

somewhat
different

Interim Report | **3/2009**

hannover **re**[®]

KEY FIGURES

of the Hannover Re Group

Figures in EUR million	2009					2008		
	1.1.–30.6.	1.7.–30.9.	+/- previous Year	1.1.–30.9.	+/- previous Year	1.7.–30.9.	1.1.–30.9.	31.12.
Results								
Gross written premium	5,250.5	2,420.9	+23.4%	7,671.5	+25.6%	1,961.5	6,106.0	
Net premium earned	4,465.9	2,260.4	+29.4%	6,726.4	+30.3%	1,746.4	5,161.8	
Net underwriting result	(75.1)	(8.9)	-95.5%	(84.0)	-63.8%	(195.9)	(232.2)	
Net investment income	569.2	281.3		850.5		(74.7)	370.4	
Operating result (EBIT)	600.1	244.7		844.8		(367.7)	32.5	
Group net income (loss)	419.0	159.4		578.4		(395.0)	(142.8)	
Balance sheet (as at the end of the quarter)								
Policyholders' surplus	5,036.7			5,420.1	+15.1%			4,708.4
Total shareholders' equity	3,171.2			3,535.2	+24.9%			2,830.1
Minority interests	501.3			521.5	+4.0%			501.4
Hybrid capital	1,364.1			1,363.3	-1.0%			1,376.9
Investments (excl. funds held by ceding companies)	21,047.4			21,662.4	+7.6%			20,137.2
Total assets	41,557.6			41,548.0	+9.3%			38,001.7
Share								
Earnings per share (diluted) in EUR	3.47	1.32		4.80		(3.27)	(1.18)	
Book value per share in EUR	26.30			29.31	+24.9%		21.67	23.47
Share price at the end of the period in EUR	26.36	31.33	+21.9%	31.33	+39.2%	25.71	25.71	22.50
Market capitalisation at the end of the period	3,178.9			3,778.3	+39.2%		3,100.6	2,713.4
Ratios								
Combined ratio (non-life reinsurance) ¹⁾	97.1%	96.3%		96.8%		114.2%	103.6%	
Large losses as percentage of net premium earned (non-life reinsurance) ²⁾	6.6%	2.7%		5.3%		23.8%	14.3%	
Retention	93.0%	90.7%		92.3%		87.2%	88.8%	
Return on investment (excl. funds held by ceding companies)	4.1%	4.4%		4.2%		-2.8%	1.4%	
EBIT margin ³⁾	13.4%	10.8%		12.6%		-21.1%	0.6%	
Return on equity (annualised)	27.9%	19.0%		24.2%		-58.3%	-6.4%	

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,

I am pleased to report that we were able to build on our positive business development in the first half-year with a very good result for the third quarter.

The market environment for our writings in non-life and life/health reinsurance remained favourable for us as the year progressed. This had a similarly positive influence on our results in the third quarter. A further gratifying factor was that the burden of catastrophe losses remained moderate. This is noteworthy inasmuch as the third quarter of the year is traditionally particularly exposed to catastrophe losses since this is when there is the greatest risk of severe hurricanes in the North Atlantic. This year, however, it did not give rise to any appreciable major losses. The latest devastating natural disasters in Asia resulted in only a modest strain for our account. Since we were also spared the upheavals on capital markets, we generated very good business results for both the first nine months of the current year and for the third quarter itself; these were boosted still further by considerable positive non-recurring effects from our North American life reinsurance business.

The development of our *non-life reinsurance* business group as at 30 September 2009 gave grounds for considerable satisfaction. The vigorous organic premium growth was again sustained in the third quarter. This was attributable in part to the surge in demand for reinsurance as a consequence of the financial crisis and also to our good positioning in the markets. Net premium earned grew even more strongly than gross written premium, reflecting our increased level of retained premium. We stood by our selective underwriting policy and expanded our portfolio only in areas where we obtained rates that were commensurate with the risks. This was not the case in all segments, hence prompting us to scale back our exposures in some areas of property catastrophe business and also in US casualty business.

