somewhat different

Interim Report 2/2009

hannover re®

KEY FIGURES
of the Hannover Re Group

Figures in EUR million	2009					2008		
	1.1.–31.3.	1.4.–30.6.	+/- previous Year	1.1.–30.6.	+/- previous Year	1.4.–30.6.	1.1.–30.6.	31.12.
Results								
Gross written premium	2,661.9	2,588.7	+38.5%	5.250.5	+26.7%	1,869.1	4,144.6	
Net premium earned	2,091.3	2,374.6	+36.7%	4.465.9	+30.8%	1,736.7	3,415.4	
Net underwriting result	(1.7)	(73.3)		(75.1)	+106.9%	(7.7)	(36.3)	
Net investment income	198.2	371.0	+103.3%	569.2	+27.9%	182.5	445.1	
Operating result (EBIT)	305.8	294.2	+90.4%	600.1	+49.9%	154.6	400.2	
Group net income (loss)	216.1	202.9	+101.3%	419.0	+66.1%	100.8	252.2	
Balance sheet (as at the end of the quarter)								
Policyholders' surplus	4,784.4			5,036.7	+7.0%			4,708.4
Total shareholders' equity	2,937.1			3,171.2	+12.1%			2,830.1
Minority interests	483.8			501.3	-0.0%			501.4
Hybrid capital	1.363.5			1,364.1	-0.9%			1,376.9
Investments (excl. funds held by ceding companies)	20,950.4			21,047.4	+4.5%			20,137.2
Total assets	40,966.7			41,557.6	+9.4%			38,001.7
Share								
Earnings per share (diluted) in EUR	1.79	1.68	+100.0%	3.47	+66.1%	0.84	2.09	
Book value per share in EUR	24.35			26.30	+12.1%			23.47
Share price at the end of the period in EUR	24.00	26.36	-15.9%	26.36	+17.2%	31.35	31.35	22.50
Market capitalisation at the end of the period	2,894.3			3,178.9	+17.2%		3,780.7	2,713.4
Ratios								
Combined ratio (non-life reinsurance) [1]	95.0%	98.9%		97.1%		97.4%	98.4%	
Large losses as percentage of net premium earned (non-life reinsurance) [2]	8.4%	5.0%		6.6%		4.4%	6.2%	
Retention	91.7%	94.4%		93.0%		90.5%	89.5%	
Return on investment (excl. funds held by ceding companies)	2.7%	5.4%		4.1%		2.9%	3.6%	
EBIT margin [3]	14.6%	12.4%		13.4%		8.9%	11.7%	
Return on equity (annualised)	30.0%	26.6%		27.9%		13.6%	16.4%	

[1] *Including funds held*
[2] *Natural catastrophes and other major losses in excess of EUR 5 million gross for the Hannover Re Group's share*
[3] *Operating result (EBIT) / net premium earned*

Ulrich Wallin
Chairman of the
Executive Board

Dear shareholders, Ladies and Gentlemen,

On 1 July 2009 a change occurred in the leadership of Hannover Re; having served on the Executive Board for eight years I have now taken over as Chairman of this body. During my many years of service for Hannover Re, going back as far as 1984, I have had the opportunity to perform a range of tasks in reinsurance business. They included, most notably, the development and leadership of our Specialty Division, by which we mean worldwide aviation and marine reinsurance business as well as facultative reinsurance, i.e. the underwriting of individual risks. In addition, I was entrusted with responsibility for our protection cover programmes for major risks.

My move to become Chief Executive Officer of your company represents the continuous refinement of our successful business model. Particularly in the current financial market crisis, this has proven its worth despite the unsatisfactory result of the previous year. We were able to assert our position as a financially strong undertaking, and we are well placed to profit from the prevailing attractive conditions for reinsurers.

In order to remain successful over the long term, we shall fine-tune our business model with the aim of being able to cover our clients' reinsurance needs as a reliable, financially robust partner. What is more, we must develop skills that enable us to recognise even better business opportunities upon which we can then act in concert with our clients.

Last but not least, especially in light of my experience on the Executive Board of Hannover Re, I shall seek to reduce the volatility of our results wherever possible. With this aim in mind, we are continuing to systematically enhance our risk management.

I would now like to turn my attention to the current financial year, which has passed off very favourably to date. Our result in the first half-year puts in place a good platform to achieve our targets for 2009.

We are highly satisfied with the development of our *non-life reinsurance* business as at 30 June 2009. After several years in which we did not record any growth, we booked a vigorous organic surge in premium income. This can be attributed firstly to the rise in demand for reinsurance – triggered in part by the financial market crisis – and secondly to our good positioning in the markets. Overall, the rate level in non-life reinsurance has been commensurate with the risks in the current financial year, and our acceptances therefore show a healthy profit potential that meets our required margins. Yet this is not true of all segments: in some areas of property catastrophe business and US casualty business we scaled back our exposures.

As you, our valued shareholders, are aware, the transfer of insurance risks to the capital market has for some years played a special role for our company. These transactions enable us to obtain adequate cover for peak risks, especially in times when prices on the retrocession market are very much on the high side. In July, therefore, we succeeded in renewing our "Eurus" catastrophe bond that we had originally issued in 2006. This cat bond with a volume of EUR 150 million provides cover against severe windstorm events in seven European countries.

We are also thoroughly satisfied with the development of our second business group – namely *life and health reinsurance*. The acquisition of the US ING life reinsurance portfolio not only strengthens our risk-oriented life reinsurance business in the United States, an area in which we had hitherto been underrepresented; it also marks a major stride towards ensuring that life and health reinsurance – which is characterised by greater stability relative to more volatile non-life reinsurance business – now accounts for a larger share of the total portfolio. In the current financial year we were able to tap into two very positive special effects of the acquisition – along with the regular premium income – which led to a sharp surge in profitability. Yet even without the effects of this latest acquisition we have every reason to be very pleased with the development of our life and health reinsurance business group. In the enhanced annuities segment we are making good progress: building on our already very good positioning in the United Kingdom, we intend to enter the North American market before the end of this year. In our assessment, life and health reinsurance offers considerable further potential for organic growth and we shall also continue to review appropriate acquisition offers.

All in all, despite the difficult conditions still prevailing on international capital markets, we are satisfied with the performance of our *investments* in the first six months. Our goal is to improve still further our portfolio's protection against interest rate fluctuations and other market risks. Within the limits of our investment strategy we shall increase our investments in real estate. Whether or not to move back into listed equities will be decided at the appropriate time. In any event, we shall participate on a strictly controlled basis in a stable environment. We were once again compelled to take write-downs in the second quarter on private equity. Assisted by the positive extraordinary effects of the fair-value measurement of assets deposited with our clients, we recorded further substantial growth in our investment income.

I am pleased to inform you, our valued shareholders, that our share again fared rather well in the first six months of the year. Since the turn of the year the share price has shown a gain of 17.2%, hence outperforming both the Dax and the MDax. Since we still consider our share to be undervalued, however, there should be scope for further pleasing upward price movement if the second half of the year continues to develop favourably.

I would like to thank you for your trust in Hannover Re. Rest assured: my colleagues on the Executive Board and I will do everything in our power to equip your company to handle the opportunities and risks that lie ahead.

Yours sincerely,

Ulrich Wallin
Chairman of the Executive Board

BOARDS AND OFFICERS
of Hannover Re

Supervisory Board (Aufsichtsrat)

Herbert K. Haas [1) 2) 3)] Burgwedel	Chairman (since 5 May 2009)
Dr. Klaus Sturany [1)] Dortmund	Deputy Chairman
Wolf-Dieter Baumgartl [1) 2) 3)] Berg	
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)] Burgwedel	

Executive Board (Vorstand)

Ulrich Wallin Hannover	Chairman (since 1 July 2009)
Wilhelm Zeller Burgwedel	Chairman (until 30 June 2009)
André Arrago Hannover	
Dr. Wolf Becke Hannover	
Jürgen Gräber Ronnenberg	
Dr. Elke König Hannover (until 31 March 2009)	
Dr. Michael Pickel Isernhagen	
Roland Vogel Wennigsen (since 1 April 2009)	Deputy Member

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

Business development

Conditions in worldwide reinsurance business are favourable for our company, enabling us to close the first half-year with a satisfactory underwriting result. Both the premium volume and profitability in our two business groups came in in line with our expectations.

Gross written premium in total business increased by 26.7% to EUR 5.3 billion (EUR 4.1 billion) as at 30 June 2009. Of this strong growth, an amount of EUR 408.6 million was attributable to the acquisition of the US ING life reinsurance portfolio in the first quarter. The effect of exchange rate movements was only marginal at 1.1%. The level of retained premium climbed as planned to 93.0% (89.5%). Net premium consequently surged by an even more vigorous 30.8% to EUR 4.5 billion (EUR 3.4 billion).

Following a below-average incidence of catastrophe losses in the first quarter, the second quarter also passed off relatively favourably; the burden of catastrophe losses and major claims for the first six months therefore remained within our expected bounds.

In view of the challenging state of international capital markets we are satisfied with our investment income. The volume of assets under own management grew slightly owing to a positive inflow of cash from the technical account. Ordinary investment income fell somewhat short of the corresponding period of the previous year at EUR 398.8 million (EUR 407.9 million). Interest on deposits climbed by an appreciable 41.7% to EUR 144.9 million (EUR 102.3 million). While scarcely any write-downs were incurred on listed equities (EUR 2.6 million) and those taken on fixed-income securities retreated to EUR 26.2 million (EUR 31.7 million), it was again necessary in the second quarter to take further write-downs of EUR 30.5 million (first half-year: EUR 64.1 million) on private equity investments. Positive effects made themselves felt in the second quarter in connection with the recognition of ModCo reinsurance contracts, under which securities deposits are held by cedants and payments are rendered on the basis of the income from certain securities of the ceding companies. The effect of these contracts on our unrealised gains/losses had been negative as at 31 December 2008 and 31 March 2009. In addition, positive effects derived from the measurement of deposits in connection with the ING acquisition. Although the general environment is still highly challenging, we were therefore able to boost our net investment income to EUR 569.2 million (EUR 445.1 million), an improvement of some 27.9% compared to the same period of the previous year.

