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1 January 2019 Property & Casualty Treaty Renewals

Renewals Conference Call
Hannover, 5 February 2019

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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 2018

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1

Reinsurance markets

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Market conditions improving but still not satisfactory

Key market highlights of 1 January 2019 renewals

- Available capacity still exceeds reinsurance demand which, however, has increased on a global basis
- Despite second consecutive year of severe large losses, reinsurance capital remained largely stable both in respect of traditional and alternative capital
- Due to late developments in Q4/2018, large loss burden is not fully reflected in 1/1 renewals. Furthermore, most loss-affected territories, e.g. Japan and US, renew at mid-year
- Reduced availability of retro capacity from ILS market did not have an effect on 1/1 renewals pricing and terms
- Broadening demand for coverage and types of placements
 - Further developed risk classes such as cyber saw increased demand
 - Innovation leading to new sources of income (i.e. insurtechs)
 - Risk-based solvency regulations of several regions impacted R/I demand positively

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2

Our results

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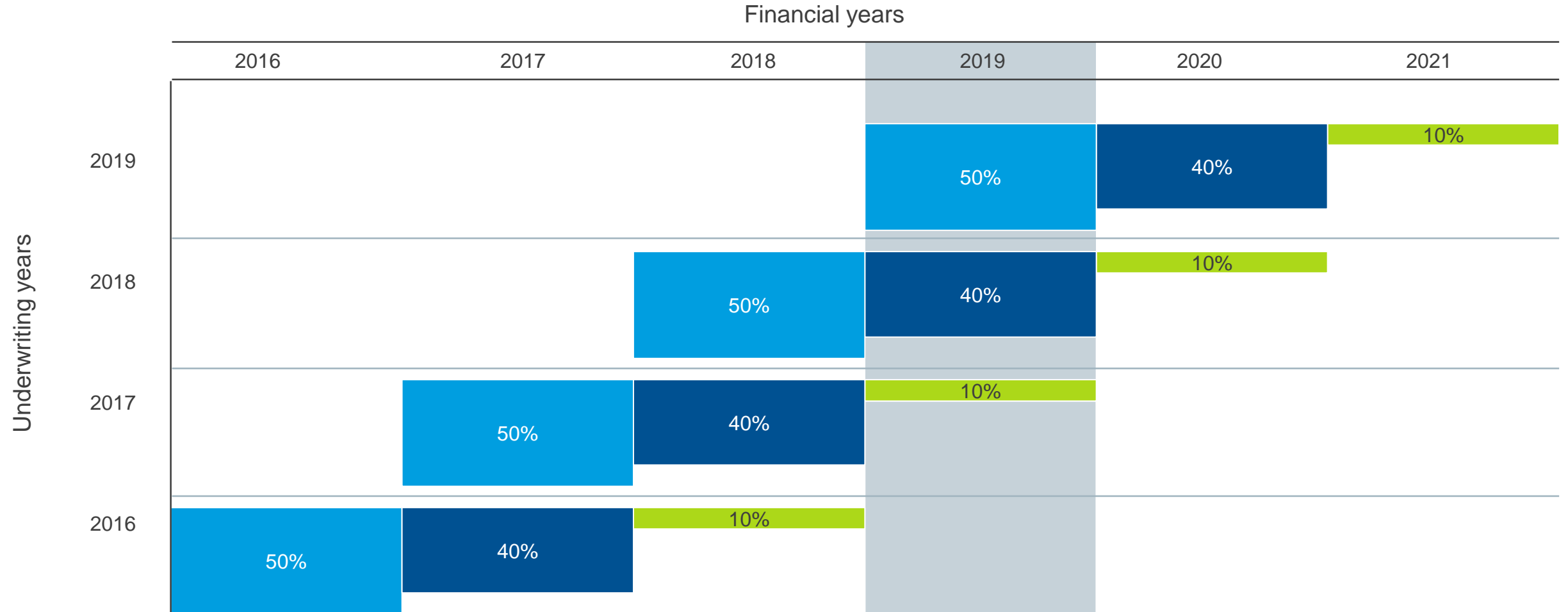
Satisfactory renewal season: increased premium in a stable rate environment

- We experienced good showing thanks to our favourable positioning, superior rating and customer relationship management
- Our low administrative expense ratio has again proven to be a competitive advantage
- We continue to strictly adhere to our minimum margin requirements
- We strengthened our portfolio and maintained our disciplined underwriting; where appropriate we restructured our portfolio
- We experienced strong growth across all markets and were able to increase shares with larger clients, especially in Asia, North America and Germany
- We are a sought-after business partner when it comes to the development of new products (e.g. cyber, fintechs)
- We slightly increased our capital allocated to NatCat in order to support other lines of business
- Sufficient retro capacity available to Hannover Re to keep our catastrophe exposure within our defined risk appetite

Time lag between underwriting year and financial year

2019 financial year reflects pricing quality in the underwriting years 2017 - 2019

Premium distribution



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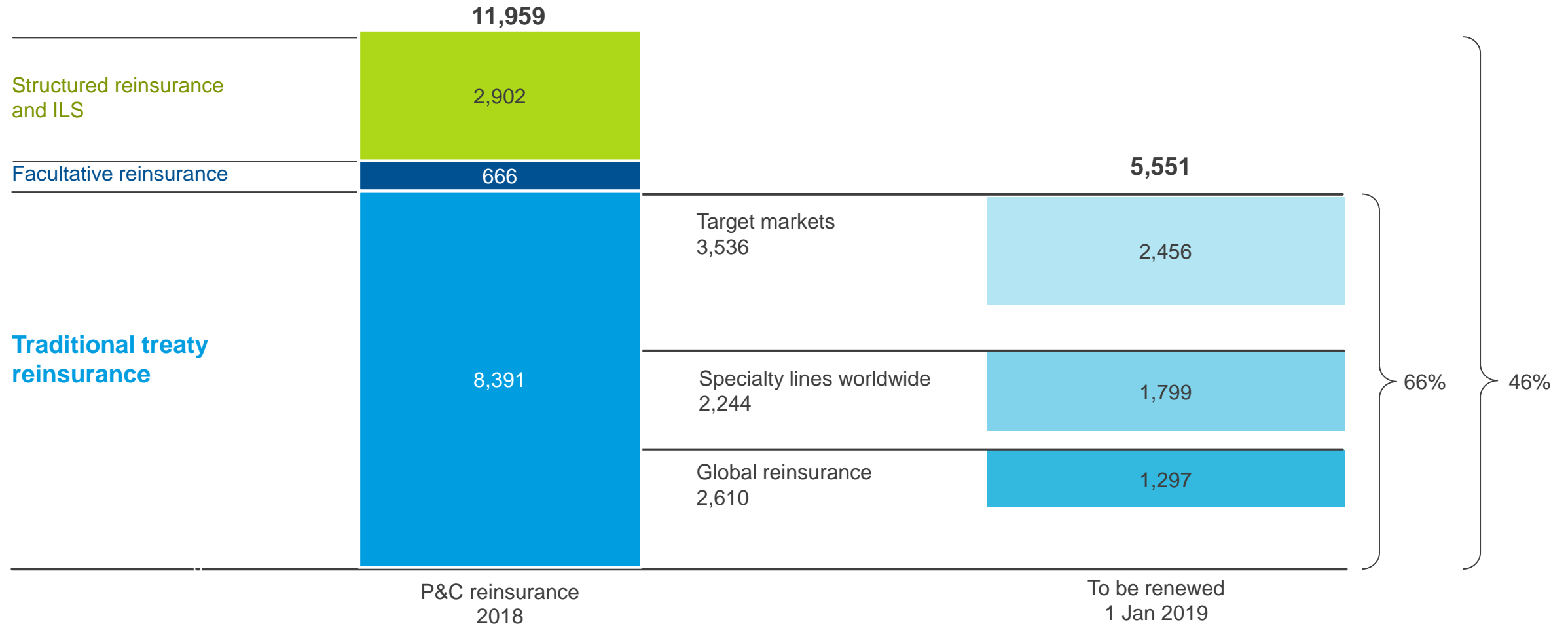
Our portfolio

