Ulrich Wallin,
Chairman of the
Executive Board

Dear Shareholders,
Ladies and Gentlemen,

The 2015 financial year was an exceptionally successful one for your company. This is reflected firstly in the record profit that we can report for what is now the fourth consecutive time. Even more significant, however, is the fact that in 2015 we were able to substantially strengthen the platform that we have put in place for achieving our financial goals going forward. In property and casualty reinsurance, for example, we again appreciably increased the confidence level of our loss reserves despite the difficult market environment. This should help us to post continued good underwriting results even in the challenging years to come. In life and health reinsurance we further boosted the value of new business and, what is more, we improved the profitability of the existing portfolio by taking targeted actions. We have thus cemented a robust foundation for further increasing the underlying profitability of our life and health reinsurance business. When it comes to our investments, we took purposeful structural steps that should enable us to keep the return on investment broadly stable in absolute terms. This was supported by further considerable growth in the portfolio of assets under own management, facilitated by a sharply higher operating cash flow compared to the previous year.

As our valued shareholders, you can therefore rest assured that your company has established a very good basis for continued success in the coming years, which will be shaped by a challenging general business climate. Our foundation is the successful implementation of our strategic approach geared to "long-term success in a competitive business".

As we consider the highly satisfactory figures more closely, I would like to highlight the increase of around 17 percent in Group net income to EUR 1.15 billion. This is the first time that we can report a net profit for the Group in excess of EUR 1 billion. It is also pleasing to note that despite an intensely competitive market we enlarged our gross premium volume to EUR 17 billion. This is equivalent to currency-adjusted growth of some nine percent. Similarly, your company's shareholders' equity rose by almost seven percent to EUR 8 billion. The average shareholders' equity, the basis on which we calculate the return on equity, actually increased by more than 16 percent. The return on equity nevertheless remained stable at a very pleasing 14.7 percent. This shows that we have succeeded in boosting the profitability of your company in step with the growth in shareholders' equity.

Both on the basis of its capitalisation under the newly implemented solvency regime (Solvency II) and in the assessment of the rating agencies, Hannover Re is comfortably capitalised. With this in mind, we had already distributed a special dividend to you last year with an eye to capital management considerations. In view of the gratifying development of our business, the Executive Board and Supervisory Board intend to propose a further increase in both the basic dividend and the additional special dividend to the Annual General Meeting in May 2016. Consequently, it is envisaged that the total distribution should be raised to EUR 4.75 per share, split into a dividend of EUR 3.25 per share and a special dividend of EUR 1.50 per share. The increase in the basic dividend reflects your company's stronger profitability.

I would also like to mention at this juncture how particularly pleased we were in the context of the new solvency regulations (Solvency II) to receive approval from the Federal Financial Supervisory Authority for the use of our internal capital model to calculate the quantitative solvency for the Hannover Re Group as early as the third quarter of the year under review. In the fourth quarter the same was then also true of the individual companies Hannover Rück SE, E+S Rück and Hannover Re Ireland. We are better able to map the risk structure of our business using our internal model rather than the standard model and hence we can efficiently implement the capital requirements according to Solvency II.

I would now like to explore in greater detail the developments in our business groups of Property & Casualty and Life & Health reinsurance and on the investments side.

The market environment in property and casualty reinsurance remained intensely competitive in the year under review with the associated rate reductions. The key driver here is the fact that natural catastrophe losses were below the expected levels over the past four years, as a consequence of which reinsurers posted generally good results. This prompted an increased inflow of capacity into the markets both from traditional reinsurers as well as in the form of so-called alternative capital from pension funds, hedge funds and other investors. The supply of reinsurance capacity thus rose considerably more sharply than demand.

Thanks to our very good market position Hannover Re nevertheless achieved a business development in the year under review with which we can be thoroughly satisfied. Our long-standing, stable customer relationships and our good ratings were particularly crucial in enabling us to write business selectively and only at conditions that satisfied our margin requirements. Despite this, we boosted the premium volume by eight percent – adjusted for exchange rate effects – to more than EUR 9 billion. What is particularly gratifying is that the rise in premium income was accompanied by an even more significant increase in the underwriting result to EUR 432 million. The combined ratio improved from 94.7 percent to 94.4 percent. The quality of the underwriting result is also borne out by the fact that the growth was not generated at the expense of the confidence level of our loss reserves. Quite the contrary: the confidence level actually showed further improvement.