The operating profit (EBIT) increased by 49.9% to EUR 600.1 million (EUR 400.2 million). Group net income as at 30 June 2009 surged – in part owing to the special effects associated with the ING life reinsurance portfolio and the funds held by ceding companies – by 66.1% to EUR 419.0 million (EUR 252.2 million). The earnings per share thus totalled EUR 3.47 (EUR 2.09) and the annualised return on equity stood at 27.9% (16.4%).

Shareholders' equity improved by EUR 341.2 million on the level of 31 December 2008 and stood at EUR 3.2 billion. The book value per share consequently also increased by 12.1% to EUR 26.30 (EUR 23.47). The policyholders' surplus, comprised of shareholders' equity, minority interests and hybrid capital, totalled EUR 5.0 billion (EUR 4.7 billion).

Non-life reinsurance

We continue to be satisfied with the development of our non-life reinsurance business: the situation on the international reinsurance markets is favourable for our company. The repercussions of the financial crisis have served to enhance the appeal of reinsurance as a tool for capital management at our clients in the primary insurance sector. This is continuing to generate stronger demand for reinsurance protection. As a result, the price increases obtained during the treaty renewals as at 1 January 2009 were sustained in subsequent renewal phases within the year. In contrast to the rate declines witnessed in South Korea and

Japan in the previous year, it was possible to secure price increases in the renewals as at 1 April 2009 in these markets.

The renewals on 1 June and 1 July similarly passed off satisfactorily for our company overall. Nevertheless, we did not consider movements in the rate level to be adequate in all segments. In view of our profit-oriented underwriting policy, we therefore scaled back our exposures in such segments. This is true, for example, of property catastrophe business in Japan and the United States, where we reduced our peak risks. In some casualty segments we also wrote smaller volumes in response to inadequate rates.

The development of our worldwide credit and surety business gave grounds for satisfaction. With prices rising to levels that are commensurate with the risks, we have expanded in this segment – even though the claims rates are not as positive as in previous years owing to higher default rates. Our portfolio in Central and Eastern Europe, where we were able to acquire new business and enlarge our shares under existing accounts, continues to perform well.

In the area of agricultural risks we are pursuing a global strategy of acquiring additional market shares.

Demand for structured covers continues to be fuelled by the reverberations of the financial market crisis. Further highly attractive business opportunities are opening up in this area.

Key figures for non-life reinsurance

Figures in EUR million	2009					2008	
	1.1.–31.3.	1.4.–30.6.	+/- previous year	1.1.–30.6.	+/- previous year	1.4.–30.6.	1.1.–30.6.
Gross written premium	1,656.0	1,425.5	+24.0%	3,081.5	+16.0%	1,149.3	2,656.2
Net premium earned	1,180.9	1,301.0	+19.8%	2,481.9	+19.2%	1,085.7	2,082.6
Underwriting result	53.6	3.7	-86.2%	57.3	+143.0%	26.9	23.6
Net investment income	117.8	120.1	+28.2%	237.9	-12.0%	93.7	270.4
Operating result (EBIT)	187.6	129.5	+21.3%	317.1	+10.0%	106.8	288.2
Group net income	126.1	97.1	+18.2%	223.2	+14.1%	82.2	195.7
Earnings per share in EUR	1.05	0.81	+18.2%	1.85	+14.1%	0.68	1.62
Combined ratio [1]	95.0%	98.9%		97.1%		97.4%	98.4%
Retention	92.4%	96.0%		94.1%		90.4%	89.4%

[1] *Including expenses on funds held and contract deposits*

All in all, developments in our non-life reinsurance business group were highly gratifying. The gross premium volume as at 30 June 2009 grew by 16.0 % relative to the same period of the previous year to reach EUR 3.1 billion (EUR 2.7 billion). At constant exchange rates, especially against the US dollar, the increase would have amounted to 12.0%. The level of retained premium rose to 94.1% (89.4%) on the back of sharply reduced retrocessions. Net premium earned consequently climbed by 19.2% to EUR 2.5 billion (EUR 2.1 billion).

We incurred only a few catastrophe losses in the second quarter, notably including the severe earthquake centred on the Italian city of L'Aquila. The largest individual loss for our company was the crash of an Air France jet with a net strain in the order of EUR 30 million. All in all, the total net burden of catastrophe losses and major claims for the first half-year stood at EUR 163.3 million (EUR 130.0 million). This is equivalent to 6.6% of net premium in non-life reinsurance and hence within our expected level of 10%. The combined ratio stood at 97.1% (98.4%), a figure in line with our expectations for the full 2009 financial year.

The net underwriting result in non-life reinsurance improved from EUR 23.6 million in the comparable period of the previous year to EUR 57.3 million. The operating profit (EBIT) increased by 10.0% to EUR 317.1 million (EUR 288.2 million). Group net income climbed 14.1% to EUR 223.2 million (EUR 195.7 million), producing earnings per share of EUR 1.85 (EUR 1.62).

Life and health reinsurance

In life and health reinsurance we operate in five strategic business segments: financial solutions, bancassurance, new markets, multinational insurance clients and conventional risk-oriented reinsurance.

In many countries the international financial market crisis has stimulated demand among life insurers for reinsurance solutions. Owing to the visible weakening of their solvency position, insurers are adopting a considerably more cautious risk strategy and financial policy, hence leading to an increased clamour for both risk- and financially oriented reinsurance solutions. This state of affairs is particularly evident in the United States, where the insurance industry suffered marked erosion of its capital base. In view of its special focus on the needs of clients, our US subsidiary Hannover Life Re US is well placed to respond appropriately to these developments. Our worldwide portfolio of life and health reinsurance recorded further profitable growth with the acquisition of the US ING life reinsurance business in January. This transaction also served to strengthen our risk-oriented reinsurance presence in the United States, a segment in which we had previously been underrepresented.

Along with the seniors' market for health insurance products, we continue to regard financial solutions as an area of key importance for our company in the United States. Our portfolio also seeks to tap into considerable potential in the new markets segment, where we write inter alia so-called enhanced annuities – in the United Kingdom we are in fact the leading reinsurer of business in this area. This profitable subsegment ensures the healthy diversification of our life and health portfolio. Here, as is also the case with the reinsurance of existing pension funds, we see excellent scope for further lucrative expansion. With an eye to our enhanced annuities business, for example, we are planning to enter the US market with suitable partners before the end of 2009.

Key figures for life and health reinsurance

Figures in EUR million	2009					2008	
	1.1.–31.3.	1.4.–30.6.	+/- previous year	1.1.–30.6.	+/- previous year	1.4.–30.6.	1.1.–30.6.
Gross written premium	1,005.9	1,163.2	+61.5%	2,169.1	+45.6%	720.0	1,490.1
Net premium earned	910.4	1,073.6	+64.9%	1,984.0	+48.9%	651.0	1,332.8
Net investment income	75.8	238.2	+203.2%	314.0	+102.9%	78.6	154.8
Operating result (EBIT)	117.5	148.6	+278.0%	266.1	+205.1%	39.3	87.2
Group net income	98.0	114.4	+329.5%	212.5	+227.1%	26.6	65.0
Earnings per share in EUR	0.81	0.95	+329.5%	1.76	+227.1%	0.22	0.54
Retention	90.6%	92.4%		91.6%		90.7%	89.6%
EBIT margin [1]	12.9%	13.8%		13.4%		6.0%	6.5%

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

The regional focus of our strategy remains firmly on the BRIC markets (Brazil, Russia, India and China). Yet Korea – the largest life reinsurance market in Asia – also offers us attractive growth opportunities. The main drivers of our business nevertheless continue to be the developed insurance markets of the United Kingdom, United States, Germany and Australia.

Gross written premium increased by 45.6% as at 30 June 2009 to EUR 2.2 billion (EUR 1.5 billion) on account of the acquisition of the ING life reinsurance portfolio as well as brisk organic growth. At constant exchange rates growth would have been as high as 49.6%. The level of retained premium rose from 89.6% to 91.6%, while net premium earned climbed by 48.9% to EUR 2.0 billion (EUR 1.3 billion).

Net investment income in life and health reinsurance doubled to EUR 314.0 million (EUR 154.8 million). Most significant here were above all positive effects deriving from the reversal of unrealised losses on deposits with US clients (B36 derivatives) and improvements in the value of deposits that we took over in the context of the ING transaction. The result was, however, adversely impacted by opposing effects in UK annuity business. All in all, then, the operating result (EBIT) reported in life and health reinsurance profited from a non-recurring effect of around EUR 150 million.

The operating profit (EBIT) improved considerably to EUR 266.1 million (EUR 87.2 million). The EBIT margin of 13.4% consequently came in above the target range of 6.5% to 7.5%. Group net income climbed to EUR 212.5 million (EUR 65.0 million). This figure includes a non-recurring effect from the ING life reinsurance transaction. Earnings per share amounted to EUR 1.76 EUR (EUR 0.54).

