From the CFO's desk

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Asset allocation unchanged

Rise in assets under management despite EUR 750 m. bond redemption in Feb

Tactical asset allocation[1)]

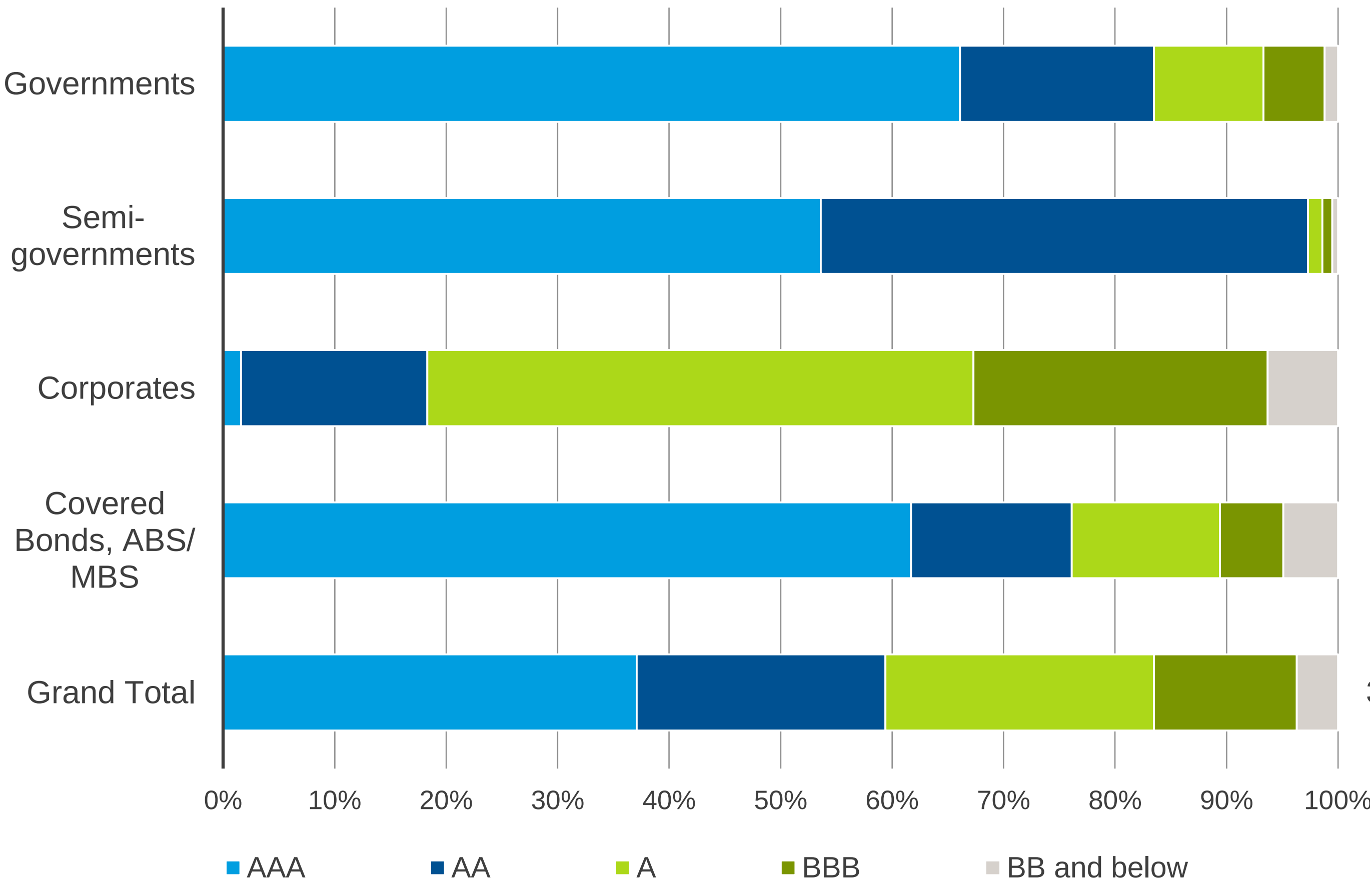
Investment category	2010	2011	2012	2013	1H/2014
Fixed-income securities	**84%**	**89%**	**91%**	**89%**	**89%**
- Governments	23%	19%	19%	19%	20%
- Semi-governments	21%	23%	23%	20%	20%
- Corporates	25%	30%	32%	34%	35%
Investment grade	24%	29%	30%	33%	33%
Non-investment grade	1%	1%	2%	2%	2%
- Pfandbriefe, 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**	**32.4**

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 618.0 m. (EUR 598.5 m.) as at 30 June 2014
2) Of which Pfandbriefe and Covered Bonds = 82.4%

