

## Press Release

### Hannover Re reports fifth consecutive record result

- **Group net income climbs by 1.8% to EUR 1.17 billion (EUR 1.15 billion)**
- **Increased dividend proposal for 2016: EUR 5.00 per share (EUR 4.75 per share)**
- **Book value per share reaches new record high: EUR 74.61 (EUR 66.90)**
- **Return on equity: 13.7% (14.7%)**
- **Gross premium contracts by 4.2% to EUR 16.4 billion; adjusted for exchange rate effects: -2.1%**
- **Combined ratio: 93.7% (94.4%)**
- **For 2017 group net income of more than EUR 1 billion expected**

Hannover, 9 March 2017: With Group net income of EUR 1.17 billion Hannover Re has comfortably surpassed its target for the 2016 financial year. "Another strong underwriting result in property and casualty reinsurance combined with pleasing investment income laid the foundation", Chief Executive Officer Ulrich Wallin noted. In addition, the tax rate for 2016 decreased to a normalised level.

In view of the good business development, the Executive Board and Supervisory Board will propose to the Annual General Meeting that an increased dividend of altogether EUR 5.00 per share (EUR 4.75 per share) should be paid for 2016: the distribution will take the form of a regular dividend of EUR 3.50 per share – an increase of EUR 0.25 compared to the previous year – plus a special dividend of EUR 1.50 per share. The payout ratio for 2016 will then amount to more than 50% of IFRS Group net income.

#### **New record year in 2016**

In the currently challenging market environment, Hannover Re's overriding priority continues to be generating profits rather than growing premium income. With this in mind, the gross premium volume contracted by 4.2% to EUR 16.4 billion (EUR 17.1 billion); adjusted for exchange rate effects, it would have decreased by just 2.1%. The level of retained premium climbed to 89.3% (87.0%). Net premium earned consequently fell by only a modest 1.2% to EUR 14.4 billion (EUR 14.6 billion). At unchanged exchange rates growth of 1.0% would have been booked.

Despite the non-recurrence of a positive one-off effect of EUR 39 million in the comparable period, Hannover Re generated a highly

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satisfactory operating profit (EBIT) of EUR 1,689.3 million (EUR 1,755.2 million). Once again, this was assisted by large loss expenditure that came in below budget as well as reduced frequency losses and by a slightly better-than-expected return on investment. Group net income improved on the previous year by 1.8% to reach a new record high of EUR 1,171.2 million (EUR 1,150.7 million). Earnings per share amounted to EUR 9.71 (EUR 9.54).

## **Property and casualty reinsurance delivers strong result**

Despite the intensely competitive state of the market, Hannover Re is thoroughly satisfied with the performance of its property and casualty reinsurance portfolio – even though developments varied widely in the individual lines and geographical regions. The North American market was stable overall; a growing demand here was for cyber covers. Most notably, however, it was the rise in demand for reinsurance solutions offering solvency relief – both in Europe and in Asia – that had favourable implications for Hannover Re. Yet these trends did not entirely suffice to offset the premium declines in other areas, with the result that the gross premium volume in property and casualty reinsurance fell slightly by 1.4% to EUR 9.2 billion (EUR 9.3 billion). Premium income would have remained stable at unchanged exchange rates. The level of retained premium moved marginally lower to 88.5% (89.3%). Net premium earned contracted by 1.4% to EUR 8.0 billion (EUR 8.1 billion); at constant exchange rates it would have been unchanged.

As in the previous years, expenditures from large losses were again moderate, although they were higher in 2016 than in the comparable period. The largest single loss for Hannover Re was the wildfires in the Canadian province of Alberta, with a net strain of EUR 127.9 million. Hurricane Matthew caused a net loss of EUR 70.3 million. In addition, a number of severe earthquakes and other natural catastrophe events as well as man-made losses were recorded. The total net loss expenditure for the company amounted to EUR 626.6 million (EUR 572.9 million). The burden of large losses thus remained below the budgeted level for 2016 of EUR 825 million. A very good combined ratio of 93.7% (94.4%) was achieved. Along with the pleasing development on the underwriting side, this can also be attributed to the positive run-off of reserves from prior years that were no longer required. The operating profit (EBIT) came in at EUR 1,340.3 million (EUR 1,341.3 million). Group net income climbed by 3.8% to reach a new all-time best of EUR 949.9 million (EUR 914.7 million). Earnings per share stood at EUR 7.88 (EUR 7.58).