Investments

The partial restoration of confidence in the equity markets has not as yet been backed up by hard facts on the ground. While yields on European government bonds in the shorter and medium duration ranges scarcely saw any changes in the second quarter – with only longer-duration yields moving higher –, yields on US Treasury securities increased across all durations in excess of one year. We observed an appreciable reduction in risk premiums for corporate bonds, with favourable implications for the development of the fair values of these instruments. This trend similarly left a favourable mark on our portfolio, too.

The protracted turmoil on international capital markets only minimally affected our result in the first half-year. Driven primarily by the positive operating cash flow, our portfolio of assets under own management grew to EUR 21.0 billion, a further increase relative to the volume as at 31 December 2008 (EUR 20.1 billion). Ordinary income excluding interest on deposits fell just slightly short of the level in the corresponding period of the previous year at EUR 398.8 million (EUR 407.9 million), a testament to the fact that we are correct in pursuing an investment policy geared to generating stable ordinary income.

Net investment income

Figures in EUR million	2009					2008	
	1.1.–31.3.	1.4.–30.6.	+/- previous year	1.1.–30.6.	+/- previous year	1.4.–30.6.	1.1.–30.6.
Ordinary investment income [1)]	199.3	199.5	+1.5%	398.8	-2.2%	196.6	407.9
Results from participation in associated companies	0.1	(1.6)	-147.0%	(1.5)	-137.0%	3.5	4.1
Realised gains/losses	37.8	17.7		55.5	-45.8%	(5.4)	102.3
Impairments on investments	50.3	43.1	-3.8%	93.4	-28.5%	44.8	130.6
Unrealised gains/losses [2)]	(33.7)	120.9		87.2		(3.3)	(15.1)
Investment expenses	13.0	9.4	+20.1%	22.4	-13.4%	11.8	25.8
Net investment income from assets under own management	140.3	284.0	+110.7%	424.2	+23.8%	134.8	342.8
Net investment income from funds withheld	57.9	87.0	+82.5%	144.9	+41.7%	47.7	102.3
Net investment income	198.2	371.0	+103.3%	569.2	+27.9%	182.5	445.1

[1)] Excluding expenses on funds held and contract deposits
[2] Portfolio at fair value through profit or loss and trading

Movements on bond markets led to hidden losses of EUR 19.8 million in our available-for-sale portfolio of fixed-income securities in the first half-year, compared to hidden reserves of EUR 101.7 million as at year-end 2008. This change can be attributed principally to price declines on securities issued by government and semi-governmental entities and resulted largely from the increase in yields in the USD portfolio. The balance of realised gains and losses totalled EUR 55.5 million for the first half-year, as against EUR 102.3 million in the comparable period of the previous year; this had been influenced by high realisations owing to the tactical shortening of durations in the USD portfolio. Along with impairments taken on structured products (EUR 26.2 million), the volume of write-downs totalling altogether EUR 93.4 million (EUR 130.6 million) was due in large measure (EUR 64.1 million) to alternative investments; of this amount, EUR 41.9 million was attributable to private equity. Unrealised gains on our asset holdings measured at fair value through profit or loss amounted to EUR 87.2 million. This contrasted with unrealised losses of EUR 15.1 million in the corresponding period of the previous year. The improvement was associated chiefly with the derivatives embedded in ModCo reinsurance treaties.

Net investment income increased by 27.9% to EUR 569.2 million (EUR 445.1 million), assisted first and foremost by the improvement in unrealised gains and the reduced volume of write-downs. This figure includes income from interest on deposits, which at EUR 144.9 million was substantially higher than in the comparable period of the previous year (EUR 102.3 million).

Risk report

Overall assessment of the risk situation

As a globally operating reinsurer we are exposed to a diverse spectrum of risks. These risks can potentially have a considerable impact on our assets, financial position and net income. Our risk management system nevertheless ensures that we are able to identify risks in a timely manner and maximise opportunities.

The adverse effects of the financial market crisis have prompted us to enhance and refine the tools already implemented at our company. Despite a modest improvement in the basic conditions prevailing on international capital markets in the second quarter of 2009, the environment remains uncertain. Overall, though, investments moved in a positive direction.

On account of the financial market crisis and the resulting shortage of capital throughout the worldwide insurance industry, however, demand for reinsurance capacities has grown sharply. Although the recession continues to spread, the effects on our company will likely be limited because the primary impact is on the profitability of undertakings and less on the fixed assets to be insured. The largest individual loss in the financial year to date was winter storm "Klaus" in January 2009.

Based on our currently available insights arrived at from a holistic analysis of the risk situation, 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 assets, financial position or net income. Our remarks on risk management at Hannover Re contained in the Annual Report as at 31 December 2008 remain valid and provide detailed insights into organisational aspects and further risk management activities. Supplementary information on our risk management system, and in particular quantitative data on individual risks, is provided in Section 4 of the Notes to this report, "Management of technical and financial risks".

Outlook

Based on our strategic orientation and the available market opportunities, we anticipate a good result for 2009 in both non-life and life/health reinsurance within the bounds of our expectations. At constant exchange rates the net premium volume is expected to grow by approximately 25%.

In *non-life reinsurance* the markets offer a good price level overall, although further rate increases are needed in certain segments.

Although the treaty renewals as at 1 July in the United States, when around one-third of our portfolio is renegotiated, reinforced the trend of prior renewal phases, prices did not rise to the extent that had been anticipated. Particularly in the area of property catastrophe covers, efforts to secure the expected sharp price increases were only partially successful. Sufficient capacity was for the most part available here. While the rate level in standard casualty business remained stable, price rises were obtained in the workers' compensation segment. Rates in the professional indemnity lines were also broadly unchanged, although conditions improved under treaties that had suffered losses.

We were satisfied overall with the treaty renewals in Australia and New Zealand as at 1 July. In Australia we were able to enlarge our portfolio: in liability business the market has hardened on both the primary and reinsurance sides. In property business we pressed ahead with our strategy of relinquishing proportional covers and instead stepping up our participation in non-proportional programmes. Here too we were able to push through price increases.

All in all, it is our expectation that net premium in non-life reinsurance will show growth of around 20% by year-end. Provided the burden of catastrophe losses and major claims remains within the expected bounds of roughly 10% of net premium, we are looking to generate a very healthy profit contribution.

The basic business climate in *life and health reinsurance* is also positive. Here, too, the financial and economic crisis prompted stronger demand for reinsurance and hence provided growth stimuli. We shall continue to expand our involvement in the field of enhanced annuities and intend to extend our activities to the North American market during the current financial year. Further growth is also expected to derive from the segment of seniors' health business in the United States.

Owing to the acquisition of the ING life reinsurance portfolio effective 1 January 2009, net premium for the current year in life and health reinsurance is likely to grow by more than 35%. All in all, we expect the life and health reinsurance business group to deliver a very good profit contribution to total business.

On the *investments* side the anticipated positive cash flow generated from the technical account should – subject to stable exchange rates – result in further growth in the investment portfolios. In the area of fixed-income securities we continue to stress the high quality and diversification of the portfolio. Having moved to reduce our equity exposure to virtually zero, further volatility on stock markets can of course have only a limited effect on our investment income. We have, however, made plans to resume our investments in equities in the future, although such a step will only be considered once the market climate is more stable.

In light of our strategic orientation and the available market opportunities in non-life and life/health reinsurance, we expect to post a good result for the full 2009 financial year. Assuming that the burden of catastrophe losses and major claims does not significantly exceed the expected level of 10% of net premium in non-life reinsurance, and as long as there are no further adverse movements on capital markets, we anticipate – allowing for the non-recurring effect from the acquisition of the ING life reinsurance portfolio – a minimum *return on equity* of 18% and *earnings per share* of at least EUR 5 for the 2009 financial year. It remains our goal to pay a dividend in the range of 35% to 40%.

CONSOLIDATED BALANCE SHEET

as at 30 June 2009

Figures in EUR thousand	2009	2008
Assets	**30.6.**	**31.12.**
Fixed-income securities – held to maturity	2,963,034	1,475,202
Fixed-income securities – loans and receivables	1,800,906	1,680,857
Fixed-income securities – available for sale	13,648,753	14,482,832
Fixed-income securities – at fair value through profit or loss	252,414	254,528
Equity securities – available for sale	22,439	22,589
Other financial assets – at fair value through profit or loss	69,168	44,654
Real estate	25,265	25,514
Investments in associated companies	129,694	128,680
Other invested assets	597,441	784,421
Short-term investments	1,124,539	807,719
Cash	413,776	430,225
Total investments and cash under own management	21,047,429	20,137,221
Funds held	11,370,572	9,776,147
Contract deposits	524,642	288,782
Total investments	32,942,643	30,202,150
Reinsurance recoverables on unpaid claims	1,949,315	2,079,168
Reinsurance recoverables on benefit reserve	163,186	159,151
Prepaid reinsurance premium	50,107	29,733
Reinsurance recoverables on other technical reserves	8,193	9,928
Deferred acquisition costs	1,989,467	1,860,783
Accounts receivable	3,399,041	2,801,762
Goodwill	44,139	42,833
Deferred tax assets	602,032	549,146
Other assets	403,469	260,265
Accrued interest and rent	5,995	6,824
	41,557,587	38,001,743