As you, our valued shareholders, may have read, your company transferred a portfolio of facultative reinsurance risks to the capital market for the first time in September of this year. The portfolio is comprised of individual risks worldwide, which we packaged as part of our extended Insurance-Linked Securities (ILS) activities and placed on the capital market. What is involved here is not the protection of our own business, but rather the direct transfer of our clients' business. Hannover Re is thereby able to enhance customer loyalties while at the same time generating attractive margins for the service rendered.

The awards recently bestowed upon your company underscore our clients' appreciation of our expertise and robustness: the readers of the highly respected international trade magazine "Reactions" crowned Hannover Re "Best Global Reinsurance Company". Not only that, we were also named "Best Global Reinsurance Company for Specialty Lines". The latter include inter alia the aviation and marine reinsurance segments, in which we rank among the market leaders.

We are also highly satisfied with the development of our second business group – *life and health reinsurance*. The acquisition of the US ING life reinsurance portfolio at the beginning of the year enabled us to strengthen the previously underrepresented segment of risk-oriented life reinsurance in the United States and at the same time boost the proportion of our total portfolio attributable to life/health reinsurance, which is characterised by greater stability relative to the more volatile non-life reinsurance. The surge in profitability for life/health reinsurance in the first nine months derived both from positive non-recurring effects associated with the acquisition and from the very good development of our other business. A further factor here was extraordinary investment income connected with some US life reinsurance contracts. Yet even after eliminating these one-off effects, we are thoroughly satisfied with the development of our life/health reinsurance business since we were also able to generate profitable organic growth of 15%.

In our assessment, life/health reinsurance continues to offer significant potential for organic growth; in this regard we have had our sights set on Asian markets, among others, for quite some time. Block assumption transactions, i.e. the assumption of defined in-force portfolios, currently offer particularly favourable opportunities which we again used in the third quarter to expand our business.

The development of our investment income in the first nine months was satisfactory. While income from our assets under own management came in lower than in previous years, this can be attributed to a highly risk-averse asset allocation that was intended to further reduce the volatility of our investment income compared to previous years. As part of our investment strategy we have already begun to tap into opportunities in the real estate market and move more heavily into this sector with a view to improving the diversification of our asset portfolio. A decision will be taken in due course as to whether we shall start investing again in listed equities going forward. Whatever we may decide, such involvement will be tightly controlled and undertaken only in a stable environment, with appropriate consideration given to the capital commitment for equity investments. In the third quarter our result was impacted only by modest value adjustments taken on our alternative investments.

I am pleased to inform you, our valued shareholders, that the favourable movement of our share price continued in the reporting period. The Hannover Re share put on another 18.9% in the third quarter. Since the turn of the year it has booked a gain of some

39.2%, hence outpacing the Dax and MDax. Based on the first nine months, we also outperformed our benchmark, the ABN Amro Reinsurance Index, by more than double; in a three-month comparison the performance was balanced.

In view of the positive development of our business results in the first nine months of the year, we are able to raise our profit target for 2009. We now anticipate a return on equity in excess of 20%. This is subject to the proviso that we do not incur any exceptional catastrophe losses in the fourth quarter and that capital markets do not suffer any fresh upheavals.

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

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Ulrich Wallin', with a period at the end.

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	Chairman (until 5 May 2009) Member (since 6 May 2009)
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	Deputy Member (since 1 April 2009)

¹⁾ Member of the Standing Committee
²⁾ Member of the Finance and Audit Committee
³⁾ Member of the Nomination Committee
⁴⁾ Staff representative

Business development

Conditions in worldwide reinsurance business are broadly favourable for our company, enabling us to generate a highly satisfactory underwriting result as at 30 September 2009. Both premium income and profitability in our two business groups were in line with our expectations.

Gross written premium in total business increased by 25.6% to EUR 7.7 billion (EUR 6.1 billion) as at 30 September 2009. Of this significant growth, EUR 606.4 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 1.2%. The level of retained premium climbed as planned to 92.3% (88.8%). Net premium consequently surged by an even more vigorous 30.3% to EUR 6.7 billion (EUR 5.2 billion).

The incidence of catastrophe losses in the third quarter was again moderate; no severe hurricanes were recorded.

