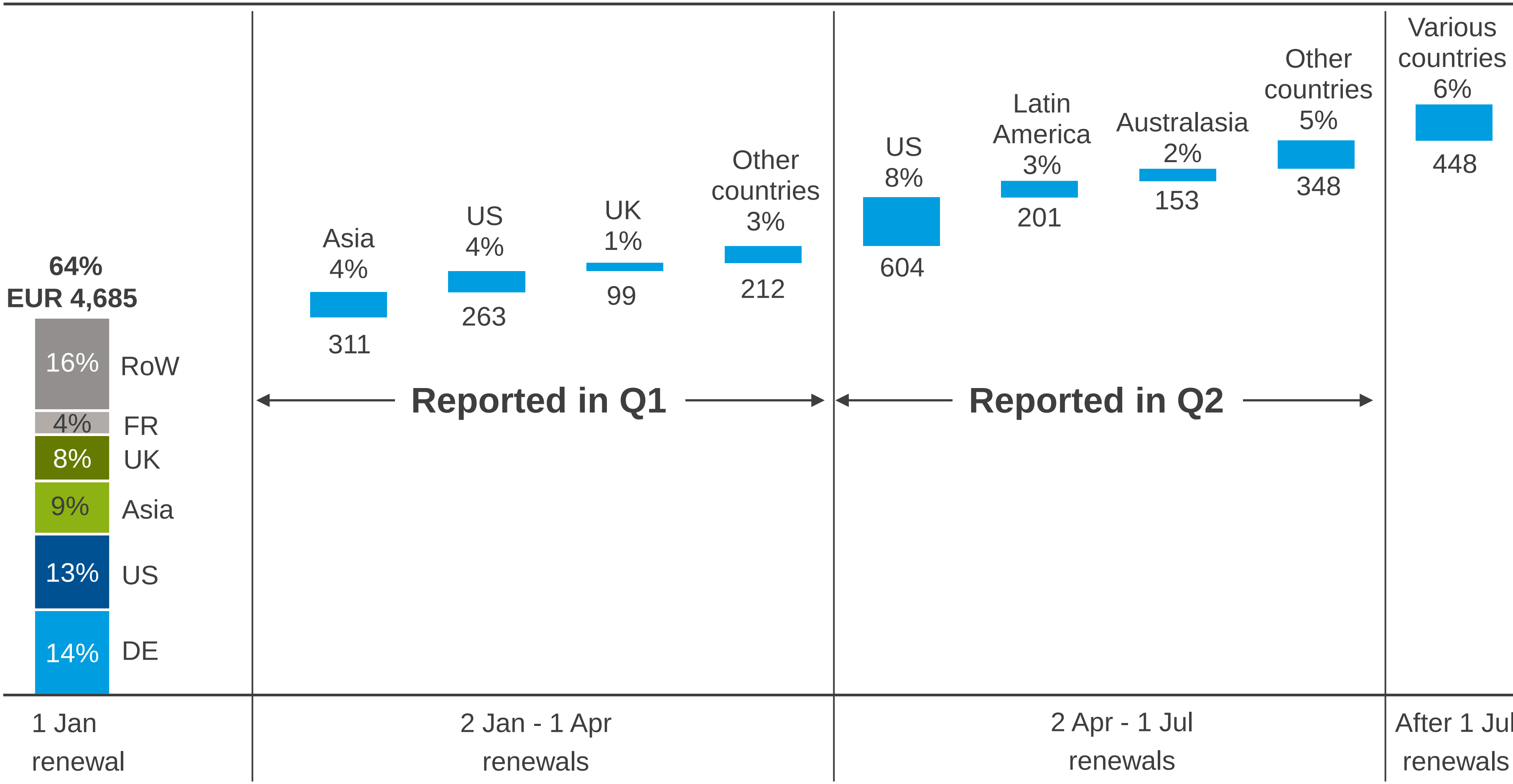
64% of treaty reinsurance (R/I) to be renewed 1 January 2017

Renewals split

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



Based on 2016 U/Y

Overall premium largely stable

Significant movement in individual lines

Property & Casualty reinsurance	Lines of business	1/1/2016 Premium[1)]	Variance	1/1/2017 Premium[1)]
Target markets	North America[2)]	920	+6.5%	980
	Continental Europe[2)]	1,300	-1.2%	1,285
Specialty lines worldwide	Marine	178	-3.2%	172
	Aviation	179	-15.8%	151
	Credit, surety and political risks	469	+7.7%	505
	UK, Ireland, London market and direct	565	+7.9%	610
	Facultative reinsurance	not applicable	not applicable	not applicable
Global reinsurance	Worldwide treaty[2)] reinsurance	936	-17.1%	776
	Cat XL	137	+2.9%	141
	Structured reinsurance and ILS	separate report	separate report	separate report
Total 1 Jan renewals		**4,685**	**-1.4%**	**4,621**

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

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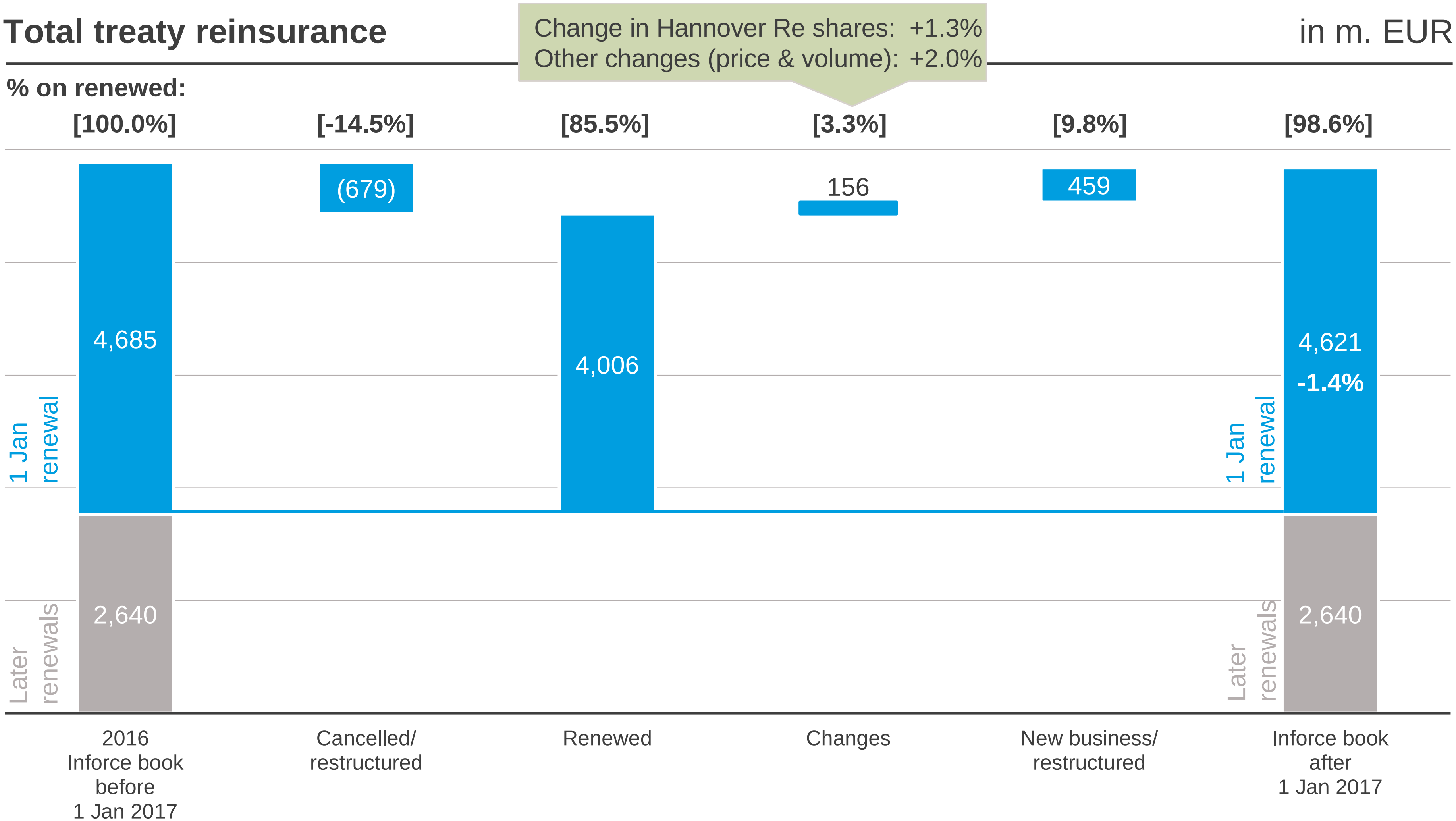
Volume largely stable due to efficient cycle management

Continued good showing and signed-line allocations

Total treaty reinsurance

in m. EUR



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Non-proportional rate reductions below previous 1/1 renewals

Non-proportional	Lines of business	1/1/2016 Premium[1)]	1/1/2017 Premium[1)]	Of total premium	XL price changes
Target markets	North America[2)]	472	498	51%	+1.3%
	Continental Europe[2)]	366	361	28%	-1.6%
Specialty lines worldwide	Marine	113	113	66%	-9.2%
	Aviation	24	22	15%	-7.4%
	Credit, surety and political risks	73	61	12%	-6.0%
	UK, Ireland, London market and direct	83	82	13%	-10.3%
	Facultative reinsurance	not applicable	not applicable		
Global reinsurance	Worldwide treaty[2)] reinsurance	115	113	15%	+0.7%
	Cat XL	137	141	100%	+1.8%
	Structured reinsurance and ILS	not applicable	not applicable		
Total 1 Jan renewals		**1,383**	**1,393**	**30%**	**-1.6%**

