



## Reinsurance Group of America, Incorporated – Q3 2017

### Financial Results and Business Highlights

On October 26, 2017, Reinsurance Group of America, Incorporated (NYSE: RGA) reported financial results for the third quarter of 2017. “This was an exceptionally good quarter, as bottom-line results were particularly strong and our top line remained vibrant,” said Anna Manning, president and chief executive officer, RGA. “Furthermore, diversity of earnings sources, inherent to our global model, continues to be an important contributor to our success.

“A highlight of the quarter was the strong performance of the U.S. segment, driven primarily by very favorable individual mortality experience and above-average variable investment income. Earnings in our U.S. Traditional business segment reached a record level.

“We closed a number of smaller in-force and other transactions during the quarter, and we remain optimistic about the pipeline. We ended the quarter with an excess capital position of approximately \$1.0 billion, after repurchasing approximately 209,000 shares for \$26.9 million.

“Looking forward, we are well positioned in our markets, we have a proven strategy, and we are confident about our ability to continue to deliver attractive financial returns.”

The RGA Board of Directors declared a regular dividend of \$0.50, payable November 28 to shareholders of record as of November 7.

### **Q3 2017 Financial Results\***

- Net income increased to \$227.6 million, or \$3.47 per diluted share, compared to \$198.7 million, or \$3.07 per diluted share in Q3 2016
- Adjusted operating income\*\* totaled \$226.0 million, or \$3.44 per diluted share, compared to \$159.4 million, or \$2.46 per diluted share in Q3 2016
- Consolidated net premiums increased 11% to \$2.5 billion from Q3 2016
- Book value per share was \$125.79 including accumulated other comprehensive income (AOCI), and \$100.54 excluding AOCI\*\*

\* All figures in U.S. dollars.

\*\* See “Use of Non-GAAP Financial Measures” at end of this document.



### Q3 2017 News and Highlights

- On October 2, the U.S. underwriting team received its three millionth facultative case, an unprecedented milestone for the U.S. mortality market. RGA’s vast database of mortality experience, expertise in risk assessment, and commitment to clients have established the Company as a world leader in facultative underwriting.
- In September, CEO Anna Manning was named to *Fortune* Magazine’s “50 Most Powerful Women” list. The list is compiled by *Fortune* editors who consider four criteria: the size and importance of the woman's business in the global economy, the health and direction of the business, the arc of the woman's career, and social and cultural influence.
- RGAx announced that it is the primary distributor of the Everplans platform to all U.S. life insurance carriers. Clients now include Kansas City Life Insurance Company, which began offering Everplans as part of its group insurance product portfolio effective September 1, and Western & Southern Financial Group, which kicked off a mass media and employee campaign including the Everplans platform effective September 29.
- In August, RGA hosted its fifth annual Fraud Conference in St. Louis. The event, which was the largest yet, has become a leading industry gathering on this increasingly important topic.
- RGA France and RGA Italy both celebrated their 10th anniversaries in July.

Financial strength ratings for RGA’s principal operating subsidiaries remained unchanged, and are shown in the following chart:

	RGA Reinsurance Company	RGA Americas Reinsurance Company, Ltd.	RGA Life Reinsurance Company of Canada	RGA International Reinsurance Company dac	RGA Global Reinsurance Company, Ltd.	RGA Reinsurance Company of Australia Limited	RGA Atlantic Reinsurance Company Ltd.
S&P Global Ratings	AA-	AA-	AA-	AA-	AA-	AA-	(not rated)
A.M. Best Company	A+	A+	A+	(not rated)	(not rated)	(not rated)	A+
Moody’s Investors Service	A1	(not rated)	(not rated)	(not rated)	(not rated)	(not rated)	(not rated)

For more complete information and the full text of RGA’s announcement of third-quarter financial results, please refer to RGA’s Investor Relations website at [www.rgare.com](http://www.rgare.com).

### About RGA



Reinsurance Group of America, Incorporated (RGA), a Fortune 500 company, is among the leading global providers of life reinsurance and financial solutions, with approximately \$3.3 trillion of life reinsurance in force and assets of \$58.7 billion as of September 30, 2017. Founded in 1973, RGA today is recognized for its deep technical expertise in risk and capital management, innovative solutions, and commitment to serving its clients. With headquarters in St. Louis, Missouri, and operations in 26 countries, RGA delivers expert solutions in individual life reinsurance, individual living benefits reinsurance, group reinsurance, health reinsurance, facultative underwriting, product development, and financial solutions. To learn more about RGA and its businesses, visit the Company's website at [www.rgare.com](http://www.rgare.com).

