Quarterly statement as at 30 September 2017

Business development

- Currency-adjusted gross premium growth slightly higher than planned
- Third quarter dominated by heavy incidence of catastrophe losses
- Investment income significantly above return expectations

Our business result as at 30 September 2017 is significantly impacted by a higher-than-average incidence of catastrophe losses. After several years of below-average hurricane seasons in North America and the Caribbean, three events all recorded in the third quarter of 2017 produced exceptionally heavy losses for the insurance industry and for Hannover Re. Not only that, the Group's result was also adversely affected by the severe earthquakes in Mexico.

Group net income in the third quarter benefited from the disposal of our listed equities, through which we generated substantial liquidation proceeds. In the first place, this move enabled us to reduce our risk positions. Secondly, we can now use the capital thereby released in order to act on improvements in conditions that open up in property and casualty reinsurance as a consequence of the natural catastrophe events.

In July 2017 the acquisition of the UK holding company Argenta Holdings Limited was also successfully completed. By means of this acquisition Hannover Re has gained additional access to international business and the London Market.

Gross written premium continued to develop positively as at 30 September 2017, rising by 8.3% in total business to EUR 13.5 billion (EUR 12.5 billion). At constant exchange rates the increase would have been 9.5%. We are thus very much in line with our expectations for the full year. The level of retained premium rose to 90.1% (89.6%). Net premium earned grew by 7.2% to EUR 11.5 billion (EUR 10.8 billion), equivalent to an increase of 8.4% adjusted for exchange rate effects.

In view of the challenging environment we are thoroughly satisfied with the development of our investments in the first nine months. While the portfolio of assets under own management contracted in this period to EUR 40.2 billion (31 December 2016: EUR 41.8 billion) on account of exchange rate effects and the dividend payout, ordinary investment income nevertheless showed a pleasing increase of 10.6% year-on-year to reach EUR 942.6 million (EUR 852.0 million). This reflects, in particular, the rather high income booked from private equity and real estate.

Interest on funds withheld and contract deposits fell to EUR 180.1 million (EUR 249.9 million). Net realised gains were substantially above the level of the previous year's period (EUR 153.6 million) at EUR 343.3 million. This can be attributed in large measure to the liquidation of our equity portfolio. Our financial assets measured at fair value through profit or loss gave rise to net gains of EUR 22.1 million (EUR 29.2 million) in the period under review. The impairments taken in the reporting period were once again only very minimal. Income from investments under own management rose by 34.1% to EUR 1,202.4 million (EUR 896.5 million) as at 30 September 2017. We were able to more than make up for the challenging interest rate environment, primarily through increased income from realised gains and alternative investments.

The operating profit (EBIT) for the Hannover Re Group as at 30 September 2017 declined by 32.3% on account of the considerable large loss expenditure to stand at EUR 806.4 million (EUR 1,191.1 million). Group net income totalled EUR 548.9 million (EUR 791.9 million). Earnings per share came in at EUR 4.55 (EUR 6.57).

Hannover Re's shareholders' equity decreased to EUR 8.2 billion as at 30 September 2017 (31 December 2016: EUR 9.0 billion). The book value per share stood at EUR 68.00 (31 December 2016: EUR 74.61). The annualised return on equity amounted to 8.5% as at 30 September 2017 (31 December 2016: 13.7%).