somewhat different

Interim Report 1/2008

hannover re®

KEY FIGURES
of the Hannover Re Group

Figures in EUR million	2008		2007	
	1.1.–31.3.	+/- previous year	1.1.–31.3.	31.12.
Results				
Gross written premium	2,275.5	-5.5%	2,408.4	
Net premium earned	1,678.7	-3.3%	1,736.8	
Net underwriting result	(28.6)	-68.8%	(91.7)	
Net investment income	262.6	+1.7%	258.2	
Operating profit (EBIT)	245.6	+59.3%	154.2	
Group net income	151.5	+22.6%	123.5	
Balance sheet				
Policyholders' surplus	5,046.4	-4.7%		5,295.1
Total shareholders' equity	3,140.4	-6.2%		3,349.1
Minority interests	532.8	-7.0%		572.7
Hybrid capital	1,373.2			1,373.3
Investments (incl. funds held by ceding companies)	29,244.3	+0.7%		29,042.0
Total assets	37,371.3	+0.8%		37,068.4
Share				
Earnings per share (diluted) in EUR	1.26	+22.6%	1.02	
Book value per share in EUR	26.04	-6.2%		27.77
Share price at year-end in EUR	33.02	+4.7%	33.35	31.55
Dividend	–		–	277.4
Dividend per share in EUR	–		–	1.80+0.50 [1]
Market capitalisation at the end of the period	3,982.1	+4.7%	4,021.9	3,804.8
Ratios				
Combined ratio (non-life reinsurance) [2]	99.5%		105.5%	
Catastrophe/major losses as percentage of net premium earned (non-life reinsurance) [3]	6.8%		15.9%	
Retention	88.7%		84.9%	
Return on investment	4.4%		4.3%	
EBIT margin [4]	14.6%		8.9%	
Return on equity (after tax)	18.7%		16.6%	

1) Bonus
2) Including expenses on funds withheld and contract deposits
3) Natural catastrophes and other major losses in excess of EUR 5 million gross
4) Operating profit (EBIT)/net premium earned

Wilhelm Zeller
Chairman of the
Executive Board

Dear shareholders,
Ladies and Gentlemen,

Your company got off to a very good start in 2008. Despite some headwind due to the difficult state of global capital markets, we are thoroughly satisfied with our result for the first quarter. It has put in place a good foundation for achieving our ambitious profit target for the full financial year – namely a return on equity in excess of 15 percent after taxes.

In both non-life and life/health reinsurance your company is well positioned to profit from the available market opportunities. The treaty renewals as at 1 January 2008 in *non-life reinsurance* – our largest and hence most important business group – passed off better than initially expected: rate reductions proved to be more modest than anticipated despite appreciable softening tendencies, as a consequence of which we obtained prices and conditions that were largely commensurate with the risks. The worldwide credit and surety line as well as business in our home market delivered an especially gratifying performance. In these areas we were able to enlarge our market share thanks to new customer relationships and increased treaty participations with existing accounts, thereby further extending our position as one of the leading reinsurers.

I would like to assure you, our valued shareholders, that your company is also well equipped to face the challenges of a softening market. Key factors here are our broad diversification as a multi specialist and our active cycle management. In concrete terms, this means that we are currently reducing our market share in cyclical markets – as is the case, for example, in North America, where we have scaled back our involvement in the face of declining rates. At the same time we act on attractive business opportunities, such as those in worldwide credit and surety reinsurance, in Germany or indeed in reinsurance transacted according to Islamic principles. Our maxim of "profitability before volume" is becoming more important than ever in the softening reinsurance environment.

When it comes to risk management through the transfer of catastrophe exposures to the capital market, we were once again active as the year got underway. We further increased the volume of our "K5" transaction, as a result of which our equity base is now even better protected overall against the strains associated with exceptionally large losses.

Our second business group – *life and health reinsurance* – recorded only moderate growth in the first quarter. We are nevertheless highly satisfied with the profit trend and continue to believe that our targeted objectives can be accomplished. Right at the outset of the year we realised our largest block assumption transaction to date involving life insurance business in the United States. In the United Kingdom, too, the world's second-largest life reinsurance market, we are superbly positioned with our emphasis on enhanced annuities. The Asian growth markets are another focus of our activities: as soon as we have negotiated the last formal hurdle our newly established branch office in Shanghai is set to commence business operations within the coming weeks. We shall then be able to offer our clients tailored products and hence profit from the extraordinary growth potential inherent in the Chinese market.

All in all, we are satisfied with the performance of our *investments*, although conditions on the international capital markets are currently anything but favourable. We used the market upheavals in January/February as an opportunity to shorten the duration of our USD portfolio. This move contrasts, however, with write-downs taken at the end of the quarter – especially on our equity portfolio. Net investment income rose only marginally overall.

I am particularly gratified to report to you, our valued shareholders, that the movement of our share price during February – after the low of January 2008 – has finally begun to reflect the value of your company. The *Hannover Re share* put on substantial gains, at times even bucking the market trend. It is my hope that the market will continue to recognise the profit potential of your company going forward and that the rise in the share price will be sustained.

I would like to thank you most sincerely – also on behalf of my colleagues on the Executive Board – for your trust in Hannover Re. We are and will continue to be guided by our overriding goal of leading your company responsibly and securely into a profitable future.

Yours sincerely,

Wilhelm Zeller
Chairman of the Executive Board

Supervisory Board (Aufsichtsrat)

Wolf-Dieter Baumgartl [1) 2) 3)] Berg	Chairman
Dr. Klaus Sturany [1)] Dortmund	Deputy Chairman
Herbert K. Haas [1) 2) 3)] Burgwedel	
Uwe Kramp [4)] Hannover	
Karl Heinz Midunsky [3)] Gauting	
Ass. jur. Otto Müller [4)] Hannover	
Dr. Immo Querner Ehlershausen	
Dr. Erhard Schipporeit [2)] Hannover	
Gert Waechtler [4)] Großburgwedel	

Executive Board (Vorstand)

Wilhelm Zeller Burgwedel	Chairman
André Arrago Hannover	
Dr. Wolf Becke Hannover	
Jürgen Gräber Ronnenberg	
Dr. Elke König Hannover	
Dr. Michael Pickel Gehrden	
Ulrich Wallin Hannover	

1) *Member of the Standing Committee*
2) *Member of the Balance Sheet Committee*
3) *Member of the Nomination Committee*
4) *Staff representative*

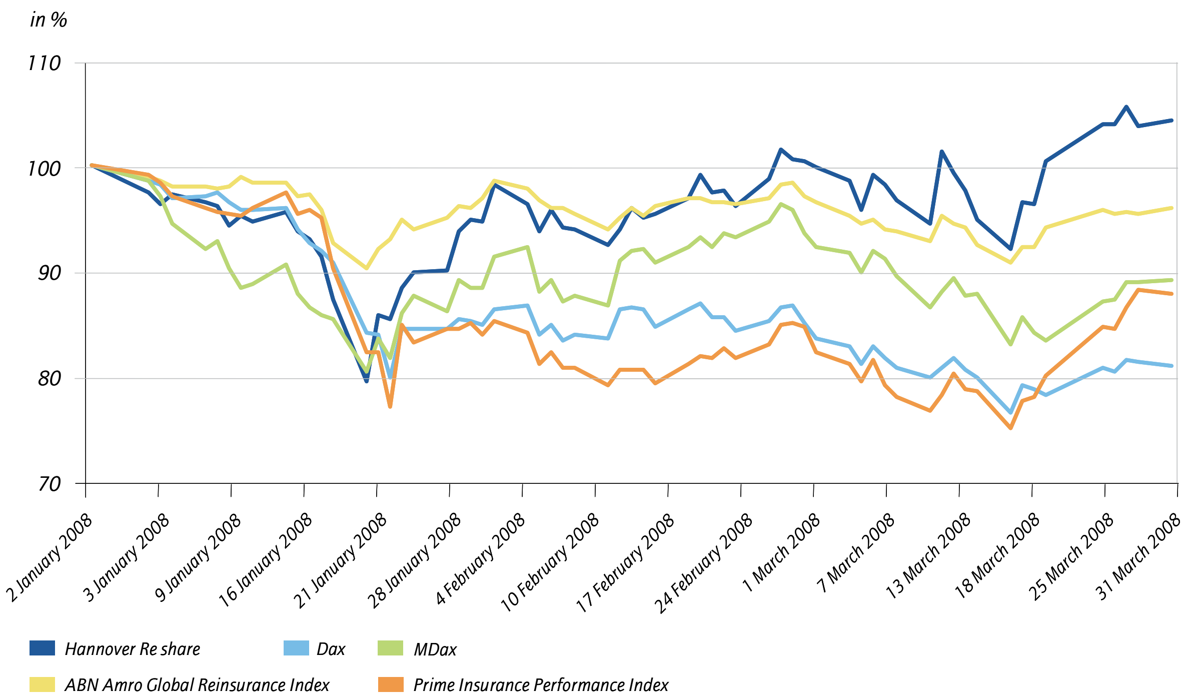
THE HANNOVER RE SHARE

Significantly more marked volatility on equity markets dampened the mood among investors in the first quarter of 2008. Recurring economic concerns and fears of recession in the United States dominated the media headlines. The stock market year thus got off to another stormy start. The first three weeks were notable for a steady decline in prices. Even as the first quarter progressed equity markets showed no sign of recovery. There seemed to be no end to the bad news surrounding the credit crunch. Since the crisis began in 2007 financial stocks have figured among the losers on exchanges around the world. The uncertainties on global capital markets were further exacerbated by the weakness of the US dollar and high commodity prices. It is only since the middle of March that the general price trend on equity markets has begun to move slightly upwards.

The Dax had fallen 20.2% by 23 January 2008 to stand at 6,439 points. A very turbulent market phase ensued, during which the Dax repeatedly enjoyed short-lived rallies. At the beginning of February and again towards the middle of the month it even flirted with the 7,000 mark. Yet these recoveries were not sustained. On 17 March 2008 the Dax closed at 6,182 points, its lowest level of the year to date. Compared to the level at the start of the year – 8,067 points –, this was equivalent to a decline of 23.4%.

The MDax developed similarly poorly. It fell to its lowest level of the year so far on 21 January 2008 at 7,941 points, a decline of 19.5% relative to the start of the year (9,865 points). In comparison with the Dax the MDax enjoyed a somewhat better recovery in the following weeks and even broke through the 9,000 mark for a few days. This revival was sustained until the end of February, after which the MDax, too, retreated again. Many indicators would suggest that by the middle of March the market had put all the bad news behind it, as a result of which stock markets generally moved modestly upwards again. The Dax and MDax have nevertheless recorded negative performances of 19.0% and 10.9% respectively since the turn of the year.

Performance of the Hannover Re share compared with standard benchmark indices and the ABN Amro Global Reinsurance Index



The Hannover Re share was unable to divorce itself from the general market sentiment at the start of the year. In the first three weeks of the year the share price fell by 20.8%, touching its lowest point of the year to date on 21 January 2008 at EUR 25.00. It subsequently improved – at times even bucking the general market trend – to close at EUR 33.02 on 31 March 2008. This constitutes a rise of 32.1% since the year's low on 21 January 2008 and a positive performance of 4.7% since the turn of the year.

Our strategic objective is to outperform our internal benchmark, the weighted ABN Amro Global Reinsurance Index, on a three-year moving average. As at 31 March 2008 we fell just short of this goal by two percentage points. On a year-to-year basis, however – i.e. over the course of the first three months of the year under review – the Hannover Re share performed very well (+4.7%) relative to the benchmark index, which slipped 4.1% in the first quarter.

The analysts' conferences held annually by Hannover Re in Frankfurt and London are undoubtedly a highlight of our Investor Relations activities. The consolidated financial statement is presented to analysts at these conferences. A live webcast is also publicly available through Hannover Re's homepage. Despite the turmoil on capital markets, many analysts were again in attendance this year to hear the unveiling of the year-end result first hand. At the start of the first quarter we again held our conference call on the renewals, an event that also enjoyed lively interest among the financial community.