We are thoroughly satisfied with the development of our investments. The volume of assets under own management continued to grow owing to the inflow of cash from the technical account and the positive investment performance. Despite a significantly lower interest rate level, ordinary investment income fell only slightly short of the corresponding period of the previous year at EUR 603.8 million (EUR 627.5 million). Interest on deposits climbed to EUR 189.2 million (EUR 161.8 million). Write-downs of EUR 110.3 million (EUR 433.0 million) were taken, thereof EUR 93.4 million attributable to the first half of the year. The write-downs taken on fixed-income securities decreased to EUR 35.2 million (EUR 77.3 million). Write-downs totalling EUR 70.8 million (first half-year: EUR 64.1 million) were taken on private equity investments.

Non-life reinsurance

We are satisfied with the development of our non-life reinsurance business: the situation on the international reinsurance markets remains favourable for our company.

Positive effects made themselves felt in connection with the recognition of certain life reinsurance contracts, under which securities deposits are held by cedants in our name. We recognise a derivative for the credit risk associated with these holdings. After the value of these positions had resulted in large losses in the previous year and at the beginning of this year owing to the massive rise in risk premiums for corporate bonds, we are now able to show a positive effect in the order of EUR 153.5 million following the normalisation of the bond market. Despite the difficult climate – especially in the first half of the year – we were therefore able to boost the net investment income to EUR 850.5 million as at 30 September 2009, a figure more than double that booked in the corresponding period of the previous year (EUR 370.4 million).

The operating profit (EBIT) surged very strongly to EUR 844.8 million (EUR 32.5 million). Group net income as at 30 September 2009 climbed – in part owing to the special effects associated with the ING life reinsurance portfolio and the funds held by ceding companies – by EUR 721.2 million to EUR 578.4 million. The result for the corresponding period of the previous year was negative (-EUR 142.8 million) on account of considerable write-downs taken on equities due to the turmoil prevailing on capital markets at that time. The earnings per share amounted to EUR 4.80 (-EUR 1.18) and the annualised return on equity stood at 24.2% (-6.4%).

Shareholders' equity improved by EUR 705.2 million on the level of 31 December 2008 to reach EUR 3.5 billion. The book value per share consequently also increased by 24.9% to EUR 29.31 (EUR 23.47). The policyholders' surplus, comprised of shareholders' equity, minority interests and hybrid capital, grew to EUR 5.4 billion (EUR 4.7 billion).

The capital squeeze resulting from the financial crisis is adding to the appeal of reinsurance as a capital management tool for our clients, first and foremost in cash-intensive segments. Demand for reinsurance coverage has consequently risen. The annual gatherings of reinsurers held in

September in Monte Carlo and in October in Baden-Baden as well as the United States underscored this trend, but also demonstrated that further substantial price increases – especially in the property sector – should not be anticipated for the time being. Particularly in US casualty business rates are still inadequate, prompting us to scale back our underwriting in this area.

With loss ratios rising in the wake of the financial market crisis, capacities in credit insurance have contracted sharply. Hannover Re has made the most of the associated marked price increases and extended its involvement. Even though the result as at 30 September 2009 only reached break-

even – a reflection of higher default rates and prudent reserving –, we expect a return to profitability in 2010 on the back of improving loss ratios.

Our portfolio in Central and Eastern Europe, where we were able to expand our portfolio, is faring well.

In the area of agricultural risks we are pursuing a global strategy of acquiring additional market shares. This has progressed according to plan in the current year.

Demand for structured covers is also enjoying a sustained resurgence on the back of the financial market crisis.

Key figures for non-life reinsurance

Figures in EUR million	2009			2008			
	1.1.–30.6.	1.7.–30.9.	+/- previous year	1.1.–30.9.	+/- previous year	1.7.–30.9.	1.1.–30.9.
Gross written premium	3,081.5	1,323.7	+16.6%	4,405.2	+16.2%	1,135.7	3,791.9
Net premium earned	2,481.9	1,283.5	+25.8%	3,765.4	+21.3%	1,020.6	3,103.2
Underwriting result	57.3	40.8		98.1		(154.8)	(131.2)
Net investment income (loss)	237.9	141.4		379.3		(127.3)	143.1
Operating profit/loss (EBIT)	317.1	159.9		477.0		(374.2)	(86.0)
Group net income (loss)	223.2	108.1		331.3		(373.7)	(178.0)
Earnings per share in EUR	1.85	0.90		2.75		(3.10)	(1.48)
Combined ratio ¹⁾	97.1%	96.3%		96.8%		114.2%	103.6%
Retention	94.1%	91.8%		93.4%		86.1%	88.4%

