



somewhat
different

Creating value through reinsurance

Ulrich Wallin, CEO

Reinsurance market and outlook

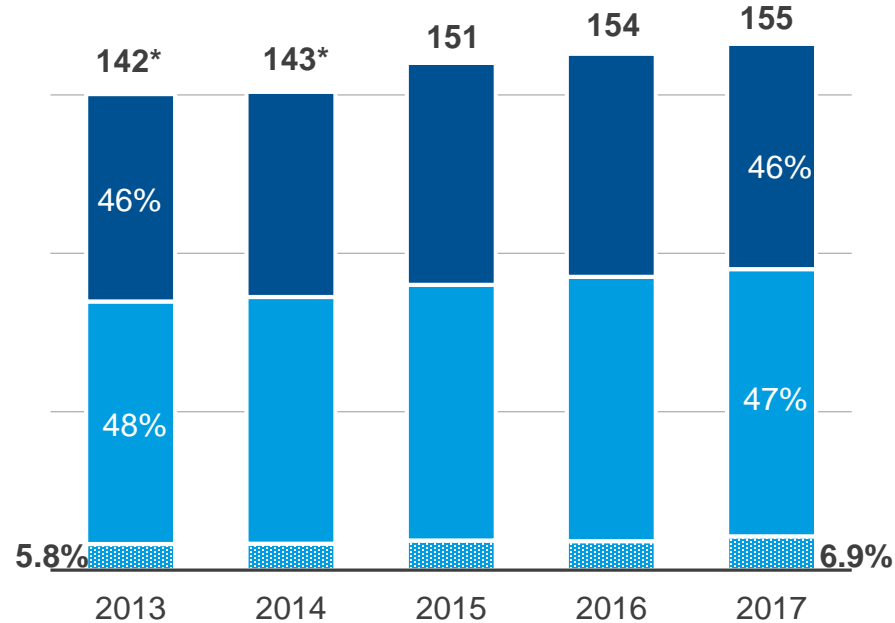
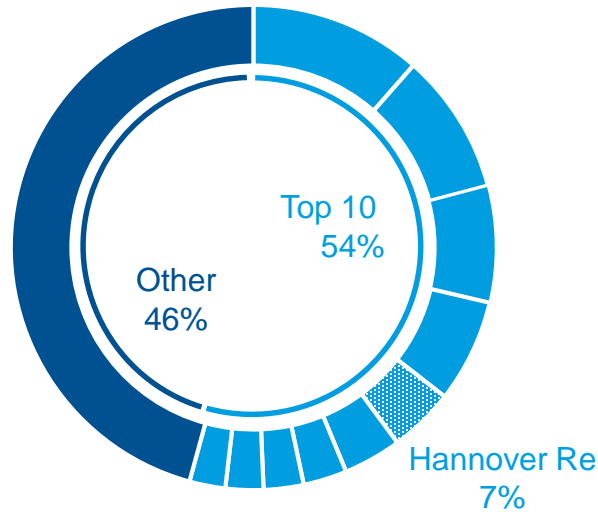
Growing Property and Casualty reinsurance market

Hannover Re outperforms the market

Market size and concentration 2017

in bn. EUR

4-year CAGR



Category	4-year CAGR
Market	+2.3%
Other	+2.1%
Top 10	+2.4%
HR	+6.7%

Source: own research as at May 2018

Top 10 in 2017: Munich Re, Swiss Re, Lloyd's, Hannover Re, Berkshire Hathaway (excl. AIG deal), SCOR, Everest Re, XL Catlin, GIC India, Alleghany

Top 10 ranking for each year

* F/x adjusted (2015 rates)

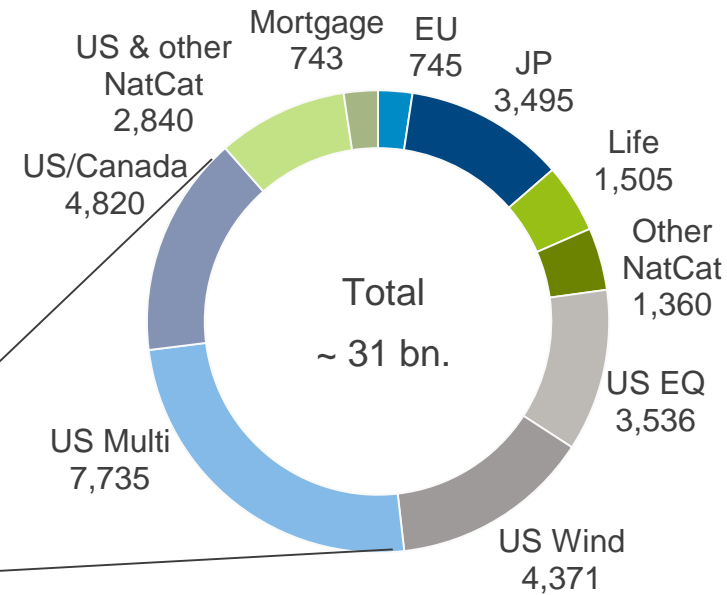
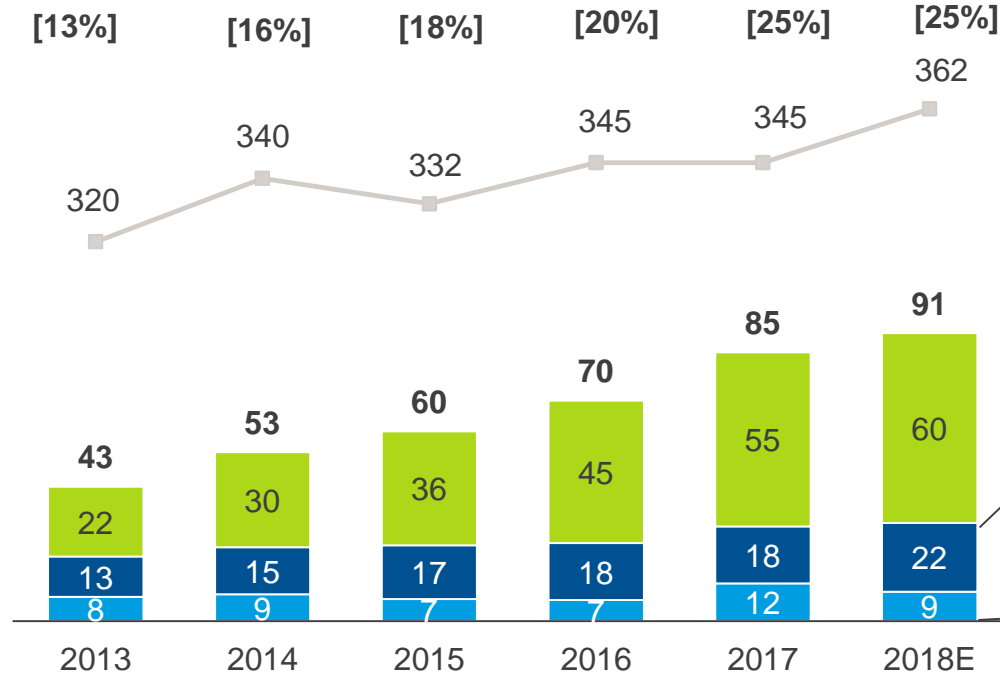
ILS market: more than catastrophe bonds