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66% of traditional treaty reinsurance (R/I) to be renewed 1 January 2019

Equates to 46% of the total P&C reinsurance premium

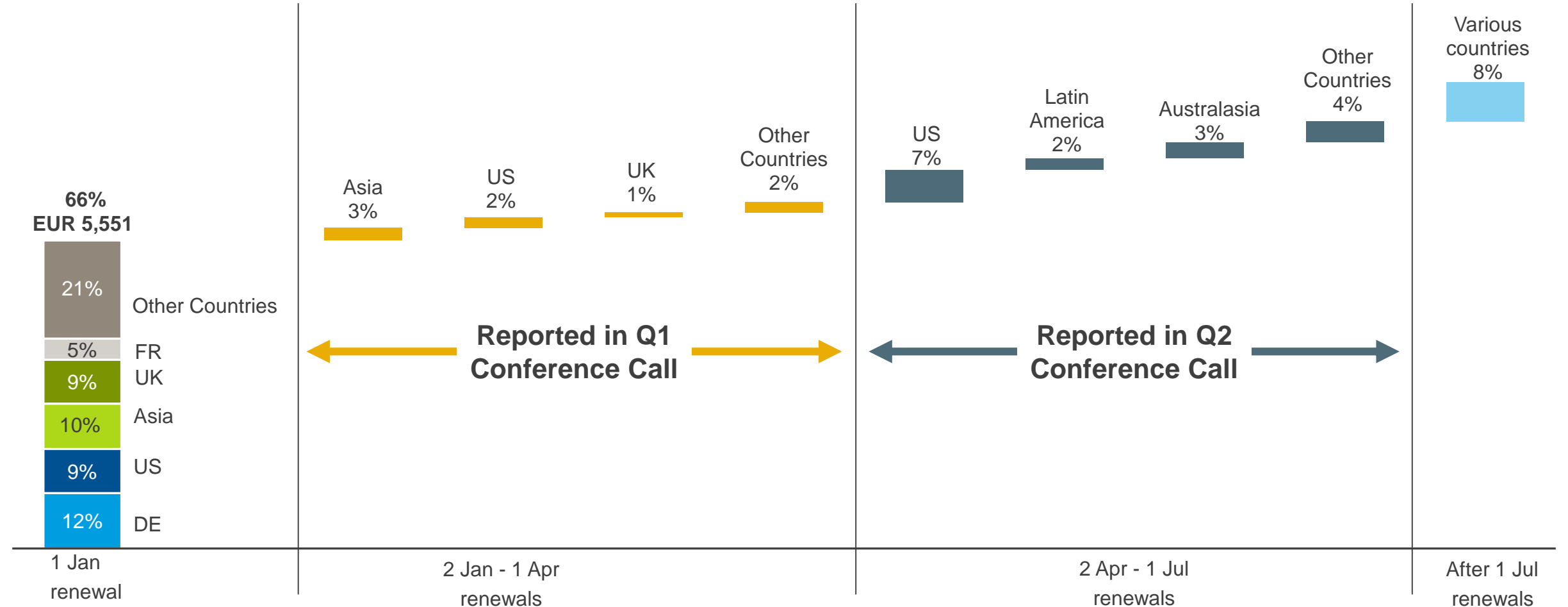
Estimated premium income U/Y in m. EUR



66% of treaty reinsurance to be renewed 1 January 2019

Renewals split throughout the year

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



Based on 2018 U/Y

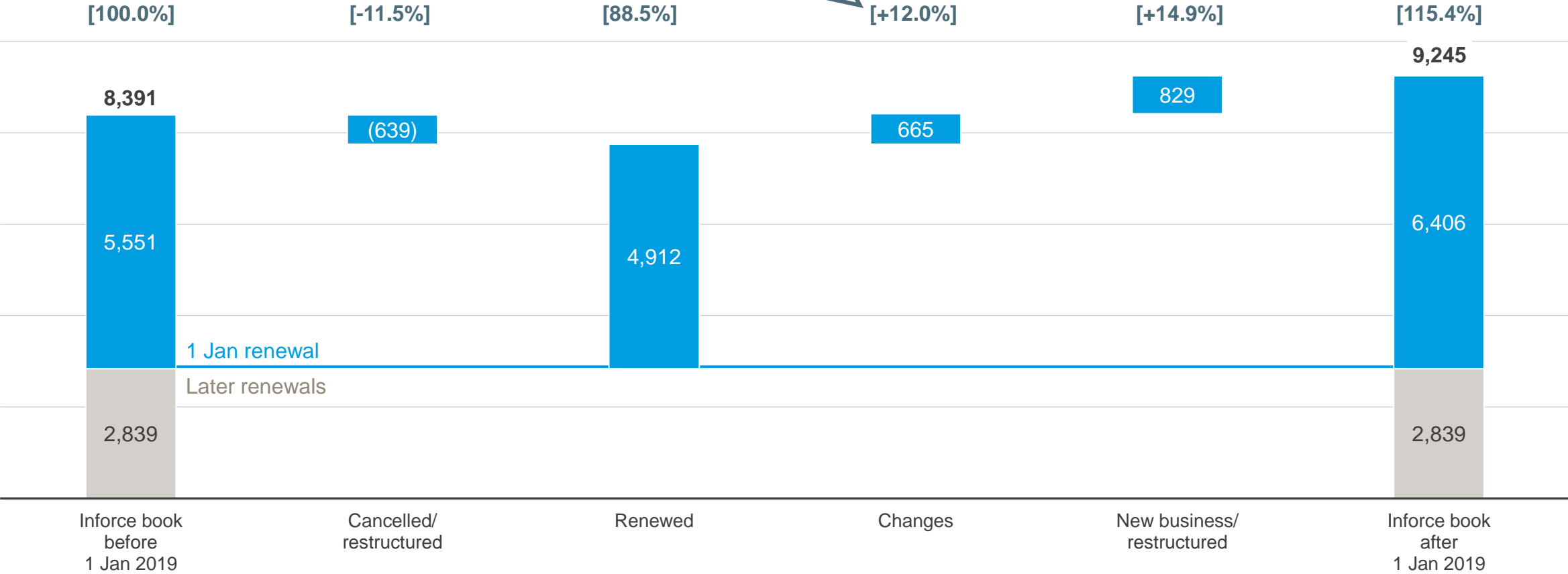
Growth driven by substantial new business and increase in shares