Existing portfolio yield still in target range

Nevertheless, "normalised" yield levels would be more than appreciated

Fixed-income portfolio*



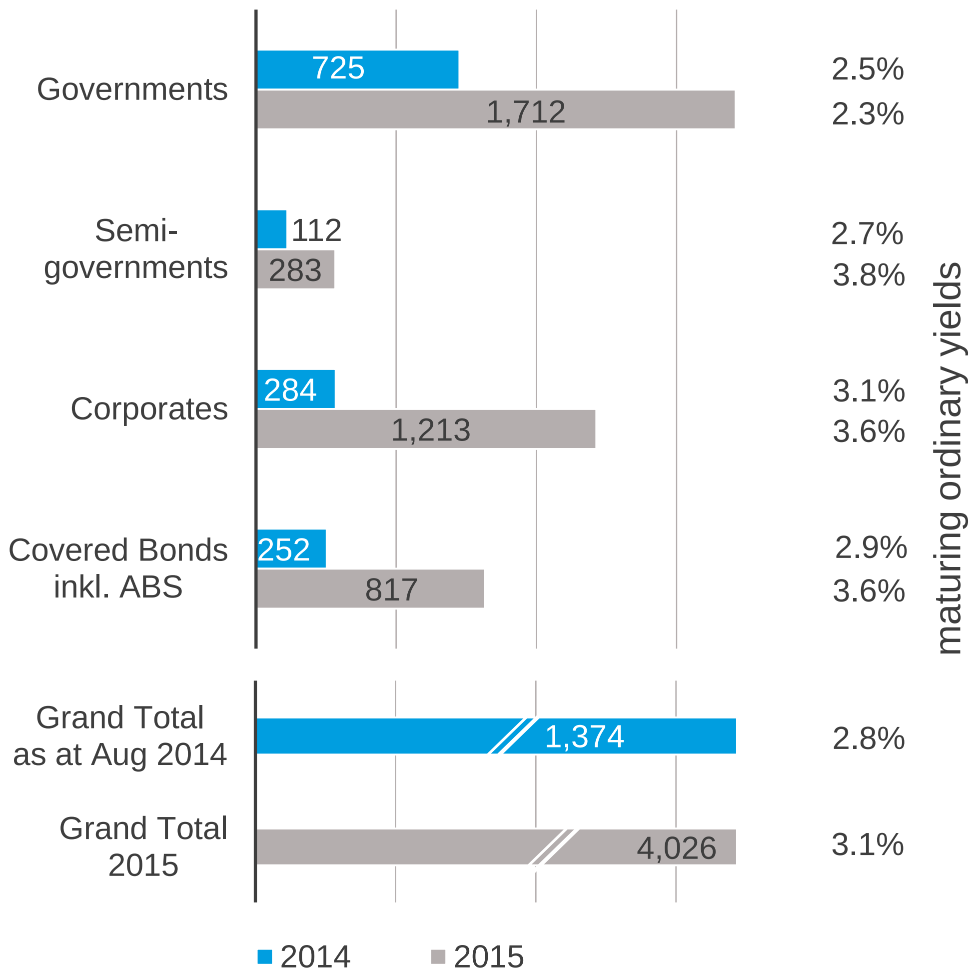
	abs. in m. EUR	Market yield	Portfolio yield
Governments	11,654	1.36%	2.38%
Semi-governments	2,148	2.34%	3.61%
Corporates	11,652	2.32%	3.66%
Covered Bonds, ABS/ MBS	4,783	1.33%	3.44%
Grand Total	30,239	1.80%	3.14%

* Preliminary analysis as at 15 Aug 2014, excluding short-term investments and cash, governments according economic view

Maturity pattern 2014 and 2015

Heterogeneous maturing yield profile per asset class

Fixed-income maturities in m. EUR



- Simulation assumptions
  - Maturing fixed-income securities re-invested according to current market yields
  - (Re)investment of short-term investments (STIs) at currently low returns
  - New cash flows in 2014 and 2015 reinvested at an average of 2.04% p.a.
  - The emission of new hybrid bond is not included

