



Ulrich Wallin,  
Chairman of the Executive Board

## Dear Shareholders, Ladies and Gentlemen,

For the tenth consecutive year it is my pleasure to present here the annual financial statement of your company, Hannover Re. I am especially delighted that the 2018 financial year proved to be another successful one for Hannover Re: for the tenth year in a row we are reporting a double-digit return on equity and are able to propose a dividend that can be described as thoroughly attractive in light of the company's market capitalisation.

This should not, however, blind us to the fact that 2018 has also posed special challenges. In life and health reinsurance, for example, we had to absorb a substantial one-time strain from our US mortality portfolio relating to a large block of business acquired at the beginning of 2009. In this regard we were compelled to exercise our right to raise reinsurance rates across a broad front; this led to extensive treaty recaptures, which in turn adversely impacted the statement of income for 2018. Allowing for the necessary release of an expense reserve set aside for the same business, we incurred one-off charges in the order of EUR 200 million before tax. In property and casualty reinsurance, too, we were faced with significant major losses that exceeded – albeit only marginally – our large loss budget. The fact that we still generated Group net income of EUR 1.06 billion can be attributed to the outstanding

success of our capital measures as well as the good underlying quality of our portfolio in both property & casualty and life & health reinsurance. This result marks the third occasion – after 2015 and 2016 – that we have achieved Group net income in excess of EUR 1 billion. The return on equity comfortably outperformed our minimum target of 900 basis points above the risk-free interest rate to reach a level of 12.2 percent. Based on this good performance, the Executive Board and Supervisory Board will propose to the Annual General Meeting that an increased dividend of EUR 5.25 per share should be distributed to you, our valued shareholders, for the 2018 financial year. The total dividend payment is split into an ordinary dividend of EUR 3.75 per share plus an unchanged special dividend of EUR 1.50 per share.

The premium income booked by Hannover Re in the year under review grew to EUR 19.2 billion. This is equivalent to a gain of 11.6 percent adjusted for exchange rate effects and is particularly notable for dynamic expansion in property and casualty reinsurance, where we achieved a currency-adjusted increase of 16.2 percent. In life and health reinsurance, too, we boosted the premium volume by 4.6 percent adjusted for exchange rate effects, an increase that is within our target corridor of 3 to 5 percent per year.

Furthermore, we increased the operating profit (EBIT) in both life & health and property & casualty reinsurance by double-digit percentages. This is all the more remarkable in the case of life and health reinsurance bearing in mind the aforementioned one-time charges.

In 2018, as in prior years, we generated another very pleasing profit contribution from our investments; even in times where the state of capital markets is becoming increasingly difficult and challenging, our asset portfolio has shown itself to be a reliable source of income. The performance of our real estate portfolio has proven to be particularly gratifying. With a return on investment of 3.2 percent from assets under own management we comfortably beat the minimum target of 2.7 percent that we had set ourselves for 2018. This can be attributed not least to the continued very positive cash flow from operating activities, which once again amounted to more than EUR 2 billion in 2018 and was a contributory factor in the favourable development of the investment portfolio.

Shareholders' equity also increased again in 2018 to reach a level of EUR 8.8 billion.

Among all the developments affecting our company in 2018, it is with our deepest regret that we must report one very sad event. Jürgen Gräber, a long-standing member of our Executive Board, passed away suddenly and entirely unexpectedly in November 2018. We shall miss Jürgen Gräber as a friend and esteemed colleague, and we shall cherish the memory of his considerable service to Hannover Re.

I would like now to turn my attention to the upcoming 2019 financial year.

Personnel changes are coming to the Executive Board of Hannover Re in 2019. Firstly, at its meeting on 6 March 2019 the Supervisory Board appointed Silke Sehm to Hannover Re's Executive Board. Secondly, Jean-Jacques Henchoz has been appointed as a member of Hannover Re's Executive Board with effect from 1 April 2019 and – in accordance with an appropriate resolution adopted by the Supervisory Board – he will take the reins as Chief Executive Officer following the end of the Annual General Meeting on 8 May 2019. Ms. Sehm has served Hannover Re as an accomplished senior executive for many years and, most notably, she has been exceptionally successful in developing the area of structured reinsurance solutions. With the addition of Mr. Henchoz we have been able to recruit a proven expert with a long-standing track record in reinsurance to join our ranks at Hannover Re. I have no doubt that in its new composition the Executive Board of Hannover Re will assure the sustained success of your company going forward, as it has in the past.

As 2019 got underway HDI Global Specialty SE, the joint venture undertaken by our specialty insurer Inter Hannover SE and HDI Global SE, commenced its business operations. We are convinced that Inter Hannover SE, which is at the heart of this joint venture, will be able to grow even more successfully in this new configuration. As Hannover Re, we are now in a position to focus on our core business of reinsurance. At the same time, we shall continue to participate in the development of the company's specialty business through a corresponding quota share reinsurance arrangement, and we can thus expect to share in the company's successful development on a long-term basis.

The renewal season in property and casualty reinsurance as at 1 January 2019 once more passed off very successfully for Hannover Re. Despite the competitive pressure that remains in place, we were able to moderately improve the premium quality of the renewed business. Growth was again very vigorous, coming in at 15.4 percent in relation to our portfolio of traditional property and casualty reinsurance.

In life and health reinsurance we expect to see a substantial surge in profitability for 2019. This is because, thanks to the portfolio management actions successfully implemented in 2018, the strains on this business will be substantially lighter in 2019. The good underlying quality of our book of worldwide life and health reinsurance as well as our US financial solutions business will therefore be more clearly reflected in the result.

In view of the sustained positive cash flow that we expect to generate from the technical account and the investments themselves, our asset portfolio should continue to grow. Against a backdrop of further single-digit percentage growth in the premium volume, we anticipate Group net income in the order of EUR 1.1 billion for the current financial year. This guidance is subject to the proviso that major loss expenditure does not significantly exceed the budgeted amount of EUR 875 million and assumes that there are no unforeseen distortions on the capital markets.

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. A special word of thanks goes to our employees for their successful, very good and responsible work. Without them, Hannover Re's achievements would not have been possible.

Yours sincerely,



Ulrich Wallin  
Chairman of the Executive Board