Premium volume +15.4%

Total treaty reinsurance in m. EUR

% on renewed:

Change in Hannover Re shares: +3.9%
 Change in price +0.9%
 Change in volume +7.2%



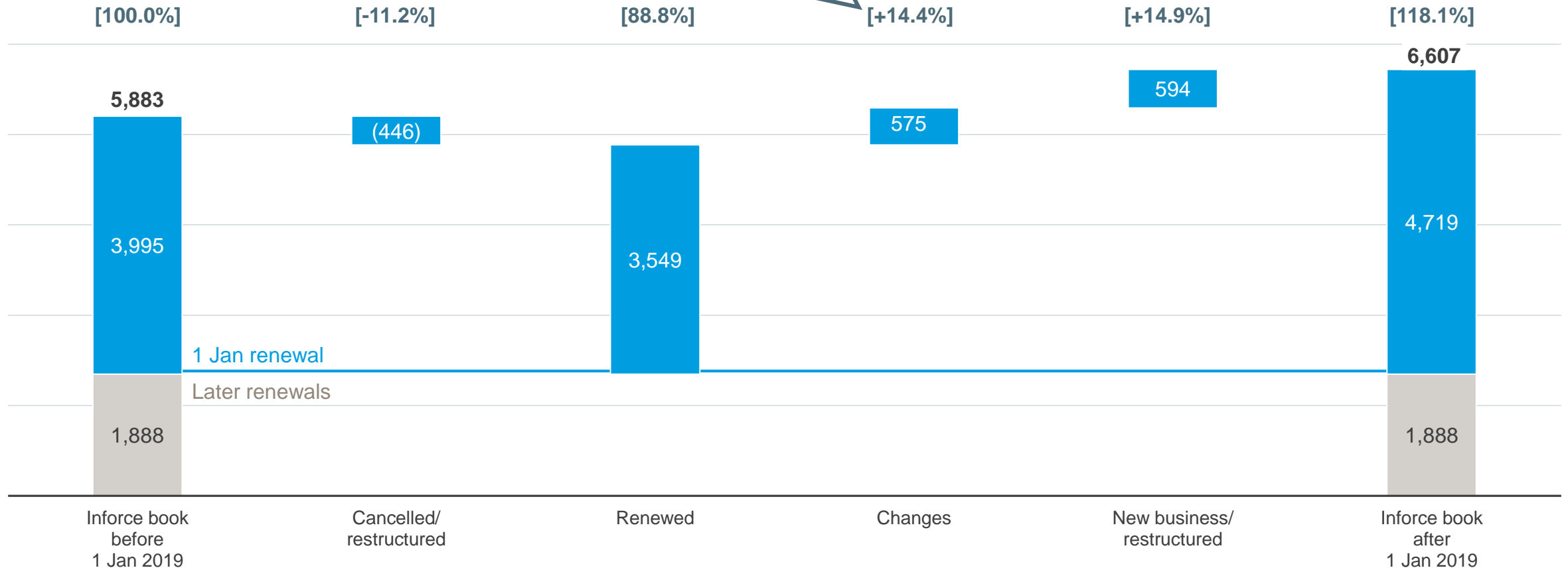
Increased demand for proportional business solutions

Various sources contributed to the strong premium growth of +18.1%

Treaty reinsurance - proportional in m. EUR

% on renewed:

Change in Hannover Re shares: +4.8%
 Change in price: +0.8%
 Change in volume: +8.8%

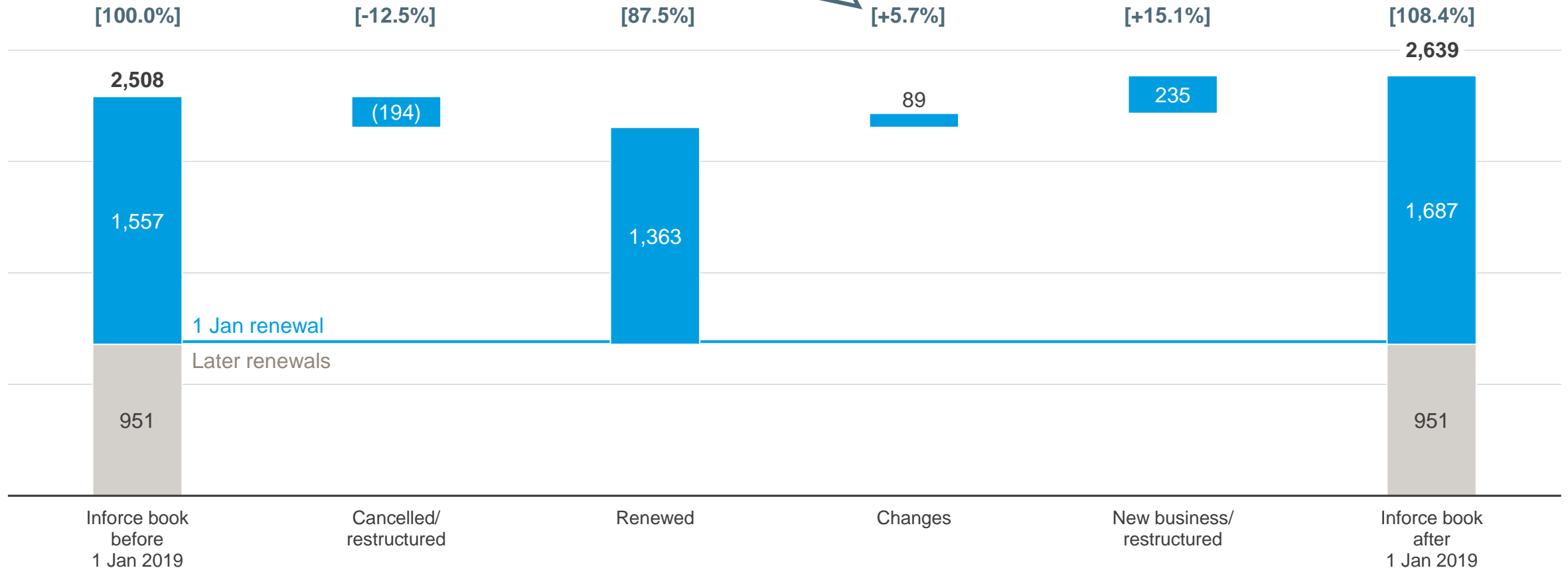


Pleasant growth (+8.4%) in non-proportional business aided by price increases

Treaty reinsurance - non-proportional in m. EUR

% on renewed:

Change in Hannover Re shares: +1.5%
 Change in price: +1.1%
 Change in volume: +3.1%



Significant growth driven by Target markets and Global R/I

Pricing slightly improved

| | | Traditional treaty reinsurance | | | |
|---------------------------------|-------------------------------------|--------------------------------|--------------------------------|-----------------|-----------------------------|
| Division | Business centre | Premium ¹⁾ 1/1/2018 | Premium ¹⁾ 1/1/2019 | Premium changes | Price changes ³⁾ |
| Target markets | North America ²⁾ | 991 | 1,204 | +21.5% | +0.3% |
| | Continental Europe ²⁾ | 1,465 | 1,686 | +15.1% | -0.1% |
| Specialty lines | Marine | 165 | 152 | -7.7% | +8.2% |
| | Aviation | 135 | 136 | +0.9% | +1.8% |
| | Credit, surety & political risks | 531 | 566 | +6.5% | +3.5% |
| | UK, Ireland, London market & Direct | 968 | 986 | +1.9% | +1.5% |
| | Facultative reinsurance | Not applicable | | | |
| Global R/I | Worldwide treaty ²⁾ R/I | 1,148 | 1,479 | +28.8% | -0.4% |
| | Cat XL | 148 | 196 | +32.3% | +3.0% |
| | Structured R/I & ILS | Not applicable | | | |
| Total 1 January renewals | | 5,551 | 6,406 | +15.4% | +0.9% |

1) Premium estimates in m. EUR

2) All lines of business except those stated separately

3) Own calculation based on pricing models

Higher growth of proportional business based on additional client demand

| Division | Business centre | Proportional | | | Non-proportional | | |
|---------------------------------|-------------------------------------|-----------------------------------|--------------------|--------------------------------|-----------------------------------|--------------------|--------------------------------|
| | | Premium ¹⁾ 1/1/2019 | Premium changes | Price changes ³⁾ | Premium ¹⁾ 1/1/2019 | Premium changes | Price changes ³⁾ |
| Target markets | North America ²⁾ | 602 | +37.2% | +0.1% | 602 | +9.0% | +0.5% |
| | Continental Europe ²⁾ | 1,271 | +16.9% | -0.1% | 415 | +10.0% | -0.2% |
| Specialty lines | Marine | 56 | +3.1% | +5.6% | 96 | -13.0% | +9.5% |
| | Aviation | 118 | +2.6% | +2.5% | 18 | -8.6% | -1.9% |
| | Credit, surety & political risks | 491 | +6.2% | +2.6% | 75 | +8.4% | +9.8% |
| | UK, Ireland, London market & Direct | 857 | +1.8% | +2.4% | 129 | +2.5% | -4.5% |
| | Facultative reinsurance | Not applicable | | | | | |
| Global R/I | Worldwide treaty ²⁾ R/I | 1,324 | +32.9% | -0.4% | 155 | +1.6% | -0.5% |
| | Cat XL | Not applicable | | | 196 | +32.3% | +3.0% |
| | Structured R/I & ILS | Not applicable | | | | | |
| Total 1 January renewals | | 4,719 | +18.1% | +0.8% | 1,687 | +8.4% | +1.1% |