Share information

Figures in EUR	31.3.2008	2007	2006	2005	2004	2003 [1]
Earnings per share (diluted)	1.26	6.08	4.27	0.41	2.32	3.24
Dividend per share	–	1.80+0.50 [2]	1.60	–	1.00	0.95

[1] On a US GAAP basis
[2] Bonus

International Securities Identification Number (ISIN):	DE 000 840 221 5
Shareholding structure:	Talanx AG: 50.2% Free float: 49.8%
Common shares as at 31 March 2008:	EUR 120,597,134.00
Number of shares as at 31 March 2008:	120,597,134 no-par-value registered shares
Market capitalisation as at 31 March 2008:	EUR 3,982.1 million

INTERIM MANAGEMENT REPORT

Business development

We are thoroughly satisfied with the development of our two business groups – non-life reinsurance and life/health reinsurance – in the first quarter of 2008. Although the turmoil on capital markets has left a mark on our investment income, we are on course to achieve our profit target for the full financial year – namely a return on equity in excess of 15%.

In both non-life and life/health reinsurance we are very well placed to profit from the available business opportunities on worldwide reinsurance markets.

Risk management continues to be a top priority for our company: as part of our quantitative approach to risk management the most significant risks in non-life reinsurance – such as the reserving and exposure risks – are actuarially assessed using mathematical methods. Constant monitoring and controlling of all risks forms the cornerstone of our qualitative risk management; in this context special attention is paid to operational risks, which we track, assess and reduce using appropriate measures.

In the life/health reinsurance segment the reserving risk is not of paramount concern. Short run-offs of death claims and the mandatory application of globally recognised actuarial standards in conjunction with expert appraisal by local regulators and external firms of actuaries substantially limit the reserving risk. We actively manage the exposure risk: core fields of action in this regard are our geographical diversification as well as extensive risk immunisation (mortality risks vs. longevity risks vs. morbidity risks) in accordance with our orientation based on five strategic pillars. Even in adverse risk scenarios this alignment results in stable value creation.

Along with traditional retrocessions we continue to conserve our capital by transferring insurance risks to the capital market. As at 1 January 2008 we boosted the volume of such transactions in non-life reinsurance by USD 100 million to USD 1.1 billion.

Gross written premium in total business declined as expected by 5.5% to EUR 2.3 billion (EUR 2.4 billion) as at 31 March 2008. The decrease can be attributed in particular to the weakness of the US dollar. At constant exchange rates the premium volume would have remained virtually stable. The level of retained premium climbed to 88.7% (84.9%) due to appreciable savings on the costs of our own protection covers, as a consequence of which net premium fell by a less marked 3.3% to EUR 1.7 billion (EUR 1.7 billion).

The burden of catastrophe losses and major claims in the first quarter was below average.

The current turmoil on capital markets – especially the continued widening of credit spreads and the slide in equity prices – was similarly reflected in the investment income that we generated in the early months of the year. As a result, and given the further drop in the value of the US dollar, our portfolio of assets under own management contracted; ordinary income excluding interest on deposits grew by a modest 6.5% to EUR 211.3 million (EUR 198.3 million). Interest on deposits increased by 16.8% to EUR 54.6 million (EUR 46.7 million). Of the total write-downs of EUR 85.6 million taken on securities, equities accounted for EUR 65.1 million. This contrasted, however, with realised gains of EUR 107.7 million on balance, attributable principally to the shortening of the duration of our US portfolio; net investment income consequently improved on the comparative period of the previous year by 1.7% to EUR 262.6 million (EUR 258.2 million).

The operating profit (EBIT) surged by 59.3% to EUR 245.6 million (EUR 154.2 million). Group net income as at 31 March 2008 increased by 22.6% to EUR 151.5 million (EUR 123.5 million). Earnings per share came in at EUR 1.26 (EUR 1.02), corresponding to an annualised return on equity of 18.7%. (16.6%)

Shareholders' equity fell by EUR 208.7 million compared to the level of 31 December 2007 to stand at EUR 3.1 billion. The book value per share consequently also dropped by 6.2% to EUR 26.04. The policyholders' surplus, comprised of shareholders' equity, minority interests and hybrid capital, totalled EUR 5.0 billion (EUR 5.3 billion).

Non-life reinsurance

Although the situation on the non-life reinsurance market is overshadowed by softening tendencies, we were satisfied overall with the treaty renewals as at 1 January 2008 – when around two-thirds of our total portfolio were renewed. For the most part, the rate reductions proved to be more modest than anticipated. By and large, we were again able to obtain prices and conditions commensurate with the assumed risks.

More appreciable premium decreases in certain areas were offset by increases in the German market and in worldwide credit and surety reinsurance.

Key fine-tuning tools used in our underwriting practice continue to be our active cycle management and profit-oriented underwriting policy, according to which we concentrate on those segments that offer the greatest profitability.

The development of business in our domestic market was most gratifying: thanks to new client relationships and increased treaty participations with existing accounts we were able to further enlarge our considerable market share and hence extend our position as one of the leading reinsurers in Germany.

In US property business the rate level – outside of catastrophe covers – was broadly stable with only modest price declines. Property catastrophe business, on the other hand, witnessed appreciable rate erosion due to the absence of catastrophe losses. In casualty business prices are now softening on the reinsurance side, too, although conditions were still acceptable. All in all, our premium volume in North America contracted as anticipated.

With worldwide credit and surety reinsurance posting good results in 2007 – as in previous years too –, rates and conditions in this line came under moderate pressure. We selectively expanded our portfolio in areas that promise healthy profitability.

Key figures for non-life reinsurance

Figures in EUR million	2008		2007
	1.1.–31.3.	+/- previous year	1.1.–31.3.
Gross written premium	1,506.9	-9.5%	1,664.4
Net premium earned	996.9	-8.8%	1,092.6
Underwriting result	(3.3)	-95.0%	(66.2)
Net investment income	176.7	-0.7%	177.9
Operating profit (EBIT)	181.5	+94.5%	93.3
Group net income	113.5	+11.3%	102.0
Earnings per share in EUR	0.94	+11.3%	0.85
Retention	88.6%		83.8%
Combined ratio [1]	99.5%		105.5%

[1] Including expenses on funds withheld and contract deposits

In marine business we responded to declining rates by somewhat scaling back our exposure in catastrophe-exposed regions such as the Gulf of Mexico. Terms and conditions in aviation reinsurance are not particularly attractive due to further price erosion. We only write business that in our assessment offers adequate profitability.

In facultative reinsurance we extended our participation in casualty business.

In Russia – an especially competitive market – we were crowned as the best foreign reinsurer in the first quarter. This seal of approval is all the more pleasing inasmuch as we do not maintain a local representative office but write our business from Hannover Home Office. More importantly, our clients value our quick and undogmatic decision-making as well as our tailored products. We received a further distinction – as reinsurance company of the year in Russia – from the UK trade journal "Reactions".

In addition to traditional reinsurance we continue to be active in the field of structured products: here, too, we were highly satisfied with the development of business, as demand picked up again in the first quarter of 2008. In Asia and Europe we were able to modestly enlarge our portfolio. Particularly in Germany and Spain, for example, we successfully closed new transactions. Yet in the United States and United Kingdom, too, interest in structured covers has continued to rally. Our Dublin-based subsidiary Hannover Re Ireland concentrates on the needs of these latter two markets.

Overall, then, we are satisfied with the development of our non-life reinsurance business group. The gross premium volume as at 31 March 2008 contracted by 9.5% relative to the same period of the previous year to stand at EUR 1.5 billion (EUR 1.7 billion). At constant exchange rates, especially against the US dollar, the decrease would have been just 4.2%. The level of retained premium climbed from 83.8% to 88.6%. Net premium earned fell by 8.8% to EUR 1.0 billion (EUR 1.1 billion).

The major loss incidence in the first quarter was below average: the largest single loss event was winter storm "Emma" with a net strain of EUR 26.3 million, followed by snowstorms in China that are currently expected to cost us EUR 12.0 million for net account. Floods in Australia left us with a relatively modest burden of EUR 4.1 million. In addition, we incurred a number of fire losses as well as a marine claim, although the resulting claims expenditure for Hannover Re was relatively slight. The total net burden of catastrophe losses and major claims amounted to EUR 68.1 million; this figure is equivalent to 6.8% of net premium in non-life reinsurance and hence well within the expected level of 10%. The combined ratio stood at 99.5% (105.5%).

The net underwriting result of -EUR 3.3 million improved on the comparative quarter's figure of –EUR 66.2 million. It was primarily for this reason that the operating profit (EBIT) in non-life reinsurance surged by 94.5% to EUR 181.5 million (EUR 93.3 million). Group net income climbed by 11.3% to EUR 113.5 million (EUR 102.0 million), generating earnings of EUR 0.94 (EUR 0.85) per share.

Life and health reinsurance

As in past years, our product range in life and health reinsurance encompasses five business segments: financial solutions, bancassurance, new markets, conventional risk-oriented reinsurance and multinational insurance clients. This positioning enables us to enjoy a promising portfolio and vigorous organic growth.

Our life and health reinsurance business group started the current year brightly: in the first quarter we successfully realised our largest block assumption transaction to date involving individual life business in the United States. The transaction, which was closed on 1 January 2008 by our US subsidiary Hannover Life Re America, is comprised of universal life policies of several US life insurers with first-class ratings. Another focus of our activities in the US is on special health insurance products aimed at senior citizens.

The United Kingdom – the second-largest life reinsurance market in the world – is of exceptional importance to our company. We generate 30% of our premium volume in this market, where we have positioned ourselves as a specialty provider for enhanced annuities. In this subsegment, as with the reinsurance of already existing pension funds, we continue to see promising business opportunities.

Bancassurance business in French-speaking European markets also remains attractive for our company.

A special focus of our strategy is on Asian markets: in China we expect to commence business operations in May through our newly established branch office in Shanghai. This will enable us to tap into the advantages enjoyed by a local reinsurer in the vigorously expanding Chinese reinsurance market and step up the level of support and service provided for our clients.

In December 2007 we received a provisional licence from the South Korean insurance regulator to establish a branch office in Seoul. It is our expectation that we will be able to start doing business in Korea, the largest life reinsurance market in Asia, by the middle of the year.

Furthermore, we are actively engaged in cultivating the Islamic insurance markets. Not only do we support our clients with the design of insurance products according to Islamic principles, we also advise them on marketing and sales methods. Through our subsidiary Hannover ReTakaful in Bahrain we are able to cover the entire range of "family takaful" products.

Key figures for life and health reinsurance

Figures in EUR million	2008		2007
	1.1.–31.3.	+/- previous year	1.1.–31.3.
Gross written premium	770.1	+3.5%	744.1
Net premium earned	681.8	+5.8%	644.2
Net investment income	76.2	+7.3%	71.0
Operating profit (EBIT)	47.9	-7.6%	51.8
Group net income	38.3	+13.0%	33.9
Earnings per share in EUR	0.32	+13.0%	0.28
Retention	88.6%		87.4%
EBIT margin [1]	7.0%		8.1%

[1] *Operating profit (EBIT) / net premium earned*

Although the gross written premium increased by just 3.5% to EUR 770.1 million (EUR 744.1 million) as at 31 March 2008, growth would have reached 10.0% at constant exchange rates. The level of retained premium rose from 87.4% to 88.6%. Net premium earned climbed 5.8% to EUR 681.8 million (EUR 644.2 million).

The operating profit (EBIT) amounted to EUR 47.9 million. Whilst this fell short of the comparative reporting period (EUR 51.8 million), it should be borne in mind that the first quarter of 2007 reflected a positive special effect of more than EUR 14 million from the release of a special reserve constituted in connection with lapse risks on the UK market. The claims experience for both mortality and morbidity risks was highly gratifying at all operating units within the life and health reinsurance business group.

The EBIT margin of 7.0% was within the target corridor of 6.5% to 7.5%. Group net income was boosted by 13.0% to EUR 38.3 million (EUR 33.9 million); this was equivalent to earnings per share of EUR 0.32 (EUR 0.28) and therefore constitutes a good basis for achieving our targets for the full financial year.

As in the previous year, we are also reporting on the European Embedded Value (EEV) in the context of our interim report on the first quarter. The EEV consists of a valuation of the life and health reinsurance portfolio as well as the allocated capital and hence provides a basis for assessing its long-term profitability. As far as its economic assumptions are concerned, the EEV is for the first time being calculated on an entirely market-consistent basis for the 2007 financial year, following the use of near-market-consistent assumptions in the calculation as at 31 December 2006.

