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Quarterly Statement as at 31 March 2017

hannover re®

Key figures

in EUR million	2017		2016	
	1.1. – 31.3.	+/– previous year	1.1. – 31.3.	31.12.
Results				
Gross written premium	4,546.6	+6.6%	4,263.6	
Net premium earned	3,732.1	+5.4%	3,542.0	
Net underwriting result	(23.4)		36.0	
Net investment income	392.9	+7.3%	366.2	
Operating profit (EBIT)	399.9	-1.7%	406.7	
Group net income	264.8	-2.4%	271.2	
Balance sheet				
Policyholders´ surplus	11,531.4	+2.7%		11,231.4
Equity attributable to shareholders of Hannover Rück SE	9,316.9	+3.6%		8,997.2
Non-controlling interests	723.4	-2.7%		743.3
Hybrid capital	1,491.1	–		1,490.8
Investments (excl. funds withheld by ceding companies)	42,032.1	+0.6%		41,793.5
Total assets	64,216.0	+1.1%		63,528.6
Share				
Earnings per share (basic and diluted) in EUR	2.20	-2.4%	2.25	
Book value per share in EUR	77.26	+3.6%	69.42	74.61
Share price at the end of the period in EUR	108.15	+5.2%	102.40	102.80
Market capitalisation at the end of the period	13,042.6	+5.2%	12,349.1	12,397.4
Ratios				
Combined ratio (property and casualty reinsurance) [1]	95.6%		94.7%	
Large losses as percentage of net premium earned (property and casualty reinsurance) [2]	6.2%		2.8%	
Retention	89.6%		89.0%	
Return on investment (excl. funds withheld by ceding companies) [3]	3.0%		2.9%	
EBIT margin [4]	10.7%		11.5%	
Return on equity (after tax)	11.6%		13.2%	

[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 19 of this document.

Quarterly Statement as at 31 March 2017

Business development

- Pleasing Group net income of EUR 264.8 million
- Good underwriting result in property and casualty reinsurance
- Life and health reinsurance develops in line with expectations
- Investment income outperforms anticipated returns

We are satisfied with the development of our business in the first quarter of 2017 despite continued challenging general conditions associated with the prevailing soft market phase and the current low interest rate environment. Our Group net income reached a pleasing EUR 264.8 million. Both business groups, namely Property & Casualty and Life & Health reinsurance, as well as our investments played a part in this result, thereby establishing a good point of departure for achieving our year-end targets.

Gross written premium in total business climbed by 6.6% to EUR 4.5 billion (previous year: EUR 4.3 billion) as at 31 March 2017. At constant exchange rates growth would have come in at 5.9%. This figure is in line with our guidance for the full financial year. The level of retained premium was higher than in the previous year's comparable period at 89.6% (89.0%). Net premium earned increased by 5.4% to EUR 3.7 billion (EUR 3.5 billion); adjusted for exchange rate effects, growth of 4.3% would have been booked.

In view of the challenging climate we are thoroughly satisfied with the performance of our investments. After the appreciable increase in 2016, our portfolio of assets under own management recorded further modest growth to reach EUR 42.0 billion (31 December 2016: EUR 41.8 billion). It is highly gratifying to note that ordinary investment income rose by 18.9% year-on-year – despite the diminished return on our fixed-income securities – to EUR 319.1 million (EUR 268.5 million). This reflects above all the quite considerable income booked for the first quarter from private equity and real estate.

Interest on funds withheld and contract deposits decreased to EUR 72.9 million (EUR 83.5 million). Net realised gains were lower than in the comparable period at EUR 24.1 million (EUR 43.6 million). Our financial assets measured at fair value through profit or loss gave rise to net gains of EUR 10.9 million (EUR 10.5 million) in the period under review. The impairments taken in the reporting period were again very minimal. Income from investments under own management grew by 13.2% to EUR 320.0 million (EUR 282.7 million) as at 31 March 2017. Despite reduced realised gains we were thus able to more than make up for the difficult interest rate environment, principally through stronger income from alternative investments.

The operating profit (EBIT) for the Hannover Re Group totalled EUR 399.9 million (EUR 406.7 million). Group net income fell marginally short of the previous year's figure at EUR 264.8 million (EUR 271.2 million). Earnings per share amounted to EUR 2.20 (EUR 2.25).

Shareholders' equity grew by 3.6% as at 31 March 2017 to EUR 9.3 billion (31 December 2016: EUR 9.0 billion). The annualised return on equity remained on an attractive level at 11.6% (31 December 2016: 13.7%). The book value per share stood at EUR 77.26 (31 December 2016: EUR 74.61).

