somewhat different

Quarterly Statement as at 30 September 2016

hannover re®

Key figures

in EUR million	2016					2015		
	1.1.– 30.6.	1.7.– 30.9.	+/– previous year	1.1.– 30.9.	+/– previous year	1.7.– 30.9.	1.1.– 30.9.	31.12.
Results								
Gross written premium	8,283.8	4,170.2	-4.3%	12,454.0	-3.8%	4,359.4	12,945.9	
Net premium earned	7,166.7	3,599.9	-5.5%	10,766.6	-0.6%	3,810.7	10,830.1	
Net underwriting result	(2.7)	47.2		44.5		(32.9)	(72.8)	
Net investment income	744.8	401.6	-5.7%	1,146.4	-6.4%	426.0	1,224.7	
Operating profit (EBIT)	745.2	443.9	+10.7%	1,189.1	-0.1%	400.9	1,190.3	
Group net income	486.1	303.9	+19.6%	790.0	+0.5%	254.1	786.0	
Balance sheet								
Policyholders´ surplus	10,627.0			11,004.3	+7.2%			10,267.3
Equity attributable to shareholders of Hannover Rück SE	8,421.3			8,781.2	+8.8%			8,068.3
Non-controlling interests	715.1			732.2	+3.3%			709.1
Hybrid capital	1,490.6			1,490.8	+0.1%			1,489.9
Investments (excl. funds withheld by ceding companies)	39,754.0			40,669.5	+3.4%			39,346.9
Total assets	62,317.7			62,822.9	-0.6%			63,214.9
Share								
Earnings per share (basic and diluted) in EUR	4.03	2.52	+19.6%	6.55	+0.5%	2.11	6.52	
Book value per share in EUR	69.83			72.81	+8.8%		64.15	66.90
Share price at the end of the period in EUR	93.81			95.34	-9.8%		91.54	105.65
Market capitalisation at the end of the period	11,313.2			11,497.7	-9.8%		11,039.5	12,741.1
Ratios								
Combined ratio (property and casualty reinsurance) [1]	95.4%	94.4%		95.0%		95.8%	95.5%	
Large losses as percentage of net premium earned (property and casualty reinsurance) [2]	9.2%	1.9%		6.6%		11.5%	7.3%	
Retention	89.8%	89.4%		89.6%		87.3%	87.9%	
Return on investment (excl. funds withheld by ceding companies) [3]	2.9%	3.2%		3.0%		3.7%	3.5%	
EBIT margin [4]	10.4%	12.3%		11.0%		10.5%	11.0%	
Return on equity (after tax)	11.8%	14.1%		12.5%		13.2%	13.7%	

1 Including funds withheld
2 Hannover Re Group´s net share for natural catastrophes and other major losses in excess of EUR 10 million gross as a percentage of net premium earned
3 Excluding effects from ModCo derivatives
4 Operating result (EBIT)/net premium earned

Contents

The present document is a quarterly statement pursuant to Section 51a of the Exchange Rules for the Frankfurter Wertpapierbörse. For further information please see the section “Other information” on page 17 of this document.

Quarterly Statement as at 30 September 2016

Business development

- Group net income as at 30 September 2016 constitutes good basis for achieving full-year targets
- Very positive business development in the third quarter
- Currency-adjusted gross premium growth as planned
- Both business groups deliver highly satisfactory profit contributions
- Pleasing investment income despite challenging conditions

We are thoroughly satisfied with the development of our business as at 30 September 2016: we have put in place a good platform for achieving our year-end target, which envisages Group net income of at least EUR 950 million. Despite the continued highly competitive climate, the results delivered by both our business groups, namely Property & Casualty and Life & Health reinsurance, lived up to expectations. Profitability in property and casualty reinsurance, which posted a significantly improved underwriting result, was very pleasing.

Gross written premium in total business contracted by 3.8% to EUR 12.5 billion (EUR 12.9 billion) as at 30 September 2016. In the comparable period significant growth had been recorded, driven in part by a strong US dollar. At constant exchange rates the decrease would have been 1.7%. This puts us on a very good track to achieve our expectations for the full financial year. The level of retained premium rose to 89.6% (87.9%). Net premium earned fell marginally by 0.6% to EUR 10.8 billion (EUR 10.8 billion). At constant exchange rates an increase of 1.7% would have been booked.

In a continued difficult climate our investments performed slightly better than our expectations. After the already sharp increase in 2015, the portfolio of assets under own management recorded further growth to reach EUR 40.7 billion (31 December 2015: EUR 39.3 billion). Ordinary investment income retreated to EUR 852.0 million (EUR 912.5 million). This reflects in part the challenging interest rate environment, but also above all the elimination of a positive special effect of EUR 39 million recognised in life and health reinsurance in the previous year. Interest on funds withheld and contract deposits decreased to EUR 249.9 million (EUR 292.9 million). Net realised gains climbed to EUR 153.6 million (EUR 124.2 million). Our financial assets measured at fair value through profit or loss gave rise to net gains of EUR 29.2 million (loss of EUR 9.2 million) in the period under review. Impairments of EUR 61.0 million (EUR 24.1 million) were taken in the period under review. They consisted largely of scheduled depreciation on real estate and write-downs on equities caused by a temporary fall in the value of some stocks as a consequence of "Brexit". Income from investments under own management totalled EUR 896.5 million (EUR 931.8 million) as at 30 September 2016.