As at 31 December 2007 the Market Consistent Embedded Value for the life and health reinsurance business group again developed very favourably. It totalled EUR 1.7 billion (EUR 1.5 billion), corresponding to growth of 12.3%. The value of new business amounted to EUR 106.4 million (EUR 64.2 million). The operating embedded value earnings from both new and in-force business increased by 50.9% to EUR 280.0 million (EUR 185.6 million).

Investments

The international equity markets failed to build on the positive trend of the previous year in the first quarter, shedding – especially in Europe – up to one-fifth of the index levels as at year-end 2007. These downturns were prompted by fresh uncertainties on the global credit market, triggered by the meltdown in the US mortgage sector that had begun in 2007.

Net investment income

Figures in EUR million	2008		2007
	31.3.	+/- previous year	31.3.
Ordinary investment income [1]	211.3	+6.5%	198.3
Results from participation in associated companies	0.7	-28.8%	1.0
Realised gains/losses	107.7	+275.8%	28.7
Impairments on investments [2]	85.7		0.4
Unrealised gains/losses [3]	(11.9)		(0.1)
Investment expenses	14.1	-12.0%	16.0
Net investment income from assets under own management	208.0	-1.6%	211.5
Net investment income from funds withheld	54.6	+16.8%	46.7
Total investment income	262.6	+1.7%	258.2

[1] *Excluding expenses on funds withheld and contract deposits*
[2] *Including depreciation/impairments on real estate*
[3] *Portfolio at fair value through profit or loss and trading*

The American and European bond markets are currently seeing increased volatility in virtually all durations. Significant yield decreases were observed in most currency areas in the first three months of 2008; these were driven principally by switching from other higher-risk asset segments into government bonds. The renewed uncertainties in the credit market, especially with respect to financials, led to a further significant rise in risk premiums for corporate bonds of all qualities. Our principal focus in the area of fixed-income securities therefore continues to be on high quality and liquidity while maintaining a neutral/defensive duration.

These upheavals on capital markets in the first three months of the current year also left a mark on our investment portfolio. The continuing slide of the US dollar caused the volume of assets under own management to decline from the level as at 31 December 2007 to EUR 19.0 billion (EUR 19.8 billion). The pleasing movement in prices due to the lower yield curves did not entirely offset the further rise in risk premiums on corporate bonds as well as the slump on equity markets, leading to erosion of the unrealised gains and losses in the Group's portfolio.

Ordinary income excluding interest on deposits climbed by 6.5% to EUR 211.3 million, as against EUR 198.3 million in the corresponding quarter of the previous year. This can be attributed to a slightly higher average yield in the portfolios and to a marginally larger average portfolio relative to the comparative quarter. In the context of our proactive approach to portfolio management – especially as part of tactical shortening of durations in the US portfolios – profits of EUR 133.8 million (EUR 40.2 million) were realised on the disposal of investments, as against realised losses of EUR 26.1 million (EUR 11.5 million). Of the total write-downs of EUR 85.6 million on securities, an amount of EUR 65.1 million was taken on our existing equity investments in light of the market development described above. The remaining impairment losses charged to income were largely attributable to the further price decline in the ABS/MBS market. Net income from assets under own management consequently contracted slightly by 1.6% to EUR 208.0 million (EUR 211.5 million). This effect was, however, offset by income from interest on deposits – which rose by 16.8% to EUR 54.6 million (EUR 46.7 million) –, as a consequence of which net income from total investments improved by 1.7% over the comparative period of the previous year to EUR 262.6 million (EUR 258.2 million).

Risk report

Risk management strategy and methods

Our risk management is guided by the principle of optimally exploiting opportunities while at the same time adequately controlling and managing the risks associated with our business activities. The following strategic elements are the hallmarks of our Group-wide risk management:

Central elements of the risk management system

Controlling elements	Key risk management tasks
Supervisory Board	• Advising and monitoring the Executive Board in its management of the company, inter alia with respect to risk management
Executive Board	• Overall responsibility for risk management • Definition of the risk strategy • Responsible for the proper functioning of risk management
Risk Committee [1]	• Monitoring and coordinating body with respect to operational risk management • Decision-making power is within the bounds of the risk strategy defined by the Executive Board.
Group Risk Management [2]	• Risk monitoring function • Methodological competence, inter alia for – development of processes/methods for risk assessment, management and analysis – risk limitation and reporting – risk monitoring and determination of the required risk capital across the Group
Business units [3]	• Primary risk responsibility, inter alia responsible for risk identification and assessment on the departmental level. The task is performed on the basis of the guidelines for the independent risk monitoring function.
Line-independent monitoring	• Group-wide review of all functional areas of Hannover Re by Internal Auditing

[1] Members: Chairman of the Executive Board, Chief Financial Officer, member of the Board responsible for life/health reinsurance, member of the Board responsible for coordinating non-life reinsurance, Head of Controlling and Chief Risk Officer.
[2] Group Risk Management is led by the Chief Risk Officer and encompasses the functions of aggregate control, natural catastrophe modelling, actuarial claims analysis, dynamic financial analysis (DFA), handling of operational risks and risk reporting.
[3] Treaty departments and service units within the non-life and life/health reinsurance business groups and in the investments sector

The following factors are hallmarks of our risk management system:

- central coordination by Group Risk Management and local risk responsibility in the various areas
- documentation of the essential components of the system in compulsory rules
- systematic and thorough recording of all conceivable risks that could jeopardise the company's net income or survival from the current perspective
- standard and ad hoc reports appropriate to the various risks
- quarterly meetings of the Risk Committee
- use of efficient steering and controlling systems, e.g. DFA risk budgets
- feedback-control-based review of the efficiency of the systems and adjustment as necessary in line with the prevailing business environment and/or changed risk situation.

Risk situation

The risk situation of Hannover Re is essentially defined by comprehensive analysis of the following risk categories.

Comprehensive analysis of risk categories

Risk category	Major risks	Key risk management activities
Global risks	External risks that are beyond our direct sphere of influence, e.g. from legislation and court practice	Monitoring of relevant legal areas and analysis of claims trends Proactive adjustment of underwriting policy
Strategic risks	Imbalance between the defined corporate strategy and changing framework conditions, e.g. as a result of inconsistent strategy implementation	Regular review and, as necessary, adjustment of our strategy, structures and processes, e.g. by means of systematic quality and process management
Operating risks		
Technical risks	Divergence of cash flows in (re-)insurance business from their expected values (risks of random fluctuation, error and change), e.g. due to natural catastrophes ("Kyrill") and/or other major losses, miscalculation of mortality, life expectancy and disability probabilities	**Across all lines of business** Risk spreading through diversification of the portfolio Running of relevant (extreme or stress) scenarios and determination of their effect on key balance sheet variables and performance indicators as well as comparison with the planned figures **Non-life reinsurance** Calculation of the loss reserves on an actuarial basis and additional review of the adequacy of reserves by external actuaries and auditors Risk reduction through retrocessions to the insurance and capital markets Monitoring of the natural hazards exposure (modelling, aggregate control)
		Life and health reinsurance Review of the risk feasibility of new business activities and of the assumed international portfolio Use of secure biometric actuarial bases

Risk category	Major risks	Key risk management activities
Investment risks	Decrease in the fair value of investments due to market, credit, liquidity and currency risks	Orientation of investments to the requirements of the reinsurance business through Group-wide investment guidelines Systematic adherence to the principle of matching currency cover Systematic asset/liability management Clear distinction between trading, settlement and risk control based on the principle of separation of functions applied through to the level of management Partial hedging of portfolios, especially with an eye to price, currency and interest rate risks, through short-call and long-put options as well as swaps
Operational risks	Risk of losses occurring because of the inadequacy or failure of internal procedures, human error/ system failure or external events, e.g. IT failure, pandemic	Internal control system, contingency plans (e.g. crisis communication), backup computer centre and alternative workplaces for emergencies

Further information on our risk management system, and in particular quantitative data on individual risks, is provided in the section of the Notes entitled "Management of technical and financial risks".

Overall assessment of the risk situation

In the context of our worldwide operations we are exposed to a diverse spectrum of potential risks. These risks, however, always go hand-in-hand with corresponding opportunities. On the basis of our holistic approach to risk management, arrived at from an overall analysis of our business environment, we cannot discern any risks that could jeopardise the continued existence of our company in the short or medium term or have a significant, lasting effect on our net income, financial position or assets.

Detailed information on the organisation of our risk management and on further risk management measures is provided in the Annual Report for the financial year ending 31 December 2007.

Outlook

On the basis of our strategic orientation and the available market opportunities in non-life and life/health reinsurance, we anticipate another good result in 2008. Both the gross and net premium should come in on a par with the previous year for the Hannover Re Group.

Despite perceptible softening tendencies in the *non-life reinsurance* market, conditions still remain acceptable. In the treaty renewals as at 1 January 2008 we were for the most part able to obtain prices and conditions commensurate with the risks. In areas where the business failed to satisfy our profitability standards, we pulled back and reshuffled our portfolio in favour of other segments – such as German business and the worldwide credit and surety line.

The increased market shares in these areas will have correspondingly positive effects on our result. In accordance with our active cycle management, on the other hand, we scaled back the proportion of North American business in response to signs of emerging pressure – sometimes markedly so – on rates. In view of the absence of catastrophe losses, prices for property catastrophe business declined – although in the casualty sector, too, market conditions are now softening on the reinsurance side. Reinsurance conditions here were nevertheless still acceptable.

In non-life reinsurance we also keep a close eye on profitable niche business. The situation in the so-called retakaful market was highly favourable. Given the vigorous economic growth and construction boom in Southeast Asia and the Near East, demand for Sharia-compliant products is constantly on the rise.

The treaty renewals as at 1 April in Japan and South Korea were also notable for softening on the reinsurance markets. In Japan the picture was a mixed one in the various segments. We were able to secure stable prices in general property business and modestly expanded our portfolio. It was possible to push through improvements in conditions under proportional property programmes that had suffered losses. In accident business we scaled back our participation in response to sharp rate cuts. Windstorm and earthquake covers saw the anticipated substantial rate reductions due to the absence of catastrophe losses. Our premium volume in this segment contracted by 9%. In Japanese casualty business, on the other hand, prices for the most part held stable – enabling us to maintain our portfolio. All in all, we view the outcome of the treaty renewals as acceptable, although we shall reduce our involvement in Japan if rates continue to decline.

A feature of the Korean market was more intense competition from new providers, which significantly aggravated the situation. Even in areas that had incurred losses – such as non-proportional property business –, prices came under palpable pressure. Programmes that had been spared losses saw rate reductions, in some cases of more than 10%. Overall, we have consolidated our portfolio in Korea and are concentrating on our core clients.

In general terms, the effects of a softening market are only reflected in our results after a certain time lag for systemic reasons, as a consequence of which these tendencies should not significantly impact the result of the current year. On account of our profit-oriented underwriting policy and very good diversification and thanks to our excellent rating, we can continue to generate attractive business.

Following the abolition of the reinsurance monopoly in Brazil, we have decided to establish a representative office in Rio de Janeiro. Approval to commence business operations should be given by the Brazilian insurance regulator in the coming weeks. The representative office will ensure that we enjoy unlimited access to clients, hence giving us an optimal platform for securing a satisfactory share in the emerging Brazilian market.

All in all we expect a reduction of our net premium for non-life reinsurance by 5% due to the weaker US dollar. Provided the burden of catastrophe losses and major claims remains within the expected bounds of around 10% of net premium, we anticipate a very healthy profit contribution.

Our business prospects in *life and health reinsurance* are exceptionally bright. The increasing size of the upper levels of the age pyramid in industrial nations continues to drive growth in annuity and health insurance. Based on our superb worldwide positioning and diversification, we expect continued favourable profitability and double-digit premium growth.

In the United States we anticipate further attractive market opportunities going forward in the areas of block assumption transactions and health insurance for seniors. Our main focus in Germany is on products aimed at senior citizens and unit-linked policies, with above all long-term care annuities likely to enjoy growing popularity. Asia is expected to deliver particularly significant stimuli for additional growth: in China we shall launch business operations in the coming weeks through our branch office in Shanghai; in South Korea we plan to establish a branch office in Seoul by the middle of the year. On the Indian Subcontinent, too, we intend to step up our business activities.

On the *investments* side we are concerned that due to the continuing weakness of the US dollar our investment portfolio will grow only moderately despite the anticipated positive cash flow that we generate from the technical account and our asset holdings. Assuming that capital markets normalise over the course of the year, we are looking to a stable income from investments under own management. In the area of fixed-income securities our focus continues to be on the high quality and diversification of the portfolio. In combination with our equity holdings, this should enable us to achieve a stable profit contribution from our investments.