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

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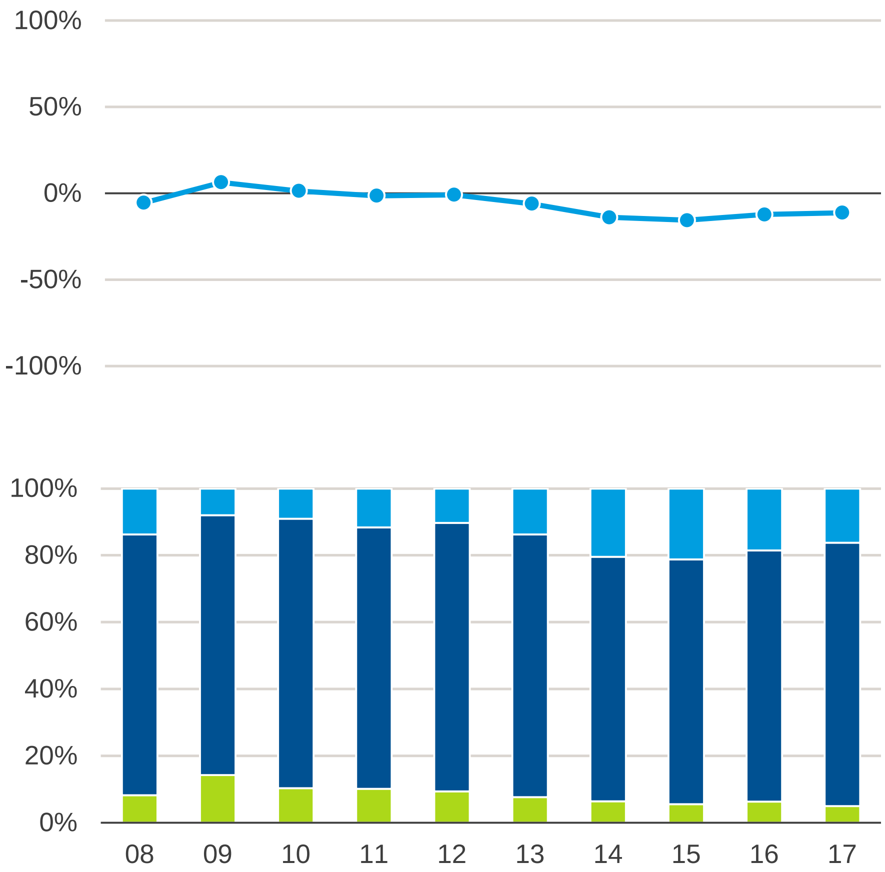
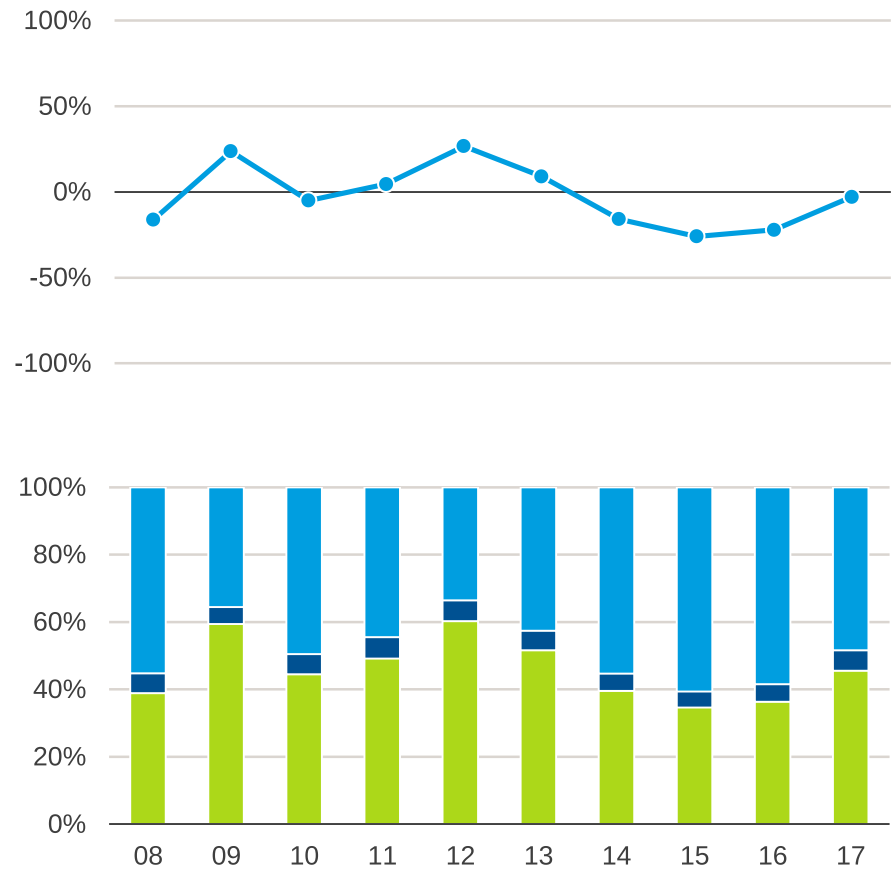
A balanced picture in non-proportional treaties

Number of proportional treaties[1)]



Number of non-proportional treaties[2)]



Net change (improvement - deterioration) Improvement Unchanged Deterioration

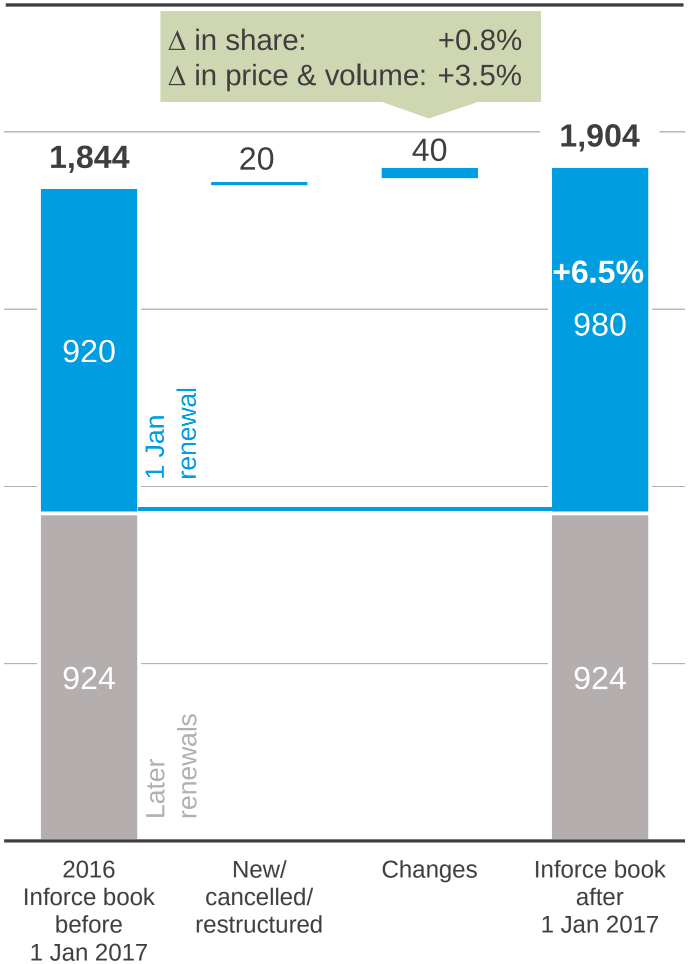
1) Comparison of commission

2) Comparison of Rate on Line (RoL)

Premium volume growth in an overall stable rate environment

Our long-term strategy: to expand our positioning in the US

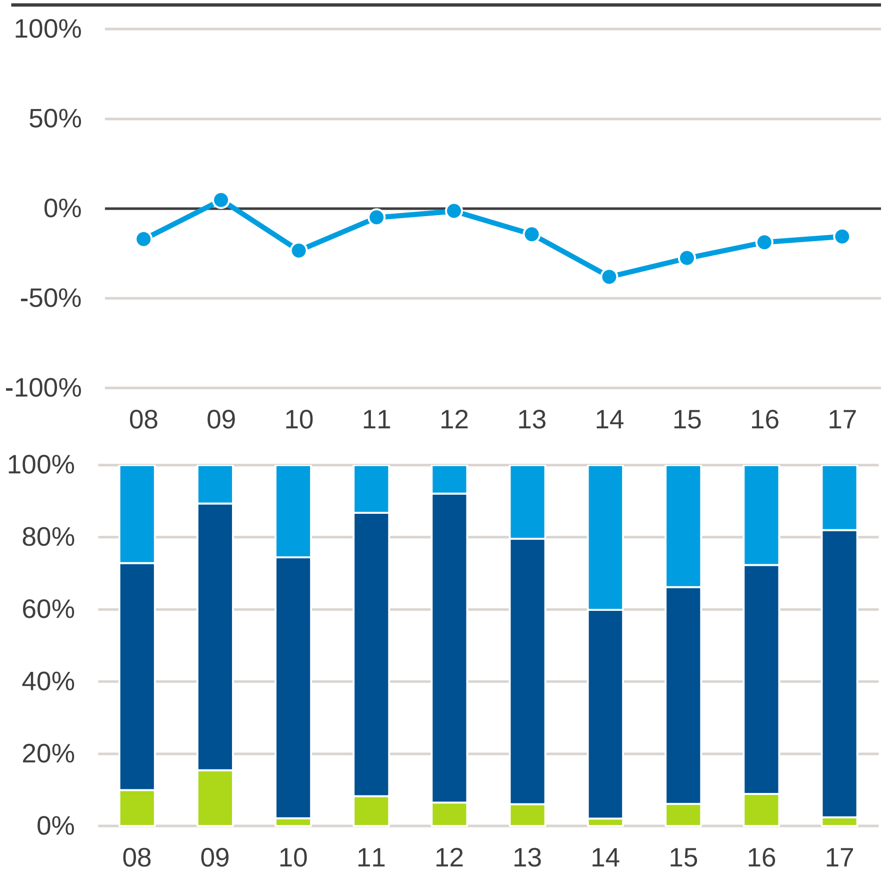
North America in m. EUR



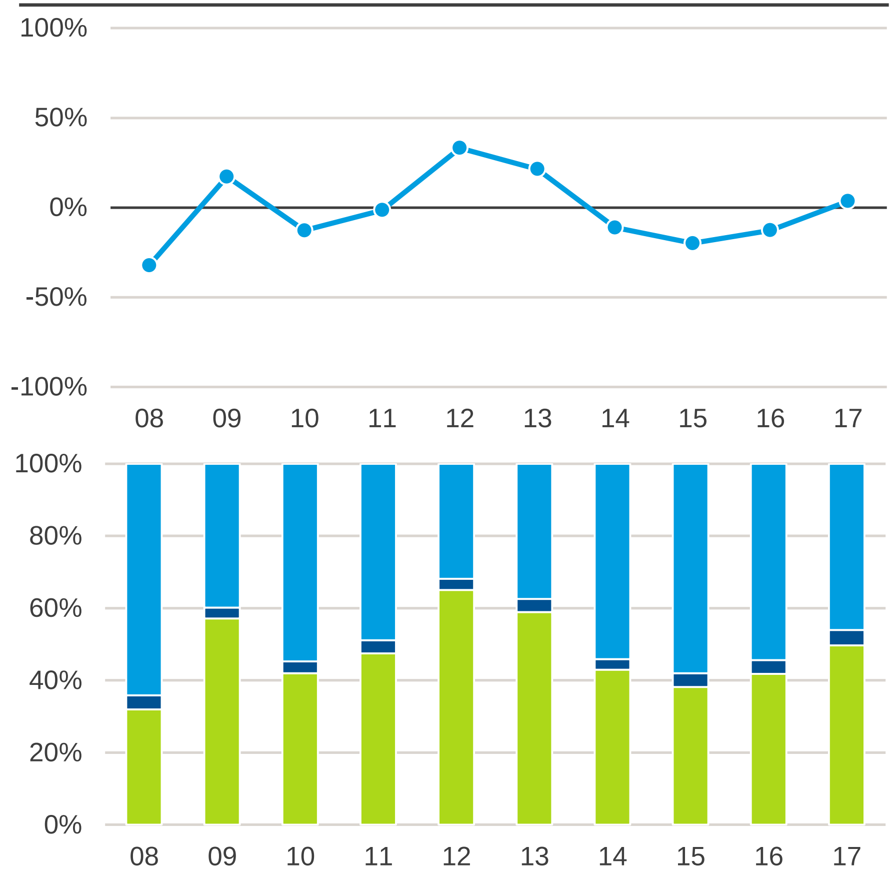
- Rates, terms and conditions stabilised, with increases on loss-affected accounts and only small decreases for loss-free business
- Continued focus on and by clients toward long-term relationships and financial security
- US property: rates on smaller to medium-sized accounts stable to slightly up, large accounts still competitive with further rate decreases in the single-digit range
  - Strong signing with mostly full allocation of offered capacity
  - Premium increase from new participations further diversifying our portfolio
- US casualty: increased premium due to new business
  - Rates predominantly flat
  - Renewals on an expiring basis with only minor adjustments to T&C
  - Strengthened our well-diversified portfolio for further increases once the market improves
- Canada: positive property renewal following the wildfire Fort McMurray