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 September 2009 grew by 16.2% relative to the same period of the previous year to reach EUR 4.4 billion (EUR 3.8 billion). At constant exchange rates, especially against the US dollar, the increase would have amounted to 13.0%. The level of retained premium rose to 93.4% (88.4%) as a consequence of sharply reduced retrocessions. Net premium earned therefore climbed by 21.3% to EUR 3.8 billion (EUR 3.1 billion).

In light of an unremarkable hurricane season, the strain from catastrophe losses in the third quarter came in below

average. Hail and flood damage in Central Europe, an industrial fire claim in Russia and a loss event in marine business led to expenditure in the order of EUR 35 million. All in all, the total net burden of catastrophe losses and major claims as at 30 September 2009 stood at EUR 198.2 million (EUR 444.9 million). This is equivalent to 5.3% of net premium in non-life reinsurance and hence significantly below expectations. Overall, this resulted in a combined ratio of 96.8% (103.6%).

The net underwriting result in non-life reinsurance improved from -EUR 131.2 million in the comparable period of the previous year to EUR 98.1 million. The operating profit

(EBIT) increased to EUR 477.0 million (-EUR 86.0 million). Group net income climbed to a very good EUR 331.3 million

(-EUR 178.0 million), producing earnings per share of EUR 2.75 (-EUR 1.48).

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

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 its clients, our US subsidiary Hannover Life Re America is well placed to act on suitable business opportunities. We are satisfied with the process of integrating the ING life reinsurance business. Various working groups have drawn up their project plans, enabling us now to embark on the implementation phase.

In the United Kingdom we are the leading reinsurer in the enhanced annuities market. Here, as is also the case with the reinsurance of existing pension funds, we continue to 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.–30.6.	1.7.–30.9.	+/- previous year	1.1.–30.9.	+/- previous year	1.7.–30.9.	1.1.–30.9.
Gross written premium	2,169.1	1,097.2	+32.9%	3,266.3	+41.1%	825.3	2,315.4
Net premium earned	1,984.0	976.9	+34.6%	2,961.0	+43.8%	725.8	2,058.6
Net investment income	314.0	119.5	+132.1%	433.5	+110.2%	51.5	206.3
Operating profit/loss (EBIT)	266.1	65.3		331.4		5.9	93.2
Group net income (loss)	212.5	49.2		261.7		(3.5)	61.4
Earnings per share in EUR	1.76	0.41		2.17		(0.03)	0.51
Retention	91.6%	89.4%		90.8%		88.8%	89.3%
EBIT margin ¹⁾	13.4%	6.7%		11.2%		0.8%	4.5%

¹⁾ Operating profit/loss (EBIT) / net premium earned

Gross written premium increased by 41.1% as at 30 September 2009 to EUR 3.3 billion (EUR 2.3 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 43.2%. The level of retained premium rose from 89.3% to 90.8%, while net premium earned climbed by 43.8% to EUR 3.0 billion (EUR 2.1 billion).

Net investment income in life and health reinsurance surged sharply to EUR 433.5 million (EUR 206.3 million). Positive special effects deriving from the reversal of unrealised losses on deposits with US clients again made themselves felt here in the third quarter.

In light of these framework conditions, the operating profit (EBIT) improved considerably to EUR 331.4 million (EUR

93.2 million). The EBIT margin of 11.2% consequently surpassed the target of 6.5% to 7.5%. Group net income climbed to EUR 261.7 million (EUR 61.4 million). This figure includes a non-recurring effect from the ING life reinsurance transaction. Earnings per share amounted to EUR 2.17 (EUR 0.51).

Investments

While yields on European government bonds fell slightly in the shorter and longer durations and scarcely any changes were recorded in the medium duration range, yields on US Treasury securities saw a modest decrease overall across all durations. We observed a further reduction in risk premiums for corporate bonds, with favourable implications for the development of the fair values of these instruments in our portfolio, too.

