

Press release

Hannover Re posts fourth consecutive record year

- **Group net income increases by 16.7% to EUR 1.15 billion (EUR 985.6 million)**
- **Gross premium growth: +18.8%;
currency-adjusted: +8.7%**
- **Dividend proposal raised for 2015:
EUR 3.25 per share plus special dividend of
EUR 1.50 per share**
- **Book value per share: EUR 66.90 (EUR 62.61)**
- **Return on equity: 14.7% (14.7%)**
- **Combined ratio: 94.4% (94.7%)**
- **Major loss expenditure of EUR 572.9 million
lower than budgeted**

Hannover, 10 March 2016: Hannover Re closed the 2015 financial year with a record result of EUR 1.15 billion and thus comfortably beat its profit target of EUR 950 million. "A strong underwriting result in property and casualty reinsurance and sharply higher net profit in life and health reinsurance – combined with a substantial rise in investment income – are the cornerstones of our outstanding Group net income. What is even more important than the result, however, is that with the successful 2015 financial year we have considerably improved our platform for achieving our financial goals over the coming years", Chief Executive Officer Ulrich Wallin stated.

It is envisaged that Hannover Re's shareholders should also benefit from this pleasing business development. The Executive Board and Supervisory Board will propose to the Annual General Meeting that a dividend of altogether EUR 4.75 per share (EUR 4.25 per share) should be paid for the 2015 financial year: the payout will take the form of a regular dividend of EUR 3.25 per share plus a special dividend of EUR 1.50 per share. "Last year we had already paid our shareholders a special dividend in light of capital management considerations. We are now increasing this, along with our regular dividend", Mr. Wallin noted. The payout ratio of 50% of IFRS Group net income is clearly above the strategic target range of 35% to 40%.

2015 best financial year in company's history

Hannover Re is exceptionally satisfied with the development of its business in 2015. Despite the challenging general environment in the reinsurance market, the company grew its

gross premium by 18.8% to EUR 17.1 billion (EUR 14.4 billion); currency-adjusted growth stood at 8.7%. The level of retained premium decreased slightly to 87.0% (87.6%). Net premium earned increased by 17.5% to EUR 14.6 billion (EUR 12.4 billion), or by 7.9% adjusted for exchange rate effects.

Hannover Re further improved its operating profit (EBIT) after the very good previous year by a substantial 19.7% to EUR 1.8 billion (EUR 1.5 billion). The result benefited from major loss expenditure that came in below budget, the favourable development of investment income and a very positive experience in life and health reinsurance. Group net income climbed by 16.7 % to EUR 1,150.7 million (EUR 985.6 million). This is the highest figure in the company's history. Earnings per share amounted to EUR 9.54 (EUR 8.17).

Property and casualty reinsurance delivers further rise in profitability

Despite intensely competitive market conditions Hannover Re is thoroughly satisfied with the development of its property and casualty reinsurance portfolio. Guided by its profit-oriented underwriting policy, the company benefited from its long-standing stable customer relationships and its position as one of the world's leading and most financially strong reinsurance groups. Against this backdrop, attractive opportunities for premium growth opened up in the 2015 financial year. Particular mention should be made here of specialty lines such as business with agricultural risks and structured reinsurance, although stronger demand also made itself felt in North America and Asia. The gross premium volume in property and casualty reinsurance surged by 18.2% to EUR 9.3 billion (EUR 7.9 billion). At constant exchange rates growth would have come in at 8.1%. The level of retained premium retreated to 89.3% (90.6%). Net premium earned increased by 15.5% to EUR 8.1 billion (EUR 7.0 billion). At constant exchange rates growth would have amounted to 6.4%.

As in the previous years, the burden of large losses was moderate. The hurricane season in North America and the Caribbean once again passed off unremarkably in 2015. An increased number of natural disasters causing comparatively modest major loss expenditure was, however, recorded. There was also an accumulation of man-made losses, above all in the fire and marine lines. The largest single loss incurred by the insurance industry was the devastating series of explosions at the port of the Chinese city of Tianjin, resulting in a loss of EUR 111.1 million for Hannover Re. These and other large losses resulted in total net expenditure of EUR 572.9 million (EUR 425.7 million). The figure thus remained below the company's budget of EUR 690 million. Another very good combined ratio of

94.4% (94.7%) was achieved. Against this backdrop, and also thanks to higher investment income in property and casualty reinsurance, the operating profit (EBIT) increased by 12.6% to EUR 1.3 billion (EUR 1.2 billion). Group net income climbed by 10.3% to reach a new record high of EUR 914.7 million (EUR 829.1). Earnings per share stood at EUR 7.58 (EUR 6.88).

