Press Release

Hannover Re posts strong nine-month result for 2016

- **Group net income rises to EUR 790.0 million (EUR 786.0 million)**
- **Book value per share: EUR 72.81 (EUR 66.90)**
- **Income from assets under own management: EUR 896.5 million (EUR 931.8 million)**
- **Return on equity: 12.5%**
- **Combined ratio in property and casualty reinsurance: 95.0% (95.5%)**
- **Currency-adjusted gross premium virtually unchanged at -1.7%**
- **Net major loss expenditure moderate at EUR 393.2 million (EUR 436.4 million)**
- **Outlook for 2016: Group net income guidance of at least EUR 950 million confirmed**

Hannover, 10 November 2016: Hannover Re is highly satisfied with the development of its business as at 30 September 2016. Group net income came in slightly above the previous year's level at EUR 790.0 million (EUR 786.0 million). "Despite all the challenges both business groups, namely Property & Casualty and Life & Health reinsurance, lived up to our expectations", Chief Executive Officer Ulrich Wallin affirmed. "We are very well on track to achieve our profit target of at least EUR 950 million for the full 2016 financial year."

Gross premium lower as expected

Gross written premium for the Hannover Re Group contracted by 3.8% to EUR 12.5 billion (EUR 12.9 billion). The decrease would have been 1.7% at constant exchange rates. This puts the company very much in line with its expectations for the full year. The retention rose to 89.6% (87.9%), as a consequence of which net premium earned fell only marginally by 0.6% to EUR 10.8 billion (EUR 10.8 billion). Adjusted for exchange rate effects, an increase of 1.7% would have been recorded.

Group net income on the previous year's good level

Driven by good business results in reinsurance and solid investment income, the operating profit (EBIT) as at 30 September 2016 closed virtually on a par with the previous year at EUR 1,189.1 million (EUR 1,190.3 million). This is especially gratifying given that the previous year had benefited from a positive special effect of EUR 39 million. Group net income improved by a modest 0.5% on the very good level

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of the previous year's period to reach EUR 790.0 million (EUR 786.0 million). Earnings per share amounted to EUR 6.55 (EUR 6.52).

Good result in property and casualty reinsurance

The supply of reinsurance coverage continues to exceed demand, leaving prices and conditions under sustained pressure. This was again evident in the treaty negotiations as at 1 July 2016, the date on which parts of the North American portfolio, most agricultural risks and business from Latin America and Australia came up for renewal. Hannover Re was consistent here in pursuing its margin-oriented underwriting approach.

The gross written premium booked by Hannover Re in property and casualty reinsurance contracted by 2.7% as at 30 September 2016. At constant exchange rates it would have decreased by just 1.5%. The retention retreated slightly to 88.3% (88.8%). Net premium earned totalled EUR 5.9 billion (EUR 6.0 billion); adjusted for exchange rate effects, a gain of 0.9% would have been recorded.

After the heavy burden of losses incurred in the second quarter, the third quarter came in well below the loss expectancy. In accordance with its prudent reserving policy, the company keeps the unused parts of the large loss budget available for the remainder of the year. Aside from positive run-offs on the usual level, no additional reserve releases were made. The company's total net loss expenditure as at 30 September 2016 stood at EUR 393.2 million (EUR 436.4 million). This leaves Hannover Re with a large loss budget of around EUR 430 million at its disposal for the rest of the year. The combined ratio of 95.0% (95.5%) is very well within the target zone of below 96%. The underwriting result climbed 9.6% to EUR 275.5 million (EUR 251.4 million). The operating profit (EBIT) as at 30 September 2016 totalled EUR 893.0 million after EUR 936.3 million in the previous year's period. Group net income closed at EUR 613.5 million (EUR 651.0 million). Earnings per share amounted to EUR 5.09 (EUR 5.40).

Good earnings contribution from life and health reinsurance

Life and health reinsurance delivered a pleasing development and generated a good contribution to Group net income. Although gross written premium was down 5.2% to EUR 5.3 billion (EUR 5.6 billion), positive impetus can still be anticipated from the implementation of Solvency II and associated demand for reinsurance solutions, including for example in the area of longevity business. Adjusted for exchange rate effects, gross premium income would have declined by 2.0%. The retention rose from 86.8% to 91.5%; net premium earned consequently fell by just 0.5% to EUR 4.8 billion (EUR 4.9 billion). At constant exchange rates an increase of 2.8% would have been recorded.