In view of the conditions on reinsurance markets described above, we anticipate another good result for the full 2008 financial year. Provided the burden of catastrophe losses and major claims does not significantly exceed the revised expected level of 10% of net premium in non-life reinsurance and assuming a normalisation on capital markets, we expect to generate a return on equity of more than 15% and earnings per share of around EUR 5 for the 2008 financial year.

QUARTERLY FINANCIAL REPORT
of the Hannover Re Group

CONSOLIDATED BALANCE SHEET
as at 31 March 2008

Figures in EUR thousand	2008	2007
Assets	31.3.	31.12.
Fixed-income securities – held to maturity	1,436,661	1,488,816
Fixed-income securities – loans and receivables	1,489,649	1,537,889
Fixed-income securities – available for sale	11,024,630	12,477,055
Fixed-income securities – at fair value through profit or loss	144,097	158,740
Equity securities – available for sale	1,731,814	2,000,390
Other financial assets – at fair value through profit or loss	58,828	20,385
Real estate	14,343	16,962
Investments in associated companies	170,301	170,839
Other invested assets	663,175	677,957
Short-term investments	1,992,363	930,821
Cash	282,608	335,422
Total investments and cash under own management	19,008,469	19,815,276
Funds held	9,824,039	8,610,554
Contract deposits	411,755	616,134
Total investments	29,244,263	29,041,964
Reinsurance recoverables on unpaid claims	2,276,465	2,471,585
Reinsurance recoverables on benefit reserve	159,129	255,076
Prepaid reinsurance premium	111,690	92,322
Reinsurance recoverables on other technical reserves	14,657	5,574
Deferred acquisition costs	1,847,971	1,807,143
Accounts receivable	2,764,396	2,525,871
Goodwill	43,023	45,438
Deferred tax assets	591,699	577,731
Other assets	314,108	244,278
Accrued interest and rent	3,872	1,425
	37,371,273	37,068,407

Figures in EUR thousand	2008	2007
Liabilities	31.3.	31.12.
Loss and loss adjustment expense reserve	15,988,671	16,553,888
Benefit reserve	5,876,472	6,143,460
Unearned premium reserve	1,484,168	1,186,382
Provisions for contingent commissions	179,730	183,725
Funds held	657,693	956,912
Contract deposits	5,034,257	3,668,825
Reinsurance payable	1,166,612	1,141,067
Provisions for pensions	68,065	67,101
Taxes	215,368	202,621
Provision for deferred taxes	1,368,706	1,350,679
Other liabilities	246,488	277,037
Long-term debt and subordinated capital	1,411,791	1,414,877
Total liabilities	33,698,021	33,146,574
Shareholders' equity		
Common shares	120,597	120,597
Nominal value 120,597 Authorised capital 60,299		
Additional paid-in capital	724,562	724,562
Common shares and additional paid-in capital	845,159	845,159
Cumulative other comprehensive income		
Unrealised gains and losses on investments	(27,674)	181,395
Cumulative foreign currency translation adjustment	(350,210)	(213,117)
Other changes in cumulative other comprehensive income	6,225	6,482
Total other comprehensive income	(371,659)	(25,240)
Retained earnings	2,666,910	2,529,170
Shareholders' equity before minorities	3,140,410	3,349,089
Minority interests	532,842	572,744
Total shareholders' equity	3,673,252	3,921,833
	37,371,273	37,068,407

CONSOLIDATED STATEMENT OF INCOME

for the period 1 January to 31 March 2008

Figures in EUR thousand	2008	2007
	1.1.–31.3.	1.1.–31.3.
Gross written premium	2,275,471	2,408,442
Ceded written premium	257,360	362,955
Change in gross unearned premium	(357,756)	(265,898)
Change in ceded unearned premium	18,310	(42,775)
Net premium earned	1,678,665	1,736,814
Ordinary investment income	211,299	198,329
Profit/loss from investments in associated companies	695	976
Income/expense on funds withheld and contract deposits	54,602	46,731
Realised gains on investments	133,776	40,155
Realised losses on investments	26,074	11,499
Unrealised gains and losses on investments	(11,875)	(126)
Total depreciation, impairments and appreciation of investments	85,743	402
Other investment expenses	14,070	15,983
Net investment income	262,610	258,181
Other technical income	137	276
Total revenues	1,941,412	1,995,271
Claims and claims expenses	1,163,730	1,219,991
Change in benefit reserves	84,042	113,796
Commission and brokerage, change in deferred acquisition costs	396,733	432,598
Other acquisition costs	4,660	6,588
Other technical expenses	2,863	7,178
Administrative expenses	55,374	48,676
Total technical expenses	1,707,402	1,828,827
Other income and expenses	11,636	(12,256)
Operating profit/loss (EBIT)	245,646	154,188
Interest on hybrid capital	19,303	19,163
Net income before taxes	226,343	135,025
Taxes	67,948	20,978
Net income from continuing operations	158,395	114,047
Net income from discontinued operations	–	15,260
Net income	158,395	129,307
thereof		
Minority interest in profit and loss	6,934	5,766
Group net income	151,461	123,541
Earnings per share		
Earnings per share in EUR	1.26	1.02
from continuing operations in EUR	1.26	0.90
from discontinued operations in EUR	–	0.12

CONSOLIDATED STATEMENT

of changes in shareholders' equity 2008

Figures in EUR thousand	Common shares	Additional paid-in capital	Other reserves (cumulative other comprehensive income)			Retained earnings	Minority interests	Shareholders' equity
			Currency translation	Unrealised gains/losses	Other			
Balance as at 1.1.2007	120,597	724,562	(71,518)	144,199	(1,526)	1,981,521	608,551	3,506,386
Capital repayments							(18)	(18)
Income and expenses directly recognised in equity			(6,390)	46,499	257		12,733	53,099
Tax effects on income and expenses directly recognised in equity			(3,064)	(6,161)	(77)			(9,302)
Dividend paid							(31,243)	(31,243)
Net income						123,541	5,766	129,307
Balance as at 31.3.2007	120,597	724,562	(80,972)	184,537	(1,346)	2,105,062	595,789	3,648,229
Balance as at 1.1.2008	120,597	724,562	(213,117)	181,395	6,482	2,529,170	572,744	3,921,833
Capital repayments							(16)	(16)
Income and expenses directly recognised in equity			(145,940)	(204,702)	(325)	(13,721)	(5,874)	(370,562)
Tax effects on income and expenses directly recognised in equity			8,847	(4,367)	68			4,548
Dividends paid							(40,946)	(40,946)
Net income						151,461	6,934	158,395
Balance as at 31.3.2008	120,597	724,562	(350,210)	(27,674)	6,225	2,666,910	532,842	3,673,252

CONSOLIDATED CASH FLOW STATEMENT
as at 31 March 2008

Figures in EUR thousand	2008	2007
	1.1.–31.3.	1.1.–31.3.
I. Cash flow from operating activities		
Net income	158,395	129,307
Appreciation/depreciation	82,594	5,592
Net realised gains and losses on investments	(107,702)	(28,656)
Amortisation of investments	(3,599)	(535)
Changes in funds held	(1,848,155)	(224,700)
Net changes in contract deposits	1,688,517	162,866
Changes in prepaid reinsurance premium (net)	339,416	308,621
Changes in tax assets/provisions for taxes	8,299	15,037
Changes in benefit reserves (net)	93,904	122,677
Changes in claims reserves (net)	236,413	120,333
Changes in deferred acquisition costs	(106,795)	(37,138)
Changes in other technical provisions	(1,872)	12,732
Changes in clearing balances	(244,820)	(518,336)
Changes in other assets and liabilities (net)	(64,822)	971
Cash flow from operating activities	229,773	68,771
II. Cash flow from investing activities		
Fixed-income securities – held to maturity		
Maturities	1,727	51,147
Purchases	–	(20,000)
Fixed-income securities – loans and receivables		
Maturities, sales	46,286	–
Purchases	(169)	(100,418)
Fixed-income securities – available for sale		
Maturities, sales	3,488,444	1,267,992
Purchases	(2,465,666)	(1,211,219)
Fixed-income securities – at fair value through profit or loss		
Maturities, sales	4,465	7,267
Purchases	(4,554)	(4,237)
Equity securities – available for sale		
Sales	361,599	201,611
Purchases	(432,816)	(178,293)
Equity securities – at fair value through profit or loss		
Sales	–	20,340
Purchases	–	(10,207)

Figures in EUR thousand	2008	2007
	1.1.–31.3.	1.1.–31.3.
Other financial instruments – at fair value through profit or loss		
Sales	14,806	–
Purchases	(37,615)	–
Other invested assets		
Sales	5,279	21,015
Purchases	(44,899)	(44,287)
Affiliated companies and participating interests		
Sales	14,399	199
Purchases	–	(1,983)
Short-term investments		
Changes	(1,174,208)	(40,602)
Other changes (net)	(8,214)	(10,287)
Cash flow from investing activities	(231,136)	(51,962)
III. Cash flow from financing activities		
Payment on capital measures	(72)	(18)
Dividends paid	(40,946)	(31,243)
Repayment of long-term debts	(130)	(158)
Other changes	–	3,193
Cash flow from financing activities	(41,148)	(28,226)
IV. Exchange rate differences on cash	(10,303)	(1,345)
Change in cash and cash equivalents (I.+II.+III.+IV.)	(52,814)	(12,762)
Cash and cash equivalents at the beginning of the period	335,422	351,776
Change in cash and cash equivalents according to cash flow statement	(52,814)	(12,762)
Cash and cash equivalents at the end of the period	282,608	339,014
Income taxes	(33,642)	(19,903)
Interest paid	(54,178)	(59,648)

SEGMENTAL REPORT
as at 31 March 2008

Hannover Re's segmental report is based on IAS 14 "Segment Reporting" and on the principles set out in German Accounting Standard No. 3 "Segment Reporting" (DRS 3) of the German Standards Council, supplemented by the requirements of DRS 3–20 "Segment Reporting of Insurance Enterprises".

The segments are shown after consolidation of internal transactions within the individual segment, but before consolidation across the segments. This is reported separately in the "Consolidation" column.

Segmentation of assets

Figures in EUR thousand	Non-life reinsurance	
	2008	2007
	31.3.	31.12.
Assets		
Held to maturity	1,205,255	1,262,619
Loans and receivables	1,204,468	1,263,764
Available for sale	9,760,077	11,387,469
At fair value through profit or loss	144,493	118,573
Other invested assets	789,487	808,047
Short-term investments	1,694,889	587,455
Cash	223,479	241,812
Total investments and cash under own management	15,022,148	15,669,739
Funds held by ceding companies	851,341	870,892
Contract deposits	137	137
Total investments	15,873,626	16,540,768
Reinsurance recoverables on unpaid claims	2,178,675	2,371,387
Reinsurance recoverables on benefit reserves	–	–
Prepaid reinsurance premium	106,430	86,217
Reinsurance recoverables on other reserves	9,985	3,031
Deferred acquisition costs	302,911	262,176
Accounts receivable	1,958,577	1,373,824
Other assets in the segment	1,275,153	1,287,379
Total	21,705,357	21,924,782

Life and health reinsurance		Consolidation		Total	
2008	2007	2008	2007	2008	2007
31.3.	31.12.	31.3.	31.12.	31.3.	31.12.
56,972	52,071	174,434	174,126	1,436,661	1,488,816
127,577	116,567	157,604	157,558	1,489,649	1,537,889
2,455,928	2,496,286	540,439	593,690	12,756,444	14,477,445
33,476	35,227	24,956	25,325	202,925	179,125
58,332	57,711	–	–	847,819	865,758
148,365	146,952	149,109	196,414	1,992,363	930,821
51,145	88,295	7,984	5,315	282,608	335,422
2,931,795	2,993,109	1,054,526	1,152,428	19,008,469	19,815,276
8,974,744	7,741,902	(2,046)	(2,240)	9,824,039	8,610,554
411,618	615,997	–	–	411,755	616,134
12,318,157	11,351,008	1,052,480	1,150,188	29,244,263	29,041,964
99,384	101,629	(1,594)	(1,431)	2,276,465	2,471,585
159,129	255,076	–	–	159,129	255,076
5,260	6,105	–	–	111,690	92,322
4,672	2,543	–	–	14,657	5,574
1,545,060	1,544,967	–	–	1,847,971	1,807,143
807,777	1,152,705	(1,958)	(658)	2,764,396	2,525,871
317,735	304,312	(640,186)	(722,819)	952,702	868,872
15,257,174	14,718,345	408,742	425,280	37,371,273	37,068,407