Non-proportional business held up comparatively better
North America

Number of proportional treaties[1)]



Number of non-proportional treaties[2)]



Net change (improvement - deterioration) Improvement Unchanged Deterioration

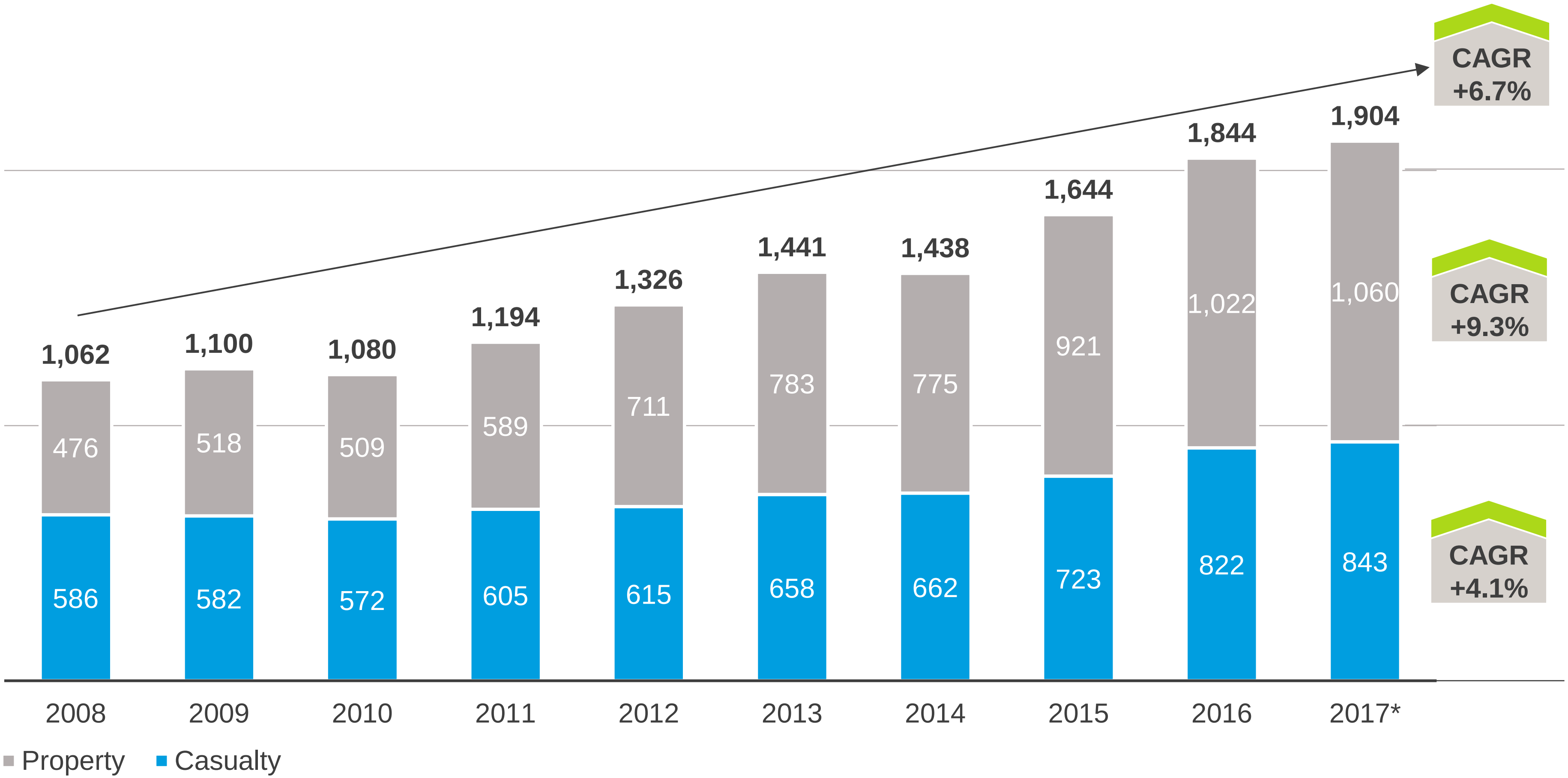
1) Comparison of commission

2) Comparison of Rate on Line (RoL)

Premium growth was supported by improved primary rates ...
... and broadening client base

Premium development in North America

in m. EUR



* 2017: figures incl. 1 Jan 2017, later renewals kept unchanged

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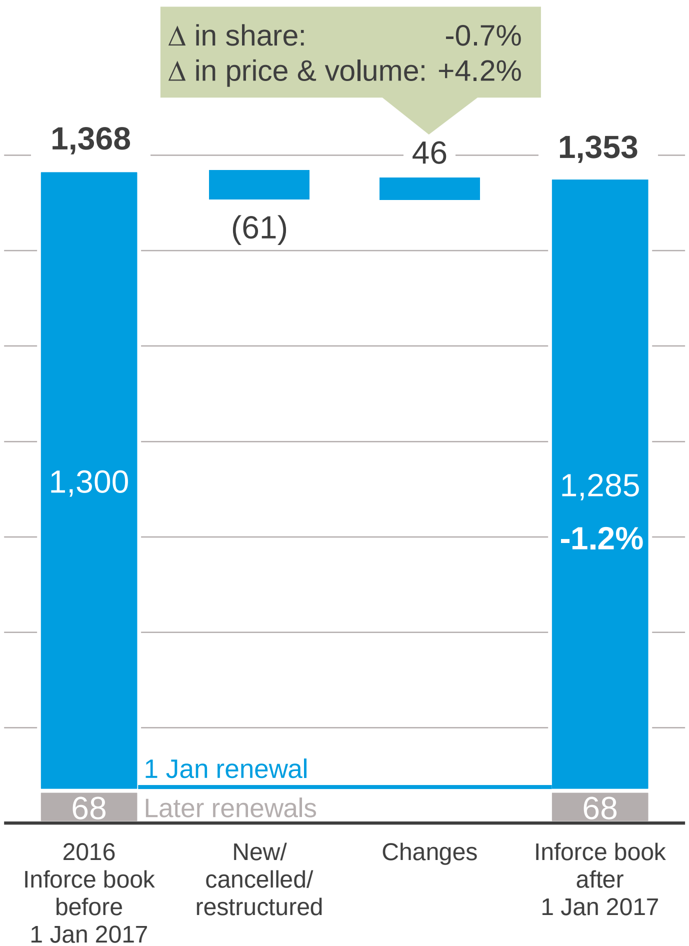
Overall satisfying development in a heterogeneous market

Continental Europe in m. EUR



- Germany: stable trend in market conditions
  - Overall premium reductions due to cancellation of business and restructuring of cessions
  - Significant improvements in original motor rates led to generation of additional premium
- Other Continental European countries: substantial premium increases by virtue of excellent client relationships and new opportunities (such as cyber)
  - France: extension of existing client relationships
  - Netherlands and Nordics: successful renewals with good signings resulted in double-digit premium growth
  - Southern and Eastern Europe: market continued to be soft with market consolidations in some countries
    - Increased market share in selected countries

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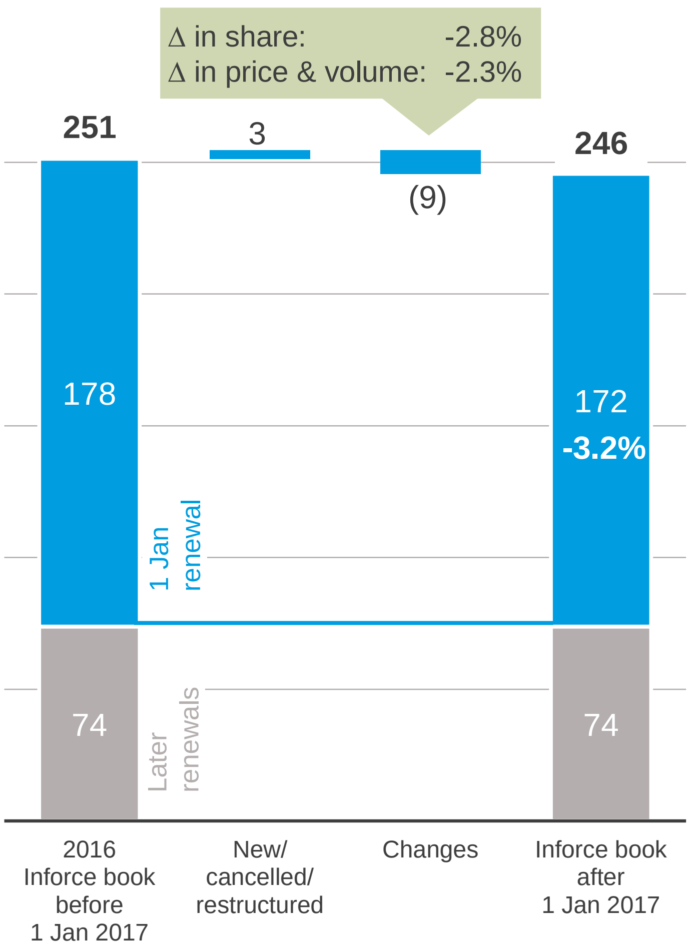
We continue to be a lead market for Marine XL