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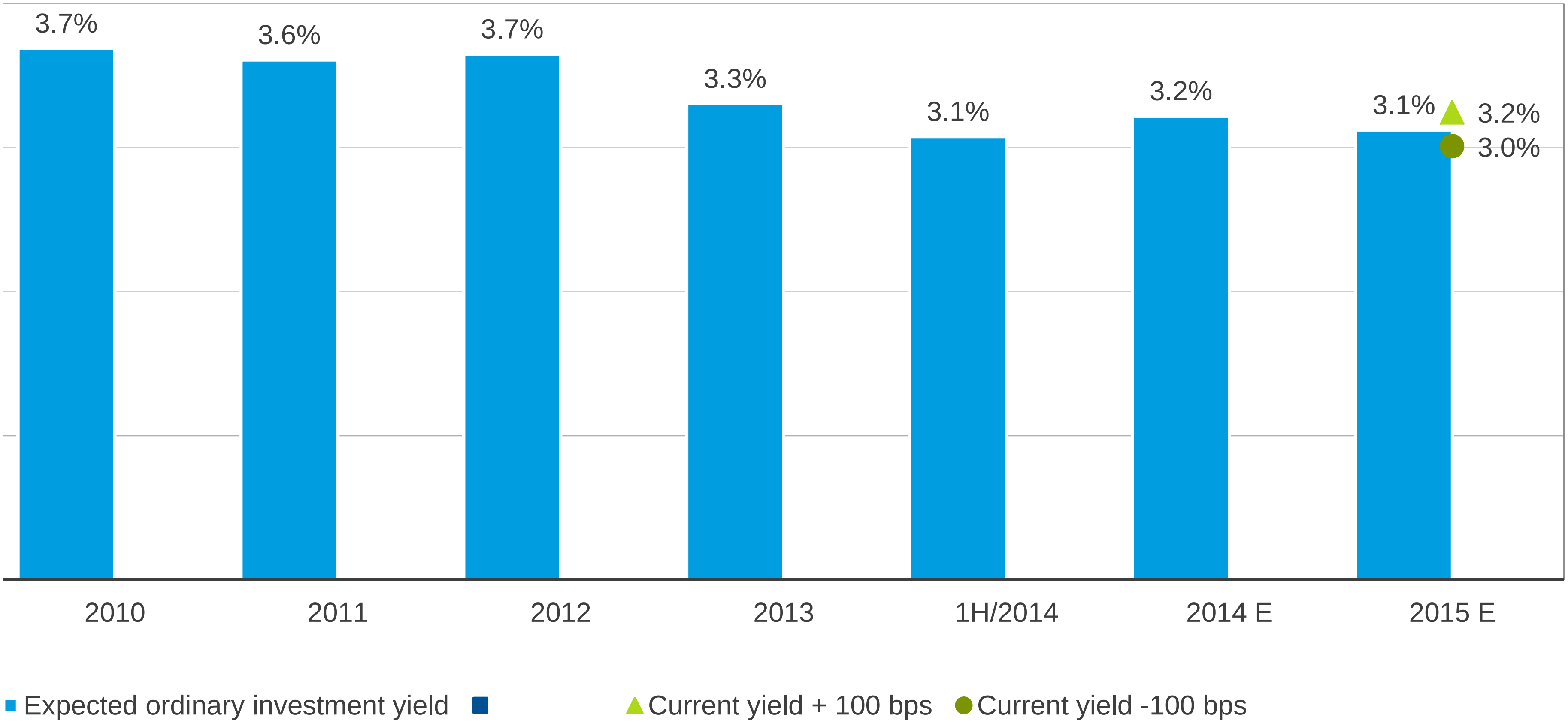
Ordinary return on investments declines at appr. 15 bps p.a.

Expected ordinary yield in 2014/2015 from assets under own management

in %



* Analysis as at 15 August 2014

Ordinary investment yield development follows our projections

Ordinary investment income (average expectation) from assets under own management

Asset class[2]		Allocation 08/2014	2014 E	2015 E
Governments		34%	2.4%	2.3%
Semi-governments		6%	3.6%	3.5%
Corporates		36%	3.7%	3.6%
Covered Bonds incl. ABS/MBS		15%	3.4%	3.2%
Short-term investments (ex Short Govies)[1]		3%	1.1%	1.1%
Real Estate[1]		4%	5.3%	5.3%
Private Equity[1]		2%	6.0%	6.0%
Cash In - 2014 (at at Aug 2014)	+EUR 0.6 bn.		2.0%	2.0%
Cash In - 2015	+EUR 1.7 bn.			2.0%
Total		**EUR 32.84 bn.**	**3.2%**	**3.1%**

1) Fixed approximation
2) Risk perspective deviating from accounting/legal perspective

Hybrid capital - a value driver in capitalisation?

Hybrid capital - only one amongst many

Financing instruments in the insurance sector

- Senior bond
- Common shares
- Contingent convertible
- Hybrid bond
- Preference shares
- Bilateral credit facility
- Syndicated credit facility
- Mandatory convertible

The Swiss Army knife in insurance financing?

Hybrid capital - a versatile instrument

Hybrid capital

Solvency	Qualification as eligible own funds under Solvency regulation
Rating	Equity credit under rating agencies‘ capital models if respective requirements are met
Cost of capital	Optimisation of cost of capital as well as of the capital structure Cheaper than equity with coupon payments generally tax deductible (unlike dividends) Usually non-dilutive to existing shareholders
Financial key ratios	Positive impact on key ratios such as RoE* and EPS* due to lower cost of capital compared to equity
Investor basis	Different key investors such as pension funds, asset managers, retail, etc. leading to a more diversified investor basis
Adminis-tration	Provides the ground for a lean and flexible administration without the need for authorisation of the (annual) general meeting