The turmoil on international capital markets only minimally affected our result in the first nine months of 2009. Driven primarily by the positive operating cash flow, our portfolio of assets under own management grew to EUR 21.7 billion, a further increase relative to the volume as at 31 December 2008 (EUR 20.1 billion). Despite a significantly lower interest rate level, ordinary income excluding interest on deposits fell just slightly short of the value in the corresponding period of the previous year at EUR 603.8 million (EUR 627.5 million) – a testament to the fact that we are correct in pursuing an investment policy geared to generating stable ordinary income.

Movements on bond markets led to unrealised gains of EUR 300.3 million in our available-for-sale portfolio of fixed-income securities in the period until 30 September, compared with unrealised gains of EUR 101.7 million as at year-

end 2008. This change resulted mainly from price gains on corporate bonds and covered bonds/asset-backed securities and can be attributed largely to the decrease in risk premiums in these markets. The balance of realised gains and losses totalled EUR 67.9 million as at 30 September, as against EUR 77.0 million in the comparable period of the previous year. Along with impairments taken on fixed-income securities of EUR 35.2 million, the volume of write-downs totalling altogether EUR 110.3 million (EUR 433.0 million) was due in large measure (EUR 70.8 million) to alternative investments; of this amount, EUR 47.5 million was attributable to private equity. Unrealised gains on our asset holdings measured at fair value through profit or loss amounted to EUR 135.4 million. This contrasted with unrealised losses of EUR 33.4 million in the corresponding period of the previous year. The improvement was associated chiefly with the reversal of unrealised losses on securities deposits held for our account by US clients.

Our net investment income was more than doubled to EUR 850.5 million (EUR 370.4 million), assisted first and foremost by the improvement in unrealised gains and the substantially reduced volume of write-downs. This figure includes income from interest on deposits, which at EUR 189.2 million was higher than in the comparable period of the previous year (EUR 161.8 million).

Net investment income

Figures in EUR million	2009					2008	
	1.1.–30.6.	1.7.–30.9.	+/- previous year	1.1.–30.9.	+/- previous year	1.7.–30.9.	1.1.–30.9.
Ordinary investment income ¹⁾	398.8	205.0	-6.7%	603.8	-3.8%	219.7	627.5
Results from participation in associated companies	(1.5)	1.7		0.1	-97.0%	0.3	4.4
Realised gains/losses	55.5	12.4		67.9	-11.9%	(25.3)	77.0
Impairments on investments	93.4	16.9		110.3	-74.5%	(302.4)	433.0
Unrealised gains/losses ²⁾	87.2	48.2		135.4		(18.3)	(33.4)
Investment expenses	22.4	13.4	+66.5%	35.8	+5.6%	8.1	33.9
Net investment income from assets under own management	424.2	237.0		661.2		(134.1)	208.6
Net investment income from funds withheld	144.9	44.3	-25.5%	189.2	+17.0%	59.5	161.8
Net investment income	569.2	281.3		850.5		(74.7)	370.4

¹⁾ Excluding expenses on funds held and contract deposits

²⁾ Portfolio at fair value through profit or loss and trading

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 third quarter of 2009, the environment still 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 favourable business development in both non-life and life/health reinsurance for 2009 in line with our expectations. At constant exchange rates the net premium volume is expected to grow by approximately 30%.

In *non-life reinsurance* the markets present a very satisfactory picture overall. The price level is broadly commensurate with the risks, although in some segments – most notably US casualty business – further rate increases are needed.

We have identified attractive business opportunities in the area of structured covers, especially with an eye to the anticipated repercussions of Solvency II.

Owing to an above-average claims development in the aviation segment in the year under review, higher prices can be obtained for both loss-affected and loss-free programmes in the currently ongoing round of treaty renewals.

In the future we shall be able to make even better use of our opportunities in China. In October our business licence was extended to include non-life reinsurance. We have already been represented locally since May of last year by a branch for life/health reinsurance business. This increased presence will now enable our clients to access all services from a single source.

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 continues to remain within expectations, 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.

