

Press Release

Hannover Re makes good start to 2018 financial year

- **Pleasing quarterly net income: EUR 273.4 million (previous year: EUR 264.8 million)**
- **Gross premium rises significantly by 17.6% to EUR 5.3 billion, an increase of 27.5% adjusted for exchange rate effects**
- **Life and health reinsurance delivers very healthy operating result**
- **Return on investment clearly beats expectations at 3.3%**
- **Group net income guidance for 2018 reaffirmed**

Hannover, 7 May 2018: Hannover Re is satisfied with its start to the new financial year. Both business groups, namely property & casualty and life & health reinsurance, as well as the investments performed favourably and supported attainment of the goals set for the full year. "We made the most of the available opportunities on the reinsurance markets and substantially expanded our portfolio. With Group net income of EUR 273.4 million we have taken the first step towards achieving our year-end target of more than EUR 1 billion", Chief Executive Officer Ulrich Wallin affirmed.

Gross premium shows significant growth

The gross written premium for the Hannover Re Group rose by 17.6% as at 31 March 2018 to EUR 5.3 billion (EUR 4.5 billion). Adjusted for exchange rate effects, growth would have come in at an impressive 27.5%. The retention climbed to 91.3% (89.6%). Net premium earned increased by 7.0% to EUR 4.0 billion (EUR 3.7 billion). At constant exchange rates growth of 16.1% would have been booked.

Pleasing Group net income

The operating profit (EBIT) posted by Hannover Re climbed 8.5% to EUR 433.9 million (EUR 399.9 million) and thus grew somewhat more strongly than net premium earned. Group net income reached EUR 273.4 million, surpassing the previous year's figure of EUR 264.8 million by 3.3%. Earnings per share amounted to EUR 2.27 (EUR 2.20).

Growth driven by property and casualty reinsurance

Considerable competition and an oversupply of coverage capacity can still be observed in certain markets and lines, although conditions as a whole improved. Most notably, the hurricane events in the second half of 2017 provided impetus for greater stability in property

Contact

Corporate Communications:
Karl Steinle
tel. +49 511 5604-1500
karl.steinle@hannover-re.com

Media Relations:
Gabriele Handrick
tel. +49 511 5604-1502
gabriele.handrick@hannover-re.com

Investor Relations:
Julia Hartmann
tel. +49 511 5604-1529
julia.hartmann@hannover-re.com

www.hannover-re.com

and casualty reinsurance. Hannover Re again benefited from its selective and margin-oriented business policy. Against this backdrop increases in premium were achieved in Asia, Australia and the United Kingdom. Structured reinsurance was a particularly important growth driver. In the area of cyber covers, too, stronger demand opened up business opportunities. Gross written premium consequently climbed by 27.1% to EUR 3.6 billion (EUR 2.8 billion); adjusted for exchange rate effects, the increase would have been as high as 38.8%. The retention rose to 91.6% (88.6%). Net premium earned was 12.0% higher at EUR 2.4 billion (EUR 2.2 billion); growth would have reached 22.4% at constant exchange rates.

With net expenditure on large losses of EUR 73.4 million (EUR 133.7 million), the first quarter was impacted less heavily than the comparable period and thus came in below the quarterly budget of EUR 167 million. Amounting to EUR 31.5 million, the largest single loss event was cyclone Friederike, which caused extensive damage in several European countries.

The underwriting result for property and casualty reinsurance was on the level of the previous year (EUR 90.7 million) at EUR 91.8 million. The combined ratio stood at 95.9% (95.6%). The operating profit (EBIT) in property and casualty reinsurance climbed by 9.4% to EUR 338.9 million (EUR 309.8 million). Group net income closed 9.0% higher than in the previous year at EUR 234.8 million (EUR 215.4 million). Earnings per share amounted to EUR 1.95 (EUR 1.79).

Life and health reinsurance meets expectations

Gross written premium increased by 2.0% as at 31 March 2018 to EUR 1.8 billion (EUR 1.7 billion). Adjusted for exchange rate effects, this is equivalent to growth of 9.2%. With the retention slightly lower at 90.7% (91.3%), net premium earned remained stable at EUR 1.6 billion (EUR 1.6 billion); the increase would have been 7.4% at constant exchange rates.