Strong growth of Collateralised Reinsurance

ILS market volumes vs. total traditional reinsurance capacity*

in bn. USD

in % of traditional R/I capacity



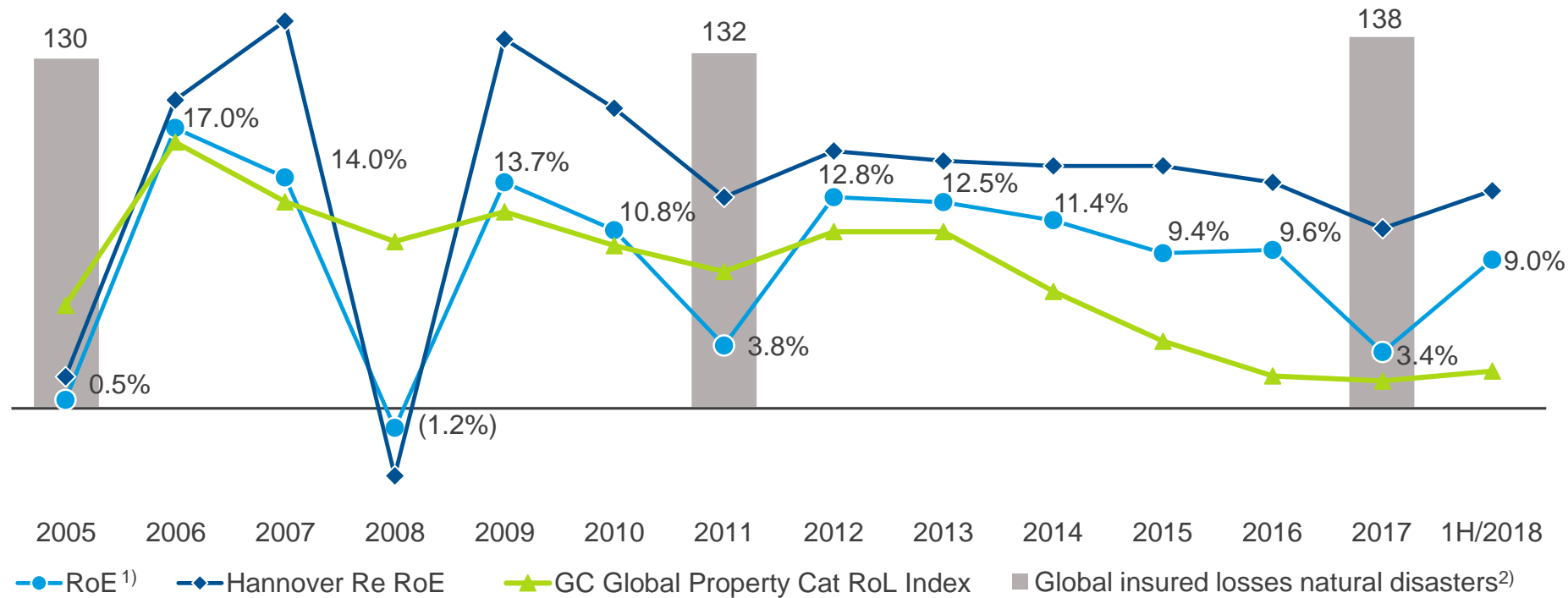
- Collateralised Reinsurance
- Outstanding catastrophe bond volume excl. new issuances
- New issuances
- Traditional R/I capacity

* Source: A.M. Best data and research working in conjunction with Guy Carpenter; ILS market volumes: own analysis

Riding hard market cycles is becoming more difficult

Recent rate increases have been less pronounced after large loss occurrence

Development of return on equity (RoE) and Guy Carpenter Global Property Cat RoL index



1) Return on equity based on company data (Top 10 of the Global Reinsurance Index (GloRe), own calculation, 1H/2018 excl. Validus Holdings)

2) Source: Swiss Re Sigma No. 1/2018; in bn. USD

Returns must be achieved in any time of the cycle

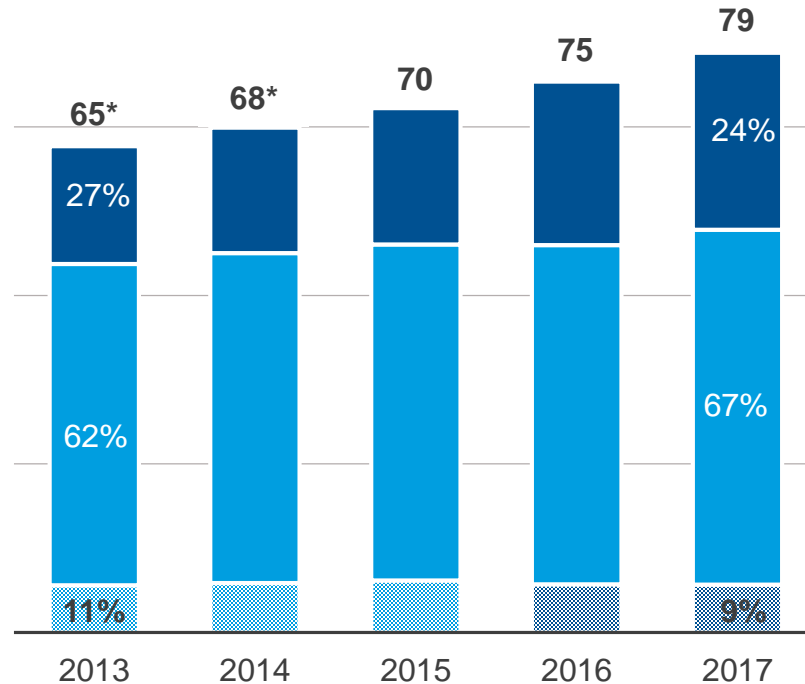
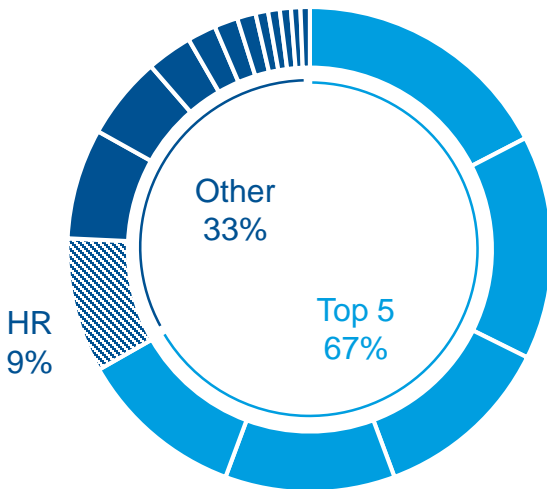
Life and Health reinsurance in a global perspective