Figures in EUR thousand	2009	2008
Liabilities	**30.6.**	**31.12.**
Loss and loss adjustment expense reserve	17,623,202	16,932,069
Benefit reserve	7,564,813	5,913,075
Unearned premium reserve	1,767,587	1,333,856
Other technical provisions	163,344	156,996
Funds held	757,153	565,952
Contract deposits	5,466,944	5,146,424
Reinsurance payable	1,119,130	1,236,912
Provisions for pensions	74,958	72,207
Taxes	246,059	201,960
Provision for deferred taxes	1,404,936	1,371,589
Other liabilities	290,548	319,183
Long-term debt and subordinated capital	1,406,339	1,420,027
Total liabilities	37,885,013	34,670,250
Shareholders' equity		
Common shares	120,597	120,597
Nominal value 120,597 Conditional 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	(10,782)	113,864
Cumulative foreign currency translation adjustment	(207,028)	(247,565)
Other changes in cumulative other comprehensive income	1,689	(4,577)
Total other comprehensive income	(216,121)	(138,278)
Retained earnings	2,542,190	2,123,178
Shareholders' equity before minorities	3,171,228	2,830,059
Minority interests	501,346	501,434
Total shareholders' equity	3,672,574	3,331,493
	41,557,587	38,001,743

CONSOLIDATED STATEMENT OF INCOME
for the period 1 January to 30 June 2009

Figures in EUR thousand	2009		2008	
	1.4.–30.6.	1.1.–30.6.	1.4.–30.6.	1.1.–30.6.
Gross written premium	2,588,664	5,250,529	1,869,088	4,144,559
Ceded written premium	145,608	366,549	177,157	434,517
Change in gross unearned premium	(40,190)	(440,151)	53,605	(304,151)
Change in ceded unearned premium	(28,263)	22,111	(8,845)	9,465
Net premium earned	2,374,603	4,465,940	1,736,691	3,415,356
Ordinary investment income	199,512	398,822	196,555	407,854
Profit/loss from investments in associated companies	(1,622)	(1,535)	3,454	4,149
Income/expense on funds withheld and contract deposits	87,048	144,931	47,698	102,300
Realised gains on investments	35,159	81,086	37,577	171,353
Realised losses on investments	17,496	25,624	42,980	69,054
Unrealised gains and losses on investments	120,930	87,238	(3,274)	(15,149)
Total depreciation, impairments and appreciation of investments	43,126	93,384	44,808	130,551
Other investment expenses	9,394	22,359	11,754	25,824
Net investment income	371,011	569,175	182,468	445,078
Other technical income	1,245	1,763	1,639	1,776
Total revenues	2,746,859	5,036,878	1,920,798	3,862,210
Claims and claims expenses	1,676,331	3,154,215	1,140,838	2,304,568
Change in benefit reserve	164,040	329,402	85,974	170,016
Commission and brokerage, change in deferred acquisition costs	532,334	913,981	455,682	852,415
Other acquisition costs	3,697	6,983	3,661	8,321
Other technical expenses	10,323	17,837	2,500	5,363
Administrative expenses	62,464	120,356	57,365	112,739
Total technical expenses	2,449,189	4,542,774	1,746,020	3,453,422
Other income and expenses	(3,444)	105,949	(20,210)	(8,574)
Operating profit/loss (EBIT)	294,226	600,053	154,568	400,214
Interest on hybrid capital	19,135	38,170	19,206	38,509
Net income before taxes	275,091	561,883	135,362	361,705
Taxes	56,500	124,308	30,948	98,896
Net income	218,591	437,575	104,414	262,809
thereof				
Minority interest in profit and loss	15,727	18,563	3,651	10,585
Group net income	202,864	419,012	100,763	252,224
Earnings per share				
Earnings per share in EUR	1.68	3.47	0.84	2.09

Consolidated statement of recognised income and expense

Figures in EUR thousand	2009	2008
	1.1.–30.6.	1.1.–30.6.
Net income	437,575	262,809
Unrealised gains and losses on investments		
Gains (losses) recognised in equity	(220,070)	(528,776)
Transferred to the consolidated statement of income	40,975	48,849
Tax income (expense)	45,836	53,039
	(133,259)	(426,888)
Currency translation		
Gains (losses) recognised in equity	37,504	(131,857)
Transferred to the consolidated statement of income	168	(3,705)
Tax income (expense)	3,162	10,210
	40,834	(125,352)
Changes from the measurement of associated companies		
Gains (losses) recognised in equity	2,382	(1,923)
	2,382	(1,923)
Other changes		
Gains (losses) recognised in equity	9,832	(633)
Tax income (expense)	(3,576)	171
	6,256	(462)
Total tax income (expense)	45,422	63,420
Income and expense recognised directly in equity after tax	(83,787)	(554,625)
Changes in the consolidated group	5	–
Total recognised income and expense	353,793	(291,816)
thereof		
Attributable to minority interests	12,624	(36,372)
Attributable to the Group	341,169	(255,444)

CONSOLIDATED STATEMENT
of changes in shareholders' equity 2009

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 1.1.2008	120,597	724,562	(213,117)	181,395	6,482	2,529,170	572,744	3,921,833
Changes in ownership interest with no change of control status			44	(1,165)		(11,490)	25,572	12,961
Capital increases/additions							39	39
Capital repayments							(31)	(31)
Total income and expense recognised after tax			(121,905)	(385,264)	(499)	252,224	(36,372)	(291,816)
Dividends paid						(277,373)	(40,946)	(318,319)
Balance as at 30.6.2008	120,597	724,562	(334,978)	(205,034)	5,983	2,492,531	521,006	3,324,667
Balance as at 1.1.2009	120,597	724,562	(247,565)	113,864	(4,577)	2,123,178	501,434	3,331,493
Capital increases/additions							160	160
Capital repayments							(34)	(34)
Total income and expense recognised after tax			40,537	(124,646)	6,266	419,012	12,624	353,793
Dividends paid							(12,838)	(12,838)
Balance as at 30.6.2009	120,597	724,562	(207,028)	(10,782)	1,689	2,542,190	501,346	3,672,574

CONSOLIDATED CASH FLOW STATEMENT
as at 30 June 2009

Figures in EUR thousand	2009	2008
	1.1.–30.6.	1.1.–30.6.
I. Cash flow from operating activities		
Net income	437,575	262,809
Appreciation/depreciation	84,975	130,722
Net realised gains and losses on investments	(55,462)	(102,299)
Net realised gains and losses on disposal of discontinued operations	5	–
Amortisation of investments	8,977	(11,205)
Changes in funds held	(526,228)	(1,894,326)
Net changes in contract deposits	62,564	1,787,572
Changes in prepaid reinsurance premium (net)	418,070	294,971
Changes in tax assets/provisions for taxes	65,053	(52,006)
Changes in benefit reserve (net)	406,160	167,988
Changes in claims reserves (net)	733,329	429,948
Changes in deferred acquisition costs	(74,478)	(142,663)
Changes in other technical provisions	2,560	4,616
Changes in clearing balances	(651,061)	(372,990)
Changes in other assets and liabilities (net)	(220,439)	(14,395)
Cash flow from operating activities	691,600	488,742
II. Cash flow from investing activities		
Fixed-income securities – held to maturity		
Maturities	36,235	9,684
Purchases	(32,271)	–
Fixed-income securities – loans and receivables		
Maturities, sales	70,187	55,725
Purchases	(68,920)	(6,783)
Fixed-income securities – available for sale		
Maturities, sales	5,994,270	5,334,168
Purchases	(6,580,345)	(5,545,396)

Figures in EUR thousand	2009	2008
	1.1.–30.6.	1.1.–30.6.
Fixed-income securities – at fair value through profit or loss		
Maturities, sales	53,303	10,052
Purchases	(46,054)	(22,744)
Equity securities – available for sale		
Sales	14,993	720,831
Purchases	(14,030)	(774,980)
Other financial instruments – at fair value through profit or loss		
Sales	–	19,260
Purchases	(123)	(37,615)
Other invested assets		
Sales	3,161	9,886
Purchases	(42,362)	(64,622)
Affiliated companies and participating interests		
Sales	461	–
Purchases	(1,266)	(3,227)
Real estate		
Sales	40	–
Purchases	(3,993)	–
Short-term investments		
Changes	(161,744)	125,523
Other changes (net)	98,483	(18,175)
Cash flow from investing activities	(679,975)	(188,413)

Figures in EUR thousand	2009	2008
	1.1.–30.6.	1.1.–30.6.
III. Cash flow from financing activities		
Contribution from capital measures	(4,520)	(274)
Structural change without loss of control	–	14,293
Dividends paid	(12,838)	(318,319)
Proceeds from long-term debts	28	–
Repayment of long-term debts	(15,383)	(277)
Cash flow from financing activities	(32,713)	(304,577)
IV. Exchange rate differences on cash	4,639	(13,078)
Change in cash and cash equivalents (I.+II.+III.+IV.)	(16,449)	(17,326)
Cash and cash equivalents at the beginning of the period	430,225	335,422
Change in cash and cash equivalents according to cash flow statement	(16,449)	(17,326)
Cash and cash equivalents at the end of the period	413,776	318,096
Income taxes	(57,144)	(95,301)
Interest paid	(91,905)	(82,608)

SEGMENTAL REPORT
as at 30 June 2009

Hannover Re's segmental report is based on IFRS 8 "Operating Segments" 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	
	2009	2008
	30.6.	31.12.
Assets		
Held to maturity	2,553,199	1,262,866
Loans and receivables	1,492,736	1,418,271
Available for sale	9,836,322	11,244,214
At fair value through profit or loss	124,949	145,226
Other invested assets	726,208	871,345
Short-term investments	705,178	654,969
Cash	294,721	324,659
Total investments and cash under own management	15,733,313	15,921,550
Funds held by ceding companies	880,638	789,996
Contract deposits	–	–
Total investments	16,613,951	16,711,546
Reinsurance recoverables on unpaid claims	1,833,039	1,975,496
Reinsurance recoverables on benefit reserve	–	–
Prepaid reinsurance premium	46,344	23,582
Reinsurance recoverables on other reserves	8,188	9,813
Deferred acquisition costs	384,493	302,229
Accounts receivable	2,167,044	1,976,575
Other assets in the segment	1,709,811	1,187,502
Total	22,762,870	22,186,743