Boosted by the very good development of the third quarter, the operating result (EBIT) in life and health reinsurance as at 30 September 2016 soared by 17.9% to EUR 290.4 million (EUR 246.3 million). Group net income improved by 17.5% to EUR

208.9 million (EUR 177.8 million). Earnings per share stood at EUR 1.73 (EUR 1.47).

Very satisfactory investment income

The portfolio of assets under own management grew on the basis of a continued positive cash flow to EUR 40.7 billion as at 30 September 2016 (31 December 2015: EUR 39.3 billion). Despite ongoing volatility and a low interest rate environment, ordinary investment income excluding interest on funds withheld and contract deposits reached a good EUR 852.0 million (EUR 912.5 million). The decrease can be attributed primarily to the elimination of a positive special effect in the previous year's period. Furthermore, the lower yields were to some extent offset by stronger income from dividends and real estate. Interest on funds withheld and contract deposits fell to EUR 249.9 million (EUR 292.9 million). Impairments of EUR 61.0 million (EUR 24.1 million) were taken. The bulk of this amount was attributable to scheduled depreciation on directly held real estate and write-downs on listed equities, given that individual stock prices moved sharply lower at times in connection with the Brexit decision. The net balance of realised gains on disposals stood at EUR 153.6 million (EUR 124.2 million) as at 30 September 2016. Income from assets under own management totalled EUR 896.5 million (EUR 931.8 million) after nine months. The resulting annualised average return on investment reached 3.0% and thus exceeded the full-year target of 2.9%. Net investment income including interest on funds withheld and contract deposits amounted to EUR 1,146.4 million (EUR 1,224.7 million).

Robust equity base

Hannover Re's shareholders' equity remained robust as at 30 September 2016 on the back of net income and higher valuation reserves: it climbed to EUR 8.8 billion (31 December 2015: EUR 8.1 billion). Reflecting this continued increase, the annualised return on equity fell to 12.5% (31 December 2015: 14.7%). The book value per share reached EUR 72.81 (31 December 2015: EUR 66.90).

The company's capital adequacy ratio (Solvency II ratio) as at 30 June 2016 was again comfortably in excess of requirements at 231%; it had amounted to 221% as at 31 December 2015.

Outlook for 2016

In view of its results for the first nine months Hannover Re is well on track to achieve its full-year targets for 2016. Based on constant exchange rates, the company anticipates stable or slightly reduced *gross premium volume*. The targeted figure of at least EUR 950 million for *Group net income* remains unchanged. This is conditional on major loss expenditure not significantly exceeding the budgeted level of EUR 825 million and assumes that there are no unforeseen distortions on capital markets.

Looking ahead to the upcoming treaty renewals in *property and casualty reinsurance* as at 1 January 2017, Hannover Re generally expects to see greater stability in prices and conditions than a year ago, even though the supply of reinsurance still clearly outstrips demand. The company nevertheless anticipates further scope to write attractive business. The progressive trend towards digitisation, for example, is opening up new opportunities for the insurance industry. Furthermore, in view of the increasing exposure potential, products designed to protect against cyber risks are likely to grow in importance – also in markets outside the United States. Hannover Re additionally sees growth possibilities in the area of credit and surety and in US property and casualty business. All in all, the company will maintain its focus on its existing business. *Life and health reinsurance* will likely show a stable development relative to the previous year, both in terms of premium and results. The reporting category of financial solutions, in particular, is expected to generate further sustained, profitable business.

Hannover Re's targeted *return on investment* for the full 2016 financial year remains unchanged at 2.9%. The company still envisages a payout ratio for the *dividend* in the range of 35% to 40% of its IFRS Group net income. This figure will increase in light of capital management considerations – as in the previous year – through payment of a special dividend if the company's comfortable level of capitalisation remains unchanged.

Outlook for 2017

For the 2017 financial year Hannover Re again anticipates stable or slightly lower *gross premium* based on constant exchange rates. The *return on investment* is expected to be 2.7%, with *Group net income* in excess of EUR 950 million. All statements are subject to the proviso that major loss expenditure remains with the budgeted level of EUR 825 million and that there are no unforeseen distortions on capital markets.