* Liability treatment under accounting rules assumed

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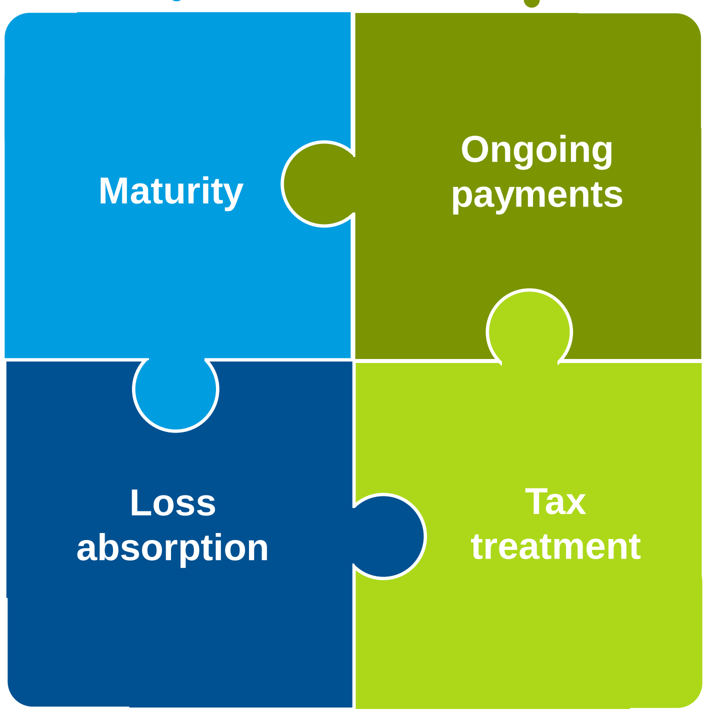
More debt or more equity-like?
Hybrid vs equity: selected features

Hybrid bonds:
Limited (dated instrument) or unlimited (perpetual instrument) maturity. Depending on certain conditions the issuer has a right to redeem the bond before maturity

Equity:
Permanent

Hybrid bonds:
Coupons usually not directly linked to the companies' profit and only suspended under pre-defined circumstances

Equity:
Dividend payments directly depending on the profit situation at the discretion of the company



Hybrid bonds:
Usually subordinated, new-style instruments (Tier 1 under Solvency II) with defined loss-absorption features

