Press release

Hannover Re well on track to achieve its full-year targets

- **Net income for first half-year: EUR 486.1 million (EUR 531.9 million)**
- **Gross premium in line with expectations, currency-adjusted -1.5%**
- **Net major loss expenditure sharply higher at EUR 352.7 million (EUR 197.4 million)**
- **Combined ratio: 95.4% (95.4%)**
- **Return on equity of 11.8% beats target despite rising average shareholders' equity**
- **Income from assets under own management: EUR 569.2 million (EUR 601.3 million)**
- **Return on investment as planned at 2.9%**

Hannover, 4 August 2016: Hannover Re is satisfied with the result for the first half of 2016. By mid-year it generated somewhat more than half of the targeted net income – which the company expects to reach at least EUR 950 million. "The half-yearly profit benefited overall from pleasing investment income, solid results in life and health reinsurance and an acceptable result in property and casualty reinsurance", Chief Executive Officer Ulrich Wallin stated. "Nevertheless, increased loss expenditure in the second quarter and diminished return opportunities in the investment portfolio did lead to a smaller profit."

Gross premium lower as expected
The gross written premium for the Hannover Re Group contracted by a modest 3.5% as at 30 June 2016 to EUR 8.3 billion (EUR 8.6 billion). At constant exchange rates the decrease would have been 1.5%. This figure is in line with expectations, especially bearing in mind the intense competition in property and casualty reinsurance. The retention climbed to 89.8% (88.3%). Net premium earned rose by 2.1% to EUR 7.2 billion (EUR 7.0 billion); adjusted for exchange rate effects, the increase would have been 4.3%.

Half-yearly result within target corridor for full-year 2016
The operating profit (EBIT) as at 30 June 2016 totalled EUR 745.2 million. The figure for the comparable period (EUR 789.4 million) had been assisted by a special effect in life and health reinsurance amounting to EUR 39 million. Against this backdrop, Group net income for the first six months fell by 8.6%

to EUR 486.1 million (EUR 531.9 million). Earnings per share stood at EUR 4.03 (EUR 4.41).

Property and casualty delivers acceptable result
Supply continued to far exceed demand in worldwide property and casualty reinsurance, although further indications of a bottoming out in prices could be discerned. In some areas this was also true of the treaty renewals as at 1 April 2016, which passed off satisfactorily on the whole for Hannover Re.

Gross written premium in property and casualty reinsurance contracted by 6.9% relative to the previous year's period to stand at EUR 4.6 billion (EUR 5.0 billion) as at 30 June 2016; adjusted for exchange rate effects, it would have fallen by 5.6%. "For us, it is more important to preserve the profitability of the business than to boost premium income", Mr. Wallin emphasised. The retention was slightly lower at 88.2% (89.6%). Net premium earned was down 1.4% at EUR 3.8 billion (EUR 3.9 billion); it would have been unchanged at constant exchange rates.

The incidence of major losses in the first half-year was considerably in excess of the comparable period. The losses incurred by Hannover Re in the second quarter were significantly higher than expected. Nevertheless, in view of the fact that the amount budgeted for the first quarter of 2016 had not been fully utilised, the net burden for the company at EUR 352.7 million (EUR 197.4 million) was still within the overall bounds of expectations for the first six months. The most expensive single loss event for Hannover Re was the devastating wildfires in the Canadian province of Alberta at EUR 131.6 million for net account, followed by the severe earthquake in Ecuador with a net strain of EUR 56.9 million. There were also a number of smaller losses due to natural perils, including for example those caused by the series of storms that impacted Germany in May and June, as well as some man-made losses.

Against this backdrop, the underwriting result slipped by 2.6% to EUR 166.4 million (EUR 170.9 million); it nevertheless remains on a good level. The combined ratio is still positive at 95.4% (95.4%) and in line with our target of staying below 96%. The operating profit (EBIT) for property and casualty reinsurance totalled EUR 560.9 million (EUR 583.7 million) as at 30 June 2016. Group net income contracted to EUR 376.2 million (EUR 418.4 million). Earnings per share consequently stood at EUR 3.12 (EUR 3.47).