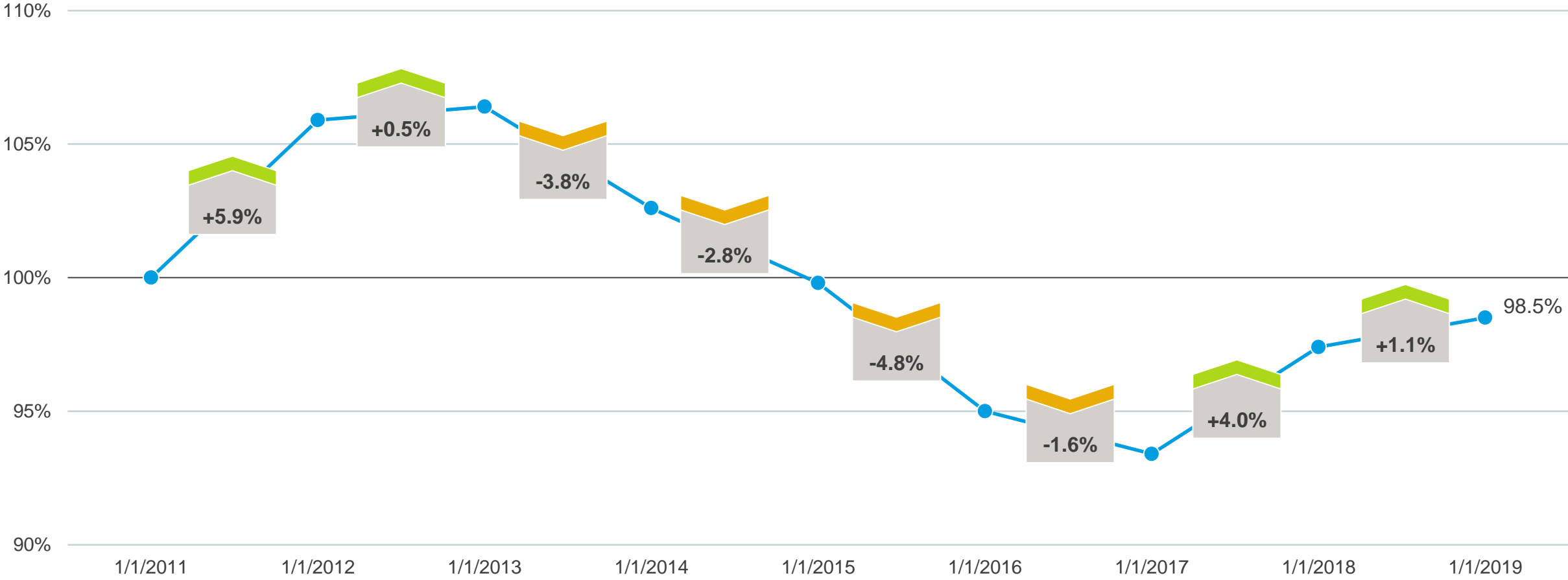
1) Premium estimates in m. EUR

2) All lines of business except those stated separately

3) Own calculation based on pricing models

Price level increased and came closer to 2015 level

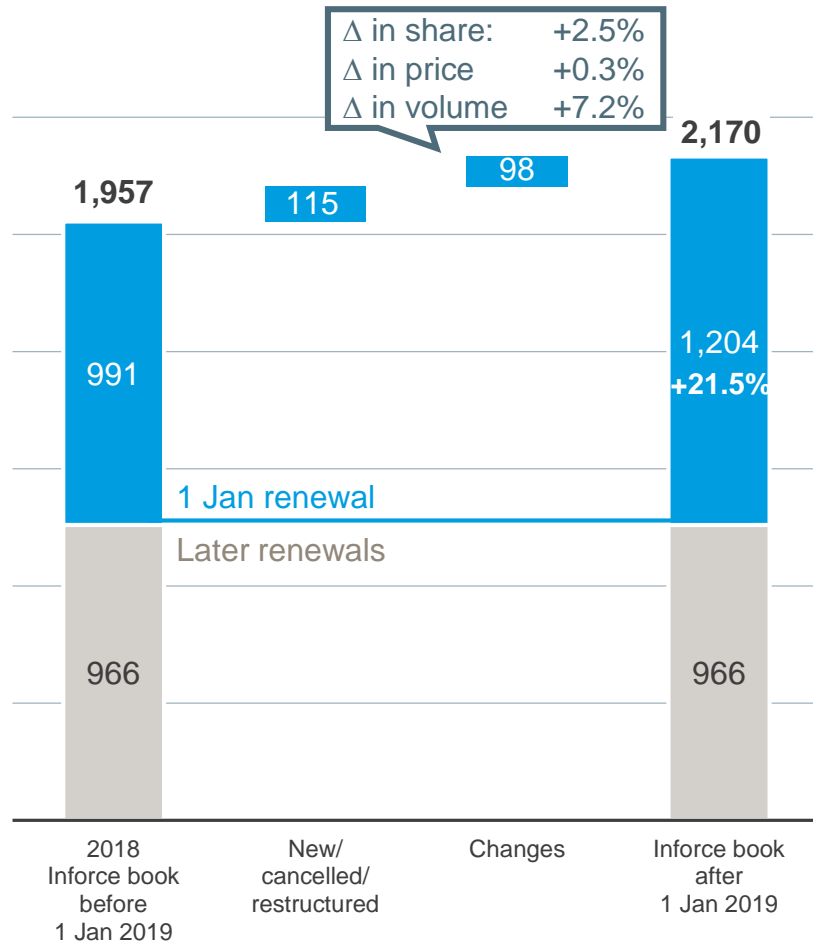
XL price changes at 1 January renewals



Premium volume growth in an improving primary market environment

We further expanded our positioning in the US as per our long-term strategy

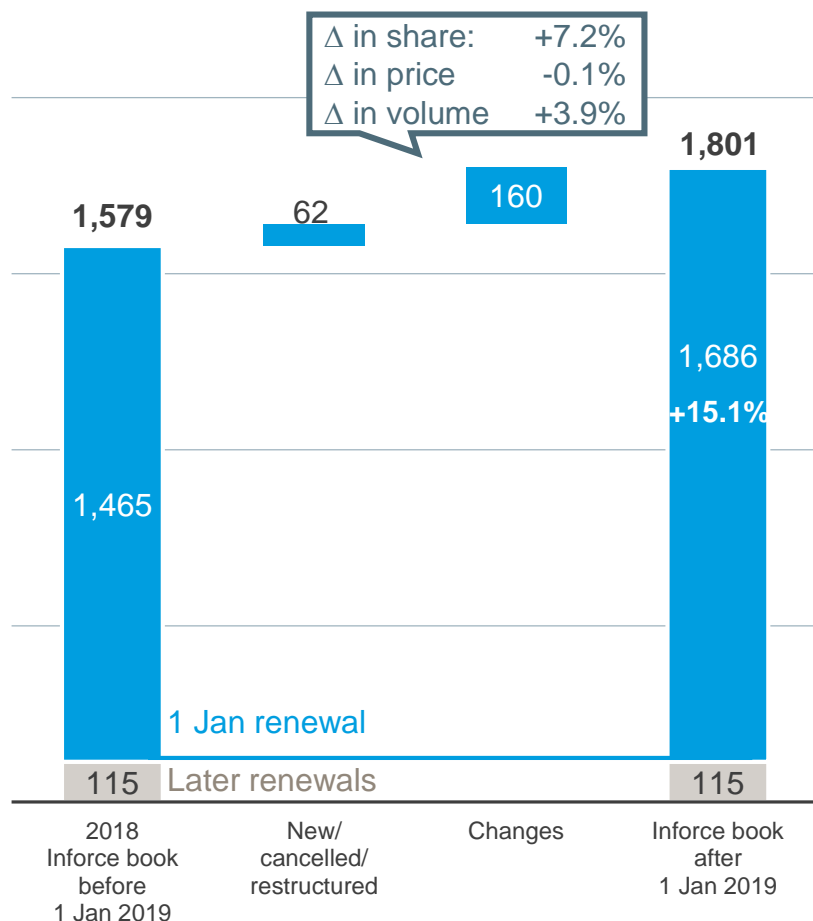
North America in m. EUR



- We strengthened our position with existing clients resulting in a strong premium growth and the addition of new clients
- Rates and terms & conditions are risk adequate
- US property
 - Double-digit increase in premium primarily deriving from large accounts
 - Our signings continued to be favourable despite the fact that market capacity has remained steady
- US casualty
 - Stable to increasing rate environment but differing by lines of business
 - Increased premium stemming from new treaties on a number of accounts
 - Professional indemnity (e.g. medical malpractice and E&O) markets are firming further
- Pleasing development in cyber business, new business added