The operating profit (EBIT) for the Hannover Re Group in an amount of EUR 1,189.1 million as at 30 September 2016 was almost exactly on the level of the previous year (EUR 1,190.3 million). This is highly gratifying in view of the fact that 2015 had been favourably influenced by the aforementioned special effect. Owing to lower interest on our hybrid capital, Group net income increased by 0.5% to EUR 790.0 million (EUR 786.0 million). Earnings per share amounted to EUR 6.55 (EUR 6.52).

Against the backdrop of higher valuation reserves and despite the dividend payment of EUR 572.8 million, the shareholders' equity of Hannover Re grew substantially to EUR 8.8 billion as at 30 September 2016 (31 December 2015: EUR 8.1 billion). The book value per share stood at EUR 72.81 (31 December 2015: EUR 66.90). Reflecting the further increase in shareholders' equity, the annualised return on equity fell to 12.5% as at 30 September 2016 (31 December 2015: 14.7%).

Hannover Re's capital adequacy ratio (Solvency II ratio) continues to be comfortably in excess of requirements. Particularly due to the higher valuation reserves, it increased further to 231% as at 30 June 2016. It had stood at 221% as at 31 December 2015.

Results of operations, financial position and net assets

Property and casualty reinsurance

- Property and casualty reinsurance remains fiercely competitive
- Combined ratio improves to 95%
- Very pleasing operating profit

In worldwide property and casualty reinsurance the market continues to be intensely competitive, with reinsurance capacity comfortably outstripping demand. Additional capacities originating from the ILS market are also putting prices and conditions under sustained pressure. While profitability for primary insurers and reinsurers is generally good despite the prevailing low interest rates, it has been supported by the fact that losses from natural catastrophes in recent years have been below the longer-term average. The difficult business conditions have therefore only impacted underwriting profits to a lesser degree so far, although they have also been reflected to some extent in the results posted by reinsurers.

In this challenging environment it is especially important for Hannover Re to continue systematically with its margin-oriented underwriting. This approach similarly shaped our strategy in the treaty renewals as at 1 July 2016, the outcome of which was broadly positive for our company. In North America the trend observed in preceding renewals was confirmed. The absence of large losses from natural disasters and individual risks continued to make itself felt in rate decreases. Nevertheless, the rate reductions were smaller than anticipated in some cases and there were further indications of a bottoming out in prices, both in the property and casualty lines. Even though most casualty lines are still fiercely competitive, we were able to act on new business opportunities – including for example in the coverage of cyber risks. In US property catastrophe business the pressure on prices eased in comparison with the previous year's renewals. We rigorously maintained our pricing discipline and focused on target customers. Hannover Re further underweighted its share of US catastrophe business. On the whole, the treaty renewals in Latin America and the Caribbean as at 1 July 2016 typically saw price reductions. The losses from the earthquake in Ecuador brought about rate improvements, albeit only in the impacted region. We responded to the rate erosion in agricultural risks by scaling back our share of the business.

Gross written premium for our total portfolio contracted by 2.7% as at 30 September 2016 to EUR 7.1 billion (EUR 7.3 billion). At constant exchange rates the decrease would have been 1.5%. The level of retained premium was slightly lower than in the previous year's period at 88.3% (88.8%). Net premium earned fell by a modest 0.7% to EUR 5.9 billion (EUR 6.0 billion); adjusted for exchange rate effects, it would have grown by 0.9%.

Following the heavier-than-anticipated burden of large losses incurred in the second quarter of 2016, the situation in the third quarter was thoroughly moderate. Expenditure on major losses came in at EUR 40.5 million, well under our budget of EUR 265 million for the third quarter. In keeping with our prudent reserving policy, we allocated the bulk of the unused large loss budget to the loss reserves. Aside from the usual positive run-off, no other reserves were written back in the third quarter. Total net expenditure on large losses for the first three quarters amounted to EUR 393.2 million (EUR 436.4 million). The underwriting result for total property and casualty reinsurance increased sharply by 9.6% to EUR 275.5 million (EUR 251.4 million). The combined ratio remains positive at 95.0% (95.5%) and is in line with our goal of staying below 96% for the full year. Looking at the third quarter in isolation, it was even as low as 94.4%.

The investment income booked for property and casualty reinsurance from assets under own management retreated slightly as expected to EUR 623.8 million (EUR 656.5 million).

The operating profit (EBIT) for the Property & Casualty reinsurance business group totalled EUR 893.0 million as at 30 September 2016; this figure is 4.6% lower than in the comparable period (EUR 936.3 million). The EBIT margin of 15.1% (15.7%) was again comfortably in excess of our minimum target of 10%. Group net income in property and casualty reinsurance contracted by 5.8% to EUR 613.5 million (EUR 651.0 million). Earnings per share amounted to EUR 5.09 (EUR 5.40).