Life and health reinsurance		Consolidation		Total	
2009	2008	2009	2008	2009	2008
30.6.	31.12.	30.6.	31.12.	30.6.	31.12.
112,378	43,058	297,457	169,278	2,963,034	1,475,202
150,547	105,019	157,623	157,567	1,800,906	1,680,857
3,326,208	2,646,643	508,662	614,564	13,671,192	14,505,421
91,346	55,409	105,287	98,547	321,582	299,182
26,192	67,270	–	–	752,400	938,615
379,381	148,189	39,980	4,561	1,124,539	807,719
119,898	97,315	(843)	8,251	413,776	430,225
4,205,950	3,162,903	1,108,166	1,052,768	21,047,429	20,137,221
10,492,365	8,988,523	(2,431)	(2,372)	11,370,572	9,776,147
524,642	288,782	–	–	524,642	288,782
15,222,957	12,440,208	1,105,735	1,050,396	32,942,643	30,202,150
116,276	103,672	–	–	1,949,315	2,079,168
163,186	159,151	–	–	163,186	159,151
3,763	6,151	–	–	50,107	29,733
5	115	–	–	8,193	9,928
1,604,974	1,558,554	–	–	1,989,467	1,860,783
1,231,999	825,477	(2)	(290)	3,399,041	2,801,762
441,716	336,508	(1,095,892)	(664,942)	1,055,635	859,068
18,784,876	15,429,836	9,841	385,164	41,557,587	38,001,743

SEGMENTAL REPORT
as at 30 June 2009

Segmentation of technical and other liabilities

Figures in EUR thousand	Non-life reinsurance	
	2009	2008
	30.6.	31.12.
Liabilities		
Loss and loss adjustment expense reserve	15,696,124	15,376,337
Benefit reserve	–	–
Unearned premium reserve	1,684,497	1,250,648
Other technical provisions	116,746	122,923
Funds held under reinsurance contracts	187,718	170,294
Contract deposits	78,794	91,329
Reinsurance payable	677,950	953,518
Long-term liabilities	42,227	43,144
Other liabilities in the segment	1,291,911	1,222,087
Total	19,775,967	19,230,280

Life and health reinsurance		Consolidation		Total	
2009	2008	2009	2008	2009	2008
30.6.	31.12.	30.6.	31.12.	30.6.	31.12.
1,927,078	1,555,732	–	–	17,623,202	16,932,069
7,564,813	5,913,075	–	–	7,564,813	5,913,075
83,090	83,208	–	–	1,767,587	1,333,856
46,598	34,073	–	–	163,344	156,996
571,789	398,039	(2,354)	(2,381)	757,153	565,952
5,388,150	5,055,095	–	–	5,466,944	5,146,424
441,768	284,223	(588)	(829)	1,119,130	1,236,912
–	–	1,364,112	1,376,883	1,406,339	1,420,027
1,820,118	1,378,233	(1,095,528)	(635,381)	2,016,501	1,964,939
17,843,404	14,701,678	265,642	738,292	37,885,013	34,670,250

SEGMENTAL REPORT
as at 30 June 2009

Segmental statement of income

Figures in EUR thousand	Non-life reinsurance	
	2009	2008
	1.1.–30.6.	1.1.–30.6.
Gross written premium	3,081,463	2,656,218
thereof		
From insurance business with other segments	–	–
From insurance business with external third parties	3,081,463	2,656,218
Net premium earned	2,481,898	2,082,575
Net investment income	237,917	270,373
thereof		
Deposit interest and expenses	15,623	9,392
Claims and claims expenses	1,832,771	1,515,184
Change in benefit reserve	–	–
Commission and brokerage, change in deferred acquisition costs and other technical income/expenses	513,526	464,027
Administrative expenses	78,261	79,768
Other income and expenses	21,830	(5,733)
Operating profit/loss (EBIT)	317,087	288,236
Interest on hybrid capital	–	–
Net income (loss) before taxes	317,087	288,236
Taxes	77,665	86,447
Net income (loss)	239,422	201,789
thereof		
Minority interest in profit or loss	16,215	6,095
Group net income (loss)	223,207	195,694

Life and health reinsurance		Consolidation		Total	
2009	2008	2009	2008	2009	2008
1.1.–30.6.	1.1.–30.6.	1.1.–30.6.	1.1.–30.6.	1.1.–30.6.	1.1.–30.6.
2,169,067	1,490,117	(1)	(1,776)	5,250,529	4,144,559
1	1,776	(1)	(1,776)	–	–
2,169,066	1,488,341	–	–	5,250,529	4,144,559
1,984,042	1,332,781	–	–	4,465,940	3,415,356
314,047	154,794	17,211	19,911	569,175	445,078
129,310	92,901	(2)	7	144,931	102,300
1,321,755	789,877	(311)	(493)	3,154,215	2,304,568
329,402	170,016	–	–	329,402	170,016
426,284	403,440	(2,772)	(3,144)	937,038	864,323
43,244	33,674	(1,149)	(703)	120,356	112,739
88,695	(3,356)	(4,576)	515	105,949	(8,574)
266,099	87,212	16,867	24,766	600,053	400,214
–	–	38,170	38,509	38,170	38,509
266,099	87,212	(21,303)	(13,743)	561,883	361,705
51,272	17,761	(4,629)	(5,312)	124,308	98,896
214,827	69,451	(16,674)	(8,431)	437,575	262,809
2,348	4,490	–	–	18,563	10,585
212,479	64,961	(16,674)	(8,431)	419,012	252,224

The geographical breakdown shown below is based on the regional origin of the investments and gross written premium.

Investments [1]

Figures in EUR thousand	2009	2008
	30.6.	31.12.
Investments		
Germany	6,472,025	6,172,406
United Kingdom	1,281,391	1,134,915
France	1,210,040	1,628,884
Other	3,458,551	3,167,276
Europe	12,422,007	12,103,481
USA	6,188,926	5,812,077
Other	621,983	695,394
North America	6,810,909	6,507,471
Asia	445,010	426,485
Australia	815,945	664,541
Australasia	1,260,955	1,091,026
Africa	388,372	230,475
Other	165,186	204,768
Total	21,047,429	20,137,221

Gross written premium [1]

Figures in EUR thousand	2009	2008
	1.1.–30.6.	1.1.–30.6.
Gross written premium		
Germany	742,646	736,481
United Kingdom	907,373	703,682
France	252,031	203,667
Other	674,077	624,038
Europe	2,576,127	2,267,868
USA	1,457,074	884,548
Other	197,953	182,851
North America	1,655,027	1,067,399
Asia	409,574	318,197
Australia	166,362	205,197
Australasia	575,936	523,394
Africa	156,093	119,039
Other	287,346	166,859
Total	5,250,529	4,144,559

[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 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.

The consolidated interim financial report, consisting of the consolidated balance sheet, consolidated statement of income, consolidated statement of recognised income and expense, consolidated cash flow statement, consolidated statement of changes in shareholders' equity and selected explanatory notes, is presented in accordance with IAS 34 "Interim Financial Reporting". In this context, as provided for by IAS 34.41 we draw on estimates and assumptions to a greater extent 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 30 June 2009.

All standards adopted by the IASB as at 30 June 2009 with binding effect for the reporting period have been observed in the consolidated financial statement.

New accounting standards or accounting standards applied for the first time

The revised IAS 1 (rev. 2007) "Presentation of Financial Statements" is aimed at improving users' ability to analyse and compare the information given in financial statements. Hannover Re applied the standard for the first time in the first quarter of 2009. A central element of IAS 1 (rev. 2007) is the modified presentation of the total comprehensive income of the reporting period, which is composed of the profit or loss for the said reporting period as well as other comprehensive income and expenses recognised directly in equity. The significant change in IAS 1 (rev. 2007) lies in the clear separation between changes in other comprehensive income resulting from transactions with owners in their capacity as such and non-owner changes in equity. Non-owner changes in equity must be disclosed in a separate new component of the financial statement, the consolidated statement of recognised income and expense, with only the total shown in the consolidated statement of changes in shareholders' equity. The tax effects must be disclosed separately in relation to each component of the other comprehensive income. The option – which has not been exercised by Hannover Re – continues to be available to rename individual components of the financial statement and to publish a single statement of income combining the existing consolidated statement of income and the consolidated statement of recognised income and expense.

IFRS 8 "Operating Segments"replaces the previous IAS 14 "Segment Reporting". IFRS 8 requires adoption of the management approach to reporting on the economic position of segments. Under this approach, the segmentation and the disclosures for the segments are based on the information used internally by management for evaluating segment performance and deciding on the allocation of resources. IFRS 8 was applied for the first time in the first quarter of 2009. Hannover Re concluded that it should retain the previously used system of segmentation, since it is regularly used by management to assess the various areas of business and facilitates a transparent presentation of Group net income.

Standards that have not yet entered into force or not yet been applied and changes in standards

In March 2009 the IASB published "Improving Disclosures about Financial Instruments – Amendments to IFRS 7". The amendments principally involve new disclosures concerning fair value measurements. The disclosures concerning fair value measurement are clarified through the adoption of a breakdown for each class of financial instruments – based on a three-level fair value hierarchy taken from US GAAP – and an extended scope of disclosure duties. The amendments must be applied to financial years beginning on or after 1 January 2009, although the provision of comparative disclosures for the previous reporting period is not required in the first year of application. Hannover Re is currently reviewing the implications of these amendments, which had not been ratified by the European Union as at the balance sheet date.