SEGMENTAL REPORT
as at 31 March 2008

Segmentation of technical and other liabilities

Figures in EUR thousand	Non-life reinsurance	
	2008	2007
	31.3.	31.12.
Liabilities		
Loss and loss adjustment expense reserve	14,521,528	15,114,553
Benefit reserves	–	–
Unearned premium reserve	1,449,262	1,148,723
Provisions for contingent commissions	143,120	146,638
Funds held under reinsurance contracts	208,221	186,802
Contract deposits	139,723	156,829
Reinsurance payable	795,379	427,552
Long-term liabilities	38,576	41,583
Other liabilities in the segment	1,211,805	1,239,046
Total	18,507,614	18,461,726

	Life and health reinsurance		Consolidation		Total	
	2008	2007	2008	2007	2008	2007
	31.3.	31.12.	31.3.	31.12.	31.3.	31.12.
	1,468,716	1,440,774	(1,573)	(1,439)	15,988,671	16,553,888
	5,876,472	6,143,460	–	–	5,876,472	6,143,460
	34,906	37,659	–	–	1,484,168	1,186,382
	36,610	37,087	–	–	179,730	183,725
	451,569	772,352	(2,097)	(2,242)	657,693	956,912
	4,894,534	3,511,996	–	–	5,034,257	3,668,825
	374,029	714,857	(2,796)	(1,342)	1,166,612	1,141,067
	–	–	1,373,215	1,373,294	1,411,791	1,414,877
	1,322,606	1,283,393	(635,784)	(625,001)	1,898,627	1,897,438
	14,459,442	13,941,578	730,965	743,270	33,698,021	33,146,574

SEGMENTAL REPORT

as at 31 March 2008

Segmental statement of income

Figures in EUR thousand	Non-life reinsurance	
	2008	2007
	1.1.–31.3.	1.1.–31.3.
Gross written premium	1,506,912	1,664,362
thereof		
From insurance business with other segments	–	–
From insurance business with external third parties and from discontinued operations	1,506,912	1,664,362
Net premium earned	996,909	1,092,609
Net investment income	176,698	177,911
Claims and claims expenses	748,939	863,902
Change in benefit reserves	–	–
Commission and brokerage, change in deferred acquisition costs and other technical income/expenses	211,533	257,967
Administrative expenses	39,716	36,924
Other income and expenses	8,045	(18,425)
Operating profit/loss (EBIT)	181,464	93,302
Interest on hybrid capital	–	–
Net income before taxes	181,464	93,302
Taxes	61,855	3,031
Net income from continuing operations	119,609	90,271
Net income from discontinued operations	–	16,245
Net income	119,609	106,516
thereof		
Minority interest in profit and loss	6,068	4,499
Group net income	113,541	102,017

Life and health reinsurance		Consolidation		Total	
2008	2007	2008	2007	2008	2007
1.1.–31.3.	1.1.–31.3.	1.1.–31.3.	1.1.–31.3.	1.1.–31.3.	1.1.–31.3.
770,082	744,080	(1,523)	–	2,275,471	2,408,442
1,523	–	(1,523)	–	–	–
768,559	744,080	–	–	2,275,471	2,408,442
681,756	644,205	–	–	1,678,665	1,736,814
76,215	71,001	9,697	9,269	262,610	258,181
415,194	356,227	(403)	(138)	1,163,730	1,219,991
84,042	113,796	–	–	84,042	113,796
194,281	189,768	(1,695)	(1,647)	404,119	446,088
15,949	12,893	(291)	(1,141)	55,374	48,676
(614)	9,318	4,205	(3,149)	11,636	(12,256)
47,891	51,840	16,291	9,046	245,646	154,188
–	–	19,303	19,163	19,303	19,163
47,891	51,840	(3,012)	(10,117)	226,343	135,025
8,709	16,660	(2,616)	1,287	67,948	20,978
39,182	35,180	(396)	(11,404)	158,395	114,047
–	–	–	(985)	–	15,260
39,182	35,180	(396)	(12,389)	158,395	129,307
866	1,267	–	–	6,934	5,766
38,316	33,913	(396)	(12,389)	151,461	123,541

Our secondary segmental reporting covers the continuing operations and is based on the regional origin of the investments and gross written premium.

Investments [1)]

Figures in EUR thousand	2008	2007
	31.3.	31.12.
Total investments		
Germany	6,064,395	6,252,371
United Kingdom	1,151,966	1,187,499
France	1,230,041	1,117,610
Other	2,774,418	3,251,338
Europe	11,220,820	11,808,818
USA	5,814,677	5,909,163
Other	530,267	589,295
North America	6,344,944	6,498,458
Asia	347,857	384,628
Australia	666,509	659,006
Australasia	1,014,366	1,043,634
Africa	235,507	276,441
Other	192,832	187,925
Total	19,008,469	19,815,276

Gross written premium [1)]

Figures in EUR thousand	2008	2007
	1.1.–31.3.	1.1.–31.3.
Gross written premium		
Germany	480,234	505,289
United Kingdom	386,223	397,194
France	122,249	120,051
Other	340,362	350,624
Europe	1,329,068	1,373,158
USA	475,729	622,062
Other	100,427	86,015
North America	576,156	708,077
Asia	124,862	71,883
Australia	111,524	129,834
Australasia	236,386	201,717
Africa	57,451	68,732
Other	76,410	56,758
Total	2,275,471	2,408,442

[1)] *After elimination of internal transactions within the Group across segments*

1. General reporting principles

The parent company Hannover Rückversicherung AG ("Hannover Re") and its subsidiaries (collectively referred to as the "Hannover Re Group") belong to Talanx AG, which in turn is wholly owned by HDI Haftpflichtverband der Deutschen Industrie V.a.G. (HDI). Hannover Re is obliged to prepare a consolidated financial statement and group management report in accordance with § 290 German Commercial Code (HGB). Furthermore, HDI is required by §§ 341 i et seq. German Commercial Code (HGB) to prepare consolidated annual accounts that include the annual financial statements of Hannover Re and its subsidiaries.

The consolidated financial statement of Hannover Re was drawn up in full compliance with the International Financial Reporting Standards (IFRS) that are to be used within the European Union. This also applies to all figures provided in this report for previous periods. Since 2002 the standards adopted by the International Accounting Standards Board (IASB) have been referred to as IFRS; the standards dating from earlier years still bear the name "International Accounting Standards (IAS)". Standards are cited in our Notes accordingly; unless the Notes make explicit reference to a particular standard, both terms are used synonymously.

In accordance with IAS 34.41 we draw on estimates and assumptions to a greater extent when preparing the consolidated quarterly financial report than is the case with the annual financial reporting. This can have implications for items in the balance sheet and the statement of income as well as for other financial obligations. Although the estimates are always based on realistic premises, they are of course subject to uncertainties that may be reflected accordingly in the result. Losses from natural disasters and other catastrophic losses impact the result of the reporting period in which they occur. Furthermore, belatedly reported claims for major loss events can also lead to substantial fluctuations in individual quarterly results. Gains and losses on the disposal of investments are accounted for in the quarter in which the investments are sold.

2. Accounting principles including major accounting policies

The quarterly accounts of the consolidated companies included in the consolidated financial statement were drawn up as at 31 March 2008.

All standards adopted by the IASB as at 31 March 2008 with binding effect for the reporting period have been observed in the consolidated financial statement.

In the present quarterly financial report as at 31 March 2008 we have included a self-contained, condensed risk report in the interim management report as well as further explanatory remarks in Section 5 "Management of technical and financial risks". In combination with the outlook for the full 2008 financial year, the intention is to thereby further improve the reporting on major opportunities and risks in the financial year.

In January 2008 the IASB issued revised versions of IFRS 3 "Business Combinations" and IAS 27 "Consolidated and Separate Financial Statements". The revisions primarily encompass the accounting treatment of minority interests, measurement issues relating to step acquisition, changes in the level of investment with and without loss of control as well as adjustments to acquisition costs depending on future events and their implications for goodwill. It remains the case that IFRS 3 does not cover business combinations involving entities under common control. The revisions are to be applied to financial years beginning on or after 1 July 2009. Both revised versions had still to be ratified by the European Union as at the balance sheet date.

Effective 28 December 2007 a group of reinsurance contracts involving guarantees given by Talanx AG was to be classified as financial instruments with the character of loans and receivables and measured at amortised cost in accordance with IAS 39 (so-called "investment contracts"). We have retrospectively adjusted the figures for the comparative period of the previous year as required by IAS 8. Consequently, income of EUR 3.1 million was reallocated from the reinsurance underwriting result to ordinary investment income for the first quarter of 2007. This reclassification, which affected the non-life reinsurance and life and health reinsurance business groups, did not have any implications for the premium, operating profit (EBIT) or net income or the shareholders' equity.

We would also refer to the relevant information in the consolidated financial statement as at 31 December 2007.

3. Consolidated companies and consolidation principles

Consolidated companies

Effective 1 January 2008 Hannover Rückversicherung AG, Bahrain Branch, which had received a corresponding licence in June 2007 from the Central Bank of Bahrain (CBB), commenced business operations alongside the already existing subsidiary Hannover ReTakaful B.S.C. (c), which had been established in 2006.

Effective 1 January 2008 the company name of Hannover Rückversicherung AG Succursale Française pour la Réassurance Vie, a branch of Hannover Re, was changed to Hannover Rückversicherung AG Succursale Française and the object of its business was expanded to include non-life reinsurance activities for the markets of France, Belgium and Luxembourg.

Effective 1 January 2008 Hannover Re and E+S Rück, which were equal partners in GbR Hannover Rückversicherung AG/E+S Rückversicherung AG-Grundstücksgesellschaft (GbR), liquidated the company. The partnership assets of GbR were divided between the former partners by way of de facto splitting. The transaction had no implications for the consolidated quarterly financial statement as at 31 March 2008.

In a press release dated 7 January 2008 we announced our intention to establish a branch office for life and health reinsurance in South Korea in June 2008. The Korean insurance regulator has already issued a provisional licence for the Seoul-based branch.

Effective 3 March 2008 Hannover Rück Beteiligung Verwaltungs-GmbH (HRBV), which is wholly owned by Hannover Re, reached agreement with a third party outside the Group on the sale of a further 1% of its stake in E+S Rück – by way of a share reduction without a change of control status – in order to intensify the business relations. Upon closing of the transaction HRBV held an interest of 62.78% in E+S Rück.

In the 2007 financial year Hannover Re acquired the 50% stake held by E+S Rück in Hannover Life Re of Australasia Ltd., Sydney, Australia, and thus holds all shares in the company; full allowance was made for transaction costs. All intercompany profits arising out of this transaction were eliminated. Effective 31 March 2008 Hannover Re transferred its shares in the company at book value by way of a capital increase for a non-cash contribution to Zweite Hannover Rück Beteiligung Verwaltungs-GmbH, all shares of which are held by Hannover Re.

Capital consolidation

The capital consolidation complies with the standards of IAS 27 "Consolidated and Separate Financial Statements". Subsidiaries are consolidated as soon as Hannover Re acquires a majority voting interest or de facto controlling influence. The capital consolidation is based on the revaluation method. Under the "purchase accounting" method the purchase costs of the parent company are netted with the proportionate shareholders' equity of the subsidiary at the time when it is first included in the consolidated financial statement after the revaluation of all assets and liabilities. After recognition of all acquired intangible assets that in accordance with IFRS 3 "Business Combinations" are to be accounted for separately from goodwill, the difference between the revalued shareholders' equity of the subsidiary and the purchase price is recognised as goodwill. Under IFRS 3 scheduled amortisation is not taken on goodwill. Instead, unscheduled amortisation is taken where necessary on the basis of regular impairment tests. Immaterial and negative goodwill are recognised in the statement of income in the year of their occurrence.

Companies over which Hannover Re is able to exercise a controlling influence ("associated companies") are normally consolidated "at equity" with the proportion of the shareholders' equity attributable to the Group. A controlling influence is presumed to exist if a company belonging to the Hannover Re Group directly or indirectly holds at least 20% – but no more than 50% – of the voting rights. Income from investments in associated companies is recognised separately in the consolidated statement of income.