Very satisfying renewal outcome (+15%) at stable pricing overall

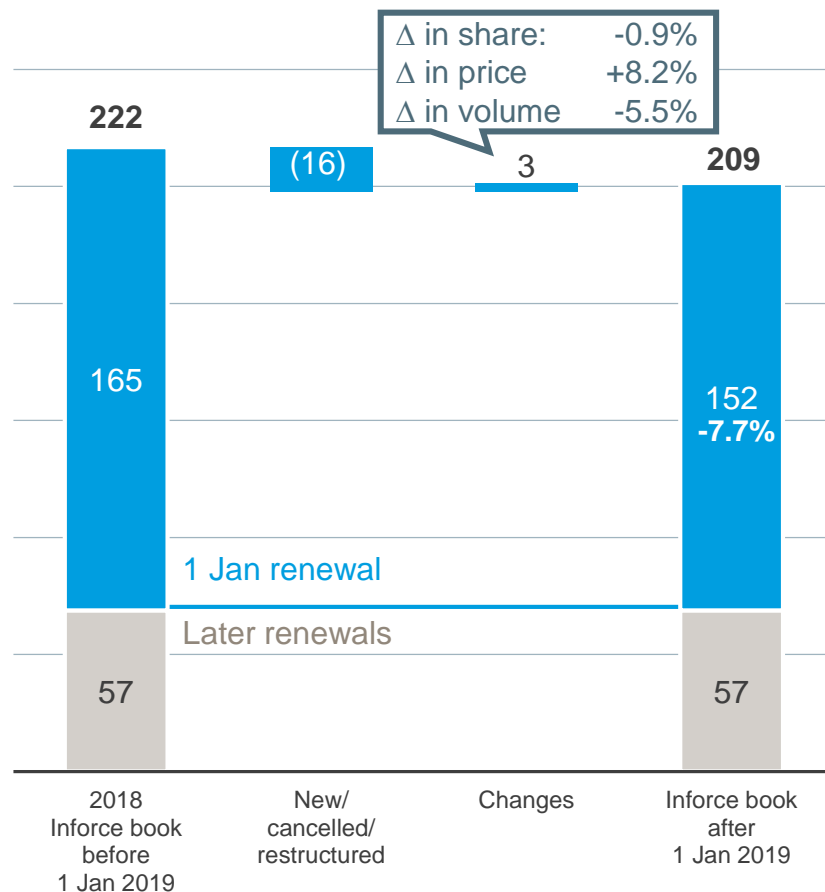
Continental Europe in m. EUR



- Germany
 - Substantial increase in premium deriving from a few treaties
 - Maintained leading position
 - Continued strong position in motor showing stable pricing
- Italy
 - Successful renewal led to more than 50% increase in premium due to Solvency II-driven demand
- Other European countries
 - Demand for reinsurance is slightly higher due to new Solvency II requirements (e.g. Netherlands)
 - Property
 - Rate increases on loss-hit programmes
 - Stable to slight rate decreases on loss-free accounts
 - Overall, satisfying renewal with increased premium

We are managing the cycle and continue to support our long-term clients

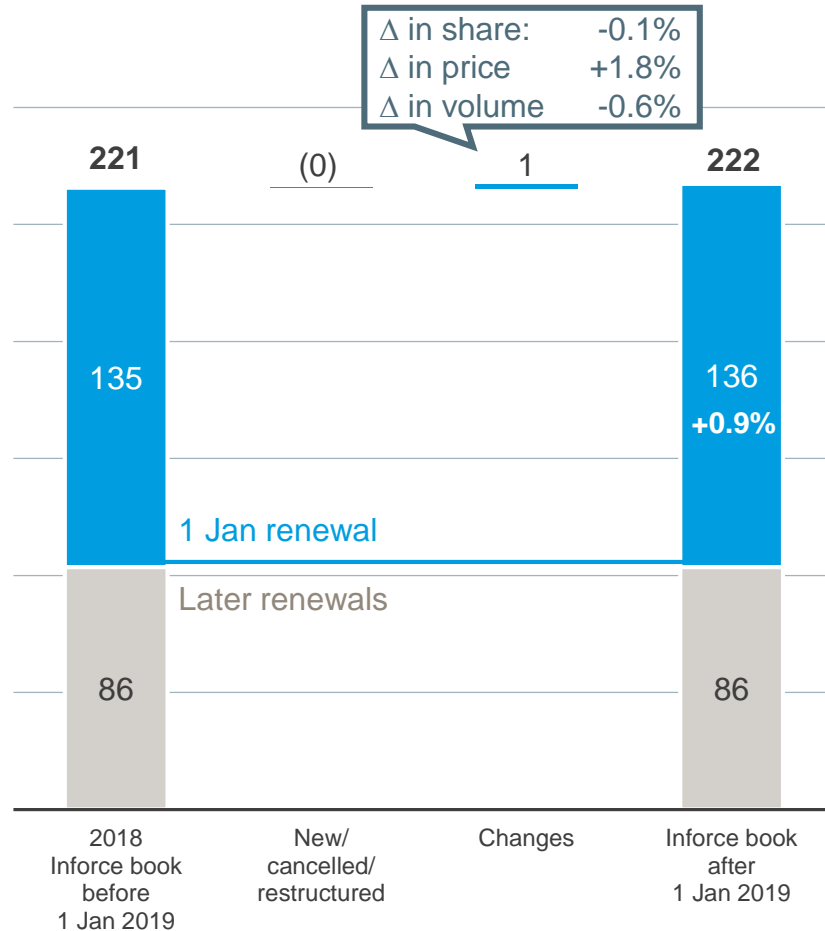
Marine in m. EUR



- Clients seeking to improve profitability, leading to more disciplined underwriting
- Loss experience in 2018 led to an improvement in pricing on loss-affected programmes
- Lloyd's initiative to turn the market around led to consolidation of capacity
- Challenging marine reinsurance market along with an abundance of reinsurance capacity
- We lost premium due to
 - M&A activity
 - discontinuation of marine business by our clients

We maintained our good overall position in aviation reinsurance

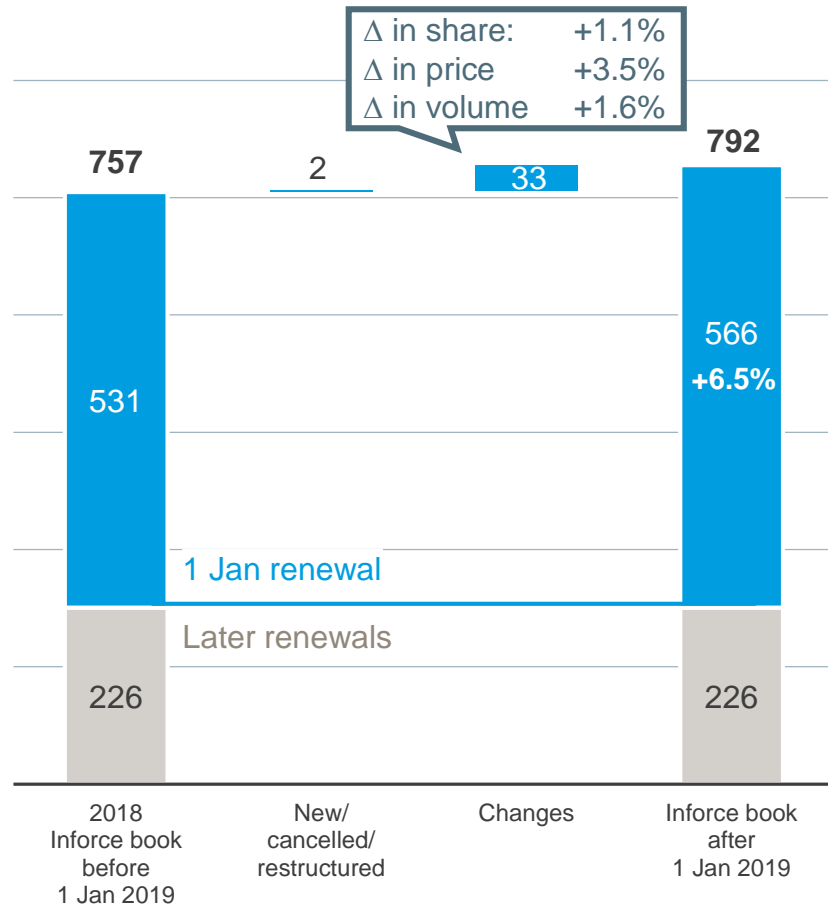
Aviation in m. EUR



- After many years of continuous softening the positive impulse towards a more sustainable market environment is visible
- Improving terms in the original market assist in stabilising reinsurance conditions
- Reduced volume in non-proportional business mainly due to M&A activity and market exits, otherwise premium maintained on a flat level
- We focused on core clients with profitable accounts and either maintained or increased our shares