**\*\* Use of Non-GAAP Financial Measures:** RGA uses a non-GAAP financial measure called adjusted operating income as a basis for analyzing financial results. Beginning with the announcement of first-quarter 2017 results, the Company modified the labeling of its non-GAAP measure "operating income" to "adjusted operating income".

This measure also serves as a basis for establishing target levels and awards under RGA's management incentive programs. Management believes that adjusted operating income, on a pre-tax and after-tax basis, better measures the ongoing profitability and underlying trends of the Company's continuing operations, primarily because that measure excludes the effect of net investment related gains and losses, as well as changes in the fair value of certain embedded derivatives and related deferred acquisition costs. These items can be volatile, primarily due to the credit market and interest rate environment and are not necessarily indicative of the performance of the Company's underlying businesses. Additionally, adjusted operating income excludes any net gain or loss from discontinued operations and the cumulative effect of any accounting changes, which management believes are not indicative of the Company's ongoing operations. The definition of adjusted operating income can vary by Company and is not considered a substitute for GAAP net income.

Book value per share excluding the impact of AOCI is a non-GAAP financial measure that management believes is important in evaluating the balance sheet in order to ignore the effects of unrealized amounts primarily associated with mark-to-market adjustments on investments and foreign currency translation.

Adjusted operating income per diluted share is a non-GAAP financial measure calculated as adjusted operating income divided by weighted average diluted shares outstanding. Similar to adjusted operating income, management believes this non-GAAP financial measure better reflects the ongoing profitability and underlying trends of the Company's continuing operations. It also serves as a basis for establishing target levels and awards under RGA's management incentive programs.

Reconciliations from GAAP net income, book value per share, and net income per diluted share are provided in the accompanying tables. Additional financial information can be found in the Quarterly Financial Supplement on RGA's Investor Relations website at [www.rgare.com](http://www.rgare.com) in the "Financial Information" section.

((See tables on next page))



REINSURANCE GROUP OF AMERICA, INCORPORATED AND SUBSIDIARIES  
 Reconciliation of Consolidated Net Income to Adjusted Operating Income  
 (Dollars in thousands, except per share data)

(Unaudited)

	Three Months Ended September 30,			
	2017		2016	
		Diluted Earnings Per Share		Diluted Earnings Per Share
Net income	\$ 227,591	\$ 3.47	\$ 198,719	\$ 3.07
Reconciliation to adjusted operating income:				
Capital (gains) losses, derivatives and other, included in investment related gains/losses, net	(2,254)	(0.05)	(19,745)	(0.31)
Capital (gains) losses on funds withheld, included in investment income, net of related expenses	(4,838)	(0.07)	(2,159)	(0.03)
Embedded derivatives:				
Included in investment related gains/losses, net	(10,946)	(0.17)	(37,093)	(0.57)
Included in interest credited	(888)	(0.01)	28	-
DAC offset, net	17,450	0.27	20,719	0.32
Investment (income) loss on unit-linked variable annuities	(1,609)	(0.02)	(3,601)	(0.06)
Interest credited on unit-linked variable annuities	1,609	0.02	3,601	0.06
Non-investment derivatives	(67)	-	(1,108)	(0.02)
Adjusted operating income	<u>\$ 226,048</u>	<u>\$ 3.44</u>	<u>\$ 159,361</u>	<u>\$ 2.46</u>

Reconciliation of Book Value Per Share to Book Value Per Share  
 Excluding Accumulated Other Comprehensive Income ("AOCI")

	At September 30,	
	2017	2016
Book value per share outstanding	\$ 125.79	\$ 124.50
Less effect of AOCI:		
Accumulated currency translation adjustments	(1.62)	(1.90)
Unrealized appreciation of securities	27.51	37.09
Pension and postretirement benefits	(0.64)	(0.73)
Book value per share outstanding, before impact of AOCI	<u>\$ 100.54</u>	<u>\$ 90.04</u>