hannover re®

Press Release

Hannover Re records sustained premium and earnings growth in the first quarter of 2019

- **Quarterly profit: EUR 293.7 million (EUR 273.4 million)**
- **Gross premium up by 16.1% to EUR 6.4 billion adjusted for exchange rate effects**
- **IFRS shareholders' equity rises by more than EUR 1 billion**
- **Return on equity well above minimum target at 12.6%**
- **Life and health reinsurance delivers improved result in line with expectations**
- **Return on investment higher than anticipated at 3.0%**
- **Profit guidance for 2019 confirmed**

Hannover, 7 May 2019: Hannover Re made a successful start to the new financial year. Both business groups, namely Property&Casualty and Life&Health reinsurance, as well as the investments performed well and put the company on course for its full-year targets.

"We made the most of opportunities on the property and casualty reinsurance markets and have grown our portfolio by a double-digit percentage so far", Chief Executive Officer Ulrich Wallin stated. "We are pleased with the result in life and health reinsurance, where the healthy underlying profitability is now becoming evident after the strains associated with treaty recaptures in 2018. The return on investment is roughly stable at 3.0%. All in all, with Group net income of EUR 293.7 million we are well on track to achieving our year-end target in the order of EUR 1.1 billion."

Gross premium shows significant growth
The gross written premium for the Hannover Re Group rose by 19.2% as at 31 March 2019 to EUR 6.4 billion (EUR 5.3 billion). Adjusted for exchange rate effects, growth would have reached 16.1%. The retention decreased to 90.4% (91.3%). Net premium earned climbed by 15.3% to EUR 4.6 billion (EUR 4.0 billion). At constant exchange rates growth of 12.7% would have been booked.

Pleasing Group result
The operating profit (EBIT) posted by Hannover Re increased by 3.7% to EUR 450.0 million (EUR 433.9 million). Group net income reached EUR 293.7 million, surpassing the previous year's figure by 7.4%. Earnings per share amounted to EUR 2.43 (EUR 2.27).

Property and casualty reinsurance delivers substantial growth
Hannover Re was able to substantially expand its portfolio, even though many markets and lines continued to see surplus capacities

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and hence remained intensely competitive. On the whole, however, conditions were stable or even modestly better. Rate improvements – which in some instances were very appreciable – were achieved under programmes that had suffered losses in the previous year. Most notably, prices for covers impacted by natural catastrophes saw sizeable increases. Structured reinsurance again helped to drive growth.

Gross written premium improved by 22.8% to EUR 4.4 billion (EUR 3.6 billion); adjusted for exchange rate effects, the increase would have been 19.4%. The retention rose to 91.9% (91.6%). Net premium earned climbed by 20.8% to EUR 2.9 billion (EUR 2.4 billion); growth would have reached 18.0% at constant exchange rates.

With net expenditure on large losses coming in at EUR 59.0 million (EUR 73.4 million), the impact on the first quarter was lower than in the comparable period and thus well below the envisaged quarterly budget of EUR 175 million. Amounting to EUR 25.2 million, the largest single loss event was flooding in Australia, which caused widespread devastation in the state of Queensland, followed by storm Eberhard in Germany at EUR 15.2 million.

The underwriting result for property and casualty reinsurance including interest on funds withheld and contract deposits was well about the level of the previous year at EUR 124.8 million (EUR 99.6 million). The combined ratio improved slightly to 95.7% (95.9%). The operating profit (EBIT) in property and casualty reinsurance was virtually unchanged at EUR 334.4 million (EUR 338.9 million). Group net income contracted by 6.7% to EUR 219.0 million (EUR 234.8 million). Earnings per share stood at EUR 1.82 (EUR 1.95).

Improved profitability in life and health reinsurance as anticipated
Gross written premium increased by 12.0% to EUR 2.0 billion (EUR 1.8 billion), equivalent to growth of 9.6% adjusted for exchange rate effects. With a lower retention of 87.0% (90.7%), net premium earned climbed by 6.7% to EUR 1.7 billion (EUR 1.6 billion); growth would have reached 4.6% at constant exchange rates.

The operating result (EBIT) for life and health reinsurance improved by 21.3% to EUR 116.3 million (EUR 95.9 million). Group net income grew to EUR 88.5 million (EUR 51.1 million). Earnings per share stood at EUR 0.73 (EUR 0.42).