Results of operations, financial position and net assets

Property and casualty reinsurance

- Sustained competition in property and casualty reinsurance
- Solid outcome of treaty renewals as at 1 January 2017
- Large loss expenditure sharply higher in the first quarter compared to corresponding period
- Group net income up 5.4% to EUR 215.4 million

The situation in worldwide property and casualty reinsurance was little changed overall from the previous year. The increased loss expenditure in 2016 had positive implications for reinsurance premiums only on a local level, with the result that the intense competition prevailing in the markets was largely sustained. The supply of reinsurance capacity still clearly exceeds demand, even though the decline in prices was less marked than in the previous year. This was also evident in the treaty renewals as at 1 January 2017, when roughly 64% of our property and casualty reinsurance portfolio was renegotiated. We maintained our rigorous underwriting discipline and focused on high-quality existing business, complemented by opportunities in niche and specialty segments. Once again we benefited from our excellent financial ratings and our long-standing customer relationships. Attractive possibilities to enlarge our portfolio opened up primarily in North America, including for example in the area of cyber covers. Overall, the pressure on rates in North America eased; signs of a bottoming out in prices could be detected here across the various lines of business. Furthermore, the treaty renewals in Canada also passed off very favourably; appreciable rate increases were booked in property business under virtually all programmes. Last year's heavy losses from the devastating forest fires in the province of Alberta were the driving factor here.

In the aviation line as well as in parts of Eastern Europe and in China we scaled back our shares in view of inadequate prices. The treaty renewals in credit and surety reinsurance, on the other hand, were satisfactory. In credit reinsurance, in particular, we were able to enlarge some existing sizeable customer accounts and acquire new clients, hence boosting the premium volume in this line. In the area of structured reinsurance demand for solutions offering solvency relief was thoroughly pleasing: we booked significant premium growth here from Europe, North America and Latin America.

Reflecting these developments, gross premium for our Property & Casualty reinsurance business group rose by 12.5% to EUR 2.8 billion (EUR 2.5 billion). At constant exchange rates growth would have come in at 11.3%. The level of retained premium climbed to 88.6% (87.9%). Net premium earned increased by 10.4% to EUR 2.2 billion (EUR 2.0 billion); adjusted for exchange rate effects, it would have grown by 8.8%.

Losses in the first quarter were significantly heavier than in the corresponding quarter of the previous year. Net expenditure on major losses totalled EUR 133.7 million (EUR 55.5 million), a figure that was nevertheless still within the envisaged quarterly budget. The largest individual loss – at around EUR 50 million – was Cyclone Debbie, which caused severe damage and subsequent flooding in Australia.

The insurance industry was also impacted by the decision of the UK government to cut the discount rate for personal injury compensation payments ("Ogden rate") from 2.5% to -0.75% effective March 2017. This means that compensation amounts will rise sharply in cases where claimants receive a lump-sum payment to compensate claims that involve an ongoing, long-lasting financial burden – such as care costs. Severe personal injury claims, e.g. as a consequence of a car accident, may therefore become quite substantially more expensive, resulting in higher payments under liability insurance covers that will have particularly serious implications for non-proportional reinsurance. Given that this move not only affects future claims but also past claims that have still to be run off, it compels insurers and reinsurers to set aside substantial additional reserves. In the first quarter Hannover Re booked additional loss reserves of EUR 126 million for this purpose. In view of the very adequate level of the IBNR reserves (for claims that have been incurred but not yet reported), however, this did not result in any run-off losses. It is to be anticipated that the change in the Ogden rate will require further additional reserves to be set aside in the course of the year. Nevertheless, these should also be absorbed by the IBNR reserves that have been constituted.

The underwriting result for total property and casualty reinsurance fell short of the previous year's very good quarter on account of higher losses; it amounted to EUR 90.7 million (EUR 100.3 million) as at 31 March 2017. The combined ratio stood at 95.6% (94.7%) and is thus in line with our goal of staying below 96% for the full year.

The investment income booked for property and casualty reinsurance from assets under own management grew by 17.3% to EUR 238.2 million (EUR 203.1 million).

The operating profit (EBIT) for property and casualty reinsurance as at 31 March 2017 improved again slightly on the already very good level of the previous year's quarter to reach EUR 309.8 million (EUR 299.7 million). The EBIT margin stood at 14.3% (15.3%) and thus again beat our minimum target of 10%. Group net income rose by 5.4% to EUR 215.4 million (EUR 204.3 million). Earnings per share amounted to EUR 1.79 (EUR 1.69).

Key figures for property and casualty reinsurance

in EUR million	2017		2016
	1.1.–31.3.	+/– previous year	1.1.–31.3.
Gross written premium	2,814.7	+12.5%	2,502.1
Net premium earned	2,165.7	+10.4%	1,961.3
Underwriting result	90.7	-9.6%	100.3
Net investment income	243.4	+17.5%	207.2
Operating result (EBIT)	309.8	+3.4%	299.7
Group net income	215.4	+5.4%	204.3
Earnings per share in EUR	1.79	+5.4%	1.69
EBIT margin [1]	14.3%		15.3%
Combined ratio [2]	95.6%		94.7%
Retention	88.6%		87.9%

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

Life and health reinsurance

- Gross premium income develops as planned
- Strong interest in reinsurance solutions designed to optimise the increased capital requirements associated with regulatory solvency standards
- Life and health reinsurance delivers solid contribution to Group net income