Achieved our aim to stabilise pricing on accounts with good performance, while improving terms and conditions on less favourable ones

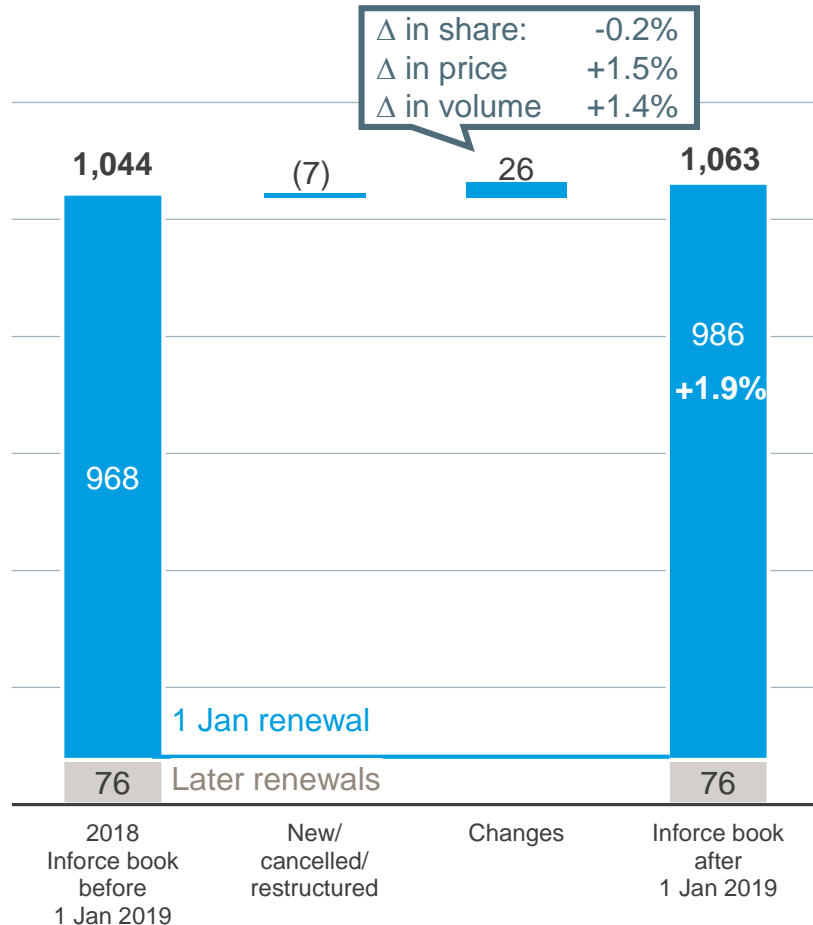
Credit, surety & pol. risks in m. EUR



- Premium growth with good profitability for the third consecutive year supported by business from new clients
- Credit
 - Cession levels stable
 - Stable to slightly reduced commission rates
 - Increase in shares
- Surety
 - In a heterogeneous market, slight premium increase with stable profitability
- Political risks
 - Reduced shares when conditions unfavourable and added new business, resulting in stable premium and profitability

We are solidly positioned in the market and prepared to act on further opportunities

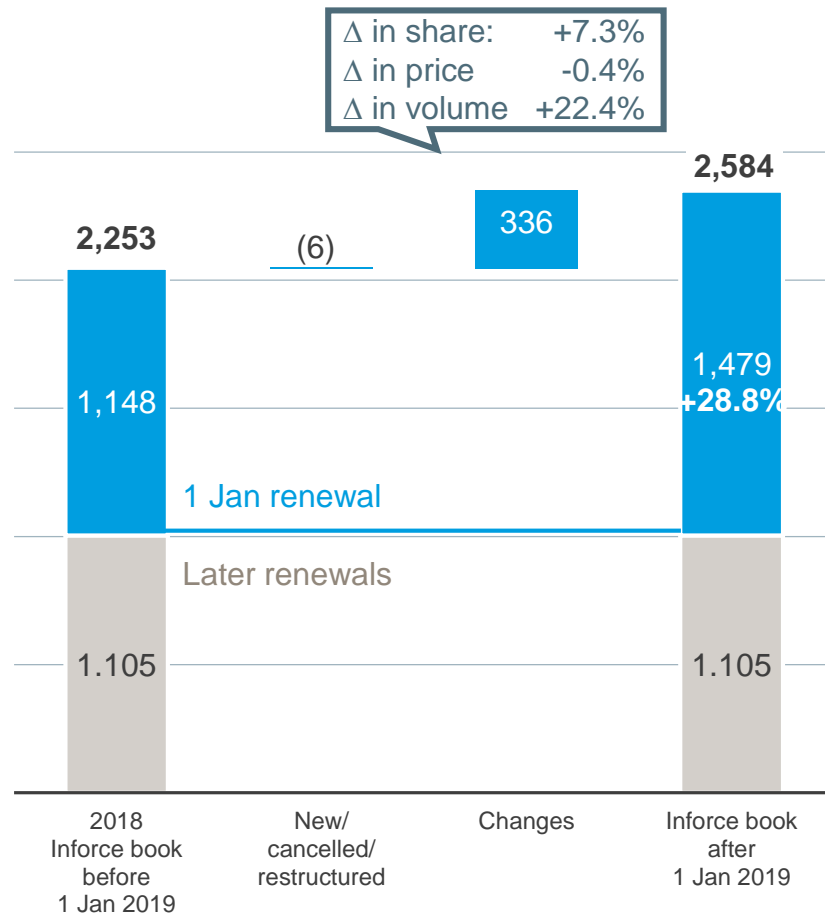
UK, London market & direct in m. EUR



- Motor XL
 - Despite anticipation of further Ogden rate changes pricing on Motor XL business was flat (after a number of years of improvements)
 - Terrorism perils successfully excluded in UK Motor XL business, and a commercial R/I solution has been achieved
- Property per risk XL
 - Pricing showed some increases due to technical requirements
 - In general, we continued our expiring involvements
- Casualty XL treaties
 - The market showed slight improvements
 - We maintained our shares and continued our support