Solid result in life and health reinsurance

Gross written premium in life and health reinsurance rose slightly by 1.2% as at 30 June 2016 to reach EUR 3.7 billion (EUR 3.6 billion); it would have grown by 4.2% at constant exchange rates. Net premium earned climbed by 6.5% to EUR 3.3 billion (EUR 3.1 billion); adjusted for exchange rate effects, growth of 9.7% would have been booked. The retention increased to 91.8% (86.5%).

All in all, life and health reinsurance delivered a satisfactory performance, even though the very favourable development was to some extent masked by negative risk experiences from older underwriting years in US mortality business. The operating result (EBIT) as at 30 June 2016 totalled EUR 179.1 million (EUR 200.0 million). Group net income closed 10.3% lower at EUR 130.6 million (EUR 145.6 million). Earnings per share therefore amounted to EUR 1.08 (EUR 1.21).

Pleasing investment income despite market volatility

The investment climate was once again challenging in the period under review and overshadowed by various uncertainties on the capital and credit markets, including those triggered by the UK referendum on leaving the European Union ("Brexit").

The portfolio of assets under own management grew again in the first six months relative to year-end 2015 – building on the already considerable increase in the previous year – to reach EUR 39.8 billion (EUR 39.3 billion). Ordinary investment income excluding interest on funds withheld and contract deposits also developed favourably despite the low interest rate environment: factoring out a one-time special effect of EUR 39 million in life and health reinsurance in the previous year, it remained on the level of the comparable period at EUR 568.0 million (EUR 598.7 million). Realised gains amounted to EUR 79.5 million (EUR 66.6 million) and were attributable in large measure to regrouping activities as part of regular portfolio maintenance as well as to the sale of older private equity investments. Impairments of EUR 48.1 million (EUR 14.7 million) had to be taken in the reporting period. They consisted largely of write-downs on equities and scheduled depreciation on real estate.

Income from assets under own management totalled EUR 569.2 million (EUR 601.3 million) as at 30 June 2016. The resulting annualised average return on investment came in exactly within the anticipated range at 2.9%. Interest on funds withheld and contract deposits fell to EUR 175.6 million (EUR 197.4 million). Net investment income including interest on funds withheld and contract deposits amounted to EUR 744.8 million (EUR 798.8 million). Although this figure is lower than in the previous year's period, it is pleasing in light of the historically low interest rates.

Shareholders' equity continues to grow

Hannover Re's shareholders' equity grew to EUR 8.4 billion as at 30 June 2016 (31 December 2015: EUR 8.1 billion). Standing at 11.8%, the annualised return on equity consequently fell short of the level as at year-end 2015 (14.7%). The book value per share closed at EUR 69.83 (31 December 2015: EUR 66.90).

Outlook for 2016

The half-yearly results presented today put Hannover Re well on track to achieve its targets. It remains the company's expectation that *net income after tax* will reach 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. Based on constant exchange rates, the company anticipates a stable or slightly lower *gross premium volume*.

The general climate in *property and casualty reinsurance* remains challenging; this was demonstrated again by the treaty renewals as at 1 June and 1 July 2016, when parts of the North American portfolio, agricultural risks and business from Latin America traditionally come up for renewal. This was also the main renewal season for business in Australia.

In North America rates and conditions are still under pressure owing to the absence of market-changing large losses; however, increasing indications of a bottoming out can be discerned in both the property and casualty lines. Hannover Re boosted its premium, principally owing to the expansion of existing customer relationships. The pressure on prices for US and European property catastrophe business eased in comparison with the previous year's renewals. In Canada the destructive forest fires led to the anticipated rate increases in property business, an area in which the company offered additional capacities.

In *life and health reinsurance* Hannover Re anticipates good opportunities to generate further profitable new business in the second half of the year.

Hannover Re's targeted *return on investment* for the full 2016 financial year remains unchanged at 2.9%. The company is not currently planning any significant changes to its allocation of investments to the individual asset classes.

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

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