Ulrich Wallin
Chairman of the
Executive Board

Dear shareholders, ladies and gentlemen,

In the first quarter of 2013 your company generated another good result with a net profit of EUR 221 million. As already announced in the fourth quarter of last year, we anticipate Group net income after tax in the region of EUR 800 million for the 2013 financial year. The result for the first three months of the year can therefore be seen as a first successful step towards accomplishment of this goal. The key factors in this pleasing performance are a very good underwriting profit in non-life reinsurance and a solid result in our life and health reinsurance business. Investment income, on the other hand, came in lower, although it is well within our expectations for the full year. Furthermore, while the result benefited from the low incidence of major losses in the reporting period, it does not contain any significant non-recurring or special effects.

I would like now to fill in some details for you about the development of our business in the year to date:

In non-life reinsurance, our largest business group, the generally good results posted by reinsurers in 2012 led to a more competitive market environment. The supply of reinsurance protection exceeds demand in many areas. The situation has been exacerbated by the fact that some large insurance groups have raised their retentions and hence ceded fewer risks to the reinsurance market. With this in mind, it is remarkable that the rate level of 2012 was largely preserved – on a risk-adjusted basis – in the treaty renewals to date as at 1 January and 1 April. This is another testament to the broadly disciplined approach taken by market players, which can be attributed not least to the declining investment income associated with the protracted period of low interest rates. The losses from Hurricane Sandy in the fourth quarter of the previous year, which caused significant strains for insurers and reinsurers alike, also had a stabilising effect on prices. All in all, then, it may be asserted that the rate level in 2013 should at least match up to the good level of 2012.

In marine business, in particular, we were able to push through substantial rate increases in non-proportional business due to the losses incurred in 2012. In North America, too, the renewals have so far passed off satisfactorily, with price increases observed in both the property and casualty sectors for commercial and industrial risks. Not only that, we also achieved significant price increases in non-proportional motor business in the United Kingdom. Overall, then, we were able to generate further growth in the first quarter of 2013, especially in higher-margin non-proportional reinsurance.

Against this backdrop, we grew our gross premium by 4 percent. Net premium rose by as much as 9 percent. The underwriting result was more than doubled relative to the first quarter of 2012, closing with a profit of some EUR 100 million. This was assisted by the fact that major losses in the first quarter totalled just EUR 13 million and hence stayed well below the expected loss expenditure. It should, however, be borne in mind that in segments with major loss exposure we have set aside IBNR reserves that are geared to the loss expectancy. Although the investment income came in 27 percent lower than in the first quarter of the previous year, the good underwriting result – with a combined ratio of 94 percent – enabled us to boost net income by 1 percent to EUR 175 million.

We are also satisfied with the development of our second business group, life and health reinsurance. In our assessment, life and health business continues to offer attractive growth prospects, especially in the United States, Australia and parts of Europe. As a further factor, especially in emerging markets of Asia and South America, we are seeing rising demand for life and health reinsurance solutions. We have enjoyed a particularly successful start to the current financial year in the area of longevity risks in the United Kingdom: in the first three months we have already closed three transactions to assume pension commitments totalling some GBP 3 billion at attractive conditions. This business alone is expected to deliver gross premium of around GBP 150 million for the current financial year. This also shows that our move last year to concentrate longevity risks in a dedicated business centre is already bearing fruit. From the risk management perspective, too, we consider the assumption of longevity risks attractive because they are negatively correlated with mortality risks and hence improve the diversification of the portfolio.

Based on our successful business activities, especially those described above, we again booked double-digit organic growth in the first quarter of 2013, boosting our gross premium volume by around 12 percent. With an EBIT margin of 6.4 percent and net income of EUR 65 million, profitability is again highly satisfactory and hence supports our profit guidance for the full year.

We can also be satisfied with the development of our investments. Although investment income came in lower, the return on investment from our assets under own management is on a par with our expectations for the full year. The moderate decline in ordinary income is largely due to the protracted low interest rates, which have sharply reduced returns on new investments. Unlike in the corresponding quarter of the previous year, extraordinary investment income was not driven by any significant special effects associated with the fair value changes in the inflation swaps that we have taken out or in the ModCo derivatives, and it consequently declined. The continued low volume of write-downs on investments is gratifying and an affirmation of our prudent, safety-first investment strategy.

The shareholders' equity of your company also continued to grow in the first quarter, rising by 4.3 percent to its current level of EUR 6.3 billion. Based on the sustained positive cash flow, the portfolio of assets under own management increased by EUR 660 million to EUR 32.5 billion. Hannover Re's financial strength was thus further reinforced in the first quarter of 2013.

The results of the first quarter support in every respect our forecast for the full year. We therefore continue to expect gross premium growth in the region of 5 percent for the full 2013 financial year and net income after tax in the order of EUR 800 million. As always, this forecast assumes that there are no unforeseen downturns on capital markets and that major loss expenditure does not significantly exceed the expected level. For 2013 this stands at EUR 625 million.

I would also not wish to omit mention of the fact that on 19 March 2013 your company completed the transformation into a European Company, Societas Europaea (SE). In so doing, we have not only given external expression to our self-image as a European group with worldwide business operations, we have also put in place the necessary conditions for being able to respond flexibly to future legal or regulatory requirements. As we have already reported, your rights as valued shareholders of our company remain unaffected by the conversion to an SE.

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 profitable future.

Yours sincerely,

Ulrich Wallin
Chairman of the Executive Board