Concentrated market due to high entry barriers

Market size and concentration 2017

in bn. EUR

4-year CAGR



Market	4-year CAGR
Market	+4.9%
Other	+10.7%
Top 5	+2.5%
HR	+0.4%

Source: own research as at May 2018

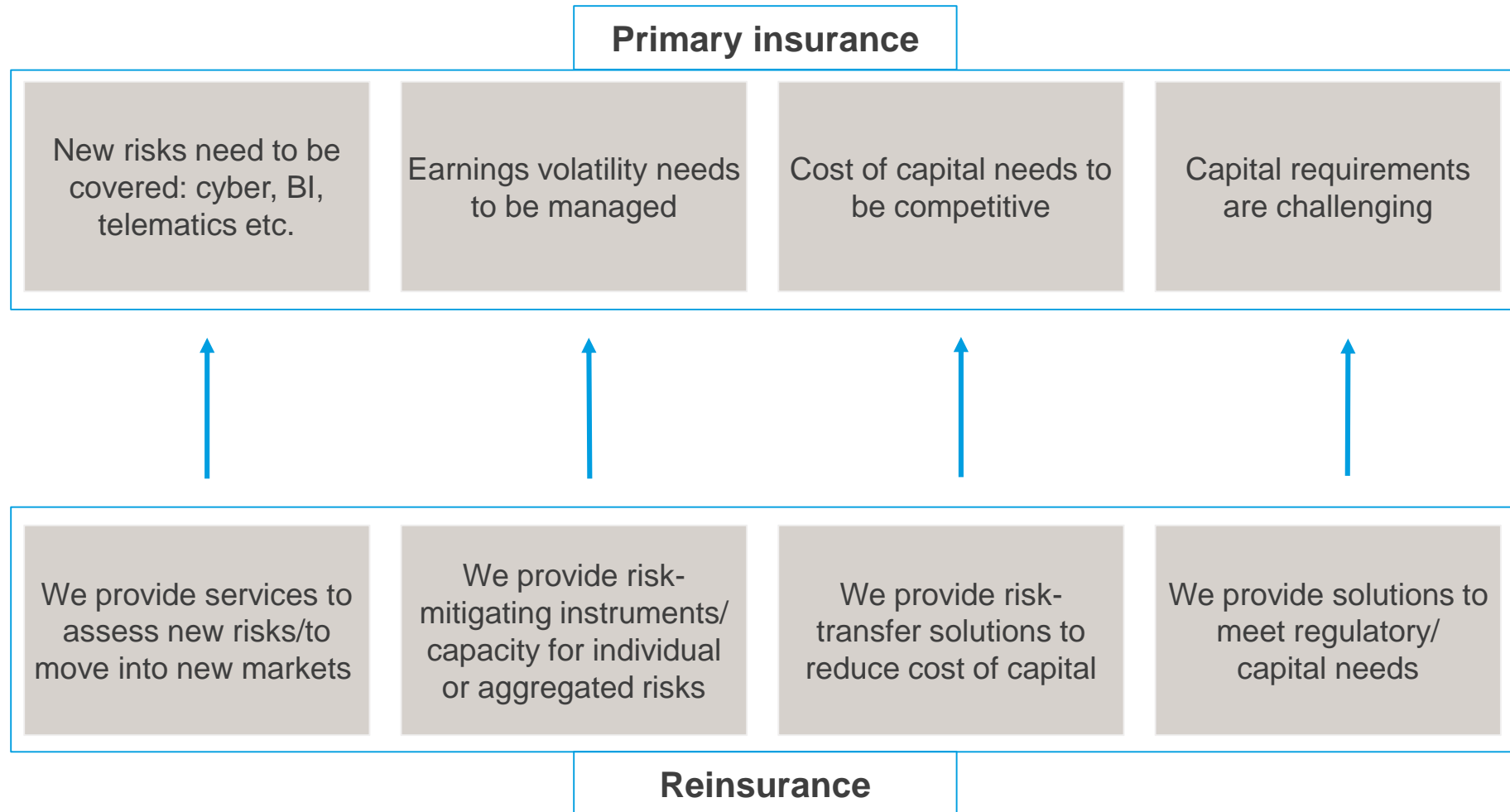
Top 10 in 2017: Munich Re, Swiss Re, RGA, Great-West Lifeco, SCOR, Hannover Re, China Re, Berkshire Hathaway, Korean Re, Pacific Life

Top 10 ranking for each year

* F/x adjusted (2015 rates)

The reinsurance business is an attractive market ...