Owing to the acquisition of the ING life reinsurance portfolio effective 1 January 2009, net premium in life and health reinsurance is likely to grow by around 40% for the current year. 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. We shall only contemplate investing in equities again 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 in non-life reinsurance, and as long as there are no adverse movements on capital markets, we anticipate – allowing for the non-recurring effect from the acquisition of the ING life reinsurance portfolio – a *return on equity* in excess of 20% and *earnings per share* of at least EUR 5.75 for the 2009 financial year. Our goal is to pay a dividend of at least EUR 2 per share.

QUARTERLY FINANCIAL REPORT

of the Hannover Re Group

CONSOLIDATED BALANCE SHEET

as at 30 September 2009

Figures in EUR thousand	2009	2008
	30.9.	31.12.
Assets		
Fixed-income securities – held to maturity	2,920,997	1,475,202
Fixed-income securities – loans and receivables	2,411,652	1,680,857
Fixed-income securities – available for sale	13,743,689	14,482,832
Fixed-income securities – at fair value through profit or loss	227,067	254,528
Equity securities – available for sale	19,987	22,589
Other financial assets – at fair value through profit or loss	89,032	44,654
Real estate	131,036	25,514
Investments in associated companies	126,221	128,680
Other invested assets	527,315	784,421
Short-term investments	1,026,893	807,719
Cash	438,473	430,225
Total investments and cash under own management	21,662,362	20,137,221
Funds held	11,077,616	9,776,147
Contract deposits	613,536	288,782
Total investments	33,353,514	30,202,150
Reinsurance recoverables on unpaid claims	1,833,919	2,079,168
Reinsurance recoverables on benefit reserve	154,458	159,151
Prepaid reinsurance premium	86,653	29,733
Reinsurance recoverables on other technical reserves	8,635	9,928
Deferred acquisition costs	1,906,904	1,860,783
Accounts receivable	3,200,724	2,801,762
Goodwill	44,247	42,833
Deferred tax assets	570,202	549,146
Other assets	384,887	260,265
Accrued interest and rent	3,828	6,824
	41,547,971	38,001,743

Figures in EUR thousand	2009	2008
Liabilities	30.9.	31.12.
Loss and loss adjustment expense reserve	17,429,898	16,932,069
Benefit reserve	7,399,730	5,913,075
Unearned premium reserve	1,709,676	1,333,856
Other technical provisions	138,614	156,996
Funds held	822,070	565,952
Contract deposits	5,312,630	5,146,424
Reinsurance payable	1,132,454	1,236,912
Provisions for pensions	76,339	72,207
Taxes	267,612	201,960
Provision for deferred taxes	1,461,105	1,371,589
Other liabilities	335,784	319,183
Long-term debt and subordinated capital	1,405,295	1,420,027
Total liabilities	37,491,207	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	250,545	113,864
Cumulative foreign currency translation adjustment	(262,192)	(247,565)
Other changes in cumulative other comprehensive income	138	(4,577)
Total other comprehensive income	(11,509)	(138,278)
Retained earnings	2,701,566	2,123,178
Shareholders' equity before minorities	3,535,216	2,830,059
Minority interests	521,548	501,434
Total shareholders' equity	4,056,764	3,331,493
	41,547,971	38,001,743