Margins remained adequate despite rate reductions

Marine in m. EUR



- Market showed continued softening of rates albeit at a slower pace than in previous years (~ -7.5% to -10%)
- Exposures have come down for the majority of London and Lloyd's' cedents
  - This justified premium reductions from an exposure-pricing perspective
  - Demand for offshore energy insurance still negatively impacted by lower oil price
- Loss-affected accounts renewed with premium increases
- Wrote limited amount of new business

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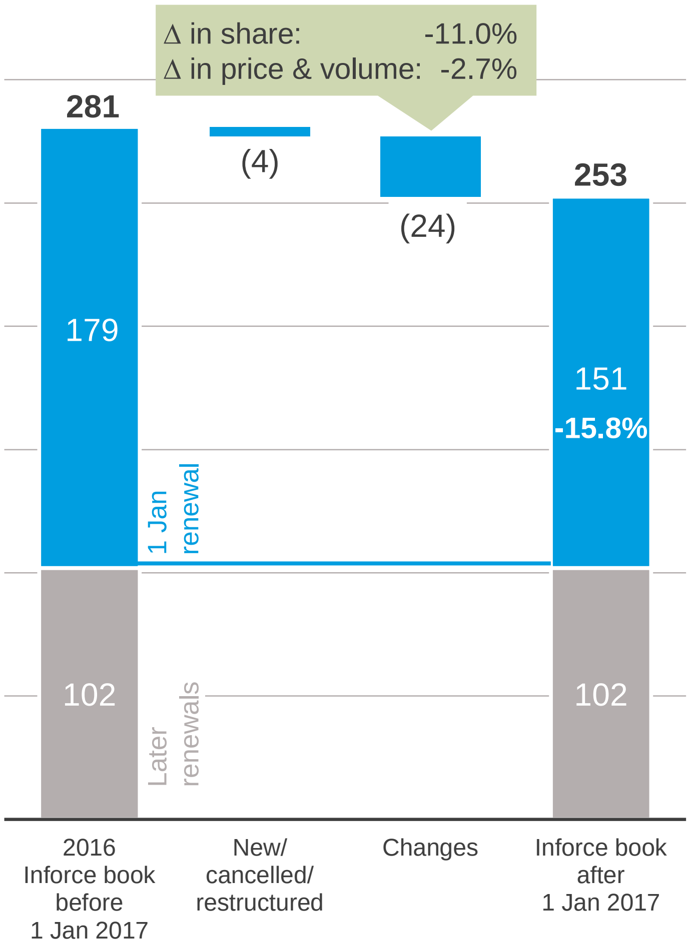
We continued to actively manage the cycle ...

... whilst securing our position as a major market for non-proportional business

Aviation in m. EUR



- Overall, rate reductions in the market between 7.5% to 10% on top of exposure adjustments
- Proportional
  - We continued to reduce our involvements in proportional reinsurance despite clients' increased willingness to purchase more reinsurance
- Non-proportional
  - Overall, maintained our shares in placements

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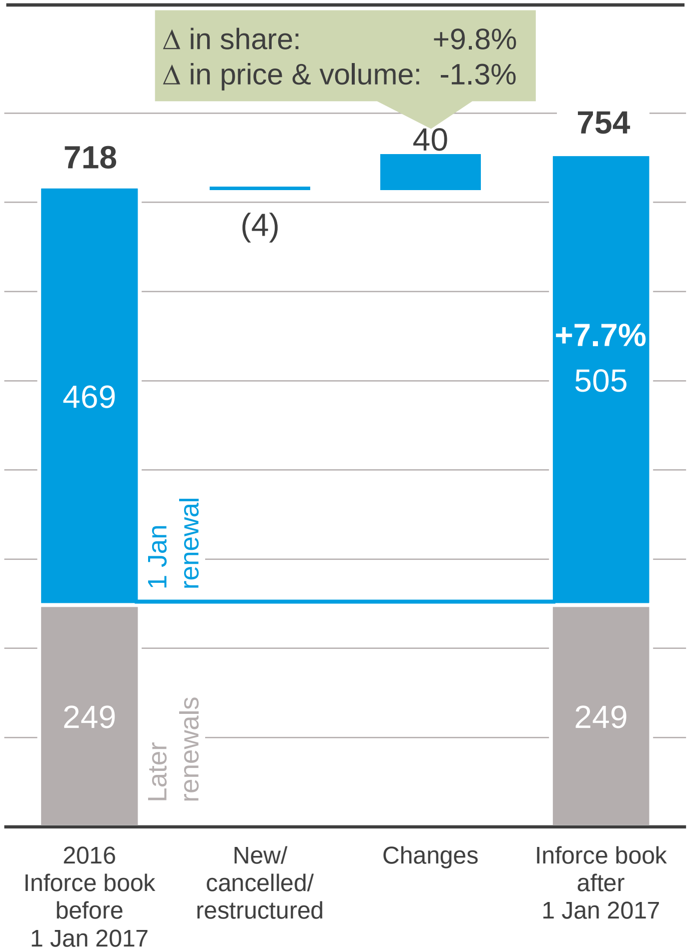
Strong premium growth due to increase in reinsurance demand

Market environment in Credit & Surety stabilising

Credit, surety and pol. risks in m. EUR

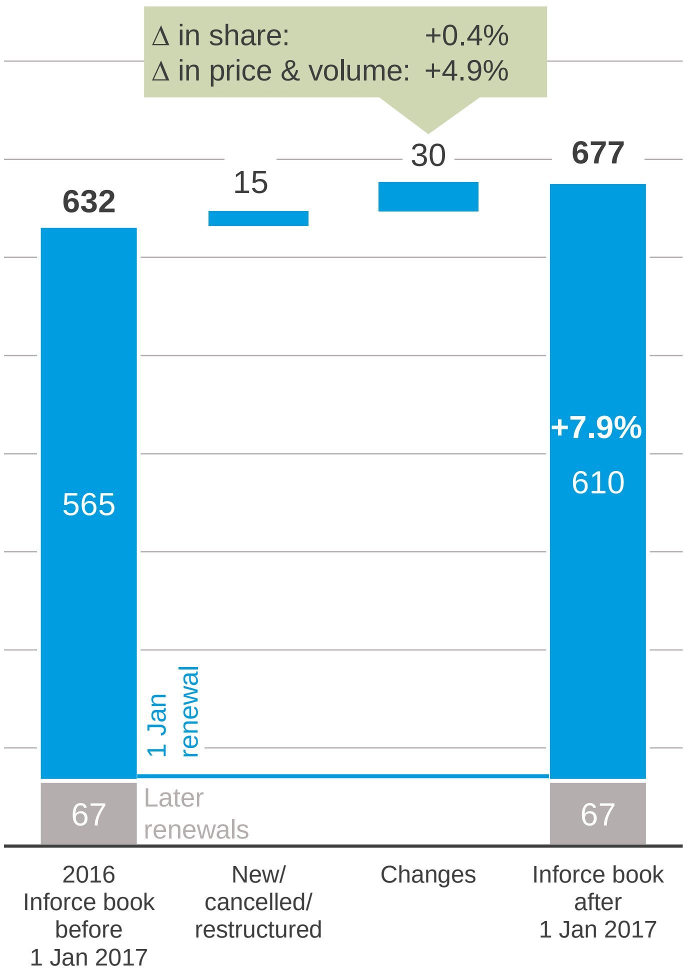


- Credit: increased premium
  - Higher cession rates generated additional premium
  - Increased shares in selected programmes in the case of profitable business and long-term relationships
- Surety: slightly decreased premium
  - Stable reinsurance structures and cession levels
  - Economic slowdown in emerging markets led to lower premium
- Political risks: stable premium
  - Stable reinsurance structures
  - Higher demand for proportional reinsurance
- Cut back business where terms and conditions were no longer sufficient (in particular in non-proportional business)

Business opportunities utilised in a competitive market

Pleasing growth in proportional business

UK, London market & direct in m. EUR

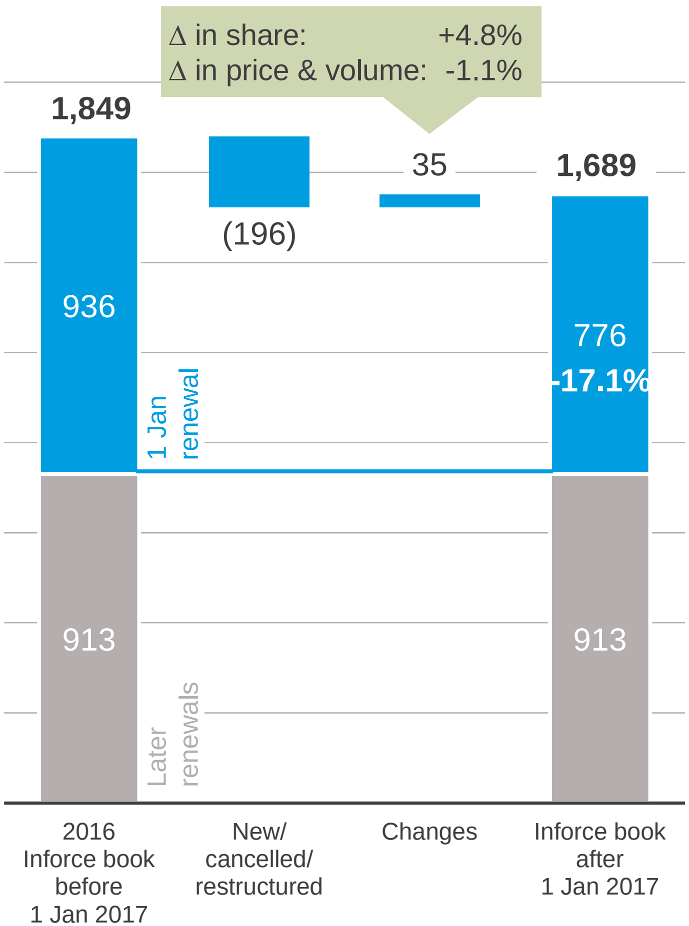


- We have been provided with new opportunities in every short-tail class and wrote new business at attractive conditions
- UK motor XL business renewed flat and we continued with our conservative assessment of this line of business while supporting our long-term clients
- We observed no major pricing adjustments in all other classes of business
- Cyber business: our clients sought to buy more reinsurance on a proportional basis which matched our approach and appetite. In consequence, we wrote additional reinsurance treaties in this emerging class
- Defended our signings due to our long-term excellent relationships

Less premium mainly due to non-renewal of some prop. treaties

We expect more favourable renewals for the remainder of the year

Worldwide treaty R/I in m. EUR



- China: selective underwriting led to reduced shares and volume
- Rest of Asia: a mixed picture within the various markets with slight overall reduction in premium
- Latin America and Spain
  - Continued softening of terms and conditions in most markets, however some slow down compared to 1/1/2016
  - New business acquired in some countries
- South Africa: slight premium increases due to new business albeit discontinuation of unprofitable business
- Agriculture: non-renewal of large quota-share agreements had significant impact on premium volume

