



Ulrich Wallin,
Chairman of the
Executive Board

Dear shareholders, ladies and gentlemen,

The headline for our strategy, as we have already stated, reads “Long-term success in a competitive business”. The development of our business in the first nine months of the current year reflects this strategic motto very well. Competition in our two business groups of Property & Casualty and Life & Health reinsurance remains very intense. Furthermore, the sustained low interest rate environment continues to put pressure on our investment income. Nevertheless, we were able to boost the already very good result of the previous year’s comparable period by another 13 percent to EUR 786 million. The basis of this improved performance consists in part of the remarkable growth in our gross premium income, which gained 10 percent adjusted for exchange rate effects. It is pleasing to note that both Property & Casualty and Life & Health reinsurance made positive contributions to the premium growth as well as the increased profitability. The results posted in the two business groups received substantial support from the investment income, which was again highly satisfactory. Investment income from assets under own management grew by more than 11 percent to EUR 932 million.

A particularly notable highlight in the third quarter was the Federal Financial Supervisory Authority’s approval of our internal capital model for calculation of the capital requirements for underwriting and investment risks under Solvency II. Effective 1 January 2016, therefore, we are permitted to use our internal capital model to determine the solvency of the Hannover Re Group under the Solvency II regime. This is in conformity with our risk management approach, under which the company’s acceptance of risks has for some years now been managed in accordance with our internal capital model.

I would like now to take a somewhat closer look at the development of our two business groups and the investment portfolio:

In Property & Casualty reinsurance we continue to see fierce competition, as a consequence of which reinsurance prices have been broadly declining for some time now. We also noted, however, that in the mid-year renewals, i. e. as at 1 June and 1 July, the rate erosion was somewhat more modest than it had been twelve months earlier. This is due in part to stronger demand for reinsurance, especially in relation to natural catastrophe risks. Although it is too soon to identify a trend reversal here, it nevertheless justifies the expectation that reinsurance prices may show further tendencies towards stabilisation in the renewals as at 1 January 2016.

The strain on reinsurance markets from natural catastrophe losses was once again very slight in the first nine months of the current year, and natural catastrophe reinsurance continues to deliver very healthy profits. There can be no doubt that this is a major driver of the protracted soft market.

On the other hand, a sizeable number of large losses not caused by natural disasters were observed in the period under review. These primarily involve fire and marine losses, with the largest single event being the devastating series of explosions at the Port of Tianjin in China. Against this backdrop, the net expenditure for major losses incurred by your company as at 30 September 2015 increased from EUR 242 million in the comparable period to EUR 436 million. This figure is, however, still comfortably within our pro-rata major loss budget for the period in question. We were therefore able to keep the combined ratio broadly stable at 95.5 percent (previous year: 95.3 percent). In view of the considerable increase in premium volume, this also meant that the underwriting profit rose by 12 percent. The other earnings indicators also fared well: the operating profit (EBIT) climbed by almost 11 percent to EUR 936 million and Group net income improved by as much as 16 percent to EUR 651 million.

Given the prevailing soft market, the currency-adjusted increase of 10 percent in the gross premium booked in property and casualty reinsurance is particularly remarkable. It can be attributed principally to the stronger demand that we are seeing from our cedants for customised reinsurance solutions. This is reflected in the fact that we have been able to write a number of large-volume new treaties in 2015. For some years now we have also focused especially closely on the reinsurance of agricultural risks, an area in which we have built a team of experts. This business has played a pleasing part in the premium growth. The same is true of our specialty department for the transfer of underwriting risks to capital markets. We were exceptionally successful here in the period under review. In our assessment, therefore, we can assert that our strong growth in property and casualty reinsurance does not run contrary to our practice of cycle management, since it is not the product of an aggressive pricing policy.

In our Life & Health reinsurance business group we increased the net result by almost 7 percent for the period under review to EUR 178 million. This reflects rather contradictory developments in the various business segments. In the area of financing solutions, for example, we achieved very pleasing results – especially in the United States. This was also true of the substantially improved profitability in Australia, where we have largely put behind us the problems associated with the disability portfolio. The performance of the US mortality portfolio, on the other hand, fell short of our expectations, particularly because a substantial block of business acquired in 2009 continues to post poor results. This effect was not entirely offset by the very favourable new business written. Results also deteriorated in the business booked by our branch in France. I am, however, pleased to report that we have successfully implemented improvement measures for those areas of life and health reinsurance that are failing to live up to our expectations. Special mention should be made here of US mortality business, where we closed a transaction in the third quarter that will substantially reduce our collateral costs from the fourth quarter onwards and also promises significantly improved profitability in the coming years.

As demonstrated by the currency-adjusted growth of 10 percent in the premium volume, we are increasingly able to successfully leverage new business opportunities. This is especially true of longevity business, but also applies to – among other things – the reinsurance of so-called lifestyle insurance products, an area in which we have already recorded considerable growth in Australia, South Africa and North America.

The performance of our investments was, as mentioned at the outset, highly satisfactory. Despite the sustained low level of interest rates, we generated an annualised average return on our assets under own management of 3.5 percent. Investment income rose by 12 percent to EUR 932 million. Pleasing increases in regular income from our growing real estate portfolio were particularly significant here. A special effect in life and health reinsurance, which as reported occurred in the first quarter, also played a part. Not least thanks to the continued gratifying positive cash flow, the portfolio of investments increased relative to the position as at 31 December 2014: it climbed from EUR 36.2 billion to EUR 37.7 billion, even though the valuation reserves showed a further decline owing to higher risk premiums on corporate bonds and despite the dividend of EUR 513 million that we paid in the second quarter. Your company's shareholders' equity increased by around 3 percent to EUR 7.7 billion as at 30 September 2015 despite the aforementioned dividend payment. The annualised return on equity stood at a pleasing 13.7 percent and is thus comfortably above our minimum target. The book value per share rose to EUR 64.15.

On announcing the results for the first half-year we had, as you doubtless recall, raised our full-year guidance for Group net income to a figure in the order of EUR 950 million. This target is robustly supported by the very good results for the first nine months. As you are aware, our forecast is always subject to the proviso that major loss expenditure does not significantly exceed the expected level of EUR 690 million and that there are no adverse developments on capital markets.

I would like to thank you – also on behalf of my colleagues on the Executive Board – most sincerely for your trust in Hannover Re. Going forward, as in the past, our paramount concern will be to lead your company responsibly and securely into a future of continued sustained profitability.

Yours sincerely,



Ulrich Wallin
Chairman of the Executive Board