

## Press release

### **Hannover Re increases Group net income by around 20 percent**

- **Group net income +19.7%: EUR 531.9 million (EUR 444.4 million)**
- **Profit guidance for 2015 raised to a figure in the order of EUR 950 million**
- **Gross premium income climbs by 21.5%**
- **Return on equity: 14.0%**
- **Net major loss expenditure rises to EUR 197.4 million (EUR 104.7 million)**
- **Combined ratio: 95.4% (95.0%)**
- **Net income from investments under own management +12.9%: EUR 601.3 million (EUR 532.6 million)**

Hannover, 5 August 2015: The first half of 2015 closed on a very pleasing note for Hannover Re. The company had generated significantly more than half of its full-year profit target after the first six months. In view of this performance, the expectation for the full 2015 financial year has been raised from the original level of EUR 875 million to a figure in the order of EUR 950 million. "Both business groups – namely Property & Casualty and Life & Health reinsurance – and also the investment portfolio played a successful part in this positive result", Chief Executive Officer Ulrich Wallin stated. "The sustained strong profitability of property and casualty reinsurance shows that with our systematically pursued policy of selective underwriting we are well placed to tackle the conditions associated with challenging market phases."

#### **Gross premium sharply higher**

Gross written premium for the Hannover Re Group increased by a substantial 21.5% as at 30 June 2015 to EUR 8.6 billion (EUR 7.1 billion). This can be attributed in part to the strength of the US dollar. At constant exchange rates growth would still have come in at a pleasing 9.5%. This figure was better than expected. Key contributory factors here were sizeable individual transactions in various regions and lines including Asia, North America, agricultural risks and in the specialty field of Insurance-Linked Securities. The level of retained premium rose to 88.3% (87.7%). Net premium earned climbed 20.2% to EUR 7.0 billion (EUR 5.8 billion); at constant exchange rates growth would have amounted to 8.3%.

**Half-year result substantially higher**

The operating profit (EBIT) as at 30 June 2015 came in comfortably above the level of the previous year's period at EUR 789.4 million (EUR 683.7 million), driven by good business results and considerably higher ordinary investment income. Group net income for the first half-year increased by 19.7% to EUR 531.9 million (EUR 444.4 million). Earnings per share amounted to EUR 4.41 (EUR 3.69).

**Property and casualty reinsurance posts very good result**

While supply still outstripped demand in worldwide property and casualty reinsurance, the first signs of bottoming out began to emerge here on the rates side. This was also true to some extent of the treaty renewals as at 1 April 2015, which from an overall perspective passed off satisfactorily for Hannover Re.

Gross premium for property and casualty reinsurance increased by 21.9% as at 30 June 2015 relative to the previous year's period to reach EUR 5.0 billion (EUR 4.1 billion). This was due in part to the strong US dollar. At constant exchange rates growth of 10.0% would have been booked. The level of retained premium edged lower to 89.6% (91.1%). Net premium earned climbed by 15.5% to EUR 3.9 billion (EUR 3.4 billion); adjusted for exchange rate effects, a gain of 4.4% would have been recorded.

Major loss expenditure in the first half of 2015 stayed below the budgeted level of EUR 294 million for the period at EUR 197.4 million (EUR 104.7 million). The largest individual losses for Hannover Re were the storm "Niklas" at EUR 35.4 million and an explosion on an oil platform in the Gulf of Mexico, which cost the company EUR 32.9 million. In keeping with past practice, the unused portion of the budget was allocated to the IBNR reserves, thereby building an additional cushion for any large losses that may occur in the second half of 2015. The already very good underwriting result of the comparable period was boosted by a further 7.9% to EUR 170.9 million (EUR 158.3 million). The combined ratio was positive at 95.4% (95.0%). Against this backdrop, the operating profit (EBIT) for property and casualty reinsurance reached a very pleasing EUR 583.7 million (EUR 521.0 million) as at 30 June 2015. Group net income surged 20.3% to EUR 418.4 million (EUR 347.9 million). Earnings per share stood at EUR 3.47 (EUR 2.89).

**Life and health reinsurance generates premium growth**

Hannover Re achieved the targeted improvement in profitability for life and health reinsurance relative to the previous year's period, although the result in the second quarter of 2015 fell

short of expectations owing to higher mortality and lapse rates in part of the US mortality portfolio.

Gross premium in life and health reinsurance increased by a substantial 21.0% as at 30 June 2015 to EUR 3.6 billion (EUR 3.0 billion); adjusted for exchange rate effects, growth would have come in at 8.9%. Here, too, the strength of the US dollar and pound sterling made itself felt. Hannover Re booked particularly strong growth in its longevity portfolio and was also able to act on opportunities in South America, Australia and Asia. Net premium earned rose by 26.6% to EUR 3.1 billion (EUR 2.5 billion); this is equivalent to a gain of 13.8% at constant exchange rates. The retention increased to 86.5% (83.1%).