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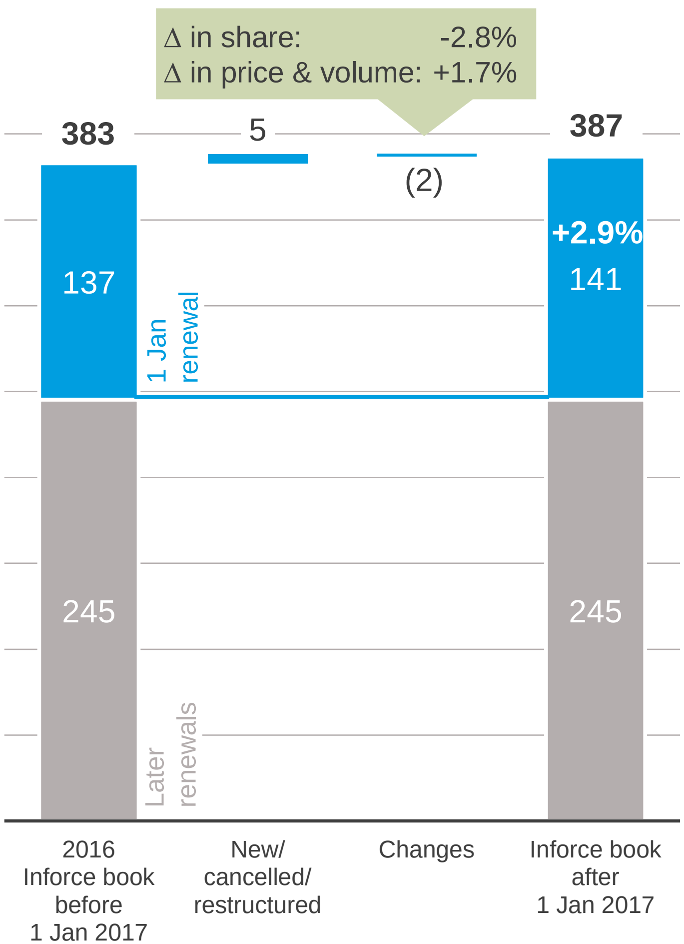
Slight increase in premium and better diversification

Strict adherence to technical underwriting approach

Cat XL in m. EUR



- US: stable premium
  - Underlying portfolio growth due to economic recovery
  - Reductions due to pricing effects were compensated by higher shares in profitable accounts
- Non-US
  - Compared to 1/1/2016 the pressure seemed to have eased and rate reductions moderated
  - Pricing for loss-affected programmes went up
  - Latin America: reductions due to pricing pressure; programmes heavily oversubscribed
  - Europe: increases in certain countries (earthquake coverages in Switzerland, Turkey and Portugal)

Exceptional reporting on structured reinsurance

Structured reinsurance grew significantly ...

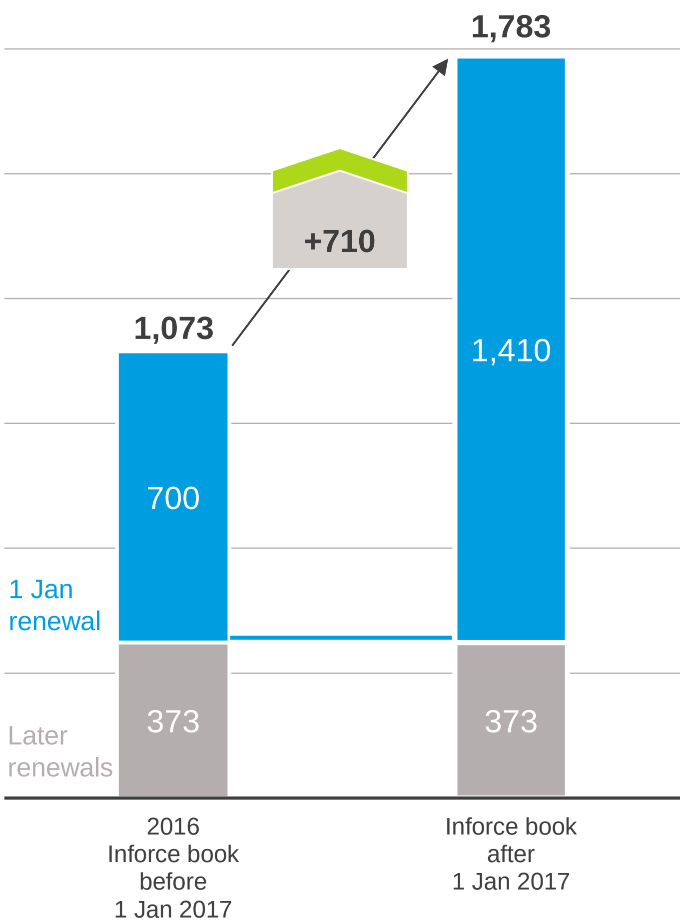
... supported by risk-based solvency regimes

- Through our Advanced Solutions division we provide tailor-made reinsurance solutions to assist clients with
  - increasing the efficiency of their capital management
  - optimising their balance sheet and/or
  - managing their earnings volatility
- Our scope includes contracts with special features and/or complex reinsurance structures
- Transactions that are reflected as deposit accounting due to insignificant risk transfer according to US GAAP are also written by Advanced Solutions, but are not included in the following premium figures

Growing demand for structured reinsurance ...

... in 3 different territories

Structured reinsurance in m. EUR



- Growth emanating from North America, Europe and Latin America
- Generally increasing demand for capital relief transactions (Solvency II driven in Europe, BCAR enhancement in the US as well as in Latin America)
- Shrinking volume in Asia due to insufficient profitability or changes in RBC regimes

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Later recognition of profitability of new business written

due to conservative risk management procedures

- Advanced Solutions business produces stable results (less volatile than traditional P&C business) and hence deploys less capital. Profit margins are usually lower than for traditional P&C reinsurance business.

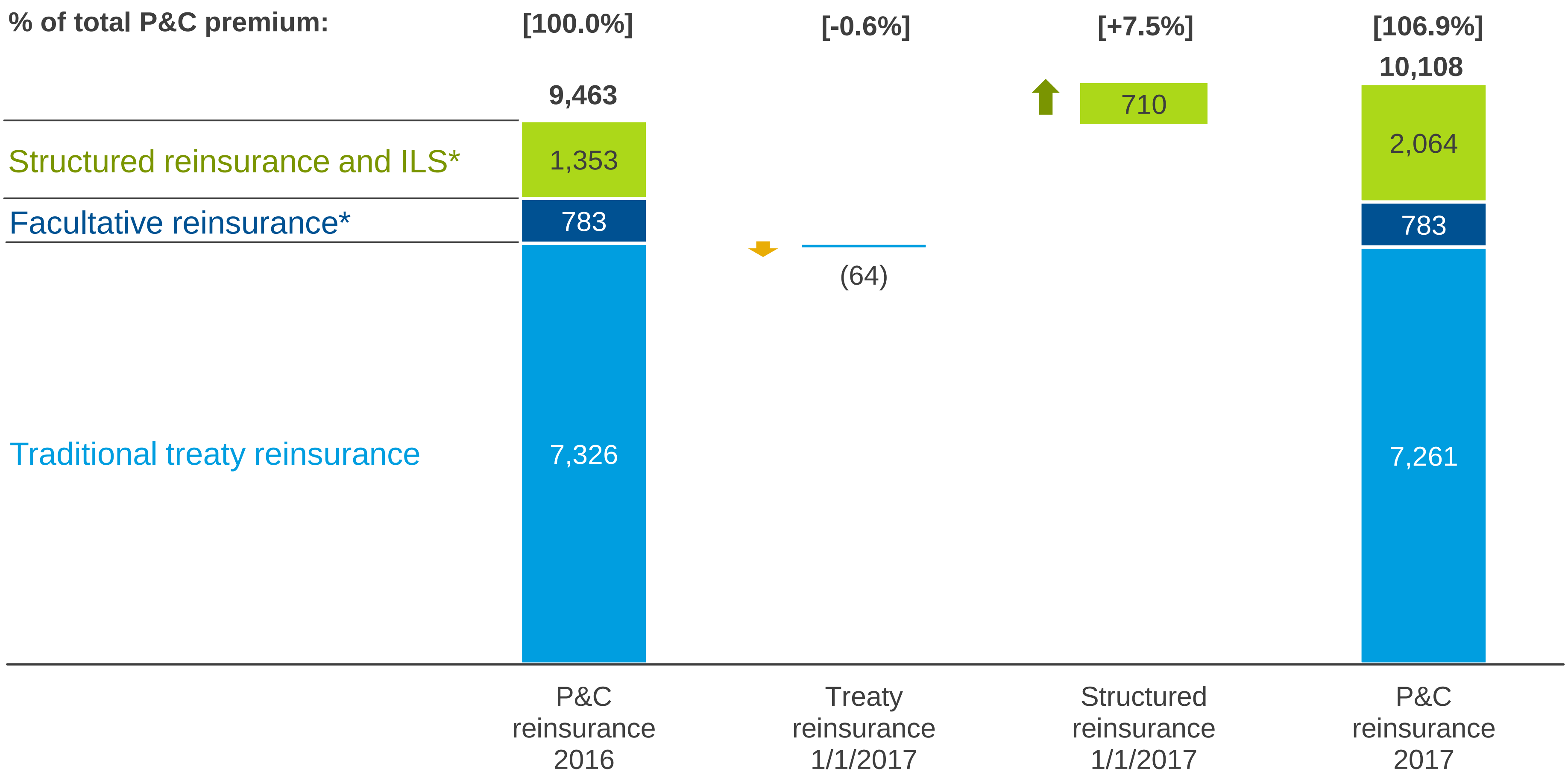
- Conservative profit recognition philosophy (embedded margins):
  full profits are only recognised when it is evident that they are achieved

- Portfolio reserves reflect the IBNR element of Advanced Solutions business portfolios to ensure that the portfolio reserves are set at conservative levels

Combined development of treaty & structured R/I ~7% growth*

Estimated premium income U/Y

in m. EUR



* In % of 2016 total P&C premium U/Y; premium in ILS, facultative reinsurance and later renewals kept unchanged

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Outlook

Financial-year figures

Overall profitability still above margin requirements

Property & Casualty reinsurance: financial year 2017

	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 reinsurance	↘	+
Global reinsurance	Worldwide treaty[3] reinsurance	↘	+/-
	Cat XL	→	-
	Structured reinsurance 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

Updated guidance for 2017

Hannover Re Group

- Gross written premium[1)] ____ low single-digit increase
- Return on investment[2) 3)] ____ ~2.7%
- Group net income[2)] ____ more than EUR 1 bn.
- Dividend payout ratio[4)] ____ 35% - 40%
  (If comfortable level of capitalisation remains unchanged, this ratio will increase through payment of another special dividend)

1) At unchanged f/x rates
2) Subject to no major distortions in capital markets and/or major losses in 2017 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

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Rationale for the updated 2017 guidance

- Growth in premium volume expected due to growth in structured reinsurance for our P&C business
- Profit guidance changed mainly due to successful conclusion of a number of Financial Solutions transactions in our L&H business
- Investment income expected to be largely stable on the back of increasing investment volumes and rising interest rates in the US

Subject to no major distortions in capital markets and/or major losses in 2017 not exceeding the major loss budget of EUR 825 m.