Life and health reinsurance developed in line with expectations in the first quarter of 2017. The challenging state of the German insurance market, both on the life and health side and with respect to longevity covers, remained unchanged: the guaranteed interest rate, which had last been adjusted in 2015, was reduced from 1.25% to 0.9% as at 1 January 2017, thereby further diminishing the appeal of traditional life insurance products. The new long-term care definition, which now differentiates between five grades of care, was adopted at the start of 2017. In the financial year just ended we had worked intensively on a new LTC table that we were then able to make available to our customers in time for implementation. Owing to the more demanding solvency requirements imposed by Solvency II, some primary insurers continue to need financing assistance for the supplementary reserves that have to be set aside for life products promising guaranteed returns in excess of the official reference rate ("Zinszusatzreserve"). In this respect we are engaged in a dialogue with our primary insurance clients with an eye to potential reinsurance solutions that can provide capital relief.

Results in our US mortality business again came under strain in the period under review from a higher-than-expected mortality in older underwriting years. Financial solutions business, on the other hand, developed exceptionally favourably as anticipated and delivered a clearly positive profit contribution.

In the United Kingdom the life insurance market continued to be dominated by pricing pressure, especially on the mortality side. Despite this, our longevity portfolio in the UK fared well. We were able to write new treaties and at the same time secured additional new business for the future with our existing customers. Demand from UK insurers and pension funds remains strong with an eye to fulfilment of exacting Solvency II capital requirements for longevity risks. The market is, however, also extremely competitive and price-sensitive. In the international arena we are receiving numerous inquiries from life and pension insurers seeking capital relief. Particularly in Canada and Japan, the longevity market showed very vigorous growth. Furthermore, we registered a surge in interest in the Scandinavian markets, Germany, Israel, Korea and South Africa. Based on our long-standing expertise – especially with longevity risks – , we have already successfully transferred reinsurance solutions to international markets in the past and we expect global longevity business to develop favourably.

In Asia we observed an extremely dynamic development on the various markets. In Malaysia and Shanghai, for example, we noted strong demand with promising business opportunities in the morbidity sector. In Korea we were successful in writing life reinsurance business. What is more, our new branch in India commenced its operational activities.

Viewed from an overall perspective, life and health reinsurance in Australia, Africa as well as the Middle East and Scandinavian markets developed in line with our expectations. In addition, we received very positive feedback from our customers on our two underwriting tools hr | ReFlex and hr | Quirc.

Gross premium income of EUR 1.7 billion (EUR 1.8 billion) was generated in life and health reinsurance as at 31 March 2017, equivalent to a modest decline of 1.7%. The decrease would have similarly been 1.7% adjusted for exchange rate effects. The level of retained premium stood at 91.3% (90.5%). Net premium earned consequently fell slightly by 0.9% to EUR 1.6 billion (EUR 1.6 billion). At constant exchange rates, a contraction of 1.3% would have been booked.

Investment income from our assets under own management rose by 3.2% to EUR 80.6 million (EUR 78.1 million). Income from securities held for our account by ceding companies fell slightly short of the previous year's level at EUR 67.7 million (EUR 79.5 million).

The operating result (EBIT) totalled EUR 89.8 million (EUR 105.5 million), a drop of 14.9% compared to the previous year's strong performance. This decline can be attributed principally to the comparatively poorer result of the existing book of US mortality business. With an EBIT margin of 33.0% financial solutions business comfortably beat the 2% target. For longevity business, too, the 2% target was fulfilled with an EBIT margin of 2%. Mortality and morbidity business delivered an EBIT margin of 0.9%, thereby failing to reach the targeted 6% mark. Group net income contracted by 22.2% to EUR 60.6 million (EUR 77.9 million). Earnings per share amounted to EUR 0.50 (EUR 0.65).

Key figures for life and health reinsurance

in EUR million	2017		2016
	1.1.–31.3.	+/– previous year	1.1.–31.3.
Gross written premium	1,731.9	-1.7%	1,761.4
Net premium earned	1,566.4	-0.9%	1,580.7
Investment income	148.3	-5.9%	157.6
Operating result (EBIT)	89.8	-14.9%	105.5
Net income after tax	60.6	-22.2%	77.9
Earnings per share in EUR	0.50	-22.2%	0.65
Retention	91.3%		90.5%
EBIT margin [1]	5.7%		6.7%

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

Investments

- High-quality diversified investment portfolio maintained
- Ordinary investment income exceeds previous year's level
- Return on investment at 3.0% well on track to meet year-end target

Despite widespread disquiet on both the geopolitical level and in domestic political spheres, the investment environment was nevertheless relatively stable in the period under review; it was, however, notable for a continued low interest rate level and relatively low risk premiums on corporate bonds. While modest yield increases were widely observed on German government bonds, the general level of rates was still very low overall. German government bonds continue to be sold at negative returns well into the medium maturity segment. In the case of US Treasuries, a slight rotation of the yield curve was observed overall against a backdrop of modest yield declines in the medium to long maturity ranges.