The major loss expenditure of EUR 573 million was higher than in 2014, when it came in at EUR 426 million. Nevertheless, this figure was still well below our budgeted level of EUR 690 million. The largest single loss was the devastating series of explosions at the port of the Chinese city of Tianjin, costing EUR 111 million. The operating profit (EBIT) in property and casualty reinsurance grew by almost 13 percent to an exceptionally pleasing EUR 1.3 billion.

We improved the operating result (EBIT) in life and health reinsurance by some 54 percent to EUR 405 million. Our financial solutions business, in particular, played a vital part in this gratifying development. The very good underlying profitability here was bolstered by positive non-recurring effects. Our mortality and morbidity business, on the other hand, incurred negative one-off effects, such as those recorded at our branch in France. In terms of the underwriting result, these effects – which each ran into the mid-double-digit million euro range – largely offset one another; the posted underwriting result is therefore a good reflection of the underlying profitability in the year under review. The special effect of roughly EUR 40 million recognised in investment income in relation to an early termination fee for a cancelled contract will not, however, be so readily repeated in the coming years.

US mortality business, and especially a block of business that we had acquired in 2009, again performed unsatisfactorily. Still, it is pleasing to report that we were able to implement measures in this area that should lead to improved profitability. We substantially reduced the annual collateralisation costs while at the same time raising the reinsurance rates for a number of very poorly performing treaties. This should improve the profit outlook for this segment by an amount in the mid-double-digit millions of euros.

We moved forward on our expansionary course in life and health reinsurance in the financial year just ended. Gross premium adjusted for exchange rate effects rose by around ten percent to EUR 7.7 billion. As already mentioned, this growth went hand-in-hand with an even stronger increase in the earnings figures.

Given that the general business environment is by no means straightforward, we are also highly satisfied with the development of our investment income. The portfolio of assets under own management grew to more than EUR 39 billion, thanks not least to a continued positive cash flow. This is all the more remarkable because the valuation reserves fell again – on the back of higher risk premiums on corporate bonds – and we paid a substantially increased dividend of EUR 513 million. Despite the drop in interest rates, we boosted the investment income from assets under own management by a sizeable 16 percent to EUR 1.3 billion. The key contributory factors here are our increased exposure to real estate as well as income from private equity investments. The net return on assets under own management stood at 3.4 percent and thus came in comfortably better than planned. Including interest on funds withheld and contract deposits, net investment income grew to a very pleasing EUR 1.7 billion, equivalent to growth of 13 percent.

As I mentioned at the outset, your company has entered the current year in a very healthy financial state. In view of the intense competition prevailing in both property & casualty and life & health reinsurance, our primary emphasis for 2016 is on achieving a result that meets our financial targets. Growing our premium volume is less of a priority. With this in mind, it is our expectation that gross premium income will remain stable or may contract slightly. On the other hand, despite the fiercely competitive state of the property and casualty reinsurance market, the combined ratio is expected to again come in below our strategic target of 96 percent. This is subject to the proviso that major losses do not significantly exceed our increased budget of EUR 825 million. In life and health reinsurance the underlying trend of improving results is expected to be sustained in the current year. As far as the profit expectation is concerned, it must of course be borne in mind that we cannot anticipate another positive one-off effect. Turning to the investments, we expect to see further growth in our asset holdings. This should enable us to keep the investment income broadly stable in absolute terms, despite a lower expected return of 2.9 percent.

All in all, we are again expecting to post very good business results for your company in 2016. Provided major losses remain within the bounds of expectations and as long as there are no exceptional distortions on the investment side, we anticipate Group net income in the order of EUR 950 million.

I would like to take this opportunity to thank you, our valued shareholders, most sincerely for your trust – also on behalf of my colleagues on the Executive Board. I would also like to express my appreciation to our employees for their very good and reliable work. Going forward, as in the past, you can rest assured that we shall do everything in our power to safeguard Hannover Re's successful development. It is and will remain our goal to increase the value of your company on a sustainable basis.

Yours sincerely,

Ulrich Wallin
Chairman of the Executive Board