Equity:
Fully loss absorbing

Hybrid bonds:
Coupons usually tax-deductible

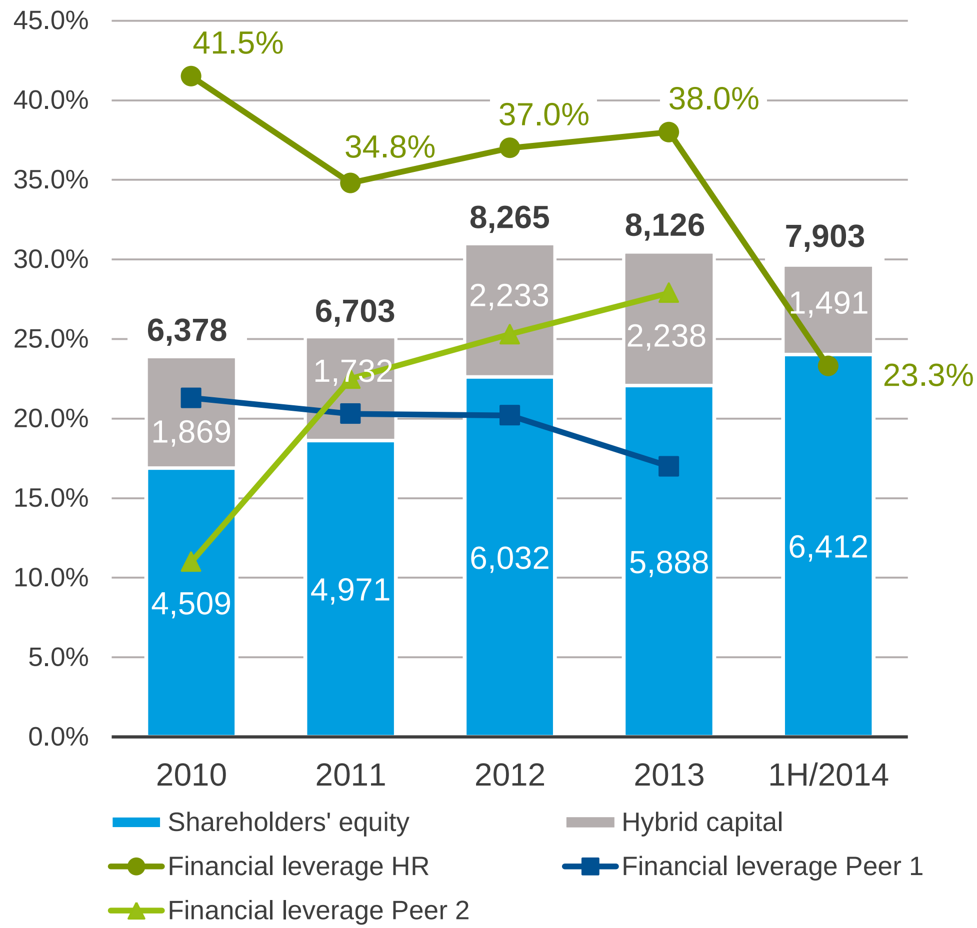
Equity:
Dividends not tax-deductible

Our strategy determines capitalisation level

Adequate level of capitalisation

- Rating agencies' requirement defines the hurdle
- Capitalisation level has to comply with
  - Expectations of rating agencies
  - Economic capital model requirements
  - Solvency regulation requirements
  - Expectations of clients and shareholders
- . . .while maintaining a sufficient equity buffer for business opportunities

Shareholders' equity* and hybrid capital in m. EUR

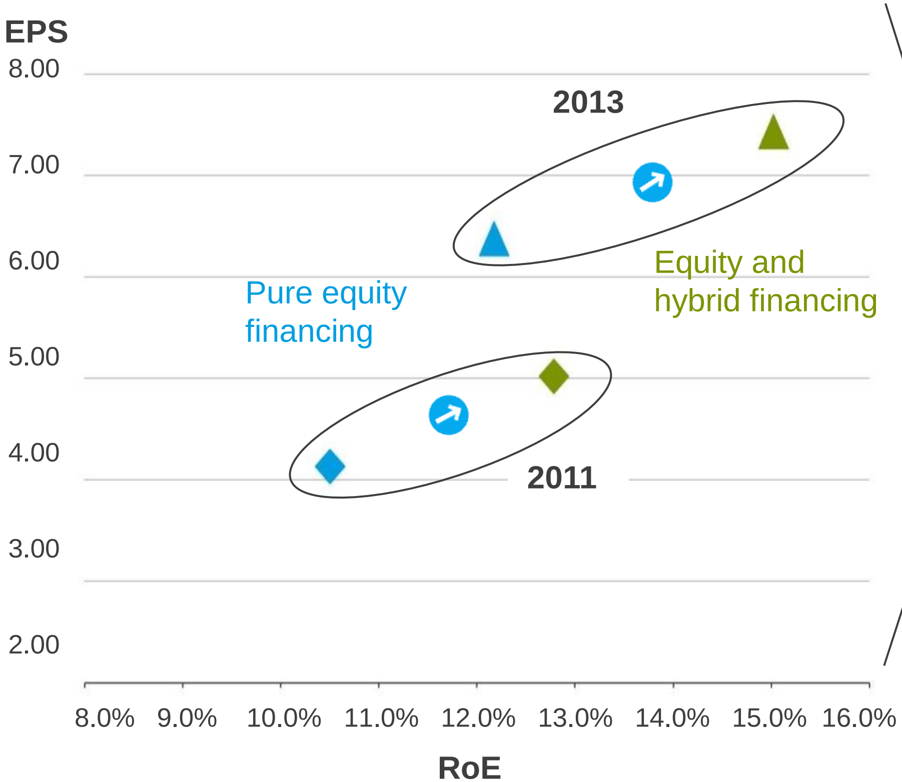


* Excl. non-controlling interests; financial leverage = hybrid capital / shareholders' equity (excl. non-controlling interests)

Financial ratios benefit from hybrid capital

Comparison to pure equity capitalisation demonstrates benefits

RoE[1)] and EPS[1)] 2011 and 2013 [2)]



		RoE	EPS
2011	Pure equity	10.5%	4.1
	Equity and hybrid	12.8%	5.0
2013	Pure equity	12.2%	6.4
	Equity and hybrid	15.0%	7.4

1) RoE = Return on Equity (in %); EPS = Earnings per share (in EUR per share)
2) Source: Hannover Re Annual Reports 2011 and 2013; own calculations

Not only the sky is the limit
Balance is key

- Despite its various uses, hybrid capital is considered to be only a limited part of the Hannover Re capital structure