Key figures for property and casualty reinsurance

in EUR million	2016					2015	
	1.1.–30.6.	1.7.–30.9.	+/– previous year	1.1.–30.9.	+/– previous year	1.7.–30.9.	1.1.–30.9.
Gross written premium	4,627.4	2,493.1	+6.2%	7,120.5	-2.7%	2,347.1	7,319.4
Net premium earned	3,838.4	2,086.8	+0.8%	5,925.3	-0.7%	2,071.2	5,965.4
Underwriting result	166.4	109.1	+35.6%	275.5	+9.6%	80.5	251.4
Net investment income	416.1	226.4	-8.6%	642.5	-4.5%	247.7	672.8
Operating result (EBIT)	560.9	332.0	-5.8%	893.0	-4.6%	352.6	936.3
Group net income	376.2	237.3	+2.0%	613.5	-5.8%	232.6	651.0
Earnings per share in EUR	3.12	1.97	+2.0%	5.09	-5.8%	1.93	5.40
EBIT margin [1]	14.6%	15.9%		15.1%		17.0%	15.7%
Combined ratio [2]	95.4%	94.4%		95.0%		95.8%	95.5%
Retention	88.2%	88.5%		88.3%		87.3%	88.8%

[1] Operating result (EBIT)/net premium earned
[2] Including funds withheld

Life and health reinsurance

- General business developments in line with expectations
- Substantially increased contribution to Group net income

In the period under review our worldwide business in life and health reinsurance developed in line with expectations and generated an increased contribution to Group net income.

In large parts of Europe life and health reinsurance developed as expected, while in Germany it even performed somewhat better. Eastern European markets continued to offer promising business opportunities, driven inter alia by increasing regulatory requirements. The effects on traditional endowment life insurance products are likely to be particularly marked.

Following the implementation of Solvency II at the beginning of the year it has been evident that primary insurers in many European countries are heavily preoccupied with the challenges posed by the high capital requirements resulting from longevity business. Particularly in the United Kingdom, demand for corresponding longevity protection is exceptionally strong. Along with the challenges of Solvency II, it is evident that in the United Kingdom the initial uncertainty among policyholders has abated: after the annuity requirement was almost entirely abolished by the reform of the UK Pensions Act in April 2015 and the volume of new immediate annuities more than halved, there are now indications that demand is picking up again. All in all, these developments played a positive part in the overall performance of life and health reinsurance.

In US mortality business the measures that we have implemented in some areas of our existing portfolio are starting to bear fruit. In addition, the development of new mortality business has been pleasing. As we had anticipated, the profit contribution generated in the area of financial solutions as well as in the health and special risk portfolio was once again very positive.

Gross premium for life and health reinsurance amounted to EUR 5.3 billion (EUR 5.6 billion) as at 30 September 2016, equivalent to a decline of 5.2%. The decrease would have been 2.0% adjusted for exchange rate effects. The level of retained premium rose from 86.8% to 91.5%, as a consequence of which net premium fell only slightly by 0.5%. At constant exchange rates, growth of 2.8% would have been booked.

Investment income including income from securities deposited with ceding companies totalled EUR 494.7 million (EUR 542.9 million) in the period under review. The performance of the securities held for our account by US cedants stood at -EUR 0.3 million, a reduction compared to the same period of the previous year. Provided they develop as planned until maturity, however, the performance of the so-called ModCo derivatives will have no effect on income.

The operating profit (EBIT) in life and health reinsurance climbed by a very pleasing 17.9% as at 30 September 2016 to EUR 290.4 million (EUR 246.3 million). The EBIT margins for the reporting categories at the end of the period under review were as follows: financial solutions business emphatically beat the 2% target with a gratifying 19.7%. The EBIT margin in longevity solutions similarly surpassed the target margin of 2% to reach 2.4%. Mortality and morbidity fell short of the targeted 6% at 4.3%. Group net income grew by a pleasing 17.5% to EUR 208.9 million (EUR 177.8 million). Earnings per share amounted to EUR 1.73 (EUR 1.47).

Key figures for life and health reinsurance

in EUR million	2016					2015	
	1.1.–30.6.	1.7.–30.9.	+/– previous year	1.1.–30.9.	+/– previous year	1.7.–30.9.	1.1.–30.9.
Gross written premium	3,656.4	1,677.1	-16.6%	5,333.5	-5.2%	2,012.1	5,626.6
Net premium earned	3,328.1	1,513.0	-13.0%	4,841.1	-0.5%	1,739.3	4,864.1
Investment income	322.2	172.5	-2.1%	494.7	-8.9%	176.3	542.9
Operating result (EBIT)	179.1	111.3	+140.6%	290.4	+17.9%	46.2	246.3
Net income after tax	130.6	78.3	+143.5%	208.9	+17.5%	32.1	177.8
Earnings per share in EUR	1.08	0.65	+143.5%	1.73	+17.5%	0.27	1.47
Retention	91.8%	90.8%		91.5%		87.2%	86.8%
EBIT margin [1]	5.4%	7.4%		6.0%		2.7%	5.1%

[1] Operating result (EBIT)/net premium earned

Investments

- High-quality diversified investment portfolio maintained
- Ordinary investment income lower owing to special effect in the previous year and difficult interest rate environment
- Return on investment at 3.0% slightly higher than expected level of 2.9%

The investment climate was once again challenging in the period under review and notable for considerable uncertainty, which was further exacerbated by the decision of the British people to leave the European Union ("Brexit"). Following the referendum at the end of June the uncertainty surrounding the outcome of this vote gave way to political and legal doubts over how exactly the process of leaving the EU will take place. On the whole, this situation led to sustained volatility and a generally low level of interest rates in most Western nations, and particularly in the United Kingdom, the European Union and the United States. In the United Kingdom further very sharp declines in yields were observed across all durations as a consequence of support buying by the Bank of England. Significant yield drops were, however, also recorded on German and US government bonds during the reporting period. German government bonds are at times being sold at clearly negative returns right through to the ten-year maturity segment.