Long-term success in a competitive business

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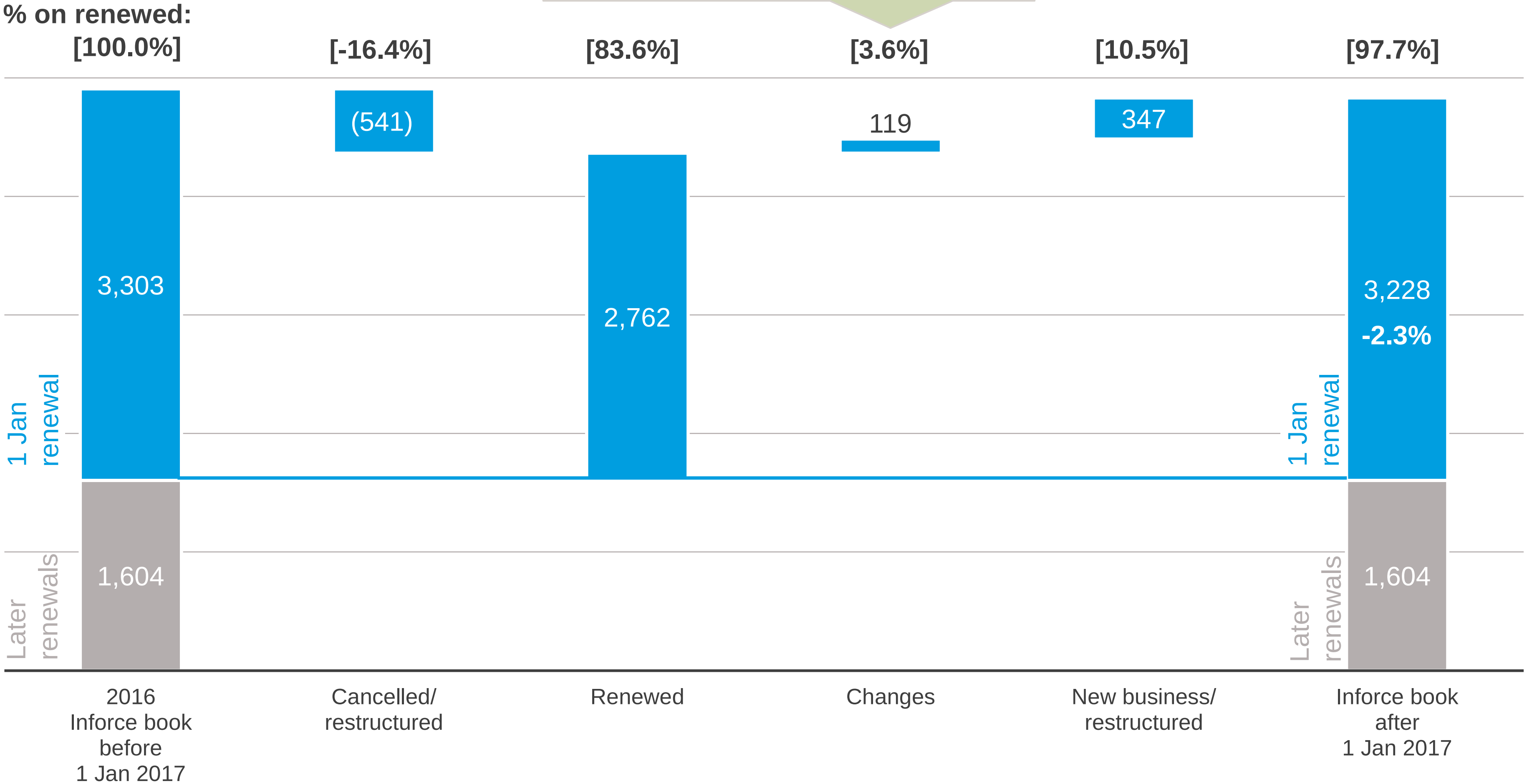
Appendix

Cancellation of few treaties led to reduced premium in prop. biz

Treaty R/I - proportional

in m. EUR

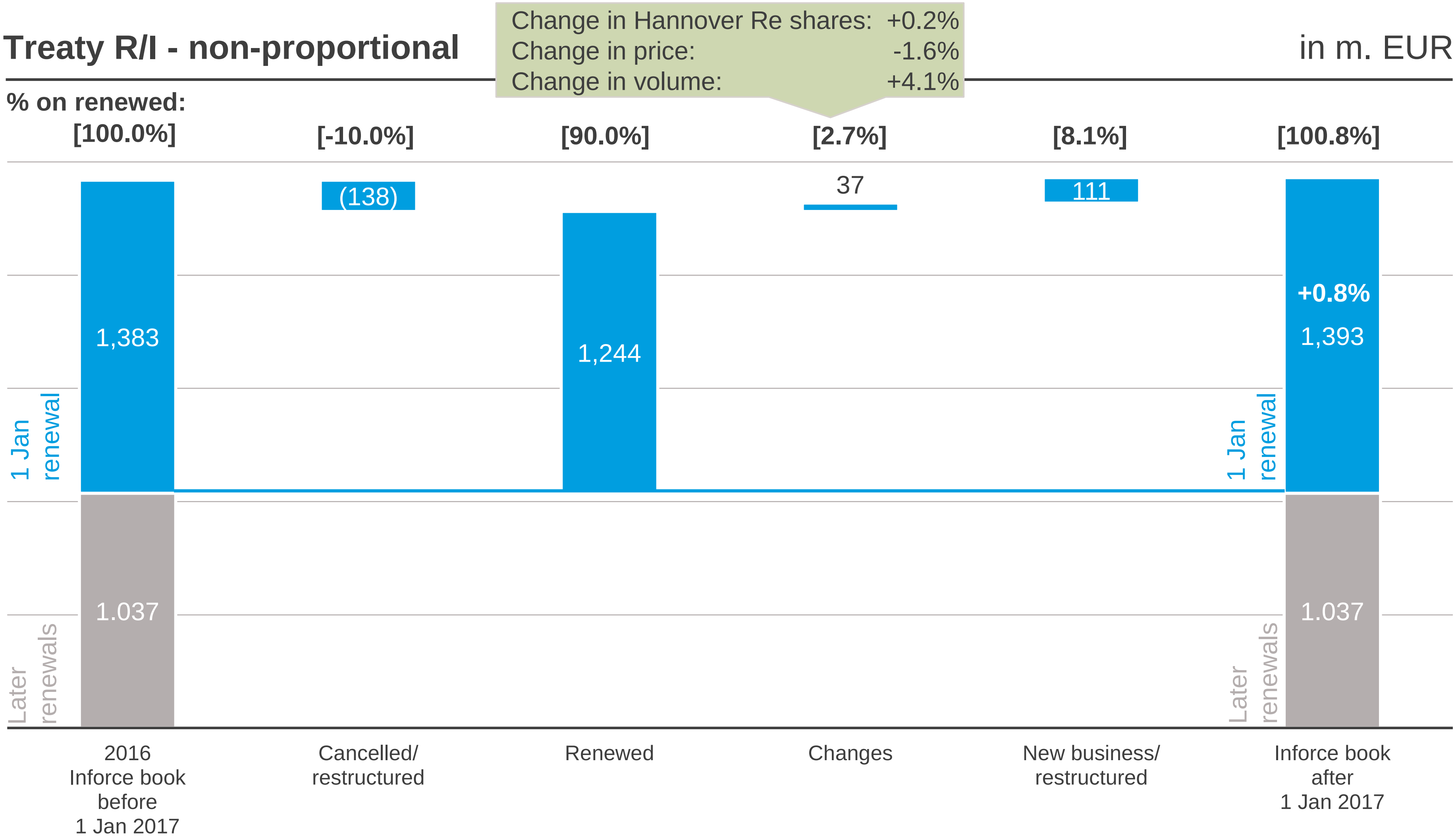
Change in Hannover Re shares: +1.9%
Other changes (price & volume): +1.7%