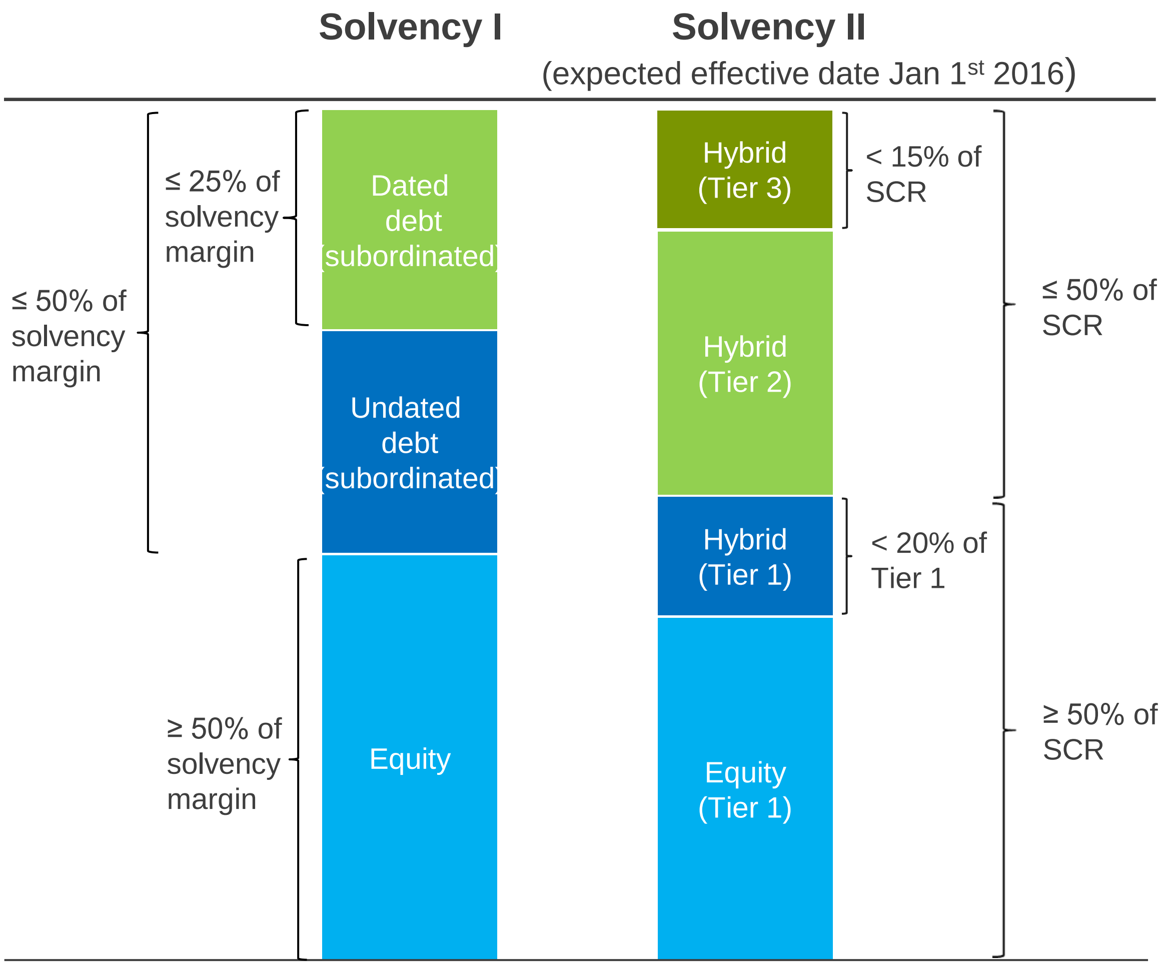
- Excessive use is not an alternative to boost financial metrics:

  - Recognition limits under certain regimes (i.e. Solvency and rating) – hybrid capital beyond these limits would compare to expensive (senior) debt

  - Strong increase in financial or leverage risks would lead to a significantly higher expected rate of return by equity investors

Own funds calculation in a changing regulatory environment

Comparing Solvency I to Solvency II



- SCR* as one of two capital requirement ratios under Solvency II
- Risk-based calculation of required capital on the basis of underlying business under Solvency II; Solvency I static
- Solvency II: Tier 2 more relevant than Tier 1 due to its higher relative recognition

* Solvency Capital Requirement

Qualification requirements for hybrid capital

Comparing Solvency I to Solvency II

	Solvency I	Solvency II	
	dated/undated[1)]	Tier 1[2)]	Tier 2[2)]
Maturity	▶ 5 years minimum maturity ▶ Perpetual	▶ Perpetual ▶ Mandatory suspension in case of non-compliance with SCR	▶ 10 years minimum maturity ▶ Mandatory suspension in case of non-compliance with SCR
Issuer Call	▶ Callable after 5 years ▶ Predefined call options prior to 5 years from issuance allowed	▶ Callable after 5 years ▶ No call options prior to 5 years from issuance	▶ Callable after 5 years ▶ No call options prior to 5 years from issuance
Coupon		▶ No step-up or any other incentive to redeem ▶ Non-cumulative ▶ Mandatory coupon cancellation upon breach of SCR ▶ Fully optional coupon deferral (no dividend pusher or stopper)	▶ Limited incentives to redeem not before year 10 after issuance ▶ Step-up of 100 bps or 50% of the initial credit spread permitted after 10 years ▶ Cumulative possible ▶ Mandatory coupon deferral upon breach of SCR
Loss absorption		▶ Write-down or conversion into equity if SCR less than 75% once or less than 100% over a 3 month period ▶ Write-up out of future profits subsequent to compliance with the SCR	
Ranking	▶ Subordinated	▶ Deeply subordinated	▶ Subordinated