Very favourable development with +28.8% premium growth

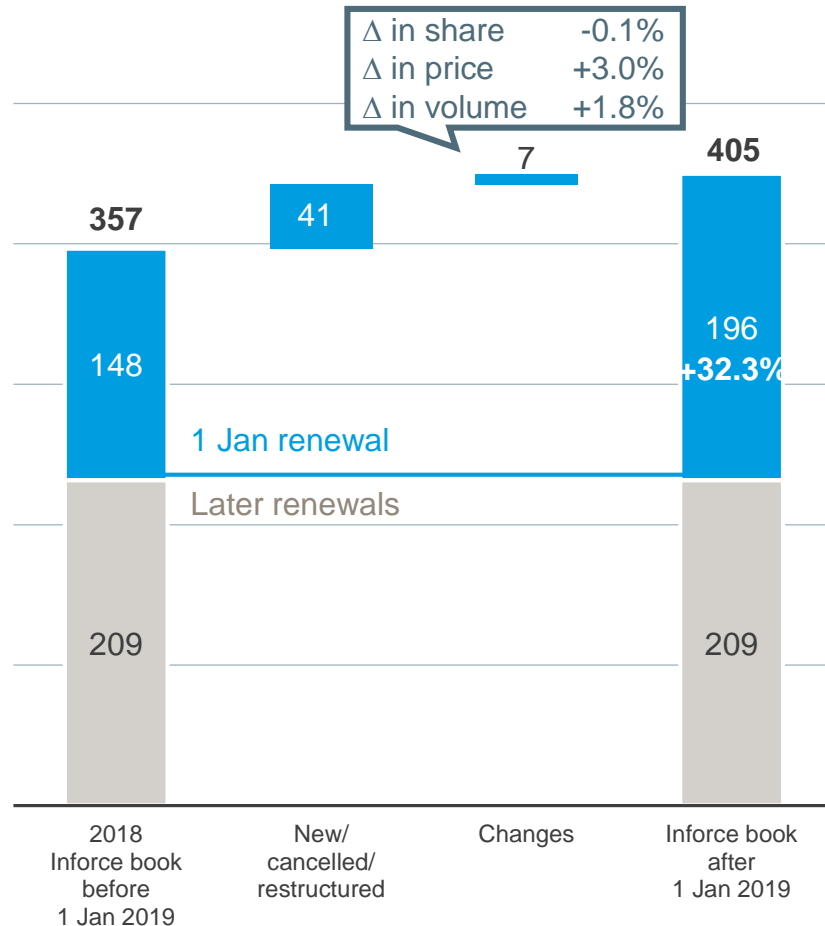
Worldwide treaty R/I in m. EUR



- Substantial premium increases in Asia
 - China
 - Commissions on non-marine proportional treaties are stable
 - Proportional premium more than doubled with profitable accounts
 - Pressure on C-ROSS ratios of cedents due to higher insurance penetration and lower retention led to a stronger demand for reinsurance
 - Increase in Japan and Korea through new business
- Latin America
 - Brazil: positive premium development, new clients added
 - Mexico: increased premium by gaining new business
 - Chile: new business generated along with share increases
- Caribbean
 - Price level remained stable after recent years' increases
- Middle East & North Africa (MENA)
 - We were able to maintain our lead positions on large accounts
 - Meaningful growth in ReTakaful business

Cat XL pricing improved and business opportunities realised

Cat XL in m. EUR



- We focused on strategic partnerships and augmented our support for these clients, some of which restructured their purchases significantly
- We increased our premium in accordance with our moderately raised risk appetite in NatCat
- Some programmes changed renewal date from mid-term to 1/1 renewal
- US
 - We saw good opportunities and were able to grow our US portfolio significantly due to underlying portfolio growth and changes in programme structures
- Non-US
 - Other global initiatives led to both additional premium and new business, mainly in Europe

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4

Guidance for 2019
Financial year figures

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Overall profitability above margin requirement

Property & Casualty reinsurance: financial year 2019

| | 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

Guidance for 2019 unchanged

Hannover Re Group

- Gross written premium¹⁾ _____ growth within a single-digit percentage range
- Return on investment from AuM^{2) 3)} _____ at least 2.8%
- Group net income²⁾ _____ in the region of EUR 1.1 bn.
- Dividend payout ratio⁴⁾ _____ 35% - 45%
(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 2019 not exceeding the large loss budget of EUR 875 m.

3) Excluding effects from ModCo derivatives

4) Relative to group net income according to IFRS

Target matrix 2019

Combined ratio increased to $\leq 97\%$ due to high portion of Structured R/I biz

| Business group | Key figures | Strategic targets for 2019 |
|-------------------------|--|----------------------------|
| Group | Return on investment ¹⁾ | $\geq 2.8\%$ |
| | Return on equity ²⁾ | $\geq 9.4\%$ |
| | Earnings per share growth (y-o-y) | $\geq 5\%$ |
| | Economic value creation ³⁾ | $\geq 6.4\%$ |
| | Solvency ratio ⁴⁾ | $\geq 200\%$ |
| Property & Casualty R/I | Gross premium growth ⁵⁾ | 3% - 5% |
| | Combined ratio ⁶⁾ | $\leq 97\%$ |
| | EBIT margin ⁷⁾ | $\geq 10\%$ |
| | xRoCA ⁸⁾ | $\geq 2\%$ |
| Life & Health R/I | Gross premium growth ⁹⁾ | 3% - 5% |
| | Value of New Business (VNB) ¹⁰⁾ | \geq EUR 220 m. |
| | EBIT growth | $\geq 5\%$ |
| | xRoCA ⁸⁾ | $\geq 2\%$ |

1) Excl. effects from ModCo derivatives

3) Growth in economic equity + paid dividend; target: 600 bps above 5-year average return of 10-year German government bonds

5) On average throughout the R/I cycle; at constant f/x rates

8) Excess return on allocated economic capital

2) After tax; target: 900 bps above 5-year average return of 10-year German government bonds

3) Growth in economic equity + paid dividend; target: 600 bps above 5-year average return of 10-year German government bonds

6) Incl. expected net major loss budget of EUR 875 m.

9) Organic growth only; target: annual average growth (3-year period), at constant f/x rates

4) According to our internal capital model and Solvency II requirements

7) EBIT/net premium earned

10) Based on Solvency II principles and pre-tax reporting

5

Guidance update 2018
Financial year figures

Updated guidance for 2018

Based on current status of book-closing activities

| Hannover Re Group | Previous guidance | Updated guidance |
|--|------------------------------------|--|
| Gross written premium | more than 10% growth ¹⁾ | EUR 19 bn. ²⁾ (~ +11% ¹⁾) |
| Return on investment from AuM | at least 2.7% | 3.2% |
| Group net income | more than EUR 1 bn. | ~ EUR 1.05 bn. |
| Property & Casualty reinsurance | - | 83% |
| Life & Health reinsurance | - | 17% |
| Dividend payout (incl. special dividend) | at least EUR 5 | at least EUR 5 |

1) At unchanged f/x rates

2) Not f/x adjusted

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