## **Life and health reinsurance generates solid profit contribution**

Following the vigorous growth recorded in life and health reinsurance in the comparable period, the gross premium volume for 2016 contracted slightly to EUR 7.1 billion (EUR 7.7 billion). This was due to the discontinuation of a number of large treaties. Adjusted for exchange rate effects, the decrease would have been 4.3%. Net premium earned came in 0.9% lower than in the previous year at

EUR 6.4 billion (EUR 6.5 billion); growth would have been 2.2% at constant exchange rates owing to a higher retention.

The development of the profit contributions in life and health reinsurance was satisfactory. The operating result (EBIT) totalled EUR 343.3 million (EUR 405.1 million), with the decrease driven principally by the elimination of a positive one-off effect of EUR 39 million booked in the previous year. The result was also impacted by adverse effects in US mortality business; for the most part, however, the portfolio showed improved profitability. Financial solutions business once again posted a very positive performance. Group net income in life and health reinsurance closed lower at EUR 252.9 million (EUR 289.6 million). Earnings per share stood at EUR 2.10 (EUR 2.40).

### **Very pleasing investment income**

Against a backdrop of continued low interest rates, Hannover Re is very satisfied with the development of its investments: the portfolio of assets under own management increased – boosted above all by a sustained positive operating cash flow – by EUR 2.5 billion to EUR 41.8 billion (EUR 39.3 billion).

In view of the non-recurrence of the positive one-off effect in life and health reinsurance and despite the low interest rate environment, ordinary investment income came in at a pleasing EUR 1,162.0 million (EUR 1,253.4 million). The diminished potential returns were to some extent offset by higher income from dividends.

Net realised gains and losses totalled EUR 206.3 million (EUR 135.8 million) as at 31 December 2016. Write-downs of EUR 76.3 million (EUR 38.7 million) were taken, including scheduled depreciation on directly held real estate as well as write-downs on equities due to lower prices following the UK Brexit decision. The bulk of these impairments have since been offset by reversals. Income from investments under own management amounted to a good EUR 1,218.3 million (EUR 1,270.1 million) as at 31 December 2016. The resulting return on investment of 3.0% was slightly higher than the 2.9% target. Investment income including income from funds withheld and contract deposits came in at EUR 1,550.4 million (EUR 1,665.1 million).

### **Shareholders' equity further strengthened**

The shareholders' equity of Hannover Rück SE showed further gratifying growth, climbing to EUR 9.0 billion (EUR 8.1 billion) as at 31 December 2016. The book value per share consequently also increased; it reached a new all-time high of EUR 74.61 (EUR 66.90). Despite the increased shareholders' equity, the return on equity was very favourable at 13.7% (14.7%) and again comfortably surpassed the target. The total policyholders' surplus (including non-controlling interests and hybrid capital) grew to EUR 11.2 billion (EUR 10.3 billion).

### Outlook for 2017

Hannover Re raised its targets for Group net income and gross premium in February: adjusted for exchange rate effects, *gross premium* for total business is now expected to grow by a low single-digit percentage in 2017. The company anticipates *Group net income* of more than EUR 1 billion. This is based on the premise that major loss expenditure does not significantly exceed the budgeted level of EUR 825 million and that there are no exceptional distortions on capital markets.

The asset portfolios should continue to grow – at constant exchange rates – in view of the anticipated positive cash flow. The company is keeping its targeted *return on investment* unchanged at 2.7%.

In terms of the *dividend* for the current financial year, Hannover Re still envisages a payout ratio in the range of 35% to 40% of its IFRS Group net income. This ratio may increase in light of capital management considerations if the present comfortable level of capitalisation remains unchanged.

**Hannover Re**, with gross premium of EUR 16.4 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 2,900 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".

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