Nearly unchanged volume in non-proportional business

Treaty R/I - non-proportional

in m. EUR



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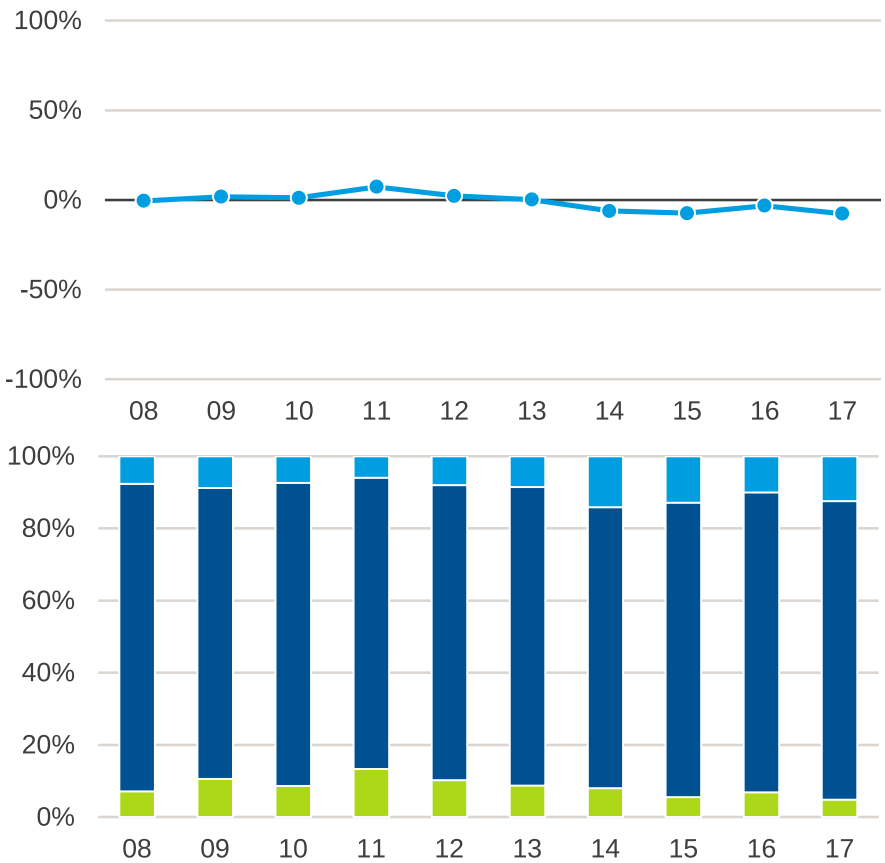
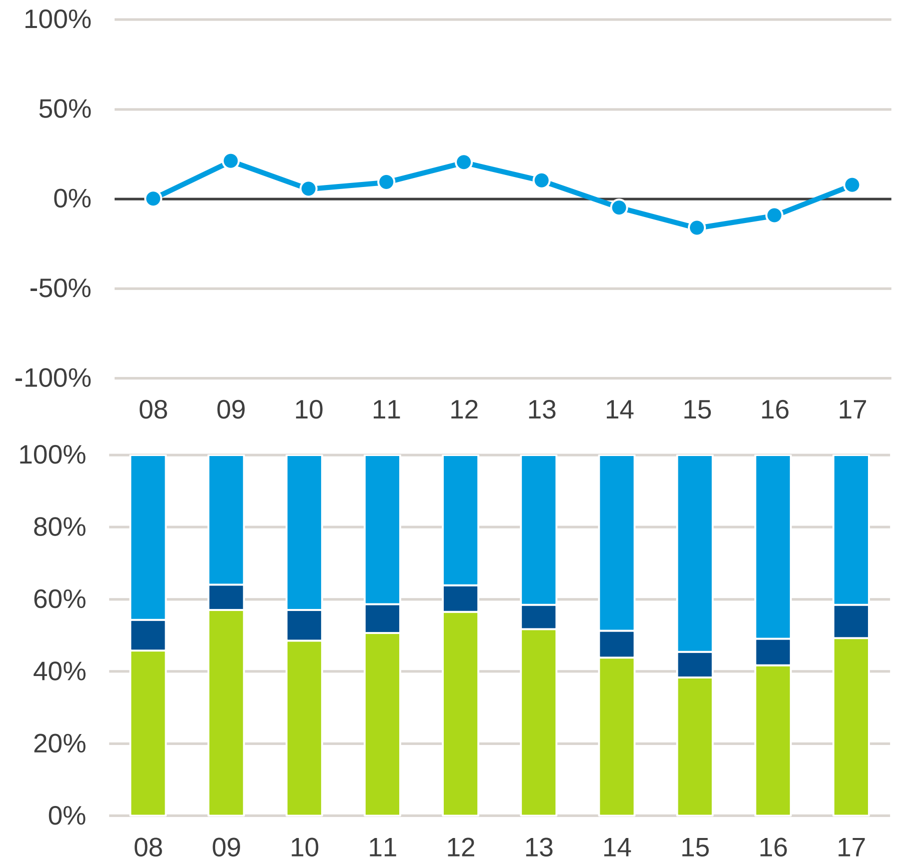
Non-proportional business continues to improve
Continental Europe

Number of proportional treaties[1)]



Number of non-proportional treaties[2)]



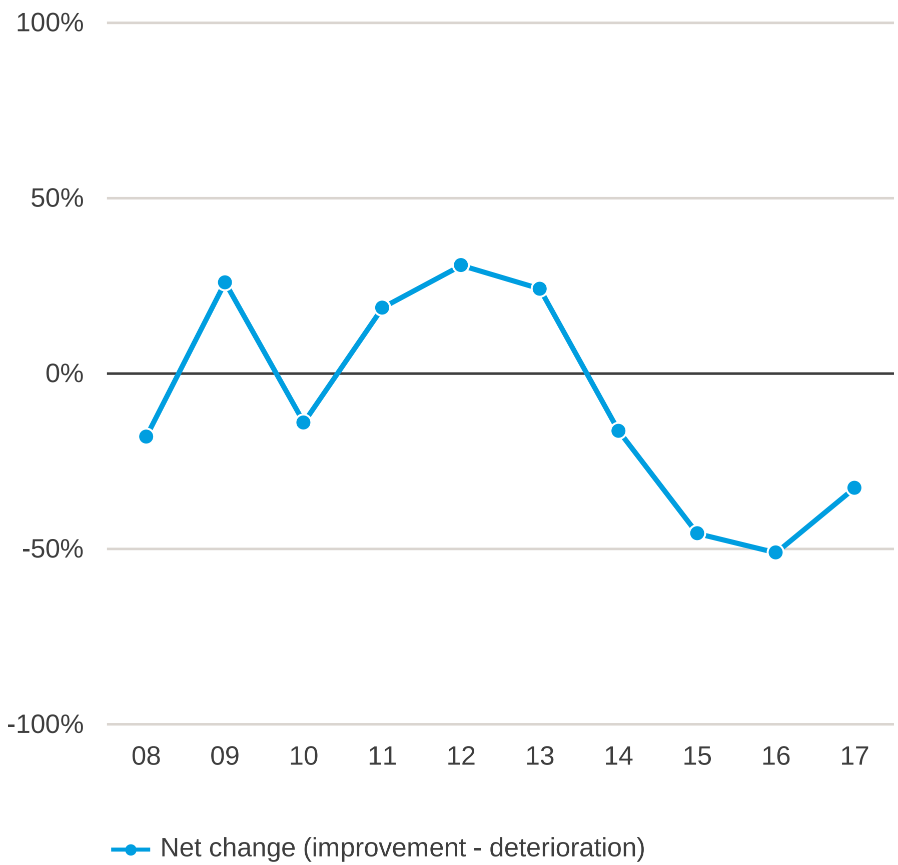
Net change (improvement - deterioration) Improvement Unchanged Deterioration

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

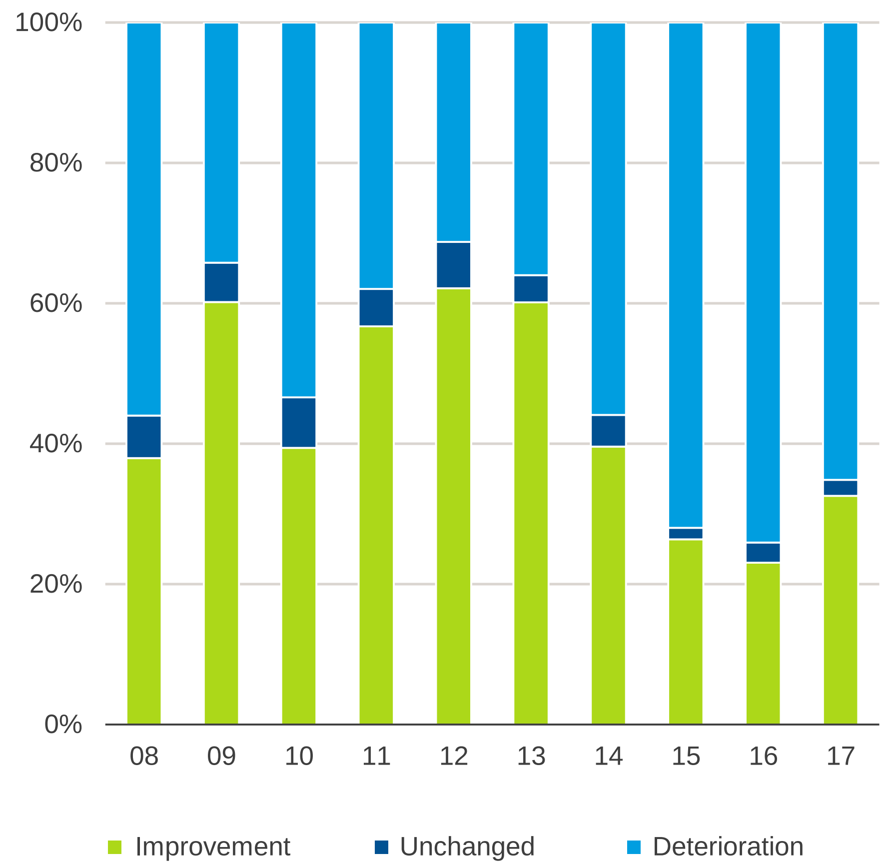
Continued rate deterioration

Marine

Number of non-proportional treaties



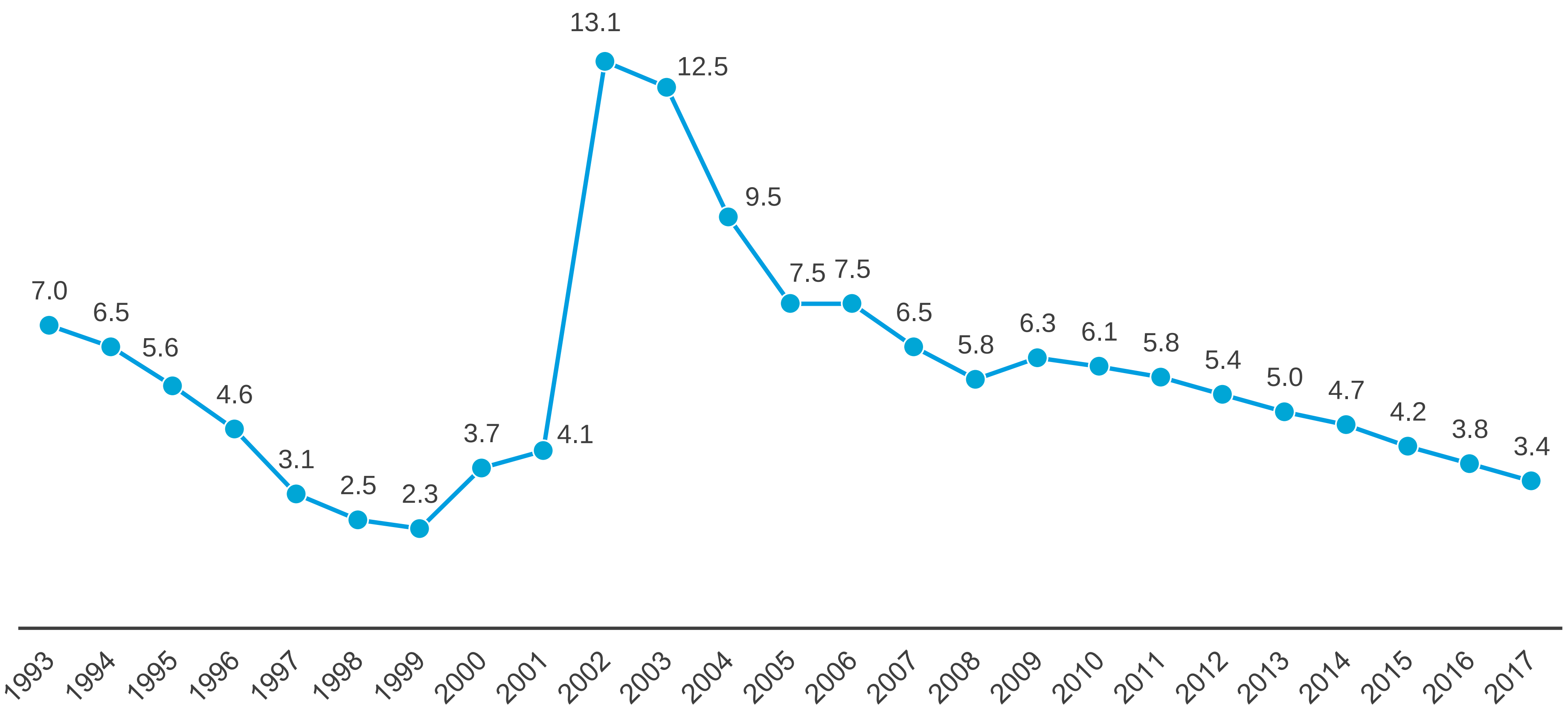
Comparison of Rate on Line (RoL)



The market has reached the pre-2000 Rate-on-Line (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.