1) Source: §53c Versicherungsaufsichtsgesetz
2) Source: Technical Specifications for the Preparatory Phase by EIOPA dated 30 April 2014
Consultation Paper on the proposals for Guidelines on SII relating to Pillar 1 requirements by EIOPA dated 2 June 2014

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S&P's capital adequacy and hybrid limits

Hybrid capital supports Financial Risk Profile

- Capital adequacy is one major factor of the company‘s Financial Risk Profile

  Redundancy/Deficiency = (TAC[1] + regulatory qualified hybrids) - required capital

- Recognition of hybrid capital is limited depending on:
  - Qualification as own funds under the respective supervisory regulation
  - Equity content of the hybrid instrument:
    - 35% of TAC[2] for hybrid bonds with „high equity content“
    - 25% of TAC[2] for hybrid bonds with „intermediate equity content“
    - 0% of TAC[2] for hybrid bonds with „minimal equity content“

- All outstanding Hannover Re hybrids fulfil S&P‘s requirements for „intermediate equity content“ and help to maintain our capital adequacy at excellent levels:

  „We view Hannover Re‘s capital and earnings as extremely strong, based on our forecast of the group maintaining capital adequacy at the `AAA´ level over 2014-2016, based on our capital model.“ (S&P research update as per June 30, 2014)

1) Total adjusted capital excl. hybrid bonds
2) Total adjusted capital incl. hybrid bonds

Summary

- Financial ratios
  - Hybrid instruments have a significant influence on financial metrics such as RoE and EPS
  - But: a higher proportion of hybrid capital effects a higher financial or leverage risk
- Solvency II works as a game-changer in terms of
  - Risk-based calculation of required capital
  - Relative recognition of Tier 2 to Tier 1 capital
  - Equity content of Tier 1 capital (loss absorption features)
- Rating
  - Hannover Re‘s hybrid capital actively improves the Financial Risk Profile
  - Instruments are tailored to be recognised as „intermediate equity content“

➥ Hybrid capital is an important part of Hannover Re‘s capitalisation due to its
  - (partial) qualification as equity under regulatory and rating regimes while having a
  - considerably lower cost of capital than equity and positive effects on financial key ratios

How to read the run-off result

The reporting standard provides full insight, but. . .

. . .without addtional information is difficult to interprete

Loss and loss adjustment expense reserve (net) - year in question & previous years plus payments made to date on the original reserve

in m. EUR	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
End of year	13,081.5	12,541.8	13,192.4	16,276.4	12,657.0	13,509.9	13,840.6	15,077.8	16,463.9	17,072.7	17,680.5
One year later	13,504.1	14,895.0	14,828.0	12,512.4	12,948.6	14,618.6	13,352.3	14,526.9	16,149.6	16,649.1	
Two years later	14,747.8	15,787.5	11,258.7	12,077.3	12,874.2	13,348.3	12,684.2	13,938.9	15,800.9		
Three years later	15,482.9	12,985.0	10,716.3	11,987.5	12,383.9	12,569.6	12,110.5	13,504.5			
Four years later	13,278.6	12,524.1	10,706.8	11,557.9	11,612.5	12,074.2	11,683.1				
Five year later	13,009.2	12,550.0	10,338.0	10,858.7	11,262.2	11,734.9					
Six years later	13,103.6	12,246.0	9,700.4	10,586.3	10,959.5						
Seven years later	12,834.7	11,717.2	9,501.3	10,311.1							
Eight years later	12,371.2	11,588.4	9,289.5								
Nine years later	12,282.9	11,435.1									
Ten years later	12,145.7										
Change relative to previous year											
Net run-off result	137.1	16.1	58.5	63.4	27.6	36.6	88.1	7	(85.7)	74.9	= 423.6
As % of original loss reserve	1.0	0.1	0.4	0.4	0.2	0.3	0.6	0.0	(0.5)	0.1	

- 2006 reflects deconsolidation of Praetorian
- Allocation of losses and premiums to occurrence year not always possible (estimates if cedant information not available). We prefer underwriting year.
- Partly original currency on reporting units

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"Neutral" positive run-off

A very, very simplified example

Ideal run-off of a stable segment with a 10-year tail

U/Y	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
Initial reserves	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	
Assumed initial BE mid point	900	900	900	900	900	900	900	900	900	900	900	
Assumed initial redundancy	100	100	100	100	100	100	100	100	100	100	100	
												CY 2012
2012 reserves	0	100	200	300	400	500	600	700	800	900	1,000	5,500
2012 BE mid point	0	90	180	270	360	450	540	630	720	810	900	4.950
2012 redundancy	0	10	20	30	40	50	60	70	80	90	100	550
2012 run-off result	10	10	10	10	10	10	10	10	10	10	0	100

Loss ratio 2012	100%
Economic L/R	90%
Contribution run-off	10%
Contribution redundancy	-10%

"Normal" positive reserve development

- Due to Hannover Re's internal estimation system for individual proportional treaties as well as conservative IBNR based on ULRs per segment we expect a positive development in each quarter

- Detailed analysis and external actuarial assessment only once a year
  ➥ educated estimates per quarter

HR's quarterly results expected to include positive development of ~EUR 50 m.