... offering us the opportunity to create value for our clients



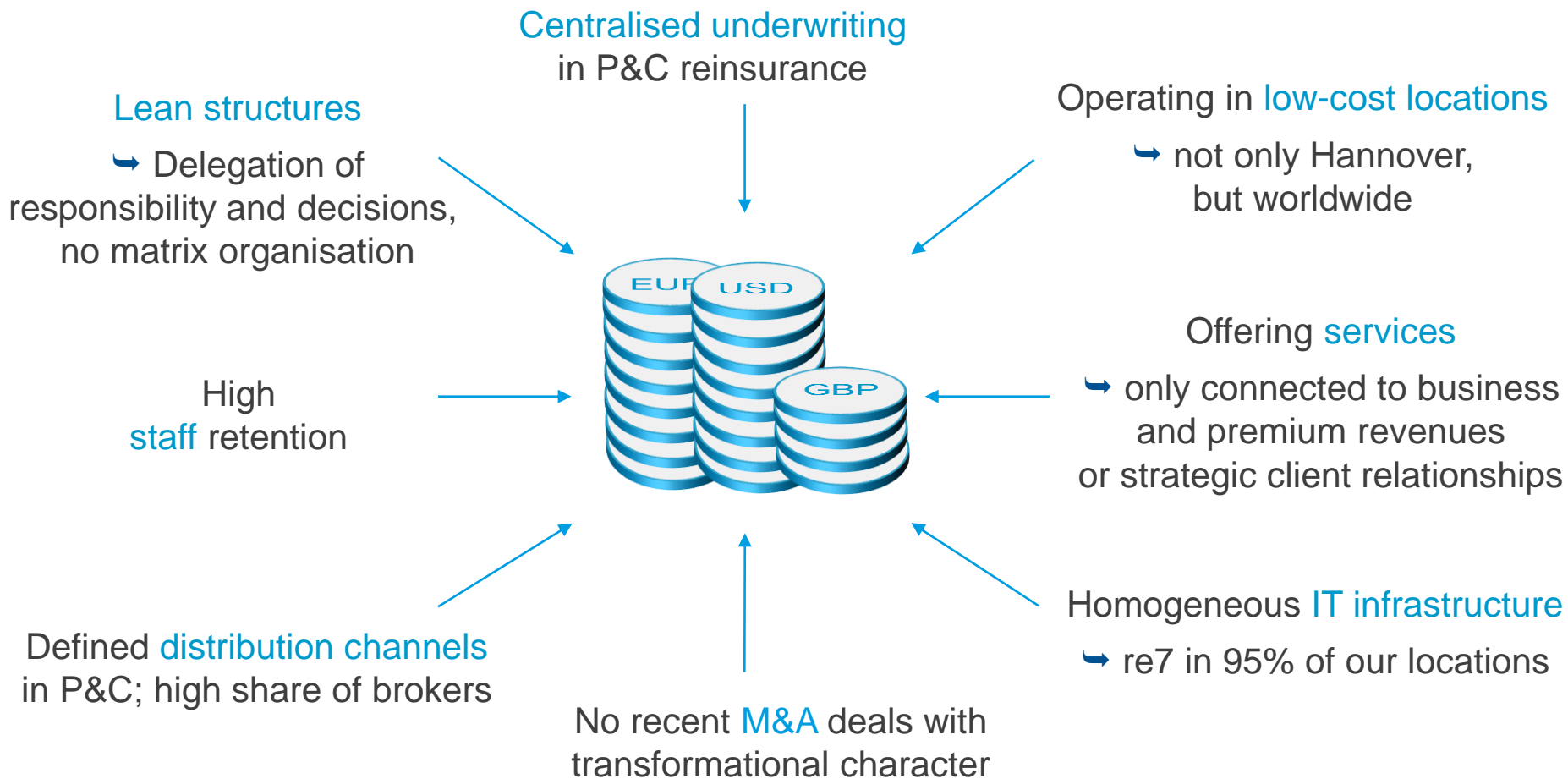
Hannover Re's positioning in the R/I market

Successful as pure play reinsurer

Our competitive advantages enable us to increase market share

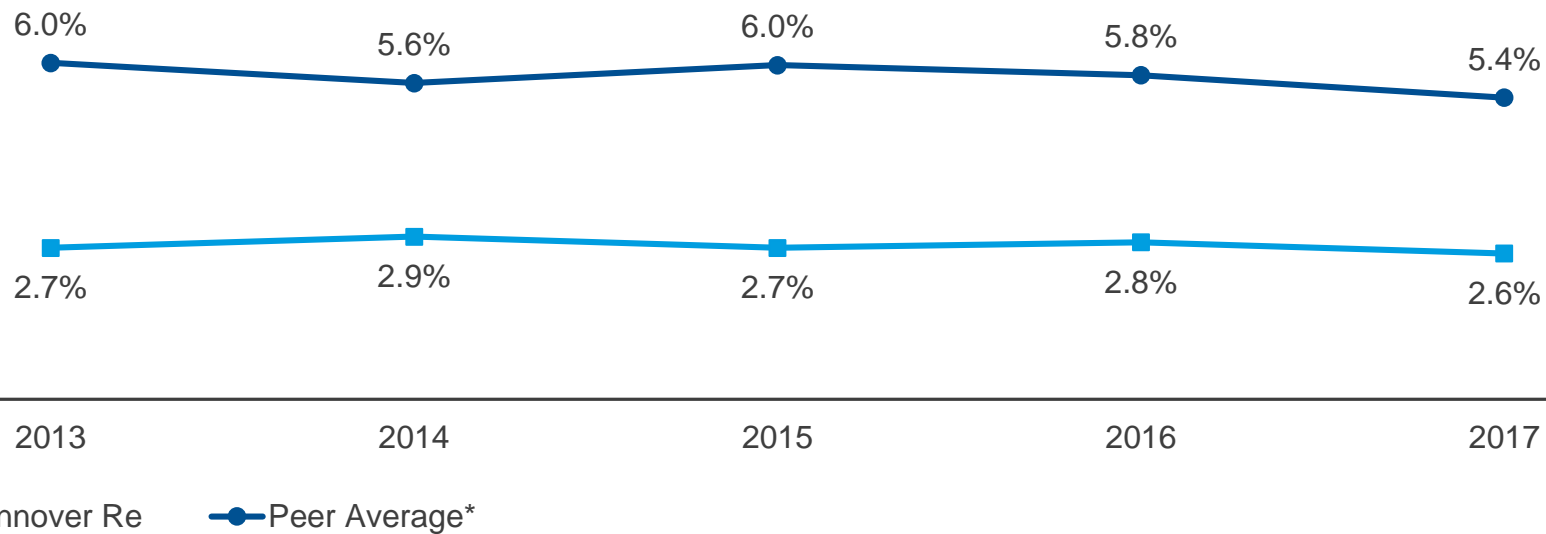
- ✓ Lower expense ratio than our competitors

We have a lower expense ratio than our competitors



Low expense ratio is an important competitive advantage

Administrative expense ratio



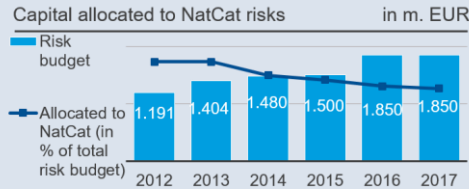
* Peers: Munich Re, Swiss Re, Scor, Everest Re, RGA; own calculation

Our competitive advantages enable us to increase market share

- ✓ Lower expense ratio than our competitors
- ✓ Consistent U/W approach (no surprises for our clients) and long-dated client relationships

We ensure a consistent and no-surprises U/W approach in P&C and L&H reinsurance

Our NatCat capacity to our clients has not been reduced



Very short decision-making processes combined with a high speed of execution

Our margins are predictable/stable and transparent



Exceptional expertise in financial solutions and longevity combined with a high certainty of execution

Our clients have long-lasting relationships with our underwriters due to our high staff retention