Credit spreads on European and US corporate bonds were very largely stable in most rating classes, with the result that they too remained on a stubbornly low level overall. In total, the unrealised gains on our fixed-income securities as at 31 March 2017 increased slightly to EUR 1,119.9 million (EUR 1,098.1 million). After the already significant growth recorded in 2016, our portfolio of assets under own management increased to EUR 42.0 billion (31 December 2016: EUR 41.8 billion). We scarcely changed the allocation of our assets to the individual classes of securities in the first quarter. The reorganisation of the rating structure of our USD fixed-income portfolio was partially suspended because we considered the risk/return ratio of some classes of securities in the lower rating segment to be no longer adequate. We shall observe the development of the market here before potentially continuing with this move. In the other classes of securities and on the euro side, where the situation is more attractive in this regard, we pressed ahead with the restructuring accordingly. In this way we shall be 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 stable returns. In addition, we modestly reduced our real estate portfolio by selling an office property in the United States. Compared to the previous year, we adjusted the modified duration of our portfolio of fixed-income securities merely insignificantly to 4.9 (5.0).

Ordinary investment income excluding interest on funds withheld and contract deposits came in higher as at 31 March 2017 than in the comparable period at EUR 319.1 million (EUR 268.5 million). Particularly bearing in mind the continued low level of interest rates, it is highly gratifying that we were able to more than offset the diminished return on our fixed-income securities with what was – by first quarter standards – very strong income from private equity and real estate. Interest on funds withheld and contract deposits retreated to EUR 72.9 million (EUR 83.5 million).

Impairments of altogether just EUR 10.9 million (EUR 13.9 million) were taken. Of this amount, EUR 1.0 million (EUR 4.2 million) was attributable to alternative investments; impairments of EUR 0.4 million (EUR 2.0 million) were recognised on equities. No impairments (EUR 0.7 million) were taken on fixed-income securities. Scheduled depreciation on directly held real estate increased slightly to EUR 7.4 million (EUR 6.9 million), a reflection of our ongoing growing involvement in this area. The impairments were not opposed by any write-ups (EUR 0.1 million).

The net balance of gains realised on disposals stood at EUR 24.1 million (EUR 43.6 million) and was in large measure attributable to regrouping activities as part of regular portfolio maintenance.

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 unrealised gains of EUR 1.3 million (loss of -EUR 1.4 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 provides no insight into the actual business development. Altogether, the unrealised gains in our assets recognised at fair value through profit or loss amounted to EUR 10.9 million. This contrasted with unrealised gains of EUR 10.5 million in the corresponding period of the previous year.

Despite a diminished return on our fixed-income securities and lower realised gains, we generated investment income of EUR 392.9 million – a pleasing improvement on the comparable period (EUR 366.2 million) made possible by stronger ordinary income from real estate and private equity. Income from assets under own management accounted for an amount of EUR 320.0 million (EUR 282.7 million), producing an annualised average return (excluding effects from derivatives) of 3.0%. This puts us well on track to achieve our expected target of 2.7% for the full year.

Net investment income

in EUR million	2017		2016
	1.1.–31.3.	+/– previous year	1.1.–31.3.
Ordinary investment income[1]	319.1	+18.9%	268.5
Result from participations in associated companies	4.4		0.7
Realised gains/losses	24.1	-44.7%	43.6
Appreciation	–		0.1
Depreciation, amortisation, impairments[2]	10.9	-21.6%	13.9
Change in fair value of financial instruments[3]	10.9	+4.6%	10.5
Investment expenses	27.6	+3.5%	26.7
Net investment income from assets under own management	320.0	+13.2%	282.7
Net investment income from funds withheld and contract deposits	72.9	-12.8%	83.5
Total investment income	**392.9**	**+7.3%**	**366.2**

[1] Excluding income and 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	77.3	9,150.8	65.8	4,755.8	1.0	128.9	66.4	2,303.1
AA	11.7	1,385.8	27.7	1,998.1	13.4	1,742.2	14.5	501.6
A	5.1	605.9	2.3	165.3	33.5	4,346.8	5.7	198.2
BBB	4.2	494.5	1.1	81.0	43.0	5,567.2	9.0	312.1
< BBB	1.7	200.3	3.1	222.7	9.1	1,183.1	4.4	152.9
Total	**100.0**	**11,837.3**	**100.0**	**7,222.9**	**100.0**	**12,968.2**	**100.0**	**3,468.0**

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

Outlook

- Positive business prospects for 2017
- Gross premium volume in total business expected to grow by a low single-digit percentage
- Targeted return on investment of 2.7% for assets under own management
- Group net income forecast to exceed EUR 1 billion

Despite the challenging business conditions facing the international (re)insurance industry and the protracted low level of interest rates, Hannover Re expects to continue operating with sustained success even in this difficult environment. Thanks to gross premium that exceeded our expectations, we raised our gross premium target for total business in February: we now anticipate an increase in the low single-digit percentage range for 2017.