Selected examples from 2013. . .

. . .and their impact on run-off result (R/O) and confidence level (CL)

- **Negative R/O; neutral CL:** increase of individual treaty reserve
  - Credit/Surety (older UYs due to court decision claims in Spain)
  - Increased loss estimates from hailstorm “Andreas”
  - Deepwater Horizon
- **Positive R/O, neutral CL:** decrease of individual treaty reserve
  - Decreased loss estimates for floods in Thailand/EQ Japan
- **Neutral R/O, reduced CL:** negative reserve development covered by redundancy
  - Credit/Surety UYs 2009/10 – unexpected additional claims booked against IBNR
- **Neutral R/O, increased CL:** keep ULR up on old level despite sustainable positive loss experience
  - Hard market U/W years 2002 - 2006 in US Casualty
- **Negative R/O; increased CL:** increase of ULR within the best estimate range without sustainable loss experience
  - Facultative Casualty UYs 2009 - 2012

Run-off results and CL development need to be considered to qualify a C/R

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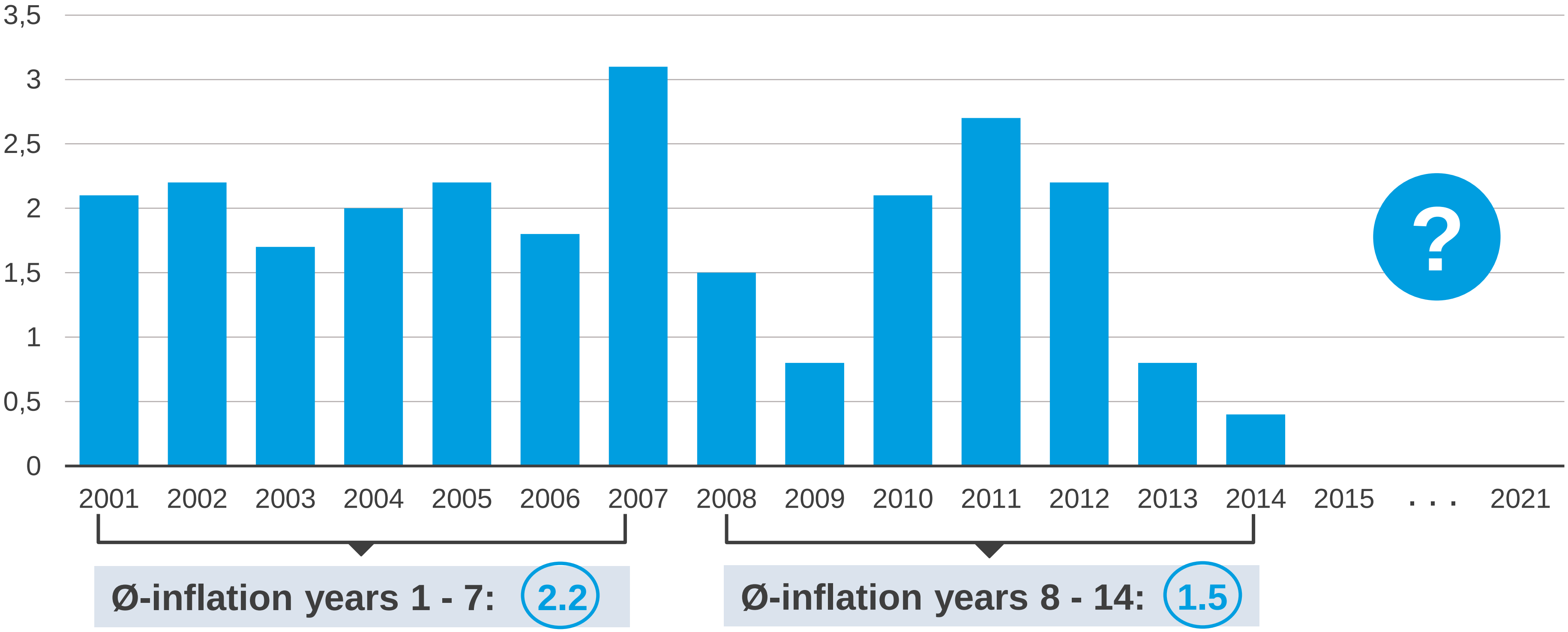
Impact of inflation on loss estimates

EUR zone HICP inflation year-on-year



- Low inflation experience in ULR projection supports positive run-off/redundancy level but leads to lower estimates for future years

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