As at the balance sheet date Hannover Re did not avail itself of the facilities offered by the amendments to "IAS 39 & IFRS 7 – Reclassification of Financial Assets", which entered into force in October 2008, regarding the reclassification and measurement of selected financial instruments

In February 2008 the amendments to IAS 32 and IAS 1 "Puttable Financial Instruments and Obligations arising on Liquidation" were published. Application of the amendments is mandatory from 1 January 2009 onwards. The amendment of IAS 1 refers to revised disclosure requirements applicable to puttable financial instruments and obligations arising on liquidation. The revised version of IAS 32 permits the balance sheet classification of puttable financial instruments as equity in the future under certain conditions. Particularly given the fact that minority interests in partnerships will continue to be recognised as a financial liability in the consolidated financial statement, the amendment is of no practical significance to the consolidated financial statement.

In January 2008 the IASB published the revised versions of IFRS 3 "Business Combinations" and IAS 27 "Consolidated and Separate Financial Statements". The new provisions primarily cover the balance sheet recognition of minority interests, measurement issues in connection with successive acquisition, changes in a participating interest with or without a loss of control and adjustments to acquisition costs depending upon future events and their effects on goodwill. The revised IFRS 3 still does not apply to combinations of entities under common control. Since the amendments are to be applied prospectively to financial years beginning on or after 1 July 2009, implications for Hannover Re can only arise in connection with future acquisitions.

In January 2008 and June 2009 the IASB published the amendments to IFRS 2 "Share-based Payment – Vesting Conditions and Cancellations" and "Group Cash-settled Share-based Payment Transactions" in order to clarify a number of rules governing certain share-based payment schemes. The amendments to the standard are applicable to financial years beginning on or after 1 January 2009 and 1 January 2010 respectively. The amendment of January 2008 has no implications for Hannover Re. The possible implications of the amendment of IFRS 2 in June 2009, which had not been ratified by the European Union as at the balance sheet date, are currently under review by Hannover Re.

We would also refer to the relevant information in the consolidated financial statement as at 31 December 2008.

3. Consolidated companies and consolidation principles

Consolidated companies

On 20 February 2009 Hannover Re completed the acquisition of the US ING individual life reinsurance portfolio under a reinsurance and asset purchase transaction with Scottish Re Group Limited, Hamilton, Bermuda, through its subsidiaries Hannover Life Reassurance Company of America, Orlando (HLRUS), and Hannover Life Reassurance (Ireland) Ltd., Dublin (HLRIr). Within the scope of the transaction the two aforementioned companies assumed all technical liabilities associated with this portfolio and, in return, received assets to fund the said liabilities. The reinsurance contracts were concluded effective 1 January 2009; no purchase price was paid. To this extent, the acquisition costs of the transaction consisted of the assumed liabilities.

In addition to the materialisation of the reinsurance contracts, HLRUS acquired the infrastructure and operating assets needed to administer the life reinsurance business in North America for a purchase price of EUR 12.9 million. The infrastructure mainly encompasses the IT systems for administration and quotation of the business. A portion of the workforce was consequently also taken over from the seller.

In accordance with the requirements of IFRS 3 "Business Combinations" Hannover Re recognises this acquisition as a business combination since the reinsurance contracts and the systems needed for their administration in conjunction with the assumed workforce are to be considered a separate and independent business for the purposes of IFRS 3.

The acquired business was included in the consolidated financial statement for the first time as at 1 January 2009, since the significant part of the economic risks and benefits was apportionable to Hannover Re from this date onwards when the reinsurance transactions acquired contractual force. For the purpose of first-time consolidation, assumptions and estimations based on forecasts of future cash flows were in some cases used to establish the fair values of the acquired assets and liabilities within the framework of appropriate measurements methods. The acquired business was therefore included in the consolidated financial statement on a provisional basis, using the best available information as at the balance sheet date. Fresh insights in future reporting periods may, however, necessitate adjustments. The incidental costs of the entire reinsurance and asset purchase transaction, the final amount of which has not yet been definitively determined, will amount to approximately EUR 10.0 million.

In connection with the acquisition of the life reinsurance portfolio, an intangible asset of EUR 90.1 million was carried in accordance with IFRS 4 in conjunction with the standards of US GAAP relevant to the recognition of items of the technical account; this amount represents the present value of future cash flows from the assumed reinsurance contracts (known as the "present value of future profits/PVFP" or "value of business acquired/VOBA"). The PVFP is initially recognised at fair value on the basis of generally accepted actuarial measurement methods, while in the subsequent periods scheduled amortisation is taken on the PVFP over the period of the underlying reinsurance contracts in proportion to the future premium income. In addition, the intangible asset is regularly tested for impairment.

The assets and liabilities of the acquired business at the time of initial consolidation are shown below.

Assets and liabilities of the acquired business

Figures in EUR thousand	1.1.2009
Assets	
Fixed-income securities – available for sale	130,348
Cash	104,292
Funds held by ceding companies	753,714
Reinsurance recoverables on benefit reserve	26,897
Deferred tax assets	8,691
PVFP	90,052
Other assets	14,309
	1,128,303
Liabilities	
Benefit reserve	1,011,989
Provision for deferred taxes	11,257
Other liabilities	24,831
	1,048,077
Net assets	80,226

Since the net fair value of the recognised, identifiable assets, liabilities and contingent liabilities exceeds the acquisition costs of the transaction, the capital consolidation gave rise to negative goodwill of EUR 80.2 million after tax, which was recognised immediately in the statement of income as required by IFRS 3.56. As at 30 June 2009 this non-recurring effect of the transaction was recognised in the consolidated statement of income under other operating income.

The gross written premium of the acquired business amounted to EUR 408.6 million from the date of initial consolidation until the balance sheet date. A net profit of EUR 44.5 million was booked for the same period from the acquired business. This figure does not include the other operating income from the reversal of the negative goodwill.

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 30 June 2009 it amounted to EUR 18.6 million (EUR 10.6 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

With effect from 1 January 2009 Hannover Re again used the capital market to obtain underwriting capacity for catastrophe risks. The "K5" transaction, which ended as per the contractual agreement on 31 December 2008, was replaced by the successor transaction "K6". The volume of "K6" was equivalent to EUR 125.0 million as at the balance sheet date. This securitisation, which was again placed with institutional investors in North America, Europe and Asia, involves a quota share cession on worldwide natural catastrophe business as well as aviation and marine risks. As with the "K3" to "K5" transactions, Kaith Re Ltd., a special purpose entity domiciled in Bermuda, is being used for the securitisation. The planned term of the transaction runs until 31 December 2011. In addition, Hannover Re uses the special purpose entity Kaith Re Ltd. for various retrocessions of its traditional covers to institutional investors. In accordance with SIC–12 Kaith Re Ltd. is included in the consolidated financial statement.

In 2007 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. As at the balance sheet date Hannover Re had purchased securitisations issued by Merlin with a nominal value of altogether EUR 33.9 million (31 December 2008: EUR 10.5 million) on the secondary market, which it holds in its asset portfolio. 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 30 June 2009 was EUR 27.7 million (EUR 29.6 million) and which we recognised under other financial assets at fair value through profit or loss as at the balance sheet date.

4. Management of technical and financial risks

4.1 Technical risks

The reserving risk is a material technical risk that derives from the underreserving of claims. Loss reserves are determined using actuarial methods, primarily based on information provided by our cedants, and supplemented as necessary by additional reserves established on the basis of our own loss assessments. Furthermore, we constitute an IBNR (incurred but not reported) reserve for losses that have already occurred but have not yet been reported to us. Annual audits performed by external actuaries and accountancy firms play an important part in assuring the quality of our own calculations with regard to the adequacy of reserve levels.

The risk of losses exceeding premiums refers to the risk that the initially calculated premiums may not suffice to make indemnification payments and meet long-term benefit commitments in the required amount. The combined ratio in non-life reinsurance is tracked over time in order to monitor the risk of losses exceeding premiums:

Combined and catastrophe loss ratio over the past ten years

Figures in %	1H 2009[2]	2008[2]	2007[2]	2006[2]	2005	2004	2003[1]	2002[1]	2001[1]	2000[1]	1999[1]
Combined ratio (non-life reinsurance)	97.1	95.4	99.7	100.8	112.8	97.2	96.0	96.3	116.5	107.8	111.1
thereof catastrophe losses[3]	6.6	10.7	6.3	2.3	26.3	8.3	1.5	5.2	23.0	3.7	11.4

[1] *Based on figures reported in accordance with US GAAP*
[2] *Figures from 2006 onwards in accordance with new segmentation*
[3] *Natural catastrophes and other man-made major losses > EUR 5 million gross for the share of the Hannover Re Group as a percentage of net premium earned*

In life and health reinsurance, analogously to non-life reinsurance, we similarly calculate the reserves in accordance with actuarial principles using secure biometric actuarial bases and with the aid of portfolio information provided by our clients. Biometric risks refer to all risks directly connected with the life of an insured person, such as miscalculation of mortality, life expectancy and the probability of disability. A key quantitative tool of our value-based management and risk management in the area of life and health reinsurance is the European Embedded Value (EEV). The EEV is a ratio used to evaluate life insurance and reinsurance business. It is comprised of the value of in-force business and the corresponding capital. Since the 2006 financial year the EEV has been calculated on a market-consistent basis. This Market Consistent Embedded Value (MCEV) is to be established in future on the basis of the principles of the CFO Forum published in June 2008. The MCEV for 2008 was published on our Internet website at the same time as the quarterly financial report for the first quarter of 2009.