Where minority interests in shareholders' equity exist, such interests are reported separately within Group shareholders' equity in accordance with IAS 1 "Presentation of Financial Statements".

The minority interest in the result is a component of net income and is shown separately as a "thereof" note following net income. As at 31 March 2008 it amounted to EUR 6.9 million (EUR 5.8 million).

Debt consolidation

Receivables and liabilities between the companies included in the consolidated financial statement were offset against each other.

Consolidation of expenses and profit

The effects of business transactions within the Group were eliminated.

Consolidation of special purpose entities

Since November 2000 Hannover Re had held voting equity interests of 33.3% in the special purpose entity Mediterranean Re PLC for the securitisation of reinsurance risks in France and Monaco. The securitisation ended as per the contractual agreement on 18 November 2005. The bonds issued as security were repaid in full to investors. The additional paid-in capital was repaid to the partners. The special purpose entity was liquidated effective 5 February 2008.

As a means of transferring peak exposures deriving from natural disasters to the capital market, Hannover Re issued a catastrophe ("CAT") bond that can be traded on a secondary market. The CAT bond with a volume of USD 150 million was placed with institutional investors from Europe and North America by Eurus Ltd., a special purpose entity domiciled in the Cayman Islands. Hannover Re does not exercise a controlling influence over the special purpose entity. Under IFRS this transaction is to be recognised as a financial instrument. Pursuant to IAS 39.9 the contract gives rise to a derivative, the fair value of which as at 31 March 2008 was EUR 2.8 million (EUR 2.9 million) and which we continued to recognise under other liabilities as at the balance sheet date.

Effective 1 January 2008 Hannover Re again drew on the capital market to obtain underwriting capacity for catastrophe risks by increasing the volume of its "K5" risk transaction, which had been boosted to USD 530.0 million in the previous year, by a further USD 10.0 million. The securitisation was placed with investors in North America, Europe and Asia. The additional capital was provided by both new and existing investors. Kaith Re Ltd., a special purpose entity domiciled in Bermuda, was used for the transaction. The planned term of the transaction runs until 31 December 2008. Pursuant to SIC–12 Kaith Re Ltd. has been included in the consolidated financial statement since 1 January 2006.

In the previous year Hannover Re placed on the capital market a protection cover on its worldwide natural catastrophe business in an amount of USD 200.0 million with a term of two years. It provides Hannover Re with aggregate excess of loss coverage. The special purpose entity Kepler Re, a separate cell within Kaith Re Ltd., was used for the transaction. The underlying portfolio consists of the natural catastrophe business retained under the existing "K5" securitisation. The cover attaches upon occurrence of an aggregated 83-year-event for "K5" and is fully utilised upon occurrence of a 250-year accumulation. Within this spread the outside investors in this and the "K5" transaction combined assume 90% of the "K5" losses, while the remaining 10% remain with Hannover Re. Hannover Re does not bear the majority of the economic benefits or risks arising out of this company's activities through any of its business relations with the special purpose entity.

Also in the previous year, the Hannover Re Group transferred risks from reinsurance recoverables to the capital market. By means of this securitisation, which has a term of five years, the default risk associated with reinsurance recoverables is reduced. The portfolio of recoverables underlying the transaction has a nominal value of EUR 1.0 billion and is comprised of exposures to retrocessionaires. The securities serving as collateral are issued through the special purpose entity Merlin CDO I B.V. A payment to Hannover Re is triggered by the insolvency of one or more retrocessionaires as soon as Hannover Re's contractually defined cumulative deductible of EUR 60.0 million over the term of the contract is exceeded. Hannover Re does not derive the majority of the economic benefits or risks arising out of the special purpose entity's activities through any of its business relations. Pursuant to IAS 39.9 the transaction gives rise to a derivative, the fair value of which as at 31 March 2008 was EUR 15.9 million (EUR 5.8 million) and which we recognised under other financial assets at fair value through profit or loss.

4. Discontinued operations

In the 2006 financial year Hannover Re reached agreement on the sale of its American subgroup Praetorian Financial Group, Inc., New York (PFG), to an Australian insurance group. Effective 31 May 2007 beneficial ownership of the assets and liabilities belonging to the subgroup classified in the previous periods as discontinued operations was transferred. They were therefore no longer recognised as at the balance sheet date. In compliance with IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", we recognise the profit or loss of PFG in the consolidated statement of income for the previous period after tax in a separate line. For further explanatory remarks please see the corresponding information in the consolidated financial statement as at 31 December 2007.

The profit or loss and net cash flows of the discontinued operations for the comparative period of the previous year are presented in the following tables and broken down into their major components.

Major items in the statement of income of the discontinued operations

Figures in EUR thousand	2008	2007
	1.1.–31.3.	1.1.–31.3.
Gross written premium	–	341,548
Ceded written premium	–	140,436
Net change in gross unearned premium	–	(7,779)
Net premium earned	–	193,333
Net investment income	–	10,531
Net underwriting result	–	16,739
Other income and expenses	–	(3,030)
Operating profit/loss (EBIT)	–	24,240
Interest on hybrid capital	–	1,991
Net income before taxes	–	22,249
Taxes	–	6,989
Net income	–	15,260

Statement of cash flows from the discontinued operations

Figures in EUR thousand	2008	2007
	1.1.–31.3.	1.1.–31.3.
Cash flow from operating activities	–	180,587
Cash flow from investing activities	–	(18,938)
Change in cash and cash equivalents	–	161,649

5. Management of technical and financial risks

5.1 Technical risks

Risks on the underwriting side can be subdivided into risks of random fluctuation, risks of error and risks of change.

In life and health reinsurance we calculate the reserves in accordance with actuarial principles using secure biometric actuarial bases and with the aid of portfolio information provided by our clients. In this area biometric risks are of primary importance for our company. This term refers to all risks directly connected with the life of an insured person, such as miscalculation of mortality, life expectancy and the probability of disability. We reduce these potential risks with a broad range of risk management measures.

A significant technical risk is the risk of underreserving. In non-life reinsurance we similarly calculate our loss reserves on an actuarial basis. The point of departure here is always the information provided by our cedants, where necessary supplemented by additional reserves that may seem appropriate on the basis of our own loss estimations. Furthermore, we constitute an IBNR (incurred but not reported) reserve for losses that have already occurred but have not yet been reported to us.

The combined ratio is tracked over time in non-life reinsurance in order to monitor the risk of losses exceeding premiums:

Combined and catastrophe loss ratio (non-life reinsurance) over the past ten years

Figures in %	Q1 2008	2007	2006	2005	2004	2003 [1]	2002 [1]	2001 [1]	2000 [1]	1999 [1]	1998 [1]
Combined ratio	99.5	99.7	100.8	112.8	97.2	96.0	96.3	116.5	107.8	111.1	108.1
thereof catastrophe losses [2]	6.8	6.3	2.3	26.3	8.3	1.5	5.2	23.0	3.7	11.4	3.5

[1] On a US GAAP basis
[3] Natural catastrophes and other man-made major losses > EUR 5 million gross as a percentage of net premium earned

Bad debt risks are of relevance to our company because the business that we accept is not always fully retained, but instead portions are retroceded as necessary. Our retrocession partners are therefore carefully selected in light of credit considerations.

In terms of the Hannover Re Group's major companies, EUR 193.9 million (7.0%) of our accounts receivable from reinsurance business in an amount of EUR 2,764.4 million were older than 90 days as at the balance sheet date. The average default rate over the past three years was 0.7%.

5.2 Investment risks

Risks in the investment sector consist primarily of market, credit and liquidity risks. Market price risks include share price, interest rate and currency risks. The "value at risk" (VaR) is a vital tool used for managing market price risks. For further explanatory remarks please see our comments on investment risks in the 2007 Group annual financial report.

In order to monitor interest rate risks and share price risks we also use stress tests that estimate the loss potential under extreme market conditions as well as sensitivity and duration analyses that complement our range of risk management tools.

Currency risks are of considerable importance to an internationally operating reinsurance enterprise that writes a significant proportion of its business in foreign currencies. These risks are, however, largely neutralised since we systematically adhere to the principle of matching currency coverage. Interest rate risks refer to an unfavourable change in the value of financial assets held in the portfolio due to changes in the market interest rate level. Declining market yields lead to increases and rising market yields to decreases in the fair value of fixed-income securities portfolios. One of the central objectives of our strategy in this regard is to match cash flows on the assets and liabilities sides as closely as possible. Quantitative support for this strategy is provided by our dynamic financial analysis model as well as a broad diversity of value at risk calculations. In addition, tightly defined tactical duration ranges are in place, within which asset managers can position themselves opportunistically according to their market expectations. The parameters for these ranges are directly linked to the risk-carrying capacity of the Hannover Re Group. Share price risks derive from unfavourable changes in the value of equities and equity or index derivatives due, for example, to downward movements on particular stock indices. We spread these risks through systematic diversification across various sectors and regions.

Scenarios for changes in the fair value of our securities as at the balance sheet date

Portfolio	Scenario	Portfolio change based on fair value in EUR million
Fixed-income securities	Yield increase +50 basis points	(283.3)
	Yield increase +100 basis points	(546.1)
	Yield decrease (50 basis points)	274.2
	Yield decrease (100 basis points)	568.7
	Fair value as at 31.3.2008	14,118.0

Scenarios for changes in the fair value of our securities as at the balance sheet date

Portfolio	Scenario	Portfolio change based on fair value in EUR million
Equity securities	Share prices +10%	139.7
	Share prices +20%	272.7
	Share prices (10%)	(147.1)
	Share prices (20%)	(242.6)
	Fair value as at 31.3.2008	1,731.8

Credit risks may arise out of a failure to pay (interest and/or capital repayment) or change in the credit status (rating downgrade) of issuers of securities. We attach vital importance to credit assessment conducted on the basis of the quality criteria set out in the investment guidelines.

Rating structure of our fixed-income securities [1)]

	Government bonds		Securities issued by semi-governmental entities		Corporate bonds		Asset-backed securities	
	in %	in EUR million	in %	in EUR million	in %	in EUR million	in %	in EUR million
AAA	90.5%	2,811.6	55.7%	1,930.5	5.2%	250.5	75.8%	2,029.6
AA	1.5%	45.3	36.1%	1,253.2	28.7%	1,389.6	19.9%	531.8
A	5.3%	164.6	7.4%	257.8	49.0%	2,372.1	0.8%	21.4
BBB	2.7%	84.3	0.5%	18.3	11.7%	567.3	0.6%	16.5
<BBB	–	–	0.3%	8.9	5.4%	264.3	2.9%	77.4
Total	100.0%	3,105.8	100.0%	3,468.7	100.0%	4,843.8	100.0%	2,676.7

[1)] *Securities held through investment funds are recognised pro rata with their corresponding individual ratings.*

The liquidity risk refers to the risk that it may not be possible to sell holdings or close open positions due to the illiquidity of the markets – or to do so only with delays or price markdowns – as well as the risk that the traded volumes influence the markets in question. Regular liquidity planning and a liquid asset structure ensure that Hannover Re is able to make the necessary payments at all times. We manage the liquidity risk inter alia by allocating a liquidity code to every security. The spread of investments across the various liquidity classes is specified in the monthly investment reports and controlled by limits.

Weighting of major asset classes [1)]

Asset classes	Parameter as per investment guidelines	31.3.2008
Bonds (direct holdings and investment funds)	at least 50.0%	74.2%
Listed equities (direct holdings and investment funds)	at most 17.5%	9.1%
Real estate	at most 5.0%	0.1%

[1)] *Calculated on a fair value basis*

For further explanatory remarks please see the risk report, pages 11 et seq. in the present quarterly financial report as well as our comments in the Group Annual Report 2007.

6. Notes on the individual items of the balance sheet and statement of income

6.1 Investments including income and expenses

Investments are classified and measured in accordance with IAS 39 "Financial Instruments: Recognition and Measurement". Hannover Re Group classifies investments according to the following categories: held to maturity, loans and receivables, financial assets at fair value through profit or loss, held for trading and available for sale. The allocation and measurement of investments are determined by the investment intent.

Fixed-income securities classified as held to maturity as well as loans and receivables originated by the entity that are not listed on an active market or sold at short notice are measured at purchase cost – i. e. fair value as at purchase date including directly allocable transaction costs – plus amortised cost. The amortised cost derives from the difference between the nominal value and purchase cost and is spread over the time to maturity of the fixed-income securities.

