
Reinsurance Group of America, Incorporated – Q1 2017

Financial Results and Business Highlights

On April 27, 2017, Reinsurance Group of America, Incorporated (NYSE: RGA) reported financial results for the first quarter of 2017. Anna Manning, President and Chief Executive Officer, commented, “Our EPS and adjusted operating EPS improved versus a year ago, but reflected some increased volatility in our segment results, with the U.S. and Canadian Traditional segments experiencing high seasonal individual mortality claims, and our Asia Pacific and EMEA segments performing very well. The broad diversification of earnings that has come with the successful development of our global operating model over time continues to benefit us, even as individual segments or business lines experience periods of natural volatility.

“Premium growth was strong again, up 10 percent on a reported basis and in constant currencies. This reflects solid to strong organic growth across most regions, Asia and EMEA in particular.

“The elevated mortality claims in both the U.S. and Canada were due to a higher number of large claims. We consider this to be random volatility and not attributable to any systemic issue. As we have emphasized in the past, we generally expect short-term claims volatility to moderate over time, and we have not changed our expectations.

“We did not close any significant in-force or other transactions during the quarter, but we remain optimistic about the environment and our pipeline. We ended the quarter with an excess capital position of approximately \$1.2 billion. We remain well positioned to continue pursuing a balanced approach to capital management by deploying capital into in-force and other attractive transactions, share repurchases and shareholder dividend increases.

“Looking forward, we remain optimistic about our ability to serve clients, execute on our strategies and deliver attractive financial returns.”

Beginning with the announcement of first-quarter results, the Company is modifying the labeling of its non-GAAP measure “operating income” to “adjusted operating income.” The definition and calculation of these measures are identical. Only the name of the measure is changing. The Company believes this change provides further clarity that “operating income” is a non-GAAP measure. This modification does not affect previously reported results.

The board of directors declared a regular quarterly dividend of \$0.41, payable May 30 to shareholders of record as of May 9, 2017.

Q1 2017 Financial Results*

- Net income is reported at \$145.5 million, or \$2.22 per diluted share, compared to \$76.5 million, or \$1.17 per diluted share in Q1 2016.
- Adjusted operating income* totaled \$122.1 million, or \$1.86 per diluted share, compared to \$120.8 million, or \$1.85 per diluted share in Q1 2016.
- Consolidated net premiums increased 10% to \$2.4 billion from Q1 2016.
- Book value per share at March 31 was \$115.24 including AOCI, and \$94.72 excluding AOCI.*

Q1 2017 News and Highlights

- For the fifth consecutive year, RGA was ranked #1 on NMG Consulting's 2016 Global All Respondent Business Capability Index (BCI), based on feedback from insurance executives in more than 50 countries.
- In 2016, RGA also ranked #1 on NMG's All Respondent BCI in Canada, Germany, Hong Kong, Indonesia, Japan, Mexico, Philippines, Singapore, South Africa, Taiwan, Thailand, and the United States (individual mortality and group life and disability), as well as in each of the Asia and EMEA regions, in aggregate.
- After receiving approval in December 2016 from the Insurance Regulatory and Development Authority of India (IRDAI), RGA Life Reinsurance Company of Canada – India Branch officially opened as a licensed branch office on February 1, 2017. RGA has served clients in India as an authorized offshore reinsurer for more than 15 years.
- RGA successfully conducted its first implementation of Dynamic Risk SelectorSM, a solution that aggregates application and evidence data, evaluates the data set using RGA's proprietary underwriting rules and predictive model, and accelerates the underwriting process to allow insurers to accept fully underwritten cases without fluid testing and dramatically reduce application-to-issue time.

* All figures in U.S. Dollars

* See: Use of Non-GAAP Financial Measures at the end of this document

Financial strength ratings for RGA’s principal operating subsidiaries remain 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.
Standard & Poor’s Insurance 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 first-quarter financial results, please refer to RGA’s Investor Relations site at www.rgare.com/investors.

About RGA

Reinsurance Group of America, Incorporated is among the largest global providers of life reinsurance, with operations in Australia, Barbados, Bermuda, Brazil, Canada, China, France, Germany, Hong Kong, India, Ireland, Italy, Japan, Malaysia, Mexico, the Netherlands, New Zealand, Poland, Singapore, South Africa, South Korea, Spain, Taiwan, the United Arab Emirates, the United Kingdom and the United States. Worldwide, RGA has approximately \$3.1 trillion of assumed life reinsurance in force, and total assets of \$53.8 billion.

*** Use of Non-GAAP Financial Measures:** RGA uses a non-GAAP financial measure called adjusted operating income as a basis for analyzing financial results. 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. Reconciliations to GAAP net income are provided in the table shown below. Additional financial information can be found in the Quarterly Financial Supplement on RGA’s Investor Relations website at www.rgare.com/investors, in the “Earnings” section.

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.

Adjusted operating return on equity is a non-GAAP financial measure calculated as adjusted operating income divided by average shareholders’ equity excluding AOCI.



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

(Unaudited)

	Three Months Ended	
	March 31,	
	<u>2017</u>	<u>2016</u>
Net income	\$ 145,512	\$ 76,472
Reconciliation to adjusted operating income:		
Capital (gains) losses, derivatives and other, included in investment related gains/losses, net	20,253	(21,727)
Capital (gains) losses on funds withheld, included in investment income, net of related expenses	(425)	(3,239)
Embedded derivatives:		
Included in investment related gains/losses, net	(59,192)	100,873
Included in interest credited	(18,173)	18,947
DAC offset, net	34,021	(50,036)
Investment income on unit-linked variable annuities	(2,673)	(265)
Interest credited on unit-linked variable annuities	2,673	265
Non-investment derivatives	69	(540)
Adjusted operating income	<u>\$ 122,065</u>	<u>\$ 120,750</u>

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

(unaudited)

	<u>March 31, 2017</u>
Book value per share	\$ 115.24
Less effect of AOCI:	
Accumulated currency translation adjustments	(3.02)
Unrealized appreciation of securities	24.20
Pension and postretirement benefits	(0.66)
Book value per share excluding AOCI	<u>\$ 94.72</u>