The operating profit (EBIT) in life and health reinsurance grew by a pleasing 29.2% as at 30 June 2015 to EUR 200.0 million (EUR 154.8 million); this included a special effect from the first quarter in an amount of around EUR 40 million. Group net income improved appreciably by 26.2% to EUR 145.6 million (EUR 115.4 million). Earnings per share reached EUR 1.21 (EUR 0.96).

#### **Very positive investment income**

The portfolio of investments under own management improved on the level as at year-end 2014 to reach EUR 37.4 billion (EUR 36.2 billion). The modest increase derived principally from favourable exchange rate effects, especially the movement of the euro against the US dollar.

Ordinary investment income excluding interest on funds withheld and contract deposits was comfortably higher than in the comparable period despite the continued low level of interest rates, standing at EUR 598.7 million (EUR 490.1 million). This can be attributed in part to the special effect in life and health reinsurance along with sharply higher earnings from fixed-income securities and real estate as well as exchange rate effects. Interest on funds withheld and contract deposits rose slightly to EUR 197.4 million (EUR 174.9 million). Net gains on disposals amounted to EUR 66.6 million (EUR 88.5 million). Changes in the fair values of financial assets measured at profit or loss totalled EUR -1.6 million (EUR 10.0 million) as at 30 June 2015. Impairments – for the most part scheduled depreciation – of just EUR 14.7 million (EUR 10.3 million) were taken in the reporting period.

Income from assets under own management came in at a very pleasing EUR 601.3 million (EUR 532.6 million) as at 30 June 2015. The resulting annualised average return on investment (excluding ModCo effects and inflation swaps) amounted to

3.4%. The inflation swaps taken out by Hannover Re to partially hedge inflation risks associated with the loss reserves matured in the second quarter of 2015. In future, this protection will be maintained by means of bonds already included in the portfolio whose coupon payments are inflation-linked. Net investment income including interest on funds withheld and contract deposits totalled EUR 798.8 million (EUR 707.5 million), an increase of 12.9% compared to the previous year's period.

#### **Shareholders' equity remains on a strong level**

Hannover Re's shareholders' equity increased slightly as at 30 June 2015 to EUR 7.7 billion (31 December 2014: EUR 7.6 billion). The annualised return on equity stood at a pleasing 14.0% (31 December 2014: 14.7%). The book value per share closed at EUR 63.62 (31 December 2014: EUR 62.61).

#### **Outlook for 2015**

With the results presented today Hannover Re is very well on track to achieve its year-end targets. The company now expects to be able to generate *net income after tax* in the order of EUR 950 million for the full 2015 financial year rather than the previous guidance of EUR 875 million. This is conditional upon major loss expenditure not significantly exceeding the anticipated level of EUR 690 million and also assumes that there are no unforeseen adverse developments on capital markets. Based on constant exchange rates, the company is looking to grow its *gross premium volume* by a figure in the range of 5% to 10%.

The treaty renewals as at 1 June and 1 July 2015, the dates on which parts of the North American portfolio, agricultural risks and business in Latin America traditionally come up for renewal, once again demonstrated that the general environment in *property and casualty reinsurance* remains challenging. All in all, the company was able to grow its book of business at adequate rates. This was also the main renewal season for business in Australia; the outcome here proved very successful for Hannover Re as it secured an increased market share with long-standing clients.

In North America the pressure on rates and conditions remains undiminished due to the very good results booked in both the primary and reinsurance sectors in the absence of large losses; the rate reductions were, however, smaller than anticipated and offer early hints of a bottom being reached. Stronger demand driven by the improved state of the economy is the key factor here.

In US property business rates for programmes in non-proportional reinsurance that had been spared losses declined

by around 5%. For loss-impacted treaties, on the other hand, rate increases running into double-digit percentages were obtained in some cases. The pressure on prices in US property catastrophe business eased compared to the previous year's renewals. Casualty business in the United States offered some attractive business prospects, including for example covers for cyber-risks. In the Canadian market, too, the company was able to act on promising opportunities. Against this backdrop, Hannover Re was able to selectively grow its portfolio in the US. The company was similarly satisfied overall with the renewal season in Latin America and the Caribbean. The treaty renewals for agricultural risks, in which the volume of business written was also enlarged, gave further grounds for satisfaction.

In *life and health reinsurance* Hannover Re similarly anticipates promising business opportunities in the second half of the year. The impending implementation of solvency-based prudential regimes not only in Europe but also in other parts of the world should boost demand for reinsurance solutions. In addition, the company expects to see further growth in the area of longevity risks as well as attractive opportunities in the Asia-Pacific region. In terms of results, continued improvement is anticipated for life and health reinsurance in the second half of 2015.