In property and casualty reinsurance, which remains intensely competitive, we shall continue our selective underwriting policy and write only business that satisfies our margin requirements. In the treaty renewals as at 1 April 2017 we again adhered to this strategy. It is at this time of the year that all Japanese business is traditionally renegotiated; treaties also come up for renewal – albeit on a lesser scale – in Australia, New Zealand, Asian markets and North America. Faced with predominantly soft market conditions, we essentially concentrated on our existing business so as to safeguard the continued good quality of our property and casualty reinsurance portfolio.

In Japan rates slipped again in property business, although the decline was more moderate than it had been in previous rounds of renewals. We slightly reduced our premium volume here. In liability reinsurance, on the other hand, we were able to push through substantial rate increases on account of past losses. This resulted in additional premium income. In New Zealand the earthquake that occurred in November 2016 served to halt the trend towards declining rates, with modest premium increases even recorded under loss-impacted programmes. In India we were able to write business locally for the first time out of our new branch. In view of the soft market we did so selectively, as a consequence of which the premium volume remained broadly stable.

The renewal of part of our North American business passed off highly satisfactorily for our company. As was already evident at the time of the 1 January 2017 renewals, the pressure on rates has eased appreciably across the various lines of business. Both on the property side and in the casualty sector we achieved largely stable prices. Moderate reductions were recorded for loss-free, profitable programmes.

For the full 2017 financial year we anticipate modest growth in property and casualty reinsurance based on unchanged exchange rates. This will be driven above all by stronger demand for structured reinsurance solutions. Even though market conditions in property and casualty reinsurance are likely to remain soft, we are looking to post a good underwriting result. 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%.

In worldwide life and health reinsurance we anticipate promising business opportunities in the various markets. Adjusted for exchange rate effects, gross premium income is expected to show moderate organic growth. It should be borne in mind here that changes affecting specific very high-volume treaties can have significant implications for the business volume that may be reflected in either increased or decreased premium. The value of new business is expected to exceed EUR 220 million. Our target EBIT margins remain unchanged at 2% for financial solutions and longevity business and 6% for mortality and morbidity business.

With regard to our IVC targets – which we use to map economic value creation –, we are aiming for at least 2% xRoCA in property and casualty reinsurance and at least 3% xRoCA 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. In the area of fixed-income securities we continue to emphasise the high quality and diversification of our portfolio. As far as the allocation of our investments to the individual asset classes is concerned, we are planning – aside from the temporary exceptions on the USD side already discussed – to further expand our holdings of fixed-income securities rated BBB or slightly lower while at the same time enlarging our portfolio of government bonds.

Similarly, we shall further expand our exposure in the real estate sector as attractive openings arise. Overall, the primary focus will remain on stability while maintaining an adequate risk / return ratio that will enable us to respond flexibly to general developments and emerging opportunities. For 2017 we are targeting a return on investment of 2.7%.

Having successfully written several financial solutions treaties in life and health reinsurance, we raised our guidance at the beginning of the year for Group net income in 2017 from more than EUR 950 million to more than EUR 1 billion. This continues to be subject to the premise that the burden of major losses does not significantly exceed the budgeted level and that there are no unforeseen distortions on capital markets.

Hannover Re envisages a payout ratio for the dividend in the range of 35% to 40% of its IFRS Group net income. If the comfortable level of capitalisation remains unchanged, this figure will increase in light of capital management considerations.

Consolidated balance sheet as at 31 March 2017

Assets in EUR thousand	31.3.2017	31.12.2016
Fixed-income securities – held to maturity	362,765	484,955
Fixed-income securities – loans and receivables	2,486,484	2,563,594
Fixed-income securities – available for sale	32,406,397	32,182,173
Fixed-income securities – at fair value through profit or loss	240,703	239,917
Equity securities – available for sale	967,125	905,307
Other financial assets – at fair value through profit or loss	81,935	57,665
Real estate and real estate funds	1,711,719	1,792,919
Investments in associated companies	115,037	114,633
Other invested assets	1,782,147	1,764,678
Short-term investments	827,338	838,987
Cash and cash equivalents	1,050,485	848,667
Total investments and cash under own management	**42,032,135**	**41,793,495**
Funds withheld	11,919,092	11,673,259
Contract deposits	187,126	170,505
Total investments	**54,138,353**	**53,637,259**
Reinsurance recoverables on unpaid claims	1,440,145	1,506,292
Reinsurance recoverables on benefit reserve	1,095,701	1,189,420
Prepaid reinsurance premium	192,469	134,927
Reinsurance recoverables on other technical reserves	12,311	12,231
Deferred acquisition costs	2,219,079	2,198,089
Accounts receivable	3,980,485	3,678,030
Goodwill	64,655	64,609
Deferred tax assets	332,550	408,292
Other assets	715,794	674,389
Accrued interest and rent	9,344	9,978
Assets held for sale	15,086	15,086
Total assets	**64,215,972**	**63,528,602**