Bad debt risks are relevant to our company because the business that we accept is not always fully retained, but instead some portions are retroceded. Hannover Re counters the default risk by carefully selecting our retrocessionaires with the aid of an interdepartmental Security Committee. The Security Committee continuously monitors the credit status of retrocessionaires and approves measures where necessary to secure receivables. Depending on the type and expected run-off duration of the reinsured business, the selection of reinsurers takes account not only of the minimum ratings of the leading rating agencies but also internal and external expert assessments. In terms of the Hannover Re Group's major companies, EUR 248.8 million (7.3 %) of our accounts receivable from reinsurance business in an amount of EUR 3,399.0 million were older than 90 days as at the balance sheet date. The average default rate over the past three years was 0.2 %.

4.2 Market risks

Risks in the investment sector consist principally of market risks (share price, interest rate, real estate and currency risks as well as the credit spread risk). Credit risks are also of relevance to our company. The "value at risk" (VaR) is a vital quantitative management tool used for monitoring market price risks. Currency risks are also of considerable importance to an internationally operating reinsurance enterprise that writes a large proportion of its business in foreign currencies. These risks are, however, largely counterbalanced through rigorous adherence 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, conversely, rising market yields to decreases in the fair value of fixed-income securities portfolios. Our strategy is focused on matching cash flows on the assets and liabilities sides as closely as possible. The quantitative basis 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 put in place, the parameters for which are directly linked to risk-carrying capacity. Share price risks derive from unfavourable changes in the value of equities and equity or index derivatives held in the portfolio. We reduce these risks through purposeful 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[1]	Yield increase	+50	basis points	(280.4)
	Yield increase	+100	basis points	(548.2)
	Yield decrease	-50	basis points	291.1
	Yield decrease	-100	basis points	594.5
	Fair value as at 30.6.2009			13,648.8
Equity securities	Share prices	-10%		(2.2)
	Share prices	-20%		(4.5)
	Share prices	+10%		2.2
	Share prices	+20%		4.5
	Fair value as at 30.6.2009			22.4

[1] *Available for sale*

Credit risks may arise out of a failure to pay (interest and/or capital repayment) or a change in the credit status (rating downgrade) of issuers of securities. Regular credit assessment on the basis of our defined quality criteria is a fundamental element of risk monitoring.

Rating structure of our fixed-income securities [1]

	Government bonds		Securities issued by semi-governmental entities		Corporate bonds		Covered bond/ asset-backed securities	
	in %	in EUR million	in %	in EUR million	in %	in EUR million	in %	in EUR million
AAA	85.2	4,785.0	58.7	2,863.7	4.3	214.7	80.7	2,532.7
AA	6.1	342.4	35.9	1,752.4	19.1	959.2	12.5	393.4
A	6.0	338.0	4.4	212.4	54.1	2,723.4	1.0	30.4
BBB	2.4	137.2	0.7	36.8	13.7	687.3	1.1	35.1
< BBB	0.3	14.0	0.3	13.7	8.8	445.3	4.7	148.0
Total	100.0	5,616.6	100.0	4,879.0	100.0	5,029.9	100.0	3,139.6

[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. The spread of investments across the various liquidity classes is included in the reporting and controlled by limits and thresholds.

Weighting of major asset classes [1)]

Figures in %	Parameter as per investment guidelines	30.6.2009
Bonds (direct holdings and investment funds)	at least 50.0	88.8
Listed equities (direct holdings and investment funds)	at most 17.5	0.1
Real estate	at most 5.0	0.7

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

For further explanatory remarks please see the risk report on page 9f of the present interim financial report as well as our comments in the Group Annual Report 2008.

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

5.1 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 (investment property), 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 2008.

Maturities of the fixed-income and variable-yield securities

Figures in EUR thousand	2009		2008	
	30.6.	30.6.	31.12.	31.12.
	Cost or amortised cost[1]	Fair value	Cost or amortised cost[1]	Fair value
Held to maturity				
due in one year	21,375	19,895	12,087	9,803
due after one through two years	164,926	171,801	29,736	30,260
due after two through three years	399,669	412,603	197,804	206,450
due after three through four years	514,300	532,092	255,693	267,561
due after four through five years	525,876	545,580	297,477	304,497
due after five through ten years	1,328,008	1,356,768	673,498	728,460
due after ten years	8,880	8,992	8,907	8,978
Total	2,963,034	3,047,731	1,475,202	1,556,009
Loans and receivables				
due in one year	197,437	197,497	71,859	72,140
due after one through two years	63,355	64,866	136,024	136,654
due after two through three years	39,471	39,961	82,013	83,086
due after three through four years	60,367	61,058	9,898	9,873
due after four through five years	166,494	169,984	198,037	203,531
due after five through ten years	1,075,018	1,091,688	970,241	996,374
due after ten years	198,764	198,764	212,785	209,757
Total	1,800,906	1,823,818	1,680,857	1,711,415
Available for sale				
due in one year[2]	3,269,431	3,241,662	3,496,170	3,473,225
due after one through two years	1,870,592	1,908,330	1,947,238	1,966,672
due after two through three years	1,556,611	1,590,726	1,725,197	1,751,528
due after three through four years	1,497,755	1,527,329	1,217,321	1,239,933
due after four through five years	2,003,714	2,015,692	1,867,138	1,933,328
due after five through ten years	3,375,350	3,339,154	4,021,163	4,059,484
due after ten years	1,632,739	1,564,175	1,344,802	1,296,606
Total	15,206,192	15,187,068	15,619,029	15,720,776
Financial assets at fair value through profit or loss				
due in one year	75,676	75,507	68,553	65,907
due after one through two years	46,235	46,286	4,788	4,991
due after two through three years	15,721	15,568	71,132	70,476
due after three through four years	47,302	48,806	641	626
due after four through five years	12,204	12,204	56,687	58,560
due after five through ten years	28,361	28,361	34,675	34,529
due after ten years	25,682	25,682	23,373	19,439
Total	251,181	252,414	259,849	254,528

[1] *Including accrued interest*
[2] *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

30.6.2009

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	326,468	3,742	2,548	6,514	334,176
US treasury notes	356,062	38,314	881	2,859	396,354
Other foreign government debt securities	16,112	769	–	23	16,904
Debt securities issued by semi-governmental entities	693,629	26,191	3,871	9,842	725,791
Corporate securities	554,695	15,683	4,960	14,934	580,352
Covered bonds/ asset-backed securities	965,122	14,240	1,982	16,774	994,154
Total	2,912,088	98,939	14,242	50,946	3,047,731

31.12.2008

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	41,342	3,181	–	641	45,164
US treasury notes	341,902	64,196	–	2,775	408,873
Other foreign government debt securities	14,268	969	–	22	15,259
Debt securities issued by semi-governmental entities	432,412	21,532	886	8,797	461,855
Corporate securities	384,156	6,033	14,518	9,142	384,813
Covered bonds/ asset-backed securities	234,601	1,390	1,090	5,144	240,045
Total	1,448,681	97,301	16,494	26,521	1,556,009

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

30.6.2009

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	29,452	1,273	–	203	30,928
Debt securities issued by semi-governmental entities	281,410	5,677	–	4,046	291,133
Corporate securities	639,194	11,885	4,888	13,256	659,447
Covered bonds/ asset-backed securities	562,051	10,897	1,932	12,895	583,911
Other	205,193	–	–	53,206	258,399
Total	1,717,300	29,732	6,820	83,606	1,823,818

31.12.2008

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	29,410	1,228	–	407	31,045
Debt securities issued by semi-governmental entities	300,795	7,069	1,045	4,174	310,993
Corporate securities	545,536	12,509	3,005	9,410	564,450
Covered bonds/ asset-backed securities	527,288	20,094	6,292	7,916	549,006
Other	209,102	–	–	46,819	255,921
Total	1,612,131	40,900	10,342	68,726	1,711,415

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

30.6.2009					
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	2,195,952	40,890	8,582	41,670	2,269,930
US treasury notes	2,049,249	37,337	13,420	15,077	2,088,243
Other foreign government debt securities	499,483	8,076	4,069	3,204	506,694
Debt securities issued by semi-governmental entities	3,756,954	88,268	14,222	52,742	3,883,742
Corporate securities	3,288,784	98,872	164,905	51,283	3,274,034
Covered bonds/ asset-backed securities	1,535,256	29,528	102,267	17,700	1,480,217
From investment funds	161,199	19,765	35,071	–	145,893
	13,486,877	322,736	342,536	181,676	13,648,753
Equity securities					
Shares	16,545	4,280	480	–	20,345
From investment funds	1,849	245	–	–	2,094
	18,394	4,525	480	–	22,439
Short-term investments	1,002,201	714	38	121,662	1,124,539
Total	14,507,472	327,975	343,054	303,338	14,795,731

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

31.12.2008					
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	2,565,205	74,577	2,000	46,936	2,684,718
US treasury notes	1,831,104	136,650	7	15,269	1,983,016
Other foreign government debt securities	471,278	21,667	1,022	7,694	499,617
Debt securities issued by semi-governmental entities	3,654,452	156,244	12,446	61,737	3,859,987
Corporate securities	3,219,639	43,884	192,436	64,724	3,135,811
Covered bonds/ asset-backed securities	2,222,092	32,488	121,628	41,675	2,174,627
From investment funds	179,356	11,663	45,963	–	145,056
	14,143,126	477,173	375,502	238,035	14,482,832
Equity securities					
Shares	19,711	1,830	734	–	20,807
From investment funds	1,897	82	197	–	1,782
	21,608	1,912	931	–	22,589
Short-term investments	806,718	76	–	925	807,719
Total	14,971,452	479,161	376,433	238,960	15,313,140

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

30.6.2009

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	6,268	64	6,332
Corporate securities	142,915	635	143,550
Covered bonds/asset-backed securities	102,159	373	102,532
	251,342	1,072	252,414
Other financial assets			
Derivatives	69,168	–	69,168
	69,168	–	69,168
Total	320,510	1,072	321,582

31.12.2008

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			
Other foreign government debt securities	2,577	–	2,577
Debt securities of semi-governmental entities	7,767	332	8,099
Corporate securities	176,237	3,730	179,967
Covered bonds/asset-backed securities	63,880	5	63,885
	250,461	4,067	254,528
Other financial assets			
Derivatives	44,654	–	44,654
	44,654	–	44,654
Total	295,115	4,067	299,182

Derivative financial instruments

Hannover Re's portfolio contained derivative financial instruments as at the balance sheet date in the form of forward exchange contracts that were taken out chiefly to hedge cash flows from reinsurance contracts. The resulting liabilities were recognised under other liabilities. On balance, the changes in the fair value of these instruments produced a charge to investment income of EUR 15.0 million.