The operating result (EBIT) for life and health reinsurance improved by 6.9% to EUR 95.9 million (EUR 89.8 million). The tax load rose sharply owing to a one-time special charge associated with tax reform in the United States. Group net income consequently fell short of the figure for the comparable period at EUR 51.1 million (EUR 60.6 million). Earnings per share stood at EUR 0.42 (EUR 0.50).

Investment income above expected return

The portfolio of assets under own management increased in the first quarter of 2018 to EUR 40.4 billion (31 December 2017: EUR 40.1 billion). It was gratifying to note that ordinary investment income remained stable at EUR 315.8 million (EUR 319.1 million). Income from fixed-income securities was also broadly unchanged despite the continued low level of interest rates; the earnings from private equity and real estate were on a par with the good level of the previous year. Interest on funds withheld and contract deposits contracted to EUR 58.7 million (EUR 72.9 million). The net realised gains of EUR

48.8 million were higher than in the previous year's period (EUR 24.1 million). The impairments recognised in the period under review totalled EUR 11.0 million (EUR 10.9 million) and were for the most part attributable to scheduled depreciation on real estate. Altogether, income of EUR 332.8 million (EUR 320.0 million) was generated from assets under own management. The resulting annualised return of 3.3% was appreciably in excess of the minimum 2.7% target set for the full financial year. Net investment income including interest on funds withheld and contract deposits amounted to EUR 391.5 million (EUR 392.9 million) as at 31 March 2018.

Equity base remains robust

The shareholders' equity of Hannover Re totalled EUR 8.4 billion (31 December 2017: EUR 8.5 billion) as at 31 March 2018. The annualised return on equity of 13.0% (31 December 2017: 10.9%) is significantly in excess of the targeted 900 basis points above the risk-free interest rate. The book value per share amounted to EUR 69.27 (31 December 2017: EUR 70.72).

Outlook for 2018

The treaty renewals as at 1 April passed off highly satisfactorily for Hannover Re. Business in Japan is traditionally renegotiated at this time of year and treaties also come up for renewal – albeit on a lesser scale – in the markets of Australia, New Zealand, South Korea and North America. The total premium volume booked from this round of treaty renewals increased by 10.3%.

The part of the North American treaty portfolio due for renegotiation was renewed at adequate prices. Property business here was expanded slightly in light of advantageous conditions, especially under loss-impacted programmes. In Japan rates for liability business improved on the back of previous losses. The premium declined slightly, however, owing to a planned reduction in the share written in a large-volume treaty. In South Korea, too, some shares were not renewed because competition in the market meant that prices and conditions were not sufficiently attractive. Hannover Re enjoyed pleasing growth in the area of agricultural risks.

For its total property and casualty reinsurance business Hannover Re expects to surpass the strategic, currency-adjusted growth target of 3% to 5%. The company is targeting a combined ratio of less than 96%. The EBIT margin should amount to at least 10%.

Hannover Re sees attractive opportunities in *life and health reinsurance*, especially in the area of financial solutions. The company expects to book annual, currency-adjusted growth in gross premium of between 3% and 5%. In terms of EBIT, an annual growth rate of at least 5% is forecasted.

Based on constant exchange rates, Hannover Re now expects total business to show an increase in *gross premium* of more than 10%. The company anticipates a *return on investment* of at least 2.7% for

2018. It remains the company's expectation that *Group net income* in the current financial year will amount to more than EUR 1 billion. This is conditional upon major loss expenditure not significantly exceeding the budgeted level of EUR 825 million and assumes that there are no unforeseen distortions on capital markets. Hannover Re envisages a payout ratio for the *dividend* in the range of 35% to 40% of its IFRS Group net income. This figure may increase in light of capital management considerations if the comfortable level of capitalisation remains unchanged.

Hannover Re, with gross premium of EUR 17.8 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 3,300 staff. Established in 1966, the Hannover Re Group today has a network of more than 140 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 outstanding financial strength ratings: Standard & Poor's AA- "Very Strong" and A.M. Best A+ "Superior".

Please note the disclaimer:

<https://www.hannover-re.com/535917>