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Press release

Hannover Re makes good start to the 2016 financial year

- **Group net income rises by 12.7% to EUR 271.2 million (EUR 240.7 million) after elimination of a positive special effect from the previous year**
- **Gross premium in line with expectations, -2.1% adjusted for exchange rate effects**
- **Sharply improved underwriting result in property and casualty reinsurance**
- **Combined ratio: 94.7% (95.7%)**
- **Good business development in life and health reinsurance**
- **Return on investment: 2.9%**
- **Return on equity: 13.2%**
- **Group net income guidance for the 2016 financial year confirmed**

Hannover, 10 May 2016: Hannover Re expressed considerable satisfaction with the development of the first quarter. "Factoring out a positive special effect recorded in the comparable quarter of 2015, we achieved a pleasing increase in our Group net income as at 31 March 2016. This was driven by a strong underwriting profit in property and casualty reinsurance as well as good results in life and health reinsurance and on the investment side", Chief Executive Officer Ulrich Wallin stated. The gratifying quarterly result is a good first step towards achieving the full-year profit target of at least EUR 950 million.

Gross premium develops in line with expectations

Gross written premium for the Hannover Re Group contracted slightly by 3.1% to EUR 4.3 billion (EUR 4.4 billion). The decline would have been 2.1% at constant exchange rates. The level of retained premium was slightly higher than in the comparable period at 89.0% (88.6%). Net premium earned increased by 3.2% to EUR 3.5 billion (EUR 3.4 billion) due to the change in unearned premium; adjusted for exchange rate effects, growth would have come in at 4.5%.

Pleasing Group net income

The operating profit (EBIT) fell by 5.2% to EUR 406.7 million (EUR 429.0 million). Group net income amounted to EUR 271.2 million, after EUR 279.7 million in the comparable period.

Not including the special effect of around EUR 39 million recognised in the comparable period, Group net income came in higher than in the previous year. Earnings per share stood at EUR 2.25 (EUR 2.32).

Property and casualty reinsurance shows further substantial improvement after very good previous year

Worldwide property and casualty reinsurance continues to be fiercely competitive, prompting Hannover Re to write business highly selectively in accordance with its profit-oriented underwriting policy. Gross written premium consequently contracted by 4.4% to EUR 2.5 billion (EUR 2.6 billion). At constant exchange rates the decrease would have been 3.7%. The level of retained premium fell slightly from 88.9% to 87.9%. Net premium earned rose by 4.2% to EUR 2.0 billion (EUR 1.9 billion) due to the change in unearned premium; adjusted for exchange rate effects, growth would have reached 5.2%.

As had been the case in the corresponding period of the previous year, major loss expenditure for Hannover Re came in below the estimated quarterly budget at EUR 55.5 million (EUR 62.0 million). The largest single loss event for the company was an earthquake in Taiwan at EUR 15.6 million for net account. The underwriting result closed at a very pleasing EUR 100.3 million (EUR 76.6 million). The combined ratio once again improved on the previous year's period at 94.7% (95.7%).

Against this backdrop and supported by healthy investment income, the operating profit (EBIT) in property and casualty reinsurance rose by a very appreciable 17.4% to EUR 299.7 million (EUR 255.2 million). Group net income increased by 19.2% to EUR 204.3 million (EUR 171.4 million). Earnings per share stood at EUR 1.69 (EUR 1.42).

Life and health reinsurance posts good result

Life and health reinsurance fared better than anticipated in the first quarter. Gross written premium as at 31 March 2016 retreated slightly by 1.2% to EUR 1.8 billion (EUR 1.8 billion); at constant exchange rates gross written premium would have been virtually unchanged with a gain of 0.3%. With the retention modestly higher at 90.5% (88.1%), net premium earned climbed 2.0% to EUR 1.6 billion (EUR 1.5 billion); adjusted for exchange rate effects, this is equivalent to growth of 3.6%. The operating result (EBIT) came in slightly above our expectations at EUR 105.5 million (EUR 173.3 million). The previous year's figure had been influenced by recognition of a fee in an amount of around EUR 39 million that became payable following a customer-initiated withdrawal from a transaction. The underwriting result continued to improve as at 31 March 2016. Group net income fell by 38.9% to EUR 77.9 million (EUR

127.5 million). Earnings per share amounted to EUR 0.65 (EUR 1.06).

