Ulrich Wallin Chairman of the Executive Board

Dear shareholders, ladies and gentlemen,

For globally operating reinsurers the 2011 financial year was most notable for an extraordinarily heavy burden of natural catastrophe losses. According to the available market data, the insured major losses exceeded the level of USD 100 billion in the year under review. After 2005, when the insured catastrophe losses were somewhat higher still, this is the second-highest figure in the history of the insurance and reinsurance industry.

These hard numbers do not even come close to describing the devastating repercussions of these natural disasters. The impact on those living in the regions affected by such natural catastrophe events is far more dramatic. Not only did they result in the tragic death of a large number of people – the forces of nature also deprived many of the survivors of the economic basis for their daily lives. Special mention should be made here of the disastrous earthquakes in New Zealand and above all in Japan. As a reinsurer, we cannot prevent such disasters. Perhaps, however, the losses paid by the reinsurance industry can at least help here and there to somewhat alleviate the

economic implications of these destructive events. For our company, therefore, it was important to remain a reliable partner for our clients – after the losses, just as we were before – and to continue to provide them with reinsurance capacities for natural catastrophe losses.

The climate on capital markets was also thoroughly challenging in the year under review. Most significantly, the sovereign debt crisis in the Eurozone caused considerable volatility. On the other hand, however, the sharply reduced interest rate level for high-quality government bonds also gave rise to gains that were reflected in the reinsurers' balance sheets. Looking ahead to the medium term, most economists expect interest rates to remain low. This will probably lead to a gradual decline in the investment income booked by insurers and reinsurers, which will make it necessary to generate an improved underwriting performance.

In common with other market players, we too were impacted in substantial measure by the major losses. The burden of catastrophe losses and major claims reached EUR 981 million for net account, some EUR 451 million higher than the loss expectancy. In view of the losses incurred in the first quarter, we had already revised our guidance downwards from EUR 650 million to a profit of more than EUR 500 million. The fact that we ultimately achieved net income of EUR 606 million can be considered highly gratifying in light of this major loss expenditure.

It is also particularly pleasing to note that even in the challenging 2011 financial year we were able to boost our shareholders' equity and the book value per share by more than 10 percent. Not only that, thanks to the very positive cash flow from operating activities the portfolio of assets under own management grew by more than EUR 2.9 billion in the year under review – or 11.5 percent – to EUR 28.3 billion. We were thus again able to substantially increase the value of your company and the financial strength of Hannover Re in 2011. None of this would have been possible without the outstanding contribution made by all our staff, to whom I would like to take this opportunity to express my sincerest thanks – also on behalf of my colleagues on the Executive Board. Our gratitude is due especially to the team at our Tokyo branch, who were affected not only professionally but also personally by the repercussions of the devastating earthquake in Japan.

The increased shareholders' equity, in particular, enables us to pay a dividend for 2011 that is in fact somewhat higher than our strategic dividend target of 35 to 40 percent of our Group net income. The Supervisory Board and Executive Board will propose to the Annual General Meeting that you should be paid a dividend of EUR 2.10 per share.

Permit me, if I may, to turn to the development of the financial year: in our non-life reinsurance business group we maintained the growth course charted in previous years. Our premium volume grew by 7.7 percent (9.4 percent adjusted for currency effects) to more than EUR 6.8 billion. This targeted and selective growth derived especially from our business in the speciality lines and from emerging markets. The growth stimuli were also supported, above all, by the significant improvement in reinsurance conditions that took hold from April 2011 onwards as a consequence of the considerable major losses incurred in the first quarter. Yet the net income of EUR 456 million after tax and non-controlling interests generated by our non-life reinsurance business group was also highly satisfactory in view of the aforementioned heavy major loss expenditure. This is all the more remarkable inasmuch as despite the run-off profits booked on our loss reserves in the financial year their confidence level continued to increase. Nor is the positive overall assessment of the result diminished by the fact that it profited from tax refunds including accrued interest of altogether EUR 128 million. It should, after all, be borne in mind that charges in the corresponding amount had been taken in previous years.

Reflecting the aforementioned major loss burden, the combined ratio climbed to 104.3 percent after 98.2 percent in the previous year. This was, however, at least partially offset by a thoroughly gratifying increase of 17.2 percent in investment income.