Focus on value-adding services such as automated underwriting systems

hr | ReFlex
Underwriting automation

hr | QUIRC

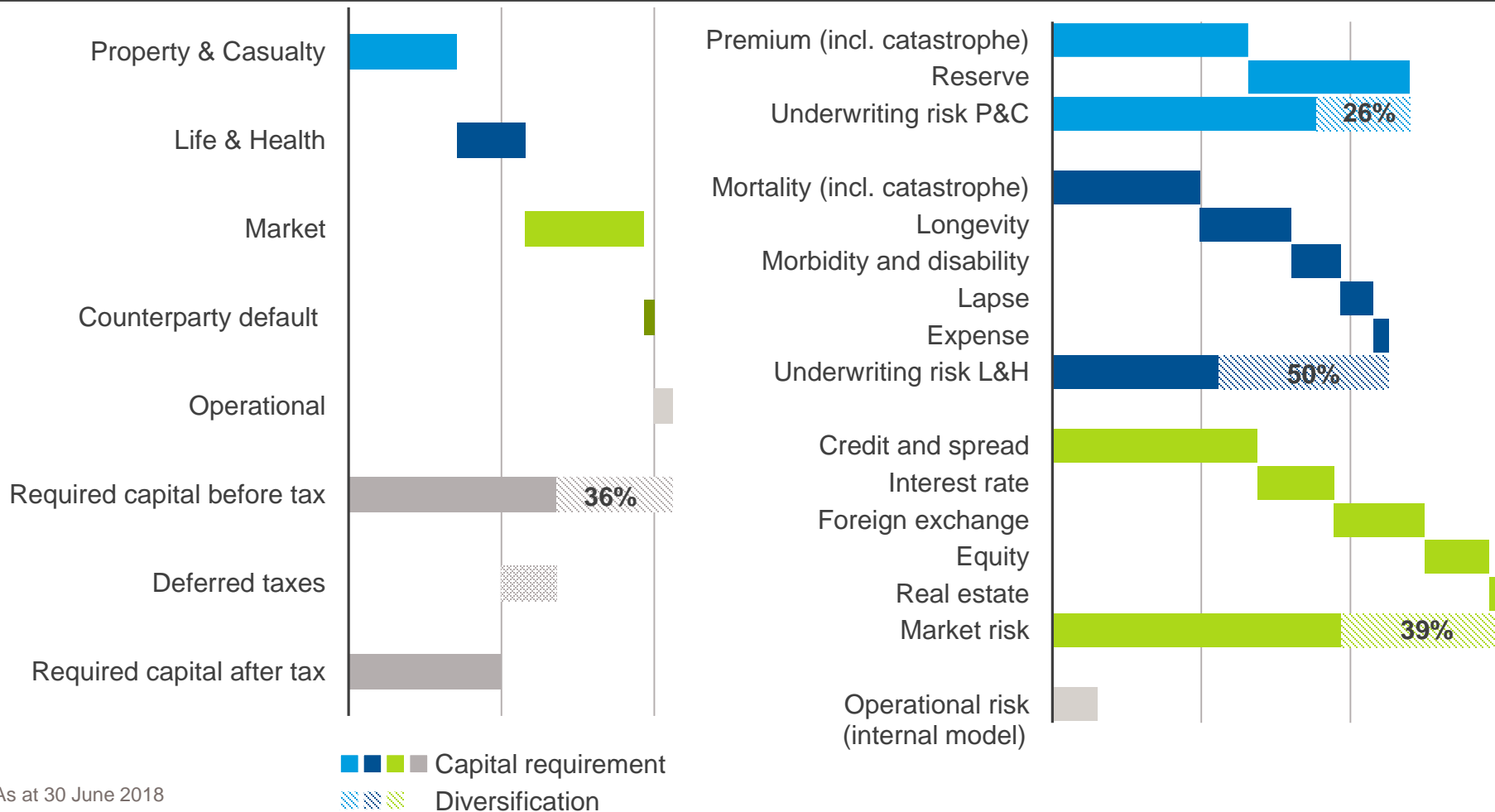
Our competitive advantages enable us to increase market share

- ✓ Lower expense ratio than our competitors
- ✓ Consistent U/W approach (no surprises for our clients) and long-dated client relationships
- ✓ Top tier reinsurer with benefit from diversification by line of business and global reach

High diversification benefit due to global reinsurance portfolio

Well diversified within each risk category

Risk capital for the 99.5% VaR (according to economic capital model)



As at 30 June 2018

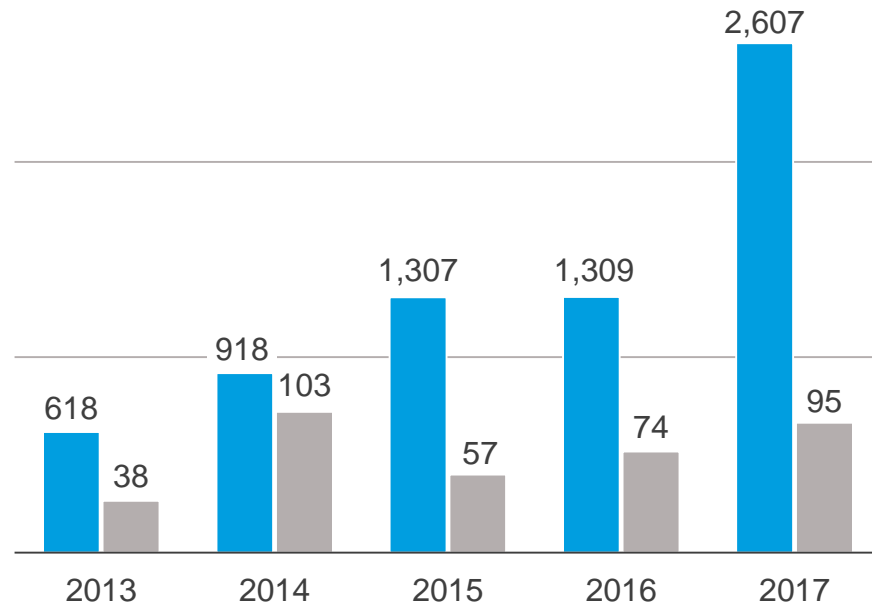
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- ✓ Lower expense ratio than our competitors
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- ✓ Top tier reinsurer with benefit from diversification by line of business and global reach
- ✓ Efficient offering of tailor-made solutions with short time to market and high deal certainty