Hannover Re's targeted *return on investment* for the full 2015 financial year remains unchanged at 3.0 %. The company is not currently planning to make any significant adjustments to the allocation of its investments to individual asset classes.

As for the *dividend*, the company continues to aim for a payout ratio in the range of 35% to 40% of its IFRS Group net income after tax. This ratio may increase in light of capital management considerations if the company's comfortable level of capitalisation remains unchanged.

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**Hannover Re**, with gross premium of EUR 14.4 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 2,500 staff. The rating agencies most relevant to the insurance industry have awarded Hannover Re very strong insurer 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>

## Key figures of the Hannover Re Group (IFRS basis)

in EUR million	H1/2015	+/- previous year	H1/2014	2014
<b>Hannover Re Group</b>				
Gross written premium	8,586.5	+21.5%	7,064.9	
Net premium earned	7,019.4	+20.2%	5,839.4	
Net underwriting result	(39.9)		14.5	
Net investment income	798.8	+12.9%	707.5	
Operating profit (EBIT)	789.4	+15.5%	683.7	
Group net income	531.9	+19.7%	444.4	
Earnings per share in EUR	4.41	+19.7%	3.69	
Retention	88.3%		87.7%	
Tax ratio	24.9%		24.5%	
EBIT margin <sup>1)</sup>	11.2%		11.7%	
Return on equity	14.0%		14.5%	

in EUR million	H1/2015	+/- previous year	H1/2014	2014
Policyholders' surplus	9,839.5	-3.9%		10,239.5
Investments (excl. funds held by ceding companies)	37,399.6	+3.2%		36,228.0
Total assets	64,962.7	+7.5%		60,457.6
Book value per share in EUR	63.62	+1.6%		62.61

### Property & Casualty reinsurance

in EUR million	H1/2015	+/- previous year	H1/2014	2014
Gross written premium	4,972.2	+21.9%	4,078.1	
Net premium earned	3,894.2	+15.5%	3,370.2	
Net underwriting result	170.9	+7.9%	158.3	
Operating profit (EBIT)	583.7	+12.0%	521.0	
Group net income	418.4	+20.3%	347.9	
Retention	89.6%		91.1%	
Combined Ratio <sup>2)</sup>	95.4%		95.0%	
EBIT margin <sup>1)</sup>	15.0%		15.5%	

### Life & Health reinsurance

in EUR million	H1/2015	+/- previous year	H1/2014	2014
Gross written premium	3,614.5	+21.0%	2,986.9	
Net premium earned	3,124.8	+26.6%	2,469.0	
Operating profit (EBIT)	200.0	+29.2%	154.8	
Group net income	145.6	+26.2%	115.4	
Retention	86.5%		83.1%	
EBIT margin <sup>1)</sup>	6.4%		6.3%	

<sup>1)</sup> Operating result (EBIT)/net premium earned

<sup>2)</sup> Including funds withheld

## Key figures of the Hannover Re Group (IFRS basis)

in EUR million	Q2/2015	+/- previous year	Q2/2014	2014
<b>Hannover Re Group</b>				
Gross written premium	4,186.3	+21.7%	3,440.5	
Net premium earned	3,587.5	+22.6%	2,926.6	
Net underwriting result	(33.7)		12.0	
Net investment income	383.1	+10.6%	346.4	
Operating profit (EBIT)	360.4	+7.9%	334.1	
Group net income	252.2	+19.3%	211.5	
Earnings per share in EUR	2.09	+19.3%	1.75	
Retention	88.0%		87.1%	
Tax ratio	17.4%		29.8%	
EBIT margin <sup>1)</sup>	10.0%		11.4%	
Return on equity	12.5%		13.3%	

<b>Property &amp; Casualty reinsurance</b>				
in EUR million	Q2/2015	+/- previous year	Q2/2014	2014
Gross written premium	2,355.1	+19.5%	1,970.4	
Net premium earned	2,011.9	+15.7%	1,738.6	
Net underwriting result	94.3	+33.3%	70.7	
Operating profit (EBIT)	328.5	+36.6%	240.5	
Group net income	247.0	+64.6%	150.1	
Retention	90.3%		91.1%	
Combined Ratio <sup>2)</sup>	95.0%		95.6%	
EBIT margin <sup>1)</sup>	16.3%		13.8%	

<b>Life &amp; Health reinsurance</b>				
in EUR million	Q2/2015	+/- previous year	Q2/2014	2014
Gross written premium	1,831.2	+24.6%	1,470.2	
Net premium earned	1,575.2	+32.6%	1,187.9	
Operating profit (EBIT)	26.7	-70.1%	89.2	
Group net income	18.1	-74.9%	72.0	
Retention	85.0%		81.7%	
EBIT margin <sup>1)</sup>	1.7%		7.5%	

<sup>1)</sup> Operating result (EBIT)/net premium earned

<sup>2)</sup> Including funds withheld