Credit spreads on European and US corporate bonds also narrowed in most rating classes and remained on a low level overall relative to the historical mean. In total, the unrealised gains on our fixed-income securities increased sharply to EUR 2,048.6 million (EUR 1,046.7 million). After the already significant growth recorded in 2015, our portfolio of assets under own management increased again to EUR 40.7 billion (31 December 2015: EUR 39.3 billion). We adjusted the allocation of our assets to the individual classes of securities in the period under review such that we further expanded our holding of fixed-income instruments rated BBB or lower while at the same time enlarging the proportion of government bonds in our portfolio. In this way we are able to increase the liquidity of our portfolio while maintaining the overall risk level of our fixed-income holdings virtually unchanged and continuing to generate comparatively stable returns. In addition, we had already streamlined our private equity portfolio in the first quarter by selling older investments. The modified duration of our portfolio of fixed-income securities is guided by the duration of the insurance portfolio and increased slightly to 4.8 (4.4).

Our ordinary investment income developed in line with our expectations and decreased to EUR 852.0 million (EUR 912.5 million). While the difficult interest rate environment was a factor here too, this reflects in particular the elimination of the positive special effect recognised in the previous year from life and health reinsurance. We were nevertheless able to partially offset the diminished return potentials associated with the protracted low level of interest rates through stronger income from dividends and real estate. Interest on funds withheld and contract deposits fell to EUR 249.9 million (EUR 292.9 million).

Impairments of altogether EUR 61.0 million (EUR 24.1 million) were taken. This includes an amount of EUR 27.6 million (EUR 1.0 million) attributable to equities – principally as a consequence of lower spot prices following the Brexit decision. Impairments of EUR 9.7 million (EUR 3.0 million) were taken on alternative investments. The impairments on fixed-income securities amounted to just EUR 0.7 million (EUR 2.4 million). Scheduled depreciation on directly held real estate increased to EUR 21.2 million (EUR 16.8 million), a reflection of our growing involvement in this area.

The net balance of gains realised on disposals stood at EUR 153.6 million (EUR 124.2 million) and was in large measure attributable to regrouping activities as part of regular portfolio maintenance, the streamlining of our private equity portfolio through the sale of older investments and internal capitalisation and financing measures within the Group.

We recognise a derivative for the credit risk associated with special life reinsurance treaties (ModCo) under which securities deposits are held by cedants for our account; the performance of this derivative in the period under review gave rise to fair value changes of -EUR 0.3 million (-EUR 18.9 million) recognised in investment income. In economic terms we assume a neutral development for this item over time, and hence the volatility that can occur in specific quarters is of minimal relevance. Altogether, the positive fair value changes in our assets recognised at fair value through profit or loss amounted to EUR 29.2 million. This contrasted with negative fair value changes of EUR 9.2 million in the corresponding period of the previous year. The increase can be attributed principally to fair value changes in a derivative contract component of a reinsurance treaty recognised separately under investments. This development occurred principally as a consequence of repercussions of the Brexit vote on pound sterling interest rates.

Our investment income of EUR 1,146.4 million came in below the comparable period (EUR 1,224.7 million). In view of the low level of interest rates and the elimination of positive effects recorded in the previous year, the result is nevertheless pleasing and consistent with our expectations. Income from assets under own management accounted for an amount of EUR 896.5 million (EUR 931.8 million), producing an annualised average return of 3.0%; this is slightly higher than our target of 2.9%.

Net investment income

in EUR million	2016					2015	
	1.1.–30.6.	1.7.–30.9.	+/– previous year	1.1.–30.9.	+/– previous year	1.7.–30.9.	1.1.–30.9.
Ordinary investment income [1]	568.0	284.0	-9.5%	852.0	-6.6%	313.8	912.5
Result from participations in associated companies	1.7	0.9	-78.1%	2.6	-70.9%	4.2	8.8
Realised gains/losses	79.5	74.1	+28.7%	153.6	+23.7%	57.5	124.2
Depreciation [2]	48.1	12.9	+37.4%	61.0	+153.0%	9.4	24.1
Change in fair value of financial instruments [3]	20.5	8.7		29.2		(7.6)	(9.2)
Investment expenses	52.5	27.4	-2.5%	79.9	-0.6%	28.1	80.4
Net investment income from assets under own management	569.2	327.3	-1.0%	896.5	-3.8%	330.5	931.8
Net investment income from funds withheld	175.6	74.3	-22.2%	249.9	-14.7%	95.5	292.9
Total investment income	**744.8**	**401.6**	**-5.7%**	**1,146.4**	**-6.4%**	**426.0**	**1,224.7**

[1] Excluding expenses on funds withheld and contract deposits
[2] Including depreciation/impairments on real estate
[3] Portfolio at fair value through profit or loss and trading

Rating structure of our fixed-income securities [1]