Fixed-income securities classified as available for sale are measured at fair value. The difference between the fair value and amortised cost is recognised outside the statement of income until realisation.

Financial assets at fair value through profit or loss and securities held for trading are measured at fair value. The difference between the fair value and amortised cost is recognised in the statement of income.

Securities whose fair value falls significantly or permanently below purchase cost are written down to current value and recognised in the statement of income.

The investments also include investments in associated companies, real estate used by third parties, short-term investments, cash and funds held. The other investments primarily consist of shares in private equity limited partnerships.

For further details we would refer to the relevant information in the consolidated financial statement as at 31 December 2007.

Maturities of the fixed-income and variable-yield securities

Figures in EUR thousand	2008		2007	
	Cost or amortised cost	Fair value	Cost or amortised cost	Fair value
Held to maturity				
due in one year	30,152	28,832	34,241	32,885
due after one through two years	30,348	30,115	1,705	1,662
due after two through three years	91,591	96,384	34,779	34,363
due after three through four years	202,687	205,356	194,052	195,724
due after four through five years	192,563	196,585	251,385	254,908
due after five through ten years	881,447	912,244	962,695	966,897
due after ten years	7,873	8,563	9,959	10,396
Total	1,436,661	1,478,079	1,488,816	1,496,835
Loans and receivables				
due in one year	33,625	33,639	32,710	33,086
due after one through two years	166,471	163,980	68,132	67,068
due after two through three years	45,936	45,391	131,788	127,981
due after three through four years	77,141	75,023	113,524	109,759
due after four through five years	37,812	37,619	19,496	19,417
due after five through ten years	995,034	981,742	1,037,707	1,002,324
due after ten years	133,630	133,777	134,532	136,201
Total	1,489,649	1,471,171	1,537,889	1,495,836
Available for sale				
due in one year [1)]	4,141,670	4,143,123	2,921,871	2,917,572
due after one through two years	1,139,481	1,141,825	1,407,784	1,403,733
due after two through three years	1,174,878	1,168,811	1,214,907	1,196,631
due after three through four years	1,073,634	1,085,770	1,273,380	1,276,467
due after four through five years	1,249,388	1,268,995	1,377,471	1,372,244
due after five through ten years	2,768,880	2,721,028	3,854,813	3,813,167
due after ten years	1,819,556	1,770,049	1,796,485	1,763,484
Total	13,367,487	13,299,601	13,846,711	13,743,298
Financial assets at fair value through profit or loss				
due in one year	86,566	86,566	66,784	66,784
due after one through two years	–	–	29,087	29,087
due after two through three years	–	–	–	–
due after three through four years	1,218	1,234	–	–
due after four through five years	–	–	–	–
due after five through ten years	31,960	32,528	34,133	35,089
due after ten years	23,925	23,769	27,187	27,780
Total	143,669	144,097	157,191	158,740

[1)] *Including short-term investments and cash*

The stated maturities may in individual cases diverge from the contractual maturities because borrowers may have the right to call or prepay obligations with or without penalty.

Floating-rate bonds (also known as "floaters") are shown under the maturities due in one year and constitute our interest-related, within-the-year reinvestment risk.

Amortised cost, unrealised gains and losses and accrued interest on the portfolio of investments classified as held to maturity as well as their fair value

31.3.2008

Figures in EUR thousand	Cost or amortised cost	Unrealised gains	Unrealised losses	Accrued interest	Fair value
Investments held to maturity					
Fixed-income securities					
Government debt securities of EU member states	46,919	571	66	465	47,889
US treasury notes	300,884	38,590	–	4,075	343,549
Other foreign government debt securities	14,809	418	71	93	15,249
Debt securities issued by semi-governmental entities	409,921	17,251	1,209	6,116	432,079
Corporate securities	406,335	5,384	14,188	10,891	408,422
Asset-backed securities	233,246	–	5,262	2,907	230,891
Total	1,412,114	62,214	20,796	24,547	1,478,079

31.12.2007

Figures in EUR thousand	Cost or amortised cost	Unrealised gains	Unrealised losses	Accrued interest	Fair value
Investments held to maturity					
Fixed-income securities					
Government debt securities of EU member states	49,589	–	827	760	49,522
US treasury notes	322,776	20,604	–	2,628	346,008
Other foreign government debt securities	18,315	121	52	26	18,410
Debt securities issued by semi-governmental entities	426,857	9,617	2,887	8,694	442,281
Corporate securities	410,476	3,595	12,911	10,562	411,722
Asset-backed securities	232,997	–	9,241	5,136	228,892
Total	1,461,010	33,937	25,918	27,806	1,496,835

Amortised cost, unrealised gains and losses and accrued interest on loans and receivables as well as their fair value

31.3.2008					
Figures in EUR thousand	Cost or amortised cost	Unrealised gains	Unrealised losses	Accrued interest	Fair value
Loans and receivables					
Government debt securities of EU member states	29,348	292	506	684	29,818
Debt securities issued by semi-governmental entities	247,453	760	7,851	4,595	244,957
Corporate securities	558,405	4,355	11,003	11,617	563,374
Asset-backed securities	378,166	3,689	8,214	8,511	382,152
Other	250,870	–	–	–	250,870
Total	1,464,242	9,096	27,574	25,407	1,471,171

31.12.2007					
Figures in EUR thousand	Cost or amortised cost	Unrealised gains	Unrealised losses	Accrued interest	Fair value
Loans and receivables					
Government debt securities of EU member states	29,327	80	975	563	28,995
Debt securities issued by semi-governmental entities	248,616	22	11,583	3,403	240,458
Corporate securities	558,914	1,455	18,794	11,575	553,150
Asset-backed securities	427,704	2,904	15,162	7,952	423,398
Other	215,606	–	–	34,229	249,835
Total	1,480,167	4,461	46,514	57,722	1,495,836

Amortised cost, unrealised gains and losses and accrued interest on the portfolio of investments classified as available for sale as well as their fair value

31.3.2008					
Figures in EUR thousand	Cost or amortised cost	Unrealised gains	Unrealised losses	Accrued interest	Fair value
Available for sale					
Fixed-income securities					
Government debt securities of EU member states	930,247	6,064	2,427	17,774	951,658
US treasury notes	911,367	37,228	68	6,006	954,533
Other foreign government debt securities	376,556	5,638	1,620	2,674	383,248
Debt securities of semi-governmental entities	2,665,807	61,136	13,926	44,272	2,757,289
Corporate securities	3,186,546	32,170	137,251	52,395	3,133,860
Asset-backed securities	1,969,205	29,725	44,505	31,441	1,985,866
From investment funds	888,299	9,234	49,739	10,382	858,176
	10,928,027	181,195	249,536	164,944	11,024,630
Equity securities					
Shares	644,592	46,638	51,723	–	639,507
From investment funds	1,177,433	38,142	123,268	–	1,092,307
	1,822,025	84,780	174,991	–	1,731,814
Short-term investments	1,988,009	513	58	3,899	1,992,363
Total	14,738,061	266,488	424,585	168,843	14,748,807

Amortised cost, unrealised gains and losses and accrued interest on the portfolio of investments classified as available for sale as well as their fair value

31.12.2007

Figures in EUR thousand	Cost or amortised cost	Unrealised gains	Unrealised losses	Accrued interest	Fair value
Available for sale					
Fixed-income securities					
Government debt securities of EU member states	901,704	4,112	5,851	16,732	916,697
US treasury notes	1,526,131	46,316	175	17,660	1,589,932
Other foreign government debt securities	376,357	2,266	2,471	3,265	379,417
Debt securities of semi-governmental entities	3,148,956	37,330	31,213	50,896	3,205,969
Corporate securities	3,384,791	26,302	117,316	64,942	3,358,719
Asset-backed securities	2,201,889	18,982	49,708	36,101	2,207,264
From investment funds	842,933	13,547	45,534	8,111	819,057
	12,382,761	148,855	252,268	197,707	12,477,055
Equity securities					
Shares	701,961	84,757	23,583	–	763,135
From investment funds	1,107,388	129,867	–	–	1,237,255
	1,809,349	214,624	23,583	–	2,000,390
Short-term investments	929,976	–	–	845	930,821
Total	15,122,086	363,479	275,851	198,552	15,408,266

Fair value of financial assets at fair value through profit or loss before and after accrued interest as well as accrued interest on such financial assets

31.3.2008

Figures in EUR thousand	Fair value before accrued interest	Accrued interest	Fair value
Financial assets at fair value through profit or loss			
Fixed-income securities			
Debt securities of semi-governmental entities	9,353	33	9,386
Corporate securities	131,879	1,932	133,811
Asset-backed securities	900	–	900
	142,132	1,965	144,097
Other financial assets			
Derivatives	58,828	–	58,828
	58,828	–	58,828
Total	200,960	1,965	202,925

31.12.2007

Figures in EUR thousand	Fair value before accrued interest	Accrued interest	Fair value
Financial assets at fair value through profit or loss			
Fixed-income securities			
Debt securities of semi-governmental entities	9,844	331	10,175
Corporate securities	146,280	1,631	147,911
Asset-backed securities	654	–	654
	156,778	1,962	158,740
Other financial assets			
Derivatives	20,385	–	20,385
	20,385	–	20,385
Total	177,163	1,962	179,125

Derivative financial instruments

As at 31 March 2008 Hannover Re recognised under this item put options acquired in the reporting period on the Dax and EuroStoxx 50 indices with a fair value of EUR 30.6 million (31 December 2007: EUR 1.9 million). Short sales of call options on the aforementioned indices with a fair value of EUR 10.1 million (31 December 2007: none) were recognised under other liabilities as at the balance sheet date.

In addition, Hannover Re reported as financial assets at fair value through profit or loss technical derivatives in an amount of EUR 28.2 million as at 31 March 2008 (31 December 2007: EUR 18.5 million) that were separated from the underlying transaction and measured at fair value.

In addition, liabilities from derivatives in connection with the technical account totalling EUR 22.3 million (31 December 2007: EUR 15.9 million) were recognised under other liabilities. Of this amount, fair values of EUR 19.5 million as at the balance sheet date (31 December 2007: EUR 13.0 million) were attributable to derivatives embedded in "modified coinsurance" and "coinsurance funds withheld" (Modco) reinsurance treaties. The charge to investment income from the Modco derivatives amounted to EUR 7.7 million before taxes as at 31 March 2008 (31 March 2007: pre-tax improvement in investment income of EUR 0.2 million). Within the scope of the accounting of Modco reinsurance treaties, under which securities deposits are held by the ceding companies and payments rendered on the basis of the income from certain securities of the ceding company, the interest-rate risk elements are clearly and closely related to the underlying reinsurance arrangements. Embedded derivatives consequently result solely from the credit risk of the underlying securities portfolio. Hannover Re calculates the fair value of the embedded derivatives in Modco treaties using the market information available on the valuation date on the basis of a "credit spread" method. Under this method the derivative is valued at zero on the date when the contract commences and its value then fluctuates over time according to changes in the credit spreads of the securities.

Investment income

Figures in EUR thousand	2008	2007
	31.3.	31.3.
Real estate	386	615
Dividends	5,803	1,660
Interest income on investments	187,874	188,646
Other income	17,236	7,408
Ordinary investment income	211,299	198,329
Profit or loss on shares in associated companies	695	976
Realised gains on investments	133,776	40,155
Realised losses on investments	26,074	11,499
Unrealised gains and losses	(11,875)	(126)
Depreciation on real estate	122	141
Impairments/depreciation on equity securities	65,137	261
Impairments on fixed-income securities	20,484	–
Other investment expenses	14,070	15,983
Net income from assets under own management	208,008	211,450
Interest income on funds withheld and contract deposits	88,592	63,640
Interest expense on funds withheld and contract deposits	33,990	16,909
Total investment income	262,610	258,181

The impairments of EUR 85.6 million were attributable entirely to assets classified as available for sale. Impairments of EUR 20.5 million taken on fixed-income securities related to structured products. Of this amount, altogether EUR 6.1 million was attributable to further write-downs directly associated with the crisis on the US housing market in respect of which Hannover Re identified a risk of default. In addition, an impairment of EUR 65.1 million was recognised on equities whose fair value had fallen significantly, i.e. by at least 20%, or for a prolonged period, i.e. at least nine months, below acquisition cost.