"Following the exceptional strains associated with the termination of loss-making treaties in US mortality business in the previous year, earnings improved", Mr. Wallin noted.

Return on investment beats guidance
The portfolio of assets under own management increased in the first quarter of 2019 to EUR 44.8 billion (31 December 2018: EUR 42.2 billion). Ordinary investment income totalled EUR 323.2 million (EUR 315.8 million) and was thus slightly higher than in the previous

year. Bearing in mind the continued low level of interest rates, this is a pleasing performance. Net realised gains were lower as expected at EUR 22.3 million (EUR 48.8 million) and can be attributed principally to regrouping moves as part of normal portfolio maintenance as well as income from the sale of a real estate investment.

Write-downs totalled EUR 17.4 million (EUR 11.0 million) and were in large measure attributable to depreciation taken on real estate. Altogether, income of EUR 328.3 million (EUR 332.8 million) was generated from assets under own management. The resulting annualised return of 3.0% beat the minimum 2.8% target set for the full financial year.

Interest on funds withheld and contract deposits increased to EUR 70.6 million (EUR 58.7 million). Net investment income including interest on funds withheld and contract deposits amounted to EUR 398.9 million (EUR 391.5 million).

Double-digit growth in shareholders' equity

The shareholders equity of Hannover Re increased by 12.2% to EUR 9.9 billion (31 December 2018: EUR 8.8 billion). The annualised return on equity of 12.6% (31 December 2018: 12.2%) remains comfortably in excess of the targeted 900 basis points above the risk-free interest rate. The book value per share amounted to EUR 81.69 (31 December 2018: EUR 72.78).

Outlook for 2019

The treaty renewals as at 1 April 2019 passed off very favourably for Hannover Re. Business in Japan is traditionally renewed at this time of year and treaties also come up for renewal – albeit on a lesser scale – in the markets of Australia, New Zealand, Asia and North America. The total premium volume booked from this round of treaty renewals increased by 6.6%.

In Japan rates improved markedly in the wake of previous natural catastrophe losses. This led to sometimes considerable increases in reinsurance prices for non-proportional catastrophe business. Hannover Re boosted its premium volume here while maintaining broadly stable exposures. The renewal of parts of the North American portfolio also proved highly successful; altogether, premium income in this area grew by around 18%, mainly stemming from new business opportunities.

In total property and casualty reinsurance business Hannover Re expects significant currency-adjusted premium growth at largely stable conditions based on the outcome of this year's various rounds of treaty renewals. The company is targeting a combined ratio of no more than 97%. The EBIT margin should reach at least 10%.

In *life and health reinsurance* Hannover Re anticipates further good opportunities to add to the portfolio. The company is looking to book moderate growth in gross premium after adjustment for exchange rate effects. Following the elimination of the previous year's strains from treaty recaptures, the operating result (EBIT) in life and health reinsurance should improve appreciably in the 2019 financial year and comfortably exceed the strategic target of at least 5% EBIT growth.

Based on constant exchange rates, Hannover Re's expectation is that *gross premium* in total business will grow by a single-digit percentage. The company envisages a *return on investment* of at least 2.8% for 2019. The Group expects to book *net income* in the current financial year in the order of EUR 1.1 billion. This is conditional upon major loss expenditure not significantly exceeding the budgeted level of EUR 875 million and assumes that there are no unforeseen distortions on capital markets.

Hannover Re's anticipated payout ratio for the ordinary dividend continues to be in the range of 35% to 45% of its IFRS Group net income. The ordinary dividend will be supplemented by payment of a special dividend if the comfortable level of capitalisation remains unchanged and Group net income comes in within the bounds of expectations.

As already reported, the Supervisory Board of Hannover Rück SE appointed Jean-Jacques Henchoz as a member of the Executive Board with effect from 1 April 2019. He was most recently responsible for both life and non-life reinsurance business in the region Europe, Middle East and Africa at a major reinsurer. At the end of the Annual General Meeting on 8 May 2019 Jean-Jacques Henchoz will succeed Ulrich Wallin as Chief Executive Officer of Hannover Re. At the same time, Ulrich Wallin is retiring in accordance with the company's statutes after his extremely successful service to Hannover Re.