Rating classes	Government bonds		Securities issued by semi-governmental entities [2]		Corporate bonds		Covered bonds/asset-backed securities	
	in %	in EUR million	in %	in EUR million	in %	in EUR million	in %	in EUR million
AAA	76.1	8,501.5	65.2	4,597.7	1.2	147.1	67.2	2,435.1
AA	11.6	1,295.4	28.2	1,988.7	13.6	1,701.0	15.1	548.4
A	6.6	733.0	2.5	173.1	37.2	4,674.6	5.3	190.8
BBB	4.4	486.2	1.2	84.5	40.0	5,022.3	8.7	317.0
< BBB	1.3	148.6	2.9	204.1	8.0	999.4	3.7	132.4
Total	**100.0**	**11,164.7**	**100.0**	**7,048.1**	**100.0**	**12,544.3**	**100.0**	**3,623.7**

[1] Securities held through investment funds are recognised pro rata with their corresponding individual ratings.
[2] Including government-guaranteed corporate bonds

Outlook

- Stable or slightly reduced premium volume expected in total business
- Targeted return on investment for assets under own management remains at 2.9%
- Group net income still forecast to reach at least EUR 950 million

Despite the challenging business conditions in the international (re)insurance industry and on capital markets, we expect to continue operating with sustained success going forward. Based on constant exchange rates, we anticipate stable or slightly reduced gross premium volume for our total business in the current financial year.

In property and casualty reinsurance we expect to book slightly lower premium income – adjusted for exchange rate effects – in 2016. This assumption is based on our selective underwriting policy, under which we only write business that meets our margin requirements. In view of our financial strength and our very good positioning, we are able to tap into further attractive business opportunities.

For the full 2016 financial year we anticipate a good underwriting result in property and casualty reinsurance that should be roughly on a par with 2015. This is conditional on major loss expenditure remaining within the budgeted level of EUR 825 million. We are aiming for a combined ratio of less than 96%. The targeted EBIT margin for property and casualty reinsurance is at least 10%.

After a hurricane season in North America and the Caribbean that was below average by multi-year standards, Hurricane Matthew caused extensive damage and numerous fatalities – especially in Haiti – at the beginning of October. Expert estimates available to date put the total insured market loss in a range of USD 5 to 10 billion. Given the uncertainties still surrounding the extent of the losses, it is too early to put a reliable figure on the net strain for our account. Bearing in mind that we still have a large loss budget of around EUR 430 million available for the fourth quarter, Hurricane Matthew does not currently pose any threat to our profit targets for 2016.

Looking ahead to the treaty renewals as at 1 January 2017, we anticipate greater stability overall when it comes to prices and conditions – not only due to the increasing pressure on returns but also owing to significantly higher attritional losses. We see scope here for rate increases – for example in Canada and Germany, following in some cases heavy losses incurred from natural catastrophe events. The progressive trend towards digitisation is opening up new opportunities for the insurance industry. In view of the increasing exposure potential, demand for products designed to protect against cyber risks is likely to keep on growing. We also anticipate opportunities in property and casualty business in the United States, in the area of credit and surety and in connection with the implementation of risk-based solvency systems. All in all, Hannover Re will maintain its focus on high-quality existing business, complemented by opportunities that present themselves in niche and speciality segments.

Turning to life and health reinsurance, we continue to take a confident view of international business developments for the remainder of 2016. Even though it must be borne in mind that some large-volume treaties are discontinued as planned over the course of the year, we expect to book a stable premium volume on the basis of positive new business. The value of new business will likely be at least EUR 220 million. The EBIT margin for financial solutions and longevity business should remain above the minimum target of 2%. The target margin for mortality and morbidity business remains unchanged at a minimum 6%.

With regard to our IVC targets – which we use internally to map economic value creation –, we are aiming for returns that exceed the cost of capital both in property and casualty reinsurance and in life and health reinsurance.

The expected positive cash flow that we generate from the technical account and our investments should – subject to stable exchange rates and yield levels – lead to further growth in our asset portfolios. The historically low reinvestment returns in the fixed-income portfolio as a consequence of the Brexit vote have resulted in an even more complex situation than at the beginning of 2016. Despite this, we are still targeting a return on investment of 2.9% for 2016.

Assuming that the burden of major losses does not significantly exceed the expected level and that there are no unforeseen distortions on capital markets, Hannover Re continues to anticipate Group net income of at least EUR 950 million for the current financial year.

Hannover Re envisages a payout ratio for the dividend in the range of 35% to 40% of its IFRS Group net income. If the company's comfortable level of capitalisation remains unchanged, this figure will increase in light of capital management considerations – as in the previous year – through payment of another special dividend.

Forecast for 2017

For the 2017 financial year Hannover Re anticipates stable or slightly lower gross premium based on constant exchange rates. The return on investment is expected to be around 2.7%. The company assumes Group net income will be in excess of EUR 950 million. As usual, all statements are subject to the proviso that major loss expenditure remains with the budgeted level of EUR 825 million and that there are no unforeseen distortions on capital markets.

