Ulrich Wallin,
Chairman of the
Executive Board

Dear shareholders, ladies and gentlemen,

In the first half of 2015 your company increased its Group net income to around EUR 532 million, a rise of almost 20 percent compared to the previous year's corresponding period. This pleasing performance enables us to raise our profit target for the full year from EUR 875 million to a figure in the order of EUR 950 million. We booked stronger earnings in property and casualty reinsurance, life and health reinsurance and, most notably, from our investments. Gross written premium also fared well with growth of 9 percent adjusted for exchange rate effects.

The favourable development of Hannover Re's business borne out by these figures is all the more remarkable because the general environment facing the international reinsurance industry remains challenging. Property and casualty reinsurance, in particular, continues to be intensely competitive, not least owing to the entry of new capacity providers from the capital markets. The resulting negative impact on the rate trend in reinsurance business has been felt since as long ago as mid-2013. A further factor is that investment returns are coming under increasing pressure from the protracted low interest rate environment. Needless to say, these adverse developments for international reinsurers also have implications for Hannover Re. Nevertheless, we have so far been able to position the company for continued success even in this climate. Particularly helpful in this regard are our low administrative expense ratio and our extensive diversification both within our business groups of Property & Casualty and Life & Health reinsurance and between the two business groups. This is in keeping with the goal that we set ourselves last year in our revised strategy under the heading: Long-term success in a competitive business.

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 achieved a combined ratio of 95.4 percent and thus virtually maintained the level of the previous year. In view of the rate erosion that has been particularly noticeable in the most recent underwriting years, however, we must also assume that the confidence level of the loss reserves established in these underwriting years is below the initial levels of older underwriting years, especially 2002 to 2012. Despite this, the confidence level should still be very comfortable thanks to the considerable cushion built up in the past. The development of the underwriting result, which rose by another 8 percent compared to the corresponding period of the previous year, reinforces the assertion that we have made over the past two years to the effect that we have positioned our property and casualty portfolio in such a way as to be able to preserve the stability of the underwriting result even in the current difficult market environment. Gross written premium, which recorded a currency-adjusted increase of 10 percent in the first six months, also delivered particularly pleasing growth. The increase was driven by a number of sizeable individual transactions in which we offered our clients specially tailored conditions that still meet our margin requirements. This is particularly applicable to treaties from Asia, North America and in the area of agricultural risks. A further factor was that our specialty unit for Insurance-Linked Securities substantially enlarged its business volume. Furthermore, the various rounds of renewals as at 1 April, 1 June and 1 July of this year also demonstrated the healthy demand among our clients for Hannover Re's reinsurance products and services. As a result, we were able to book a pleasing expansion of our business volume at satisfactory rates. Major loss expenditure in the first half-year came in below the budgeted level of EUR 294 million for the period at EUR 197 million. It should, however, be noted that particularly in the second quarter the incidence of large losses associated with individual risks rather than natural disasters rose sharply. This is especially true of offshore energy and aviation business.

All in all, the operating profit (EBIT) for property and casualty in the first six months climbed by 12 percent to just under EUR 584 million and Group net income increased by 20 percent to EUR 418 million.

In our Life & Health reinsurance business group EBIT rose by 29 percent to EUR 200 million and Group net income grew by as much as 26 percent to around EUR 146 million. This is in line with the improved profitability that we had anticipated for life and health reinsurance in 2015, as already announced at the beginning of the year. Nevertheless, it must be noted that the results in the second quarter fell short of our expectations. This was due once again to an unfavourable development affecting parts of our US mortality portfolio, with both the mortality and the lapse risk showing negative divergences from the expected figures. As a further factor, our branch in Paris also posted significantly poorer results than had been the case in the past. This was connected with restructuring of the business relationship with one of our major clients in France. Although this gave rise to a negative result in the second quarter under IFRS accounting, it should have positive implications for Hannover Re's profitability over the medium and long term.

In volume terms, on the other hand, the development of our portfolio gave grounds for satisfaction. Gross written premium grew by 9 percent adjusted for exchange rate effects. What is especially gratifying is that this increase derived from a wide range of different areas: we generated a substantial new business volume with longevity transactions, but also considerably expanded the business written in South America, Australia and at our branches.

Similarly, we are thoroughly satisfied with the performance of our assets under own management, which grew by around 13 percent to EUR 601 million as at 30 June 2015. Most notably, ordinary income excluding interest on deposits came in significantly above the level of the comparable period. This was due to higher income from fixed-income securities and our real estate portfolio as well as a special effect from life and health reinsurance in the first quarter. We were thus able to comfortably offset the lower net realised gains and the reduced result from our assets measured at fair value through profit or loss. The annualised average return on our investments under own management remains at a pleasing 3.4 percent. Our portfolio of investments under own management has grown to a good EUR 37 billion since the end of 2014.

Shareholders' equity increased to EUR 7.7 billion as at 30 June 2015 despite the dividend payment of more than EUR 500 million. The annualised return on equity stood at 14 percent and thus remains on a level very comfortably in excess of our minimum target.

As already mentioned at the outset, we are raising our full-year guidance for Group net income to a figure in the order of EUR 950 million. As you are aware, this forecast is subject to the proviso that major loss expenditure does not significantly exceed the expected level of EUR 690 million and that there are no unforeseen downturns 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 profitable future.

Yours sincerely,

Ulrich Wallin
Chairman of the Executive Board