The development of our second business group – life and health reinsurance – was less vigorous in the year under review than in prior years. This is true of both premium growth and profitability. With net income of EUR 182 million we nevertheless achieved a satisfactory performance. The business development was pleasing in the United Kingdom, Germany, Scandinavia, France and the Asian markets, where we generated good results overall. Our Australian portfolio was, however, adversely impacted on account of additional reserves that had to be constituted for disability business. We had already responded to the emerging more problematic development of this segment in the past and since 2009 we have not written any further new business relating to the affected coverage concepts. Profitability in life and health reinsurance was also influenced by the volatile conditions on capital markets. The widening of credit spreads on bond markets led to a negative performance of the derivative to be established on deposits held by US cedants on behalf of Hannover Re.

In our assessment, longevity risks in the United Kingdom continue to offer good business prospects. In December, therefore, we successfully concluded a block assumption transaction to protect the longevity risk of a pension fund. In this respect, we assume only the biometric risk of longevity, not the investment or inflation risks. The volume of the assumed future pension commitments totalled around 800 million pounds sterling, which will accrue to our account plus the reinsurance margin as premium over the run-off of the block of business. The assumption of such longevity risks necessitates only a minimal use of capital because they have a negative correlation with mortality risks. This business consequently produces an attractive return on equity.

We also strengthened our traditional US risk-oriented life business in the year under review. Not only did we grow our new business, we also acquired an additional reinsurance portfolio. This will generate an annual premium volume of some USD 80 million and attractive margins.

We are thoroughly satisfied with the development of our investments despite the turmoil on international capital markets. Thanks to the enlarged asset volume we were able to boost ordinary investment income by almost 10 percent in spite of the decline in interest rates. In addition, profits were generated in the context of portfolio reallocations from government to corporate bonds that accounted for a significant portion of the total net realised gains. The inflows from the operating cash flow were invested primarily in corporate bonds, asset-backed securities and real estate.

Our portfolio of listed equities, which we had built up again since the third quarter of 2010, was liquidated with virtually no effect on income. Based on our enhanced risk management system – following the experience of 2008 – we decided to take this step in response to the sudden surge in volatility on stock markets in the aftermath of the Japan earthquake. The price decline on equity markets in the course of the year consequently had no further adverse implications for our result.

Overall, then, we generated income from assets under own management that for the first time surpassed EUR 1 billion. Including deposit interest and expenses, net investment income climbed by 10 percent to EUR 1.4 billion – thereby reaching the highest ever level in the history of Hannover Re.

The regular review of our corporate strategy was also on the agenda for the year under review. Under our revised strategy we have elaborated our business model even more clearly and put in place a foundation that will enable the individual organisational units to align their targets rigorously with the overarching strategic objectives. In this way we are seeking to further extend and cement our position as one of the leading reinsurance groups. The focus here is on profitable growth and a sustained above-average return on our equity. Special importance attaches to risk management. On the basis of our internal risk capital model we manage the assumed risks with the goal of optimising the risk-weighted return. In this context, we set great store by protecting our shareholders' equity against excessive volatility in results. Bearing in mind the 2011 claims year and its accumulation of natural catastrophes, we can assert with an eye to the profitability of Hannover Re that our risk management has once again demonstrated its resilience.

The sovereign debt crisis in the Eurozone and the accumulation of major losses had a moderating effect on the performance of the Hannover Re share in the year under review. Including the dividend paid, it nevertheless delivered a slightly positive performance that was thus somewhat better than the DAX and MDAX.

Turning to the current financial year, the market climate in non-life and life/health reinsurance is somewhat more favourable now than it was even in the previous year. Particularly in non-life reinsurance, we are seeing modest hardening on the markets driven by rate increases in property catastrophe business and under loss-impacted programmes. This was also evident for our company in the main treaty renewals as at 1 January 2012, where we booked premium growth of 6 percent on the back of rising rates. In life and health reinsurance, too, we see good opportunities for further profitable growth. This is especially true of US risk-oriented life reinsurance, longevity business in the United Kingdom and the markets of Eastern Europe and Asia. It is our assumption, therefore, that we will be able to move forward on the growth track that we have been charting since 2009 – both in non-life and life/health reinsurance. We also believe that with further growth in our investments under own management we can generate a net return in the order of 3.5 percent.

I would also like to thank you, our valued shareholders, most sincerely for your trust – also on behalf of my colleagues on the Executive Board. Going forward, as in the past, we shall do our utmost to continue to successfully grow Hannover Re's business with an eye to the existing opportunities and risks. 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