Consolidated balance sheet as at 30 September 2016

Assets in EUR thousand	30.9.2016	31.12.2015
Fixed-income securities – held to maturity	529,670	1,007,665
Fixed-income securities – loans and receivables	2,514,939	2,869,865
Fixed-income securities – available for sale	31,163,097	29,616,448
Fixed-income securities – at fair value through profit or loss	173,112	108,982
Equity securities – available for sale	826,809	452,108
Other financial assets – at fair value through profit or loss	44,751	39,602
Real estate and real estate funds	1,692,190	1,673,958
Investments in associated companies	115,917	128,008
Other invested assets	1,564,667	1,544,533
Short-term investments	1,117,195	1,113,130
Cash and cash equivalents	927,109	792,604
Total investments and cash under own management	**40,669,456**	**39,346,903**
Funds withheld	12,413,055	13,801,845
Contract deposits	185,353	188,604
Total investments	**53,267,864**	**53,337,352**
Reinsurance recoverables on unpaid claims	1,450,166	1,395,281
Reinsurance recoverables on benefit reserve	1,017,854	1,367,173
Prepaid reinsurance premium	210,721	164,023
Reinsurance recoverables on other technical reserves	4,600	8,687
Deferred acquisition costs	2,076,099	2,094,671
Accounts receivable	3,684,903	3,665,937
Goodwill	63,657	60,244
Deferred tax assets	355,021	433,500
Other assets	667,916	680,543
Accrued interest and rent	9,056	7,527
Assets held for sale	15,086	–
Total assets	**62,822,943**	**63,214,938**

Liabilities in EUR thousand	30.9.2016	31.12.2015
Loss and loss adjustment expense reserve	26,981,037	26,556,388
Benefit reserve	10,999,454	12,206,699
Unearned premium reserve	3,538,511	3,159,363
Other technical provisions	335,265	325,528
Funds withheld	838,227	1,265,035
Contract deposits	4,280,470	4,682,484
Reinsurance payable	1,288,791	1,390,006
Provisions for pensions	190,685	150,299
Taxes	252,267	271,674
Deferred tax liabilities	2,161,582	1,932,722
Other liabilities	650,121	698,933
Long-term debt and subordinated capital	1,793,050	1,798,337
Total liabilities	**53,309,460**	**54,437,468**
Shareholders' equity		
Common shares	120,597	120,597
Nominal value: 120,597 Conditional capital: 60,299		
Additional paid-in capital	724,562	724,562
Common shares and additional paid-in capital	**845,159**	**845,159**
Cumulative other comprehensive income		
Unrealised gains and losses on investments	1,409,981	712,001
Cumulative foreign currency translation adjustment	344,349	509,189
Changes from hedging instruments	(6,162)	(1,217)
Other changes in cumulative other comprehensive income	(59,345)	(36,571)
Total other comprehensive income	**1,688,823**	**1,183,402**
Retained earnings	6,247,253	6,039,783
Equity attributable to shareholders of Hannover Rück SE	**8,781,235**	**8,068,344**
Non-controlling interests	732,248	709,126
Total shareholders' equity	**9,513,483**	**8,777,470**
Total liabilities	**62,822,943**	**63,214,938**

Consolidated statement of income as at 30 September 2016

in EUR thousand	1.7.–30.9.2016	1.1.–30.9.2016	1.7.–30.9.2015	1.1.–30.9.2015
Gross written premium	4,170,231	12,454,022	4,359,352	12,945,888
Ceded written premium	441,542	1,290,122	555,711	1,560,007
Change in gross unearned premium	(133,879)	(450,830)	(3,587)	(621,768)
Change in ceded unearned premium	5,080	53,482	10,693	65,990
Net premium earned	**3,599,890**	**10,766,552**	**3,810,747**	**10,830,103**
Ordinary investment income	283,952	851,978	313,810	912,488
Profit/loss from investments in associated companies	922	2,574	4,219	8,838
Realised gains and losses on investments	74,057	153,585	57,537	124,181
Change in fair value of financial instruments	8,699	29,238	(7,582)	(9,207)
Total depreciation, impairments and appreciation of investments	12,911	60,991	9,399	24,111
Other investment expenses	27,398	79,878	28,086	80,351
Net income from investments under own management	**327,321**	**896,506**	**330,499**	**931,838**
Income/expense on funds withheld and contract deposits	74,281	249,888	95,465	292,892
Net investment income	**401,602**	**1,146,394**	**425,964**	**1,224,730**
Other technical income	465	691	1,020	2,045
Total revenues	**4,001,957**	**11,913,637**	**4,237,731**	**12,056,878**
Claims and claims expenses	2,809,884	8,127,236	2,859,004	8,282,390
Change in benefit reserves	(79,716)	75,803	134,299	133,489
Commission and brokerage, change in deferred acquisition costs	714,269	2,198,386	749,194	2,172,004
Other acquisition costs	8,959	16,007	2,097	4,317
Other technical expenses	378	1,166	2,463	4,688
Administrative expenses	99,426	304,191	97,623	308,061
Total technical expenses	**3,553,200**	**10,722,789**	**3,844,680**	**10,904,949**
Other income and expenses	(4,839)	(1,725)	7,837	38,346
Operating profit (EBIT)	**443,918**	**1,189,123**	**400,888**	**1,190,275**
Interest on hybrid capital	17,953	53,858	17,991	66,444
Net income before taxes	**425,965**	**1,135,265**	**382,897**	**1,123,831**
Taxes	111,947	306,802	113,576	297,738
Net income	**314,018**	**828,463**	**269,321**	**826,093**
thereof				
Non-controlling interest in profit and loss	10,122	38,495	15,226	40,095
Group net income	**303,896**	**789,968**	**254,095**	**785,998**
Earnings per share (in EUR)				
Basic earnings per share	2.52	6.55	2.11	6.52
Diluted earnings per share	2.52	6.55	2.11	6.52