Highly satisfactory investment income

The investment climate remains challenging owing to the protracted low level of interest rates. The portfolio of investments under own management was nevertheless largely unchanged after the sharp rise in 2015 at EUR 39.1 billion (31 December 2015: EUR 39.3 billion). Ordinary investment income came in significantly lower than in the comparable period at EUR 268.5 million (EUR 312.2 million); this was due in particular to a special effect recognised in the investments in the previous year from the life and health reinsurance side. Interest on funds withheld and contract deposits declined to EUR 83.5 million (EUR 99.0 million).

Realised gains amounted to EUR 43.6 million (EUR 45.0 million); they were on a normal level and can be attributed in large measure to regrouping activities as part of regular portfolio maintenance. Write-downs of just EUR 13.9 million (EUR 8.2 million) had to be taken in the reporting period.

Income from assets under own management totalled EUR 282.7 million as at 31 March 2016, a decrease of 10.7% compared to the previous year's quarter (EUR 316.6 million). The resulting annualised return on investment reached 2.9% (excluding ModCo derivatives), which is exactly the target for the full financial year. Net investment income including interest on funds withheld and contract deposits closed at EUR 366.2 million (EUR 415.7 million).

Shareholders' equity remains very robust

Hannover Re's shareholders' equity grew by 3.8% to EUR 8.4 billion (31 December 2015: EUR 8.1 billion). The annualised return on equity nevertheless reached an attractive 13.2%. The book value per share increased to EUR 69.42 (31 December 2015: EUR 66.90).

Capital adequacy ratio comfortably in excess of requirements

The capital adequacy ratio of the Hannover Re Group calculated in accordance with the requirements of Solvency II was published at the same time as the results for the first quarter of 2016. Amounting to 221 % as at 31 December 2015, it was exactly on the level of the previous quarter.

Outlook for 2016

Despite the challenging business conditions facing international (re)insurance markets and the protracted low level of interest rates, Hannover Re expects to be able to operate with sustained success even in this environment.

Based on constant exchange rates, the company anticipates stable or slightly lower *gross premium* as well as *net income after tax* of at least EUR 950 million for the full 2016 financial year. 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.

In *property and casualty reinsurance* Hannover Re expects to post a good underwriting result for 2016 that should be roughly on the level of 2015. The company is aiming for a combined ratio of less than 96%. The EBIT margin for property and casualty reinsurance should be at least 10%.

The competitive market conditions that still prevail in property and casualty reinsurance were further underlined by the treaty renewals as at 1 April, the traditional date on which business in Japan and – albeit on a smaller scale – treaties in the markets of Australia, New Zealand, Korea and North America are renewed. In view of its selective underwriting policy and the company's concentration on existing business, Hannover Re was able to preserve the good quality of its property and casualty reinsurance portfolio. The premium volume booked from this round of treaty renewals increased by 9.1% due to profitable business opportunities.

The company expects to see further improvement in the development of its *life and health reinsurance* business. This should be especially evident in emerging markets and – following the implementation of Solvency II – in Europe as well as in the area of longevity risks. While it is Hannover Re's expectation that some large-volume treaties will be discontinued, the gross premium volume will likely remain broadly stable on the back of new business production. The value of new business should be in excess of EUR 220 million. The targeted EBIT margins remain unchanged at 2% for financial solutions and longevity business and 6% for mortality and morbidity business.

The expected positive cash flow that Hannover Re generates from the technical account and its investments should – subject to stable exchange rates and yield levels – should lead to further growth in the asset portfolios. The company is targeting a *return on investment* of 2.9% for 2016.

Hannover Re envisages a payout ratio for the *dividend* in the range of 35% to 40% of its IFRS Group net income. This figure could increase in light of capital management considerations if the company's comfortable level of capitalisation remains unchanged.

For further information please contact:

Corporate Communications:
Karl Steinle (tel. +49 511 5604-1500,
e-mail: karl.steinle@hannover-re.com)

Media Relations:
Gabriele Handrick (tel. +49 511 5604-1502,
e-mail: gabriele.handrick@hannover-re.com)

Investor Relations:
Julia Hartmann (tel. +49 511 5604-1529,
e-mail: julia.hartmann@hannover-re.com)

Please visit: www.hannover-re.com

Hannover Re, with gross premium of around EUR 17 billion, is the third-largest reinsurer in the world. It transacts all lines of property & casualty and life & health reinsurance and is present on all continents with around 2,500 staff. Established in 1966, the Hannover Re Group today has a network of more than 100 subsidiaries, branches and representative offices worldwide. The Group's German business is written by the subsidiary E+S Rück. The rating agencies most relevant to the insurance industry have awarded both Hannover Re and E+S Rück very strong insurer financial strength ratings: Standard & Poor's AA- "Very Strong" and A.M. Best A+ "Superior". In 2016 Hannover Re celebrates its fiftieth anniversary.