Liabilities in EUR thousand	31.3.2017	31.12.2016
Loss and loss adjustment expense reserve	28,296,026	28,129,418
Benefit reserve	10,204,177	10,289,854
Unearned premium reserve	3,735,132	3,340,651
Other technical provisions	372,850	362,390
Funds withheld	1,078,333	1,234,073
Contract deposits	4,401,798	4,298,343
Reinsurance payable	1,079,462	1,216,036
Provisions for pensions	182,061	180,680
Taxes	430,724	409,023
Deferred tax liabilities	1,818,279	1,842,973
Other liabilities	815,394	680,396
Long-term debt and subordinated capital	1,761,422	1,804,218
Total liabilities	**54,175,658**	**53,788,055**
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	1,006,653	904,196
Cumulative foreign currency translation adjustment	627,430	680,082
Changes from hedging instruments	(1,695)	(6,703)
Other changes in cumulative other comprehensive income	(53,740)	(53,778)
Total other comprehensive income	**1,578,648**	**1,523,797**
Retained earnings	6,893,075	6,628,274
Equity attributable to shareholders of Hannover Rück SE	**9,316,882**	**8,997,230**
Non-controlling interests	723,432	743,317
Total shareholders' equity	**10,040,314**	**9,740,547**
Total liabilities and shareholders' equity	**64,215,972**	**63,528,602**

Consolidated statement of income as at 31 March 2017

in EUR thousand	1.1.–31.3.2017	1.1.–31.3.2016
Gross written premium	4,546,619	4,263,586
Ceded written premium	471,080	470,806
Change in gross unearned premium	(400,364)	(303,669)
Change in ceded unearned premium	56,966	52,907
Net premium earned	**3,732,141**	**3,542,018**
Ordinary investment income	319,089	268,463
Profit/loss from investments in associated companies	4,388	665
Realised gains and losses on investments	24,083	43,578
Change in fair value of financial instruments	10,945	10,467
Total depreciation, impairments and appreciation of investments	10,865	13,763
Other investment expenses	27,650	26,715
Net income from investments under own management	**319,990**	**282,695**
Income/expense on funds withheld and contract deposits	72,890	83,550
Net investment income	**392,880**	**366,245**
Other technical income	808	204
Total revenues	**4,125,829**	**3,908,467**
Claims and claims expenses	2,862,447	2,681,301
Change in benefit reserves	(43,214)	(24,844)
Commission and brokerage, change in deferred acquisition costs	827,541	750,662
Other acquisition costs	8,242	3,836
Other technical expenses	841	342
Administrative expenses	100,504	94,906
Total technical expenses	**3,756,361**	**3,506,203**
Other income and expenses	30,410	4,406
Operating profit (EBIT)	**399,878**	**406,670**
Interest on hybrid capital	17,708	17,847
Net income before taxes	**382,170**	**388,823**
Taxes	95,785	101,961
Net income	**286,385**	**286,862**
thereof		
Non-controlling interest in profit and loss	21,584	15,685
Group net income	**264,801**	**271,177**
Earnings per share (in EUR)		
Basic earnings per share	2.20	2.25
Diluted earnings per share	2.20	2.25

Consolidated statement of comprehensive income as at 31 March 2017

in EUR thousand	1.1.–31.3.2017	1.1.–31.3.2016
Net income	**286,385**	**286,862**
Not reclassifiable to the consolidated statement of income		
Actuarial gains and losses		
Gains (losses) recognised directly in equity	(1,056)	(22,486)
Tax income (expense)	337	7,335
	(719)	**(15,151)**
Income and expense recognised directly in equity that cannot be reclassified		
Gains (losses) recognised directly in equity	(1,056)	(22,486)
Tax income (expense)	337	7,335
	(719)	**(15,151)**
Reclassifiable to the consolidated statement of income		
Unrealised gains and losses on investments		
Gains (losses) recognised directly in equity	131,002	440,056
Transferred to the consolidated statement of income	(20,042)	(41,120)
Tax income (expense)	(3,718)	(100,029)
	107,242	**298,907**
Currency translation		
Gains (losses) recognised directly in equity	(54,255)	(247,045)
Tax income (expense)	128	5,204
	(54,127)	**(241,841)**
Changes from the measurement of associated companies		
Gains (losses) recognised directly in equity	2	–
Transferred to the consolidated statement of income	–	(1,251)
	2	**(1,251)**
Changes from hedging instruments		
Gains (losses) recognised directly in equity	5,386	(5,322)
Tax income (expense)	(377)	520
	5,009	**(4,802)**
Reclassifiable income and expense recognised directly in equity		
Gains (losses) recognised directly in equity	82,135	187,689
Transferred to the consolidated statement of income	(20,042)	(42,371)
Tax income (expense)	(3,967)	(94,305)
	58,126	**51,013**
Total income and expense recognised directly in equity		
Gains (losses) recognised directly in equity	81,079	165,203
Transferred to the consolidated statement of income	(20,042)	(42,371)
Tax income (expense)	(3,630)	(86,970)
	57,407	**35,862**
Total recognised income and expense	**343,792**	**322,724**
thereof		
Attributable to non-controlling interests	24,141	19,412
Attributable to shareholders of Hannover Rück SE	319,651	303,312