Consolidated statement of comprehensive income as at 30 September 2016

in EUR thousand	1.7.– 30.9.2016	1.1.– 30.9.2016	1.7.– 30.9.2015	1.1.– 30.9.2015
Net income	**314,018**	**828,463**	**269,321**	**826,093**
Not reclassifiable to the consolidated statement of income				
Actuarial gains and losses				
Gains (losses) recognised directly in equity	(1,937)	(37,221)	7,988	27,501
Tax income (expense)	629	12,141	(2,576)	(8,851)
	(1,308)	**(25,080)**	**5,412**	**18,650**
Income and expense recognised directly in equity that cannot be reclassified				
Gains (losses) recognised directly in equity	(1,937)	(37,221)	7,988	27,501
Tax income (expense)	629	12,141	(2,576)	(8,851)
	(1,308)	**(25,080)**	**5,412**	**18,650**
Reclassifiable to the consolidated statement of income				
Unrealised gains and losses on investments				
Gains (losses) recognised directly in equity	220,085	1,108,633	(29,538)	(295,858)
Transferred to the consolidated statement of income	(71,583)	(119,695)	(64,137)	(147,461)
Tax income (expense)	(41,220)	(260,830)	31,428	127,809
	107,282	**728,108**	**(62,247)**	**(315,510)**
Currency translation				
Gains (losses) recognised directly in equity	(47,982)	(174,423)	(164,298)	198,354
Tax income (expense)	5,292	8,041	27,344	(399)
	(42,690)	**(166,382)**	**(136,954)**	**197,955**
Changes from the measurement of associated companies				
Gains (losses) recognised directly in equity	6	8	(13)	375
Transferred to the consolidated statement of income	–	(1,251)	–	(424)
	6	**(1,243)**	**(13)**	**(49)**
Changes from hedging instruments				
Gains (losses) recognised directly in equity	221	(5,681)	4,544	6,744
Tax income (expense)	(72)	689	(241)	(1,125)
	149	**(4,992)**	**4,303**	**5,619**
Reclassifiable income and expense recognised directly in equity				
Gains (losses) recognised directly in equity	172,330	928,537	(189,305)	(90,385)
Transferred to the consolidated statement of income	(71,583)	(120,946)	(64,137)	(147,885)
Tax income (expense)	(36,000)	(252,100)	58,531	126,285
	64,747	**555,491**	**(194,911)**	**(111,985)**
Total income and expense recognised directly in equity				
Gains (losses) recognised directly in equity	170,393	891,316	(181,317)	(62,884)
Transferred to the consolidated statement of income	(71,583)	(120,946)	(64,137)	(147,885)
Tax income (expense)	(35,371)	(239,959)	55,955	117,434
	63,439	**530,411**	**(189,499)**	**(93,335)**
Total recognised income and expense	**377,457**	**1,358,874**	**79,822**	**732,758**
thereof				
Attributable to non-controlling interests	17,520	63,594	15,136	33,684
Attributable to shareholders of Hannover Rück SE	359,937	1,295,280	64,686	699,074

Group segment report

Segment statement of income

in EUR thousand	Property and casualty reinsurance 1.1.–30.9.2016	Property and casualty reinsurance 1.1.–30.9.2015
Gross written premium	7,120,505	7,319,357
thereof		
From insurance business with other segments	–	–
From insurance business with external third parties	7,120,505	7,319,357
Net premium earned	5,925,274	5,965,363
Net investment income	642,494	672,844
thereof		
Change in fair value of financial instruments	493	(623)
Total depreciation, impairments and appreciation of investments	60,968	21,700
Income/expense on funds withheld and contract deposits	18,646	16,297
Claims and claims expenses	4,013,783	4,187,298
Change in benefit reserve	–	–
Commission and brokerage, change in deferred acquisition costs and other technical income/expenses	1,481,301	1,367,854
Administrative expenses	154,647	158,839
Other income and expenses	(25,073)	12,094
Operating profit/loss (EBIT)	**892,964**	**936,310**
Interest on hybrid capital	–	–
Net income before taxes	**892,964**	**936,310**
Taxes	244,267	247,392
Net income	**648,697**	**688,918**
thereof		
Non-controlling interest in profit or loss	35,217	37,889
Group net income	**613,480**	**651,029**