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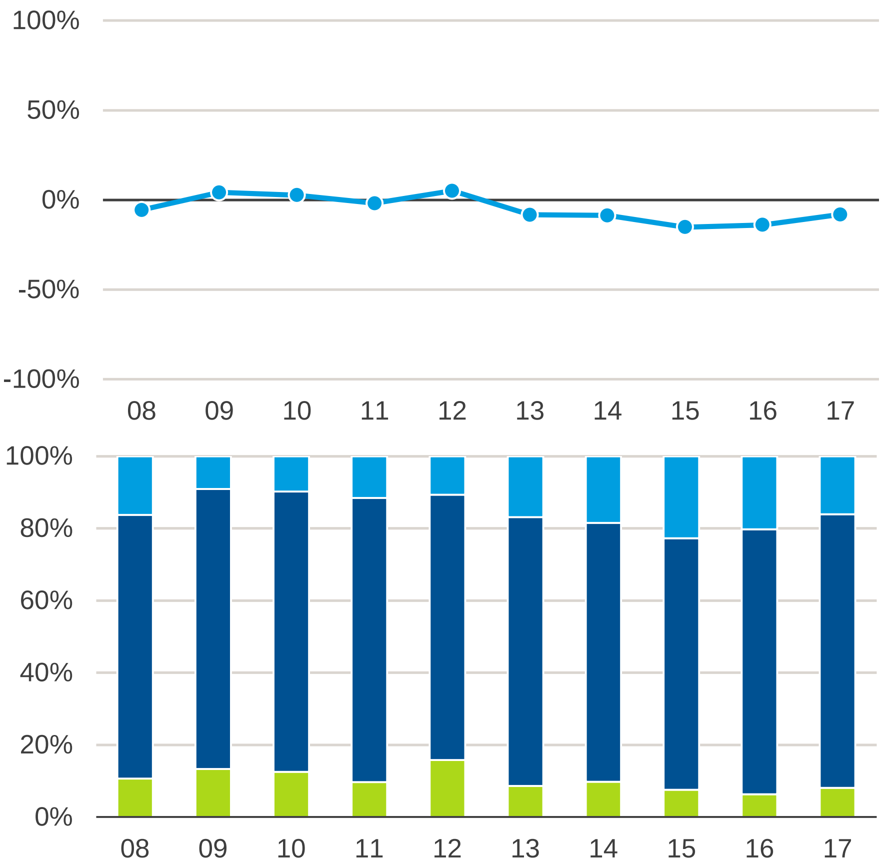
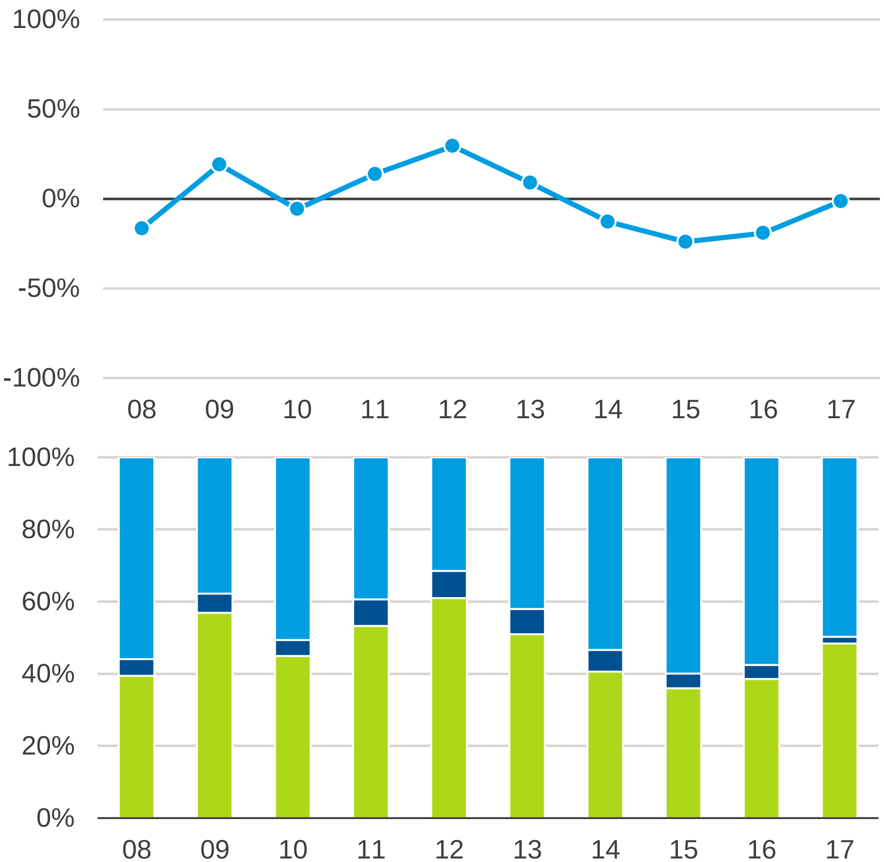
Stable development in worldwide treaty reinsurance

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)

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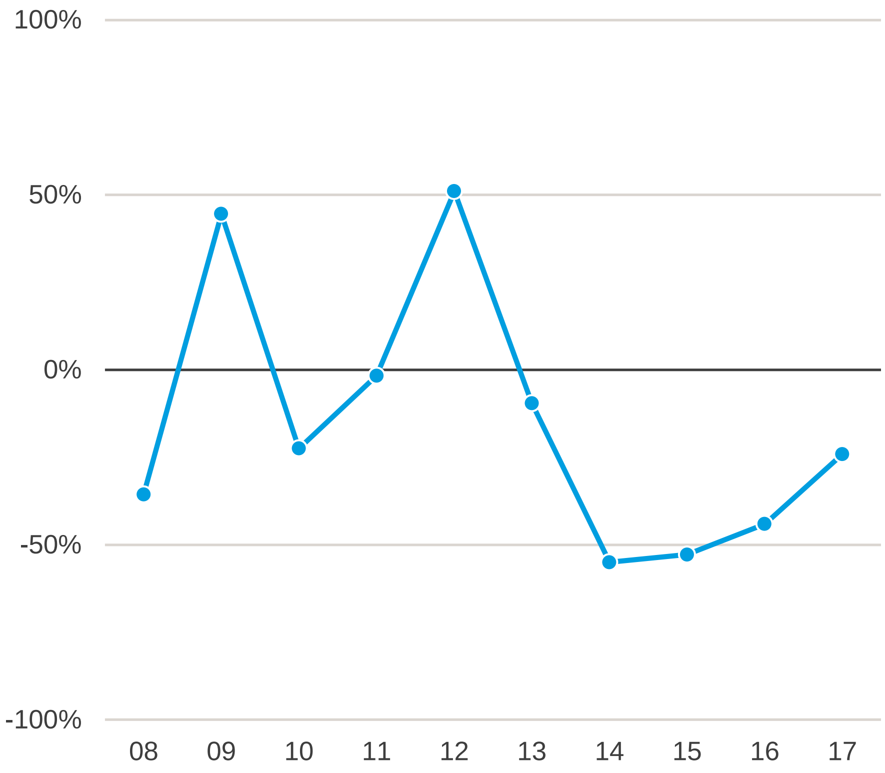
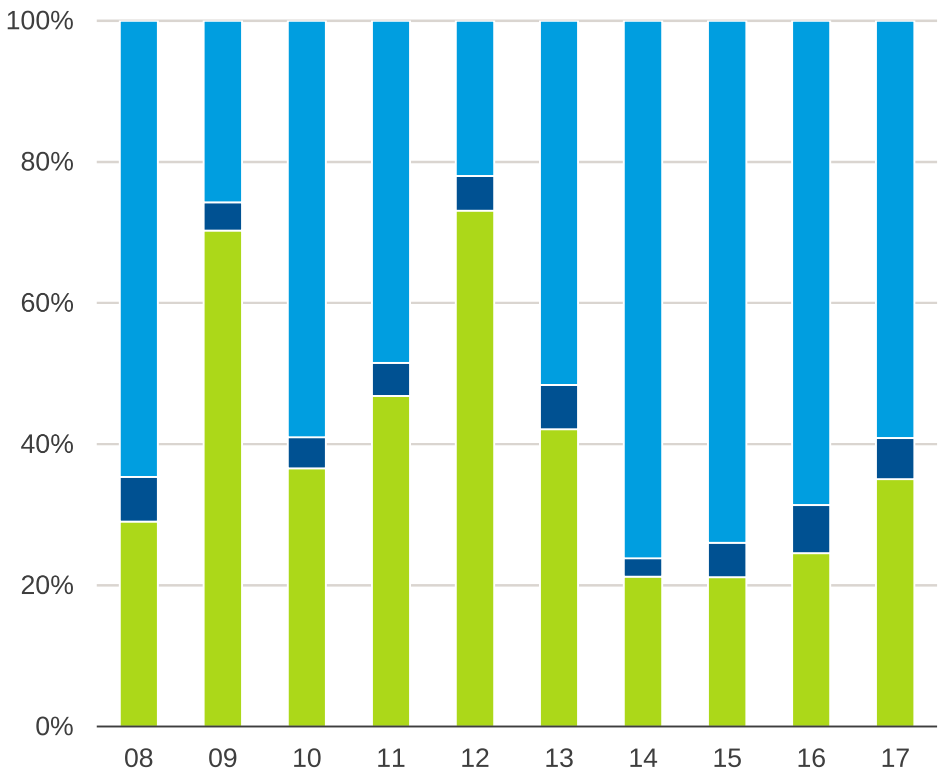
Rate on Line deterioration losing momentum

Number of Cat XL treaties



Comparison of Rate on Line (RoL)



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