Group segment report as at 31 March 2017

Segmentation of assets

in EUR thousand	Property and casualty reinsurance 31.3.2017	Property and casualty reinsurance 31.12.2016
Assets		
Fixed-income securities – held to maturity	277,265	342,793
Fixed-income securities – loans and receivables	2,455,027	2,539,270
Fixed-income securities – available for sale	24,425,519	24,337,185
Equity securities – available for sale	967,125	905,307
Financial assets at fair value through profit or loss	68,085	73,352
Other invested assets	3,335,055	3,391,140
Short-term investments	303,414	259,598
Cash and cash equivalents	755,951	579,112
Total investments and cash under own management	**32,587,441**	**32,427,757**
Funds withheld	1,343,595	1,263,533
Contract deposits	(103)	(105)
Total investments	**33,930,933**	**33,691,185**
Reinsurance recoverables on unpaid claims	1,174,342	1,250,770
Reinsurance recoverables on benefit reserve	–	–
Prepaid reinsurance premium	191,391	133,858
Reinsurance recoverables on other reserves	563	3,590
Deferred acquisition costs	797,072	758,429
Accounts receivable	2,655,595	2,130,342
Other assets in the segment	1,030,912	1,115,251
Assets held for sale	15,086	15,086
Total assets	**39,795,894**	**39,098,511**

Segmentation of liabilities

in EUR thousand		
Liabilities		
Loss and loss adjustment expense reserve	23,979,880	24,010,367
Benefit reserve	–	–
Unearned premium reserve	3,551,502	3,171,056
Provisions for contingent commissions	134,102	127,865
Funds withheld	397,905	456,877
Contract deposits	658	(3,628)
Reinsurance payable	763,583	675,669
Long-term liabilities	270,287	313,378
Other liabilities in the segment	2,343,614	2,150,083
Total liabilities	**31,441,531**	**30,901,667**

Life and health reinsurance		Consolidation		Total	
31.3.2017	31.12.2016	31.3.2017	31.12.2016	31.3.2017	31.12.2016
80,500	134,045	5,000	8,117	362,765	484,955
31,457	24,324	–	–	2,486,484	2,563,594
7,974,100	7,831,889	6,778	13,099	32,406,397	32,182,173
–	–	–	–	967,125	905,307
254,553	224,230	–	–	322,638	297,582
207,807	210,413	66,041	70,677	3,608,903	3,672,230
523,924	565,899	–	13,490	827,338	838,987
289,202	267,623	5,332	1,932	1,050,485	848,667
9,361,543	**9,258,423**	**83,151**	**107,315**	**42,032,135**	**41,793,495**
10,575,497	10,409,726	–	–	11,919,092	11,673,259
187,229	170,610	–	–	187,126	170,505
20,124,269	**19,838,759**	**83,151**	**107,315**	**54,138,353**	**53,637,259**
265,997	255,716	(194)	(194)	1,440,145	1,506,292
1,095,701	1,189,420	–	–	1,095,701	1,189,420
1,204	1,069	(126)	–	192,469	134,927
11,748	8,641	–	–	12,311	12,231
1,422,007	1,439,660	–	–	2,219,079	2,198,089
1,324,890	1,547,740	–	(52)	3,980,485	3,678,030
907,014	723,648	(815,583)	(681,631)	1,122,343	1,157,268
–	–	–	–	15,086	15,086
25,152,830	25,004,653	(732,752)	(574,562)	64,215,972	63,528,602

4,316,340	4,119,245	(194)	(194)	28,296,026	28,129,418
10,204,177	10,289,854	–	–	10,204,177	10,289,854
183,630	169,595	–	–	3,735,132	3,340,651
238,748	234,525	–	–	372,850	362,390
680,428	777,196	–	–	1,078,333	1,234,073
4,401,140	4,301,971	–	–	4,401,798	4,298,343
315,154	539,581	725	786	1,079,462	1,216,036
–	–	1,491,135	1,490,840	1,761,422	1,804,218
1,697,397	1,659,712	(794,553)	(696,723)	3,246,458	3,113,072
22,037,014	22,091,679	697,113	794,709	54,175,658	53,788,055

Segment statement of income

in EUR thousand	Property and casualty reinsurance 1.1.–31.3.2017	Property and casualty reinsurance 1.1.–31.3.2016
Gross written premium	2,814,721	2,502,137
thereof		
From insurance business with other segments	–	–
From insurance business with external third parties	2,814,721	2,502,137
Net premium earned	2,165,747	1,961,310
Net investment income	243,388	207,167
thereof		
Change in fair value of financial instruments	554	(1,957)
Total depreciation, impairments and appreciation of investments	10,857	13,755
Income/expense on funds withheld and contract deposits	5,156	4,075
Claims and claims expenses	1,472,695	1,316,531
Change in benefit reserve	–	–
Commission and brokerage, change in deferred acquisition costs and other technical income/expenses	553,618	496,244
Administrative expenses	48,762	48,229
Other income and expenses	(24,252)	(7,812)
Operating profit/loss (EBIT)	**309,808**	**299,661**
Interest on hybrid capital	–	–
Net income before taxes	**309,808**	**299,661**
Taxes	76,561	80,538
Net income	**233,247**	**219,123**
thereof		
Non-controlling interest in profit or loss	17,881	14,809
Group net income	**215,366**	**204,314**