Certain reinsurance treaties meet criteria which require application of the prescriptions in IFRS 4.7 to 4.9 governing embedded derivatives. These accounting regulations require that derivatives embedded in reinsurance contracts be separated from the underlying insurance contract ("host contract") according to the conditions specified in IFRS 4 and IAS 39 and recognised separately at fair value in accordance with IAS 39. Fluctuations in the fair value of the derivative components are to be recognised in income in subsequent periods.

On this basis Hannover Re reported as financial assets at fair value through profit or loss technical derivatives in an amount of EUR 69.2 million as at 30 June 2009 (31 December 2008: EUR 44.7 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 5.5 million (31 December 2008: EUR 91.2 million) were recognised under other liabilities.

Of the derivatives carried on the assets side fair values of EUR 32.0 million (31 December 2008: none) and of the derivatives recognised on the liabilities side fair values of EUR 3.3 million (31 December 2008: EUR 89.1 million) were attributable as at the balance sheet date to derivatives embedded in "modified coinsurance" and "coinsurance funds withheld" (ModCo) reinsurance treaties.

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.

The sharp decrease in credit spreads in the second quarter gave rise to an improvement in investment income from the ModCo derivatives of EUR 122.4 million before taxes as at 30 June 2009 (30 June 2008: charge of EUR 5.9 million).

Investment income

Figures in EUR thousand	2009	2008
	30.6.	30.6.
Real estate	745	701
Dividends	2,156	25,012
Interest income on investments	393,594	352,686
Other investment income	2,327	29,455
Ordinary investment income	398,822	407,854
Profit or loss on shares in associated companies	(1,535)	4,149
Realised gains on investments	81,086	171,353
Realised losses on investments	25,624	69,054
Unrealised gains and losses on investments	87,238	(15,149)
Depreciation on real estate	487	242
Impairments/depreciation on equity securities	2,615	98,644
Impairments on fixed-income securities	26,171	31,665
Impairments on participating interests and other financial assets	64,111	–
Other investment expenses	22,359	25,824
Net income from assets under own management	424,244	342,778
Interest income on funds withheld and contract deposits	212,542	123,635
Interest expense on funds withheld and contract deposits	67,611	21,335
Total investment income	569,175	445,078

Of the impairments totalling EUR 93.1 million, an amount of EUR 64.1 million was attributable to alternative investments. The includes impairments of EUR 41.9 million taken on private equity. Impairments of EUR 26.2 million taken on fixed-income securities related predominantly to structured products. An impairment of EUR 2.6 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. The portfolio did not contain any overdue, unadjusted assets as at the balance sheet date since overdue securities are written down immediately.

Interest income on investments

Figures in EUR thousand	2009	2008
	30.6.	30.6.
Fixed-income securities – held to maturity	67,501	28,539
Fixed-income securities – loans and receivables	31,517	25,143
Fixed-income securities – available for sale	268,148	262,682
Financial assets – at fair value through profit or loss	7,429	2,809
Other	18,999	33,513
Total	393,594	352,686

5.2 Staff

The average number of staff at the companies included in the consolidated financial statement of the Hannover Re Group was 1,932 (2008 financial year: 1,790) staff.

As at the balance sheet date altogether 2,011 (1,812) staff were employed by the Hannover Re Group, with 1,002 (963) employed in Germany and 1,009 (849) working for the consolidated Group companies abroad. The number of employees working abroad for the Hannover Re Group increased by altogether 129 as at the balance sheet date as a consequence of the acquisition of the ING life reinsurance portfolio. Please see our explanatory remarks in Section 3 "Consolidated companies and consolidation principles".

5.3 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.

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.

5.4 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 5 May 2009, the company was authorised until 31 October 2010 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.

5.5 Earnings per share

Basic and fully diluted earnings per share

	2009			2008		
	1.1.–30.6.			1.1.–30.6.		
	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	419,012	–	–	252,224	–	–
Weighted average of issued shares	–	120,597,134	–	–	120,597,134	–
Earnings per share	419,012	120,597,134	3.47	252,224	120,597,134	2.09

Neither in the year under review nor in the previous reporting 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 conditional capital.

6. 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 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.

HDI Haftpflichtverband der Deutschen Industrie V.a.G. (HDI) holds the majority interest in Hannover Re in an unchanged amount of 50.22% through Talanx AG. 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 in Germany and abroad

Figures in EUR thousand	2009	
	Premium	Underwriting result
	30.6.	30.6.
Business assumed		
Non-life reinsurance	151,240	3,342
Life and health reinsurance	169,034	52,508
	320,274	55,850
Business ceded		
Non-life reinsurance	227	79
Total	320,047	55,771

Effective 31 December 2008 Hannover Re assumed the life insurance business of a related party that had previously been retroceded to a reinsurer outside the Group by exercising its right of novation. This restructuring gave rise to non-recurring income of EUR 37.0 million, which is opposed by a technical expense of EUR 36.9 million in connection with the non-Group reinsurer.

7. Other notes

7.1 Contingent liabilities and commitments

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 2008.

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 8 July 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 2,330.8 million (31 December 2008: EUR 2,352.8 million). In addition, we extended further collateral to our cedants in an amount of EUR 230.9 million (31 December 2008: EUR 269.3 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 1,490.8 million (31 December 2008: EUR 1,388.8 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 2,476.1 million (31 December 2008: EUR 2,470.9 million).

For liabilities in connection with participating interests in real estate companies and real estate transactions Hannover Re Real Estate Holdings has furnished the usual collateral under such transactions to various banks, the amount of which totalled EUR 81.2 million as at the balance sheet date (31 December 2008: EUR 85.5 million).

Outstanding capital commitments with respect to special investments exist on the part of the Group in the amount of EUR 295.8 million (31 December 2008: EUR 291.1 million). These primarily involve as yet unfulfilled payment obligations from participations entered into in private equity funds and venture capital firms.

By way of declarations dated 11 and 20 November 2008 E+S Rück participated in a counter-guarantee given by the insurance industry in a maximum amount of EUR 8.5 billion for the guarantee put up by the Federal Republic of Germany as part of a rescue package for Hypo Real Estate Holding AG, Munich, and its subsidiaries ("HRE Group"). In this connection the Federal Republic of Germany guarantees repayment of capital and interest to the German Bundesbank, which is to extend a loan to the HRE Group, as well as to the holders of newly issued debentures, through which further funds are to be made available to the HRE Group. The insurance industry assumes a portion of this guarantee amount put up by the federal government through the aforementioned counter-guarantee. The participating insurers are liable severally, but not jointly. E+S Rück's interest in this counter-guarantee is limited to a nominal amount of EUR 11.1 million (rounded). As published in the Federal Gazette, the federal guarantees were extended by one year on 17 March 2009. The counter-guarantee given by the insurance industry therefore now runs until 15 January 2010.

Key exchange rates

1 EUR corresponds to:	Mean rate of exchange on the balance sheet date		Average rate of exchange	
	2009	2008	2009	2008
	30.6.	31.12.	1.1.–30.6.	1.1.–30.6.
AUD	1.7370	2.0257	1.8921	1.6601
BHD	0.5320	0.5312	0.5080	0.5780
CAD	1.6290	1.7160	1.6182	1.5333
CNY	9.6390	9.6090	9.2039	10.8217
GBP	0.8523	0.9600	0.8996	0.7730
HKD	10.9469	10.8323	10.4401	11.9611
KRW	1,810.0000	1,775.0000	1,801.8571	1,511.8571
MYR	4.9605	4.8700	4.8046	4.9524
SEK	10.8240	10.9150	10.8817	9.4034
USD	1.4125	1.3977	1.3468	1.5348
ZAR	10.9575	13.1698	12.1207	11.6557

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Hannover, 27 July 2009

Executive Board

Wallin   Arrago   Dr. Becke

Gräber   Dr. Pickel   Vogel

Review report by the independent auditors

to Hannover Rückversicherung AG, Hannover

We have reviewed the condensed consolidated interim financial statements – comprising the balance sheet, income statement, cash flow statement, statement of changes in shareholders' equity and selected explanatory notes – together with the interim Group management report of Hannover Rückversicherung AG, Hannover, for the period from 1 January to 30 June 2009, which are components of the half-yearly financial report pursuant to § 37w of the German Securities Trading Act (WpHG). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim management report for the Group in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent company's Board of Management. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim management report for the Group based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim management report for the Group in accordance with German generally accepted standards for the review of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer – IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim management report for the Group has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and thus provides less assurance than an audit. Since, in accordance with our mandate, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU or that the interim management report for the Group has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Hannover, 31 July 2009

KPMG AG
Wirtschaftsprüfungsgesellschaft

Busch	Jungsthöfel
Wirtschaftsprüfer	Wirtschaftsprüfer

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