Positive development in life and health reinsurance

Despite the fiercely competitive business climate in life and health reinsurance, Hannover Re generated significant double-digit growth in 2015. Growth was driven primarily by Asian markets and longevity business. Gross premium consequently rose by 19.7% to EUR 7.7 billion (EUR 6.5 billion). Adjusted for exchange rate effects, growth would have reached 9.5%. Net premium earned increased by 20.0% to EUR 6.5 billion (EUR 5.4 billion); growth of 10.0% would have been posted on a currency-adjusted basis.

The profit contributions in life and health reinsurance also developed very satisfactorily. The operating result (EBIT) soared by 53.6% to EUR 405.1 million (EUR 263.8 million). Financial solutions business was a particularly significant factor in this pleasing development. The result was boosted by special income of EUR 39.0 million from early termination of a contract, which was booked in investment income. The substantially improved underwriting result includes both positive and negative non-recurring effects that largely offset one another. Here, too, the positive effects were recorded in financial solutions business, whereas the negative effects were attributable to the other reporting categories. Group net income in life and health reinsurance totalled EUR 289.6 million (EUR 205.0 million), equivalent to growth of 41.3%. Earnings per share amounted to EUR 2.40 (EUR 1.70).

Highly satisfactory investment income

Bearing in mind the low level of interest rates, Hannover Re is highly satisfied with the development of its investments: the portfolio of assets under own management increased – supported by a strong operating cash flow – by EUR 3.1 billion to EUR 39.3 billion (EUR 36.2 billion). This is all the more remarkable given that the valuation reserves fell owing to increased credit spreads on corporate bonds.

Ordinary investment income improved by 17.3% to EUR 1.3 billion (EUR 1.1 billion) despite the continued low level of interest rates. The key drivers here were increased exposures to real estate and high-yield fund investments as well as income from private equity investments. The realised gains of EUR 135.8 million were lower than in the previous year (EUR 182.5 million).

Income from investments under own management grew by a very pleasing 15.9% as at 31 December 2015 to EUR 1.3 billion (EUR 1.1 billion). The return on investment (excluding ModCo derivatives and inflation swaps) of 3.5% was significantly higher than the targeted 3.0%. Including income from funds withheld and contract deposits, net investment income closed 13.1% higher at EUR 1.7 billion, as against EUR 1.5 billion in the previous year.

Shareholders' equity further strengthened

The shareholders' equity of Hannover Rück SE continued to develop very favourably, reaching EUR 8.1 billion (EUR 7.6 billion) as at 31 December 2015. Despite this appreciable increase the return on equity remained stable year-on-year at 14.7% (14.7%). The total policyholders' surplus (including non-controlling interests and hybrid capital) stood at EUR 10.3 billion (EUR 10.2 billion). The book value per share also rose sharply, reaching the highest-ever figure to date at EUR 66.90 (EUR 62.61).

Outlook for 2016

The general climate for reinsurers will remain challenging in the current financial year. There will likely be little change in the fierce competitive intensity or the low interest rate level. Hannover Re nevertheless expects to achieve its profit targets for the current year. In view of its very good positioning in the market, the high quality of its loss reserves and its low expense ratio, the company considers itself well-placed to generate *Group net income* of at least EUR 950 million. This is based on the premise that major loss expenditure does not significantly exceed the budgeted level of EUR 825 million for 2016 and that there are no exceptional distortions on capital markets.

"In light of the sustained competition in property & casualty and life & health reinsurance, our focus is on achieving a result that meets our financial targets. The development of the premium volume, on the other hand, is less of a priority", Mr. Wallin emphasised. With this in mind, the company expects – based on constant exchange rates – stable or slightly lower *gross premium volume* for its total business. The asset portfolios should continue to grow – at unchanged exchange rates – in view of the anticipated positive cash flow. The company is aiming for a *return on investment* of 2.9%.

In terms of the *dividend* for the current financial year, Hannover Re 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.

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.

Please note the disclaimer:

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