Life and health reinsurance		Consolidation		Total	
1.1.–31.3.2017	1.1.–31.3.2016	1.1.–31.3.2017	1.1.–31.3.2016	1.1.–31.3.2017	1.1.–31.3.2016
1,731,898	1,761,397	–	52	4,546,619	4,263,586
–	(52)	–	52	–	–
1,731,898	1,761,449	–	–	4,546,619	4,263,586
1,566,352	1,580,659	42	49	3,732,141	3,542,018
148,324	157,578	1,168	1,500	392,880	366,245
10,440	12,424	(49)	–	10,945	10,467
8	8	–	–	10,865	13,763
67,734	79,475	–	–	72,890	83,550
1,389,752	1,365,098	–	(328)	2,862,447	2,681,301
(43,214)	(24,855)	–	11	(43,214)	(24,844)
282,198	258,391	–	1	835,816	754,636
51,656	46,616	86	61	100,504	94,906
55,487	12,544	(825)	(326)	30,410	4,406
89,771	**105,531**	**299**	**1,478**	**399,878**	**406,670**
–	–	17,708	17,847	17,708	17,847
89,771	**105,531**	**(17,409)**	**(16,369)**	**382,170**	**388,823**
25,466	26,799	(6,242)	(5,376)	95,785	101,961
64,305	**78,732**	**(11,167)**	**(10,993)**	**286,385**	**286,862**
3,703	876	–	–	21,584	15,685
60,602	**77,856**	**(11,167)**	**(10,993)**	**264,801**	**271,177**

Consolidated cash flow statement as at 31 March 2017

in EUR thousand	1.1.–31.3.2017	1.1.–31.3.2016[1]
I. Cash flow from operating activities		
Net income	286,385	286,862
Appreciation/depreciation	1,374	19,477
Net realised gains and losses on investments	(24,083)	(43,578)
Change in fair value of financial instruments (through profit or loss)	(10,945)	(10,467)
Realised gains and losses on deconsolidation	–	(1,387)
Amortisation of investments	13,396	20,165
Changes in funds withheld	(444,377)	58,330
Net changes in contract deposits	117,997	(137,071)
Changes in prepaid reinsurance premium (net)	343,210	253,270
Changes in tax assets/provisions for taxes	45,022	1,827
Changes in benefit reserve (net)	41,818	(249,866)
Changes in claims reserves (net)	307,640	344,755
Changes in deferred acquisition costs	(13,359)	(3,186)
Changes in other technical provisions	9,516	21
Changes in clearing balances	(424,978)	(266,978)
Changes in other assets and liabilities (net)	140,501	12,113
Cash flow from operating activities	**389,117**	**284,287**
II. Cash flow from investing activities	**(98,170)**	**(38)**
III. Cash flow from financing activities	**(84,583)**	**(41,171)**
IV. Exchange rate differences on cash	**(4,546)**	**(14,213)**
Cash and cash equivalents at the beginning of the period	**848,667**	**820,995**
Change in cash and cash equivalents (I.+II.+III.+IV.)	**201,818**	**228,865**
Cash and cash equivalents at the end of the period	**1,050,485**	**1,049,860**
Supplementary information on the cash flow statement[2]		
Income taxes paid (on balance)	(56,993)	(66,665)
Dividend receipts[3]	54,309	18,593
Interest received	414,069	406,936
Interest paid	(62,188)	(31,850)

[1] Adjusted pursuant to IAS 8, cf. Group annual financial report 2016

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

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

Other information

The present document is a quarterly statement pursuant to Section 51a of the Exchange Rules for the Frankfurter Wertpapierbörse (BörsO FWB). 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 and released for publication by a resolution of the Executive Board on 26 April 2017. 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:	31.3.2017	31.12.2016	1.1.–31.3.2017	1.1.–31.3.2016
	Mean rate of exchange on the balance sheet date		Average rate of exchange	
AUD	1.3969	1.4591	1.4136	1.5103
BHD	0.4027	0.3972	0.4011	0.4155
CAD	1.4259	1.4191	1.4116	1.5001
CNY	7.3604	7.3206	7.3381	7.1914
GBP	0.8559	0.8553	0.8562	0.7701
HKD	8.3027	8.1753	8.2586	8.5686
INR	69.3112	71.6081	71.1211	74.0983
KRW	1,194.5800	1,266.9800	1,226.6875	1,309.5438
MYR	4.7284	4.7293	4.7298	4.5576
SEK	9.5348	9.5524	9.5246	9.2732
USD	1.0685	1.0540	1.0640	1.1031
ZAR	14.2357	14.4632	14.2317	17.1500

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