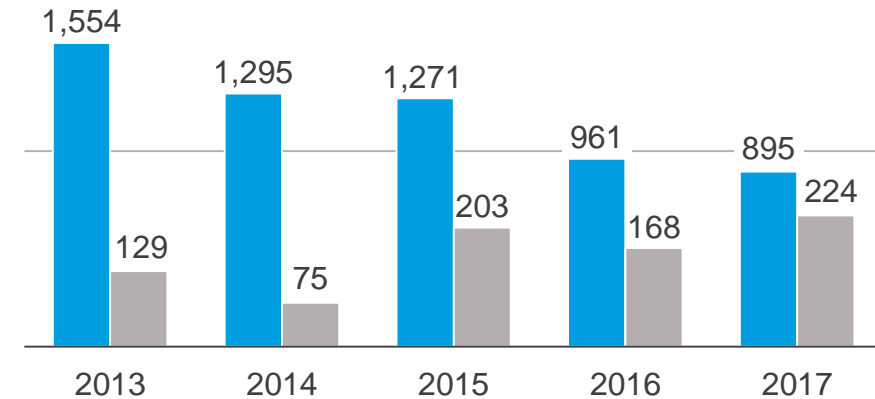
Growing EBIT contribution from tailor-made solutions

Successful development driven by high expertise and efficient execution

Structured R/I & ILS in m. EUR



Financial Solutions in m. EUR



■ Gross written premium ■ EBIT

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- ✓ Top tier reinsurer with benefit from diversification by line of business and global reach
- ✓ Efficient offering of tailor-made solutions with short time to market and high deal certainty
- ✓ Strategic focus on reinsurance to avoid conflict of interests with primary insurers

Our strategic focus is on reinsurance

New joint venture to establish a focused provider in an attractive market



- ✓ Avoid conflict of interests between primary insurance and reinsurance within Hannover Re viewed with an increasingly critical eye by clients
- ✓ Stronger participation in primary insurance premium growth
- ✓ Access to HDI Global network and associated unlocking/freeing up of growth potential
- ✓ Benefit from HDI Global's excellent claims management

Continued access to profitable earnings via our core competence – reinsurance

Our competitive advantages enable us to increase market share

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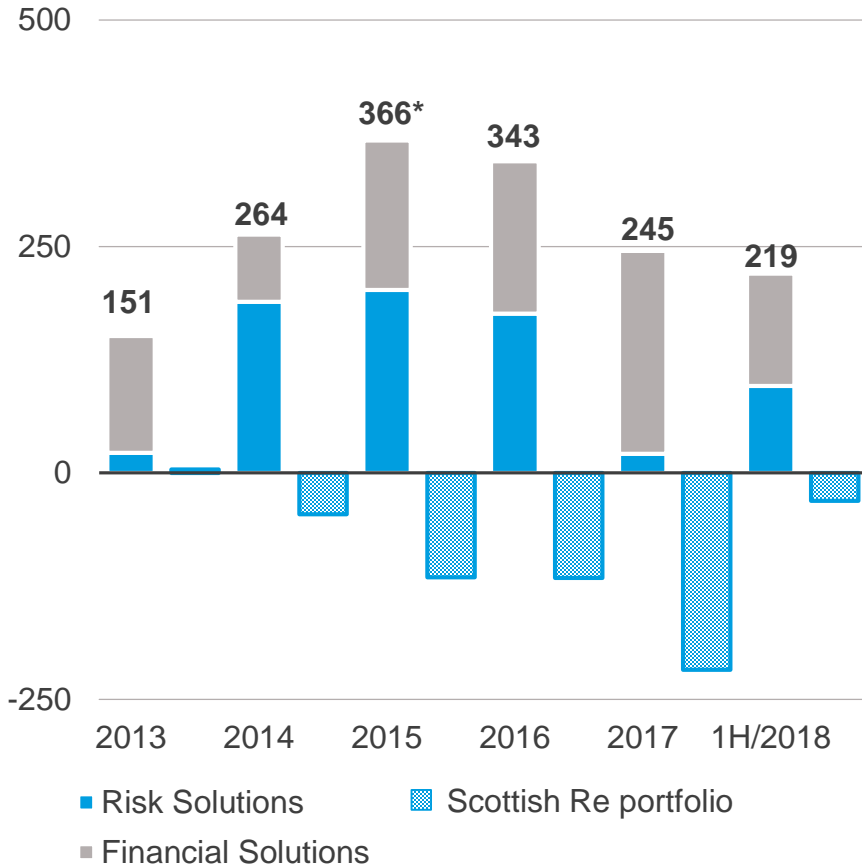
We are a Top-Tier player growing stronger than the market

Update on US mortality business

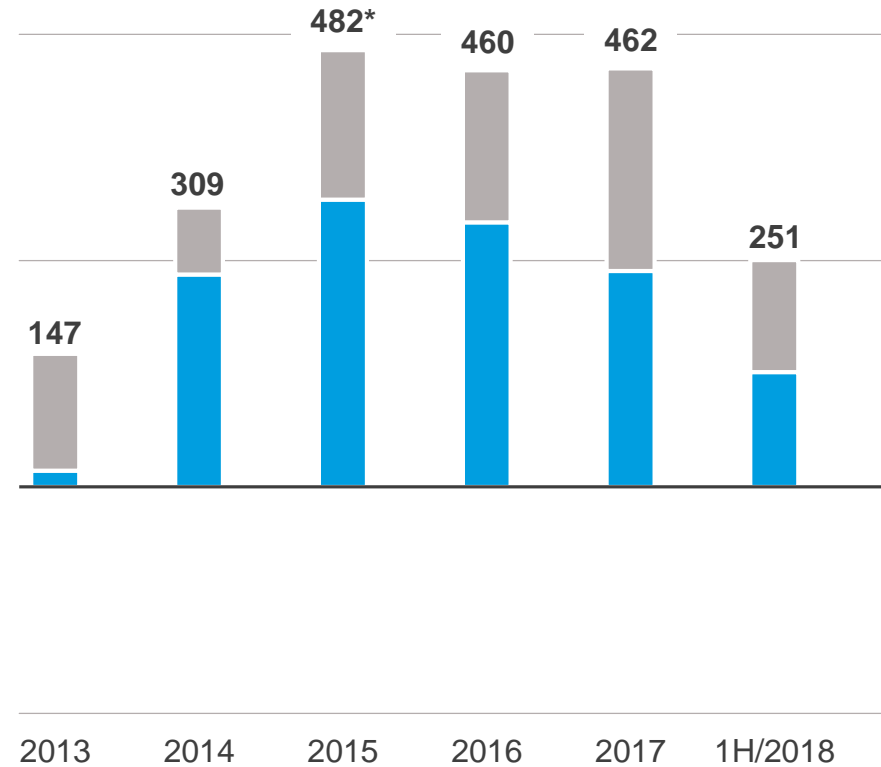
Resolving the issue of legacy US mortality business...