CONSOLIDATED STATEMENT OF INCOME

for the period 1 January to 30 September 2009

Figures in EUR thousand	2009		2008	
	1.7.–30.9.	1.1.–30.9.	1.7.–30.9.	1.1.–30.9.
Gross written premium	2,420,928	7,671,457	1,961,460	6,106,019
Ceded written premium	225,010	591,559	250,806	685,323
Change in gross unearned premium	27,449	(412,702)	38,866	(265,285)
Change in ceded unearned premium	37,051	59,162	(3,117)	6,348
Net premium earned	2,260,418	6,726,358	1,746,403	5,161,759
Ordinary investment income	205,007	603,829	219,656	627,510
Profit/loss from investments in associated companies	1,666	131	264	4,413
Income/expense on funds withheld and contract deposits	44,315	189,246	59,469	161,769
Realised gains on investments	42,368	123,454	32,906	204,259
Realised losses on investments	29,945	55,569	58,176	127,230
Unrealised gains and losses on investments	48,203	135,441	(18,279)	(33,428)
Total depreciation, impairments and appreciation of investments	16,927	110,311	302,447	432,998
Other investment expenses	13,411	35,770	8,054	33,878
Net investment income	281,276	850,451	(74,661)	370,417
Other technical income	6,430	8,193	256	2,032
Total revenues	2,548,124	7,585,002	1,671,998	5,534,208
Claims and claims expenses	1,561,388	4,715,603	1,348,035	3,652,603
Change in benefit reserve	164,003	493,405	102,936	272,952
Commission and brokerage, change in deferred acquisition costs	481,935	1,395,916	434,433	1,286,848
Other acquisition costs	3,693	10,676	1,639	9,960
Other technical expenses	7,813	25,650	2,472	7,835
Administrative expenses	56,911	177,267	53,017	165,756
Total technical expenses	2,275,743	6,818,517	1,942,532	5,395,954
Other income and expenses	(27,641)	78,308	(97,156)	(105,730)
Operating profit/loss (EBIT)	244,740	844,793	(367,690)	32,524
Interest on hybrid capital	19,346	57,516	19,435	57,944
Net income before taxes	225,394	787,277	(387,125)	(25,420)
Taxes	51,303	175,611	15,541	114,437
Net income (loss)	174,091	611,666	(402,666)	(139,857)
thereof				
Minority interest in profit and loss	14,715	33,278	(7,649)	2,936
Group net income (loss)	159,376	578,388	(395,017)	(142,793)
Earnings per share				
Earnings per share in EUR	1.32	4.80	(3.27)	(1.18)

Consolidated statement of recognised income and expense

Figures in EUR thousand	2009		2008	
	1.7.–30.9.	1.1.–30.9.	1.7.–30.9.	1.1.–30.9.
Net income (loss)	174,091	611,666	(402,666)	(139,857)
Unrealised gains and losses on investments				
Gains (losses) recognised in equity	350,187	130,117	(220,877)	(749,653)
Transferred to the consolidated statement of income	7,736	48,711	302,228	351,077
Tax income (expense)	(83,769)	(37,933)	(9,445)	43,594
	274,154	140,895	71,906	(354,982)
Currency translation				
Gains (losses) recognised in equity	(50,231)	(12,727)	148,803	16,946
Transferred to the consolidated statement of income	(6,635)	(6,467)	307	(3,398)
Tax income (expense)	(382)	2,780	(15,787)	(5,577)
	(57,248)	(16,414)	133,323	7,971
Changes from the measurement of associated companies				
Gains (losses) recognised in equity	(4,640)	(2,258)	(1,423)	(3,346)
	(4,640)	(2,258)	(1,423)	(3,346)
Other changes				
Gains (losses) recognised in equity	(2,324)	7,513	1,136	503
Tax income (expense)	765	(2,811)	(351)	(180)
	(1,559)	4,702	785	323
Total tax income (expense)	(83,386)	(37,964)	(25,583)	37,837
Income and expense recognised directly in equity after tax	210,707	126,925	204,591	(350,034)
Total recognised income and expense	384,798	738,591	(198,075)	(489,891)
thereof				
Attributable to minority interests	20,810	33,434	(6,956)	(43,328)
Attributable to the Group	363,988	705,157	(191,119)	(446,563)

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			117	(1,170)		(10,840)	25,580	13,687
Capital increases/additions							39	39
Capital repayments							(168)	(168)
Total income and expense recognised after tax			7,365	(311,421)	286	(142,793)	(43,328)	(489,891)
Dividends paid						(277,373)	(41,177)	(318,550)
Balance as at 30.9.2008	120,597	724,562	(205,635)	(131,196)	6,768	2,098,164	5 13,690	3,126,950
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							157	157
Capital repayments							(7)	(7)
Total income and expense recognised after tax			(14,627)	136,681	4,715	578,388	33,434	738,591
Dividends paid							(13,470)	(13,470)
Balance as at 30.9.2009	120,597	724,562	(262,192)	250,545	138	2,701,566	521,548	4,056,764

CONSOLIDATED CASH FLOW STATEMENT

as at 30 September 2009