Life and health reinsurance		Consolidation		Total	
1.1.–30.9.2016	1.1.–30.9.2015	**1.1.–30.9.2016**	1.1.–30.9.2015	**1.1.–30.9.2016**	1.1.–30.9.2015
5,333,465	5,626,585	52	(54)	12,454,022	12,945,888
(52)	54	52	(54)	–	–
5,333,517	5,626,531	–	–	12,454,022	12,945,888
4,841,137	4,864,069	141	671	10,766,552	10,830,103
494,689	542,941	9,211	8,945	1,146,394	1,224,730
28,817	(8,584)	(72)	–	(29,238)	(9,207)
23	46	–	2,365	60,991	24,111
231,242	276,595	–	–	249,888	292,892
4,113,086	4,095,092	367	–	8,127,236	8,282,390
75,783	133,474	20	15	75,803	133,489
733,565	811,106	2	4	2,214,868	2,178,964
149,427	148,955	117	267	304,191	308,061
26,428	27,900	(3,080)	(1,648)	(1,725)	38,346
290,393	**246,283**	**5,766**	**7,682**	**1,189,123**	**1,190,275**
–	–	53,858	66,444	53,858	66,444
290,393	**246,283**	**(48,092)**	**(58,762)**	**1,135,265**	**1,123,831**
78,258	66,324	(15,723)	(15,978)	306,802	297,738
212,135	**179,959**	**(32,369)**	**(42,784)**	**828,463**	**826,093**
3,278	2,206	–	–	38,495	40,095
208,857	177,753	(32,369)	(42,784)	789,968	785,998

Consolidated cash flow statement as at 30 September 2016

in EUR thousand	1.1.–30.9.2016	1.1.–30.9.2015
I. Cash flow from operating activities		
Net income	828,463	826,093
Appreciation/depreciation	82,382	48,739
Net realised gains and losses on investments	(153,585)	(124,181)
Change in fair value of financial instruments (through profit or loss)	(29,238)	9,207
Realised gains and losses on deconsolidation	(1,921)	(424)
Income from the recognition of negative goodwill	(8,576)	–
Amortisation of investments	62,300	74,279
Changes in funds withheld	232,154	364,136
Net changes in contract deposits	(301,652)	(450,191)
Changes in prepaid reinsurance premium (net)	393,446	555,301
Changes in tax assets/provisions for taxes	110,369	76,122
Changes in benefit reserve (net)	(40,306)	154,363
Changes in claims reserves (net)	778,888	1,065,118
Changes in deferred acquisition costs	(30,169)	(119,417)
Changes in other technical provisions	12,072	(11,775)
Changes in clearing balances	(189,450)	(639,551)
Changes in other assets and liabilities (net)	(88,567)	(27,716)
Cash flow from operating activities	**1,656,610**	**1,800,103**
II. Cash flow from investing activities	**(898,072)**	**(355,159)**
III. Cash flow from financing activities	**(623,457)**	**(1,057,816)**
IV. Exchange rate differences on cash	**(576)**	**(6,959)**
Cash and cash equivalents at the beginning of the period	**792,604**	**772,882**
Change in cash and cash equivalents (I.+II.+III.+IV.)	**134,505**	**380,169**
Cash and cash equivalents at the end of the period	**927,109**	**1,153,051**
Supplementary information on the cash flow statement [1]		
Income taxes paid (on balance)	(200,442)	(201,276)
Dividend receipts [2]	103,892	92,473
Interest received	1,124,989	1,154,514
Interest paid	(160,353)	(157,252)

[1] The income taxes paid, dividend receipts as well as interest received and paid are included entirely in the cash flow from operating activities.

[2] Including dividend-like profit participations from investment funds

Other information

In the context of incorporation in German law of the amending Directive 2013/50/EU, the previous legal basis for quarterly reporting ceased to apply. The Frankfurter Wertpapierbörse (Frankfurt Stock Exchange) consequently amended its Exchange Rules; the revised version of the Exchange Rules as amended on 30 November 2015 requires companies listed in Prime Standard to draw up quarterly statements for the first and third quarters of each financial year. The half-yearly financial reporting remains unaffected.

The present document is a quarterly statement pursuant to Section 51a of the Exchange Rules for the Frankfurter Wertpapierbörse (BörsO FWB) as amended on 30 November 2015. The consolidated balance sheet, consolidated statement of income, consolidated statement of comprehensive income and consolidated cash flow statement were drawn up according to the International Financial Reporting Standards (IFRS) that are to be used within the European Union in conformity with IAS 34 "Interim Financial Reporting" and released for publication by a resolution of the Executive Board on 26 October 2016. The accounting policies were the same as those applied in the preceding consolidated annual financial statement. Changes that were necessary in specific justified cases are reported separately.

The present interim financial statement was drawn up in euros (EUR), the amounts shown have been rounded to EUR thousands and in our notes – provided this does not detract from transparency – to EUR millions. Figures indicated in brackets refer to the previous year.

Key exchange rates

1 EUR corresponds to:	30.9.2016	31.12.2015	1.1.–30.9.2016	1.1.–30.9.2015
	Mean rate of exchange on the balance sheet date		Average rate of exchange	
AUD	1.4652	1.4981	1.4989	1.4774
BHD	0.4206	0.4122	0.4191	0.4230
CAD	1.4688	1.5158	1.4710	1.4132
CNY	7.4514	7.0970	7.3160	7.0092
GBP	0.8615	0.7381	0.8003	0.7315
HKD	8.6562	8.4692	8.6321	8.6952
KRW	1,228.4100	1,281.5964	1,286.2335	1,259.4500
MYR	4.6170	4.6929	4.5435	4.2430
SEK	9.6233	9.1938	9.3689	9.3709
USD	1.1163	1.0927	1.1120	1.1216
ZAR	15.4686	16.8447	16.6280	13.8054

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