... will have a significant positive effect on L&H EBIT in the future

L&H EBIT by reporting category in m. EUR



L&H EBIT excl. Scottish Re portfolio in m. EUR



* Excluding EUR 38.7 m. positive one-off from termination fee for Financial Solutions treaty

Expectation for US mortality business

- ▶ Rate increase notification sent out on 1 May 2018
- ▶ Recaptures by cedants will result in a significant EBIT burden in 2018 (USD 264 m. already advised after Q2/2018)
- ▶ Reserve sufficiency for US mortality business has improved
 - ↳ unlocking of IFRS reserves has become unlikely
- ▶ Significantly improved profitability from 2019 onwards

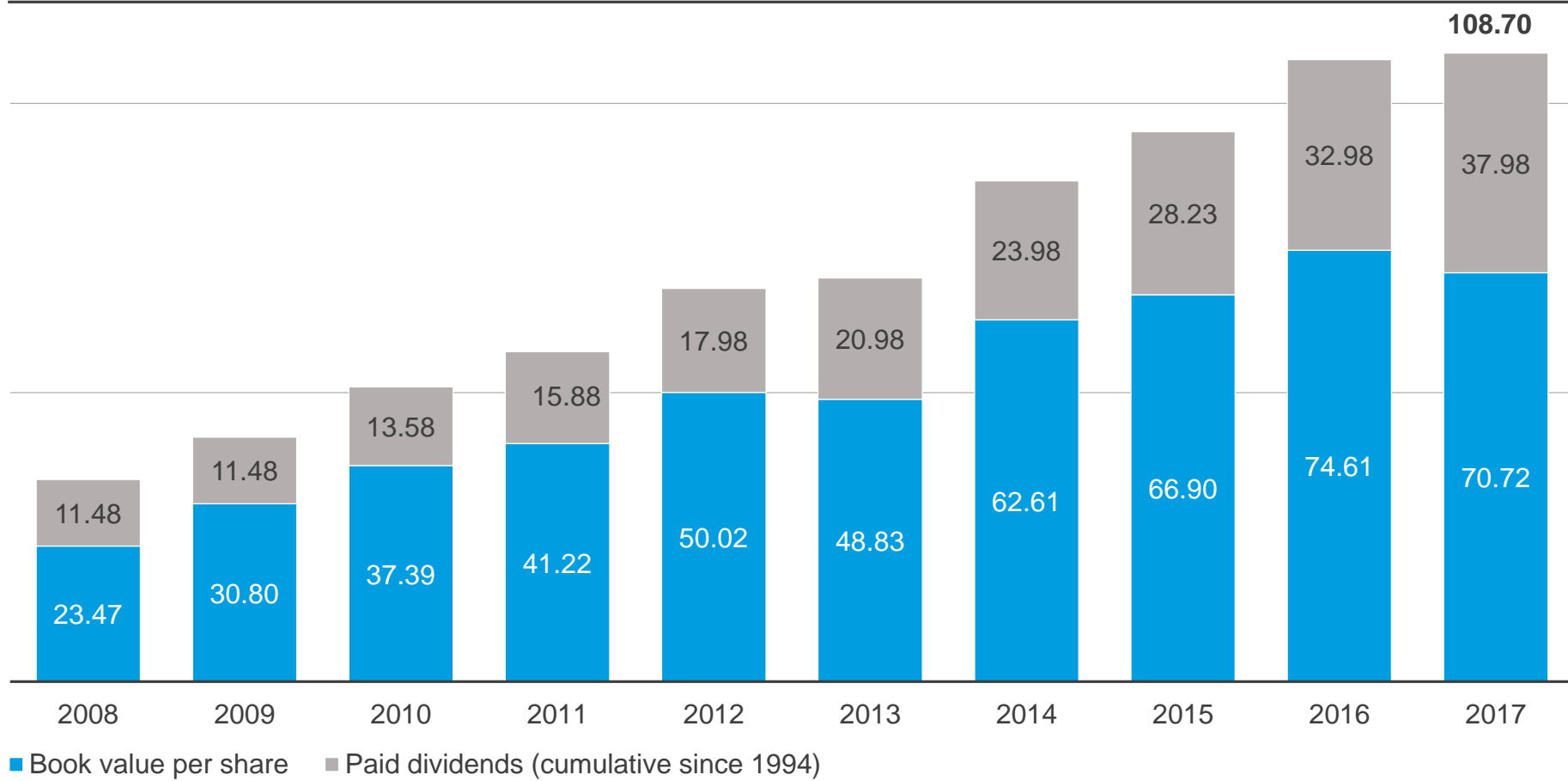
Value creation and distribution

Hannover Re outperformed its target of 6.5% value creation

5y CAGR: +9.8 %; 10y CAGR: +11.4%

Increase of book value and accumulated paid dividends

in EUR

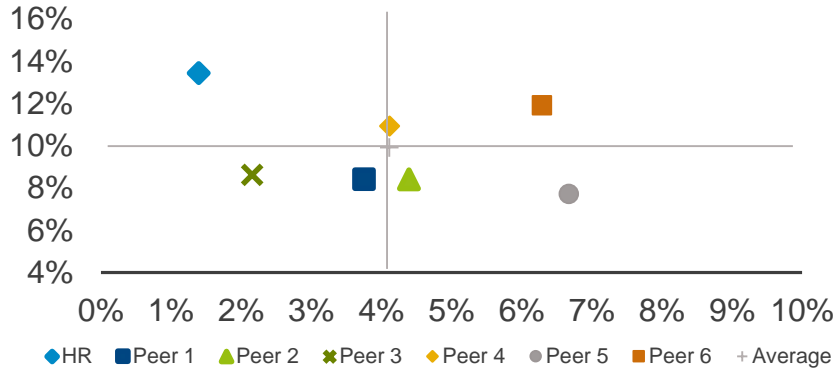


As at 31 December

Superior return with relatively low volatility

Return on Equity: average and standard deviation

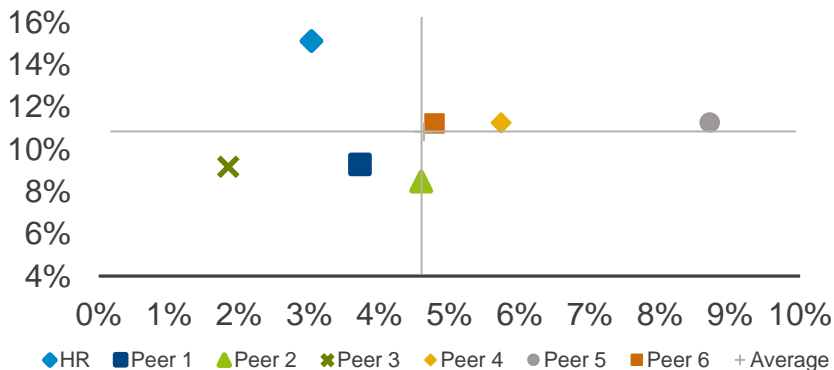
5 years (2014 –1H/2018 annualised) in %



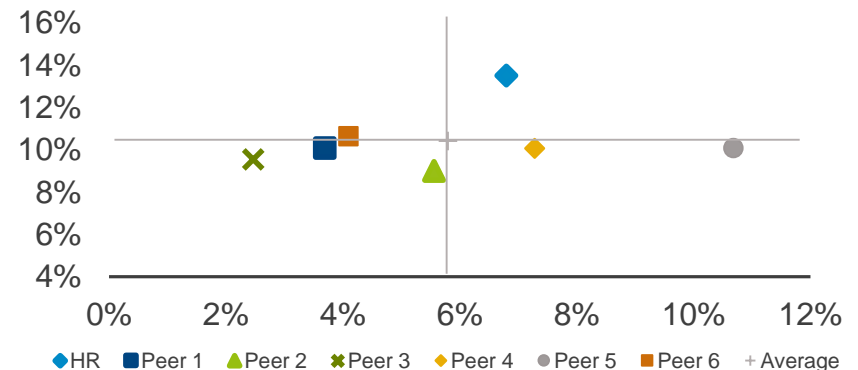
Hannover Re

- ▶ Highest average RoE throughout all observed periods
- ▶ Volatility of RoE is decreasing in both absolute terms and relative to peers

10 years (2009 –1H/2018 annualised) in %



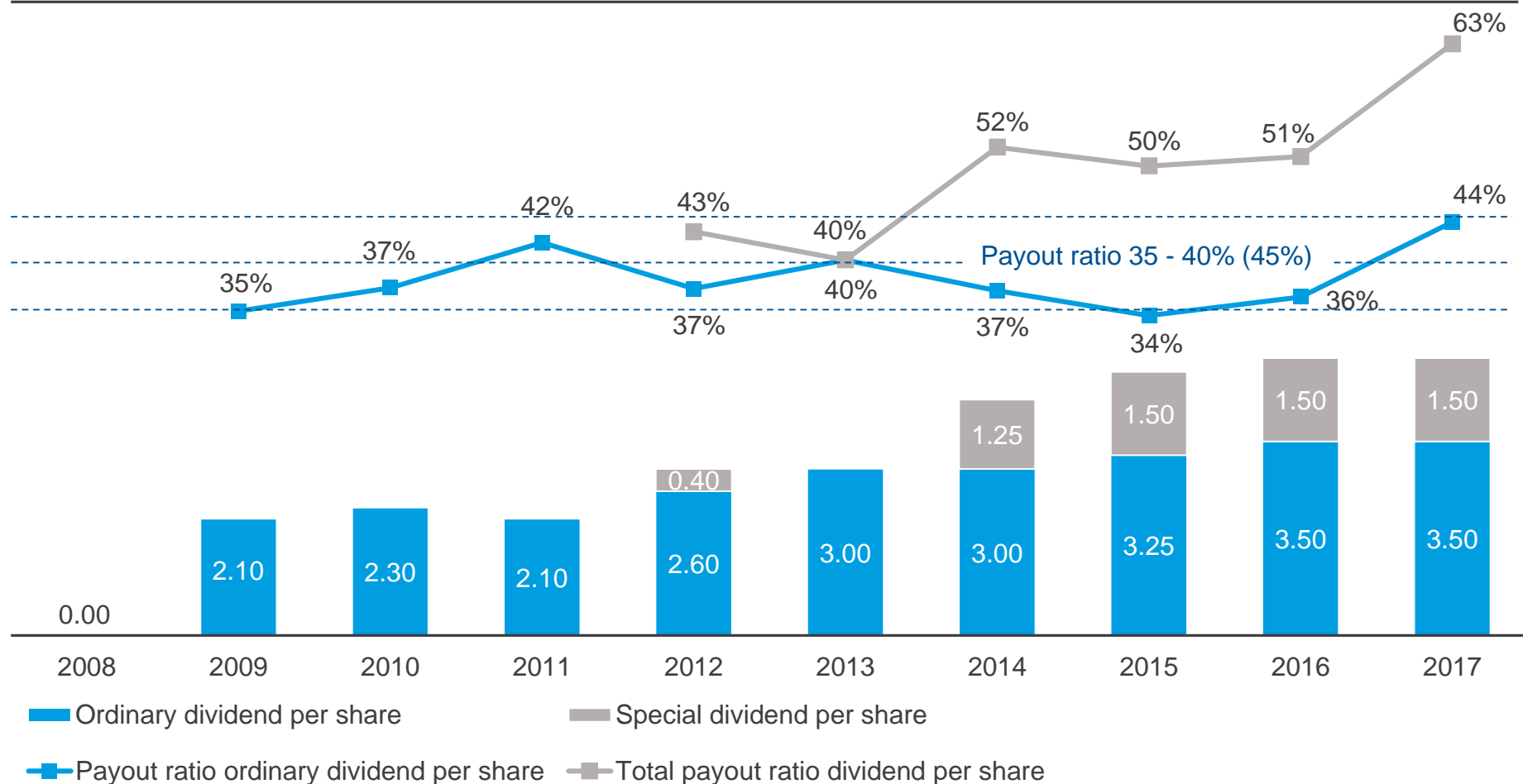
15 years (2004 – 1H/2018 annualised) in %



Target payout ratio for ordinary dividend increased to 35 - 45%

Dividend per share

in EUR



Creating value through reinsurance is our strategic driver

Three profit sources play their part in fuelling our future success



P&C reinsurance

- ▶ Market growth in line with or slightly below primary P&C market
- ▶ Structurally competitive due to low entrance hurdle resulting in supply and demand imbalance, however competition is rational because participants are disciplined
- ▶ We are confident of growing our market share top and bottom line based on our competitive advantages

Positioned to outperform



L&H reinsurance

- ▶ We enjoy good profitability on our US Financial Solutions business and our business outside the US
- ▶ US mortality has masked the good underlying profitability
- ▶ We expect significantly increased EBIT growth from 2019 onwards as we are resolving the problems with US mortality legacy book

Growing EBIT contribution



Investments

- ▶ AuM are expected to rise further due to continued positive cash flow from operations
- ▶ Return on investment will be flat in the medium term due to low interest rate environment; further rise in US interest rates will depress our ability to realise gains from valuation reserves
- ▶ Rising interest rates will contribute to increasing investment income in the medium to long term

Higher Net Investment Income

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