Interest income on investments

Figures in EUR thousand	2008	2007
	31.3.	31.3.
Fixed-income securities – held to maturity	14,495	16,417
Fixed-income securities – loans and receivables	13,293	14,843
Fixed-income securities – available for sale	134,017	142,922
Financial assets – at fair value through profit or loss	1,380	1,692
Other	24,689	12,772
Total	187,874	188,646

6.2 Staff

The average number of staff at the companies included in the consolidated financial statement of the Hannover Re Group was 1,785 (31 December 2007: 1,922).

As at the balance sheet date altogether 1,745 (1,825) staff were employed by the Hannover Re Group, with 928 (907) employed in Germany and 817 (918) working for the consolidated Group companies abroad.

6.3 Shareholders' equity and minority interests

Shareholders' equity is shown as a separate component of the financial statement in accordance with IAS 1 "Presentation of Financial Statements" and subject to IAS 32 "Financial Instruments: Disclosure and Presentation" in conjunction with IAS 39 "Financial Instruments: Recognition and Measurement". The change in shareholders' equity comprises not only the net income deriving from the statement of income but also the changes in the value of asset and liability items not recognised in the statement of income.

The common shares (share capital of the parent company) amount to EUR 120,597,134.00. They are divided into 120,597,134 voting and dividend-bearing registered no-par-value shares. The shares are paid in in full. Each share carries an equal voting right and an equal dividend entitlement.

Minority interests are established in accordance with the shares held by companies outside the Group in the shareholders' equity of the subsidiaries.

Authorised capital of up to EUR 60,299 thousand is available with a time limit of 31 May 2009.

New individual registered shares may be issued on one or more occasions for contributions in cash or kind. Of the total amount, up to EUR 1,000 thousand may be used to issue employee shares.

In addition, conditional capital of up to EUR 60,299 thousand is available. It can be used to grant shares to holders of convertible bonds and bonds with warrants as well as to holders of participating rights or participating bonds with conversion rights and warrants and has a time limit of 11 May 2011.

6.4 Treasury shares

IAS 1 requires separate disclosure of treasury shares in shareholders' equity. By a resolution of the Annual General Meeting of Hannover Rückversicherung AG adopted on 3 May 2007, the company was authorised until 31 October 2008 to acquire treasury shares of up to 10% of the share capital existing on the date of the resolution. The company did not hold treasury shares at any time during the reporting period.

6.5 Earnings per share

Basic and fully diluted earnings per share

	2008			2007		
	1.1.–31.3.			1.1.–31.3.		
	Result (in EUR thousand)	No. of shares	Per share (in EUR)	Result (in EUR thousand)	No. of shares	Per share (in EUR)
Group net income	151,461	–	–	123,541	–	–
Weighted average of issued shares	–	120,597,134	–	–	120,597,134	–
Earnings per share	151,461	120,597,134	1.26	123,541	120,597,134	1.02
from continuing operations	151,461	120,597,134	1.26	108,281	120,597,134	0.90
from discontinued operations	–	120,597,134	–	15,260	120,597,134	0.12

Neither in the reporting period nor in the previous period were there any dilutive effects or other extraordinary components of income which should have been recognised or disclosed separately in the calculation of the earnings per share.

The earnings per share could potentially be diluted in future through the issue of shares or subscription rights from the authorised or conditional capital.

7. Transactions with related parties

IAS 24 defines related parties inter alia as parent companies and subsidiaries, subsidiaries of a common parent company, associated companies, legal entities under the influence of management and the management of the company itself. In the period under review the following significant business relations existed with related parties.

With effect from 10 January 2008 HDI Haftpflichtverband der Deutschen Industrie V.a.G. (HDI) has held the majority interest in Hannover Re in an unchanged amount (50.22%) exclusively through Talanx AG, into which both HDI Verwaltungs-Service GmbH and Zweite HDI Beteiligungsgesellschaft mbH were merged with legal force on the same date.

The Hannover Re Group provides reinsurance protection for the HDI Group. To this extent, numerous underwriting business relations exist with related parties in Germany and abroad that are not included in Hannover Re's consolidation. This includes business both assumed and ceded at usual market conditions. Protection Reinsurance Intermediaries AG grants Hannover Re and E+S Rück a preferential position as reinsurers of ceding companies within the Talanx Group. In addition, Hannover Re and E+S Rück are able to participate in the protection covers on the retention of Group cedants and share in the protection afforded by them.

The major reinsurance relationships with related parties in the period under review are listed in the following table.

Business assumed and ceded inGermany and abroad

Figures in EUR thousand	2008	
Related parties	Premium	Underwriting result
Business assumed		
ASPECTA Assurance International AG	5,314	848
ASPECTA Assurance International Luxembourg S.A.	8,674	1,032
ASPECTA Lebensversicherung AG	30,043	3,147
CiV Lebensversicherung AG	10,942	(1,818)
CiV Versicherung AG	3,964	2,109
HDI Asekuracja Towarzystwo Ubezpieczen S.A.	4,310	1,118
HDI Assicurazioni S.p.A.	14,465	12,416
HDI Direkt Versicherung AG	4,514	2,660
HDI-Gerling Firmen und Privat Versicherung AG	3,359	(337)
HDI-Gerling Industrie Versicherung AG	5,154	(2,440)
HDI-Gerling Lebensversicherung AG	5,083	2,147
HDI-Gerling Verzekeringen N.V.	42,947	(4,148)
HDI HANNOVER International España, Cia. de Seguros y Reaseguros S.A.	567	581
HDI Hannover Versicherung AG	6,895	(1,338)
HDI Sigorta A.S.	7,631	1,664
Magyar Posta Biztositó Részvénytársaság	1,895	(425)
Postbank Lebensversicherung AG	11,931	(385)
Other companies	3,552	1,032
Total	171,240	17,863
Business ceded		
HDI-Gerling Industrie Versicherung AG	–	(38)
Other companies	–	7
Total	171,240	17,832

With effect from the 1997 financial year onwards all new business and renewals written on the German market have been the responsibility of E+S Rück, while Hannover Re has handled foreign markets. Internal retrocession arrangements ensure that the percentage breakdown of the business applicable to the previously existing underwriting partnership is largely preserved between these companies.

Within the contractually agreed framework AmpegaGerling Asset Management GmbH performs investment and asset management services for Hannover Re and some of its subsidiaries. Assets in special funds are managed by AmpegaGerling Investment GmbH. AmpegaGerling Immobilien Management GmbH performs services for Hannover Re within the framework of a management contract.

Companies belonging to the Talanx Group granted the Hannover Re Group insurance protection inter alia in the areas of public liability, fire, group accident and business travel collision insurance. In addition, Talanx AG billed Hannover Re and E+S Rück pro rata for the directors' and officers' (D&O) insurance of the Talanx Group. Divisions of Talanx AG also performed services for us in the areas of taxes and general administration. All transactions were effected at usual market conditions.

8. Other notes

8.1 Contingent liabilities and commitments

Hannover Re has secured by subordinated guarantee a subordinated debt in the amount of USD 400.0 million issued in the 1999 financial year by Hannover Finance, Inc., Wilmington/USA. In February 2004 and May 2005 Hannover Re bought back portions of the subordinated debt in amounts of USD 370.0 million and USD 10.0 million respectively, leaving an amount of USD 20.0 million still secured by the guarantee. In the 2007 financial year the issuer bought back the debt from Hannover Re in an amount of USD 380.0 million for the purpose of cancelling the debt, which was subsequently cancelled. For further details please see the information on debt and subordinated capital in the consolidated financial statement as at 31 December 2007.

Hannover Re has placed three subordinated debts on the European capital markets through its subsidiary Hannover Finance (Luxembourg) S.A. Hannover Re has secured by subordinated guarantee both the debt issued in 2001, the volume of which now stands at EUR 138.1 million, and the debts from financial years 2004 and 2005 in amounts of EUR 750.0 million and EUR 500.0 million respectively. For further details we would refer to the relevant information in the consolidated financial statement as at 31 December 2007.

The guarantees given by Hannover Re for the subordinated debts attach if the issuer in question fails to render payments due under the bonds. The guarantees cover the relevant bond volumes as well as interest due until the repayment dates. Given the fact that interest on the bonds is partly dependent on the capital market rates applicable at the interest payment dates (floating rates), the maximum undiscounted amounts that can be called cannot be estimated with sufficient accuracy. Hannover Re does not have any rights of recourse outside the Group with respect to the guarantee payments.

In July 2004 Hannover Re and the other shareholders sold the participation that they held through Willy Vogel Beteiligungsgesellschaft mbH in Willy Vogel AG. In order to secure the guarantees assumed under the purchase agreement, Hannover Re and the other shareholders jointly gave the purchaser a directly enforceable guarantee for a period until 2009 limited to a total amount of EUR 7.1 million. Furthermore, in the event of a call being made on the guarantee Hannover Re and the other shareholders agreed that settlement would be based upon the ratio of participatory interests.

As security for technical liabilities to our US clients, we have established a master trust in the USA. As at the balance sheet date this master trust amounted to EUR 1,988.5 million (31 December 2007: EUR 2,088.3 million). In addition, we extended further collateral to our cedants in an amount of EUR 227.7 million (31 December 2007: EUR 328.7 million) through so-called "single trust funds".

As part of our business activities we hold collateral available outside the United States in various blocked custody accounts and trust accounts, the total amount of which in relation to the Group's major companies was EUR 1,213.1 million (31 December 2007: EUR 1,235.1 million) as at the balance sheet date.

The securities held in the blocked custody accounts and trust accounts are recognised predominantly as available-for-sale investments.

As security for our technical liabilities, various financial institutions have furnished guarantees for our company in the form of letters of credit. The total amount as at the balance sheet date was EUR 2,017.3 million (31 December 2007: EUR 2,150.0 million).

Outstanding capital commitments with respect to special investments exist on the part of the Group in the amount of EUR 198.6 million (31 December 2007: EUR 235.2 million). These primarily involve as yet unfulfilled payment obligations from participations entered into in private equity funds and venture capital firms.

Within the scope of a novation agreement regarding a life insurance contract we assumed contingent reinsurance commitments with respect to due date and amount. The financing phase was terminated effective 31 December 2004 as per the agreement. The level of Hannover Re's liability as at the date of novation (31 December 2011) in relation to future balance sheet dates may change due to fluctuations in the EURIBOR and discrepancies between the actual settlements and the projections. The estimated amount of the reinsurance commitments as at the balance sheet date was unchanged at EUR 10.3 million.

8.2 Events after the end of the quarter

Effective 1 April 2008 we acquired a shelf service company, in future to be named Hannover Re Escritório de Representação no Brasil Limitada, for the purpose of opening a representative office in Rio de Janeiro, Brazil. The object of the company, in which interests of 99% and 1% will be held by Hannover Re and Hannover Rück Beteiligung Verwaltungs-GmbH respectively, shall consist solely of representing Hannover Re in Brazil – with no local underwriting of insurance risks.

Hannover Re established a branch in Shanghai, People's Republic of China, and received a licence from the China Insurance Regulatory Commission (CIRC) to transact life and health reinsurance business. The permanent establishment is expected to commence business activities in the second quarter of 2008.

Key exchange rates

1 EUR corresponds to:	Mean rate of exchange on the balance sheet date		Average rate of exchange	
	2008	2007	2008	2007
	31.3.	31.12.	1.1.–31.3.	1.1.–31.3.
AUD	1.7294	1.6775	1.6741	1.6670
BHD	0.5955	0.5530	0.5700	0.4963
CAD	1.6173	1.4440	1.5094	1.5330
GBP	0.7950	0.7346	0.7603	0.6719
MYR	5.0464	4.8652	4.8940	4.6003
SEK	9.3850	9.4350	9.4168	9.1816
USD	1.5810	1.4716	1.5148	1.3153
ZAR	12.7942	10.0300	11.4037	9.4781

Hannover Re

Karl-Wiechert-Allee 50
30625 Hannover
Germany
Telephone +49/5 11/56 04-0
Fax +49/5 11/56 04-11 88
info@hannover-re.com

www.hannover-re.com

Investor Relations/Public Relations
Stefan Schulz

Telephone +49/5 11/56 04-15 00
Fax +49/5 11/56 04-16 48
stefan.schulz@hannover-re.com

Public Relations
Gabriele Handrick

Telephone +49/5 11/56 04-15 02
Fax +49/5 11/56 04-16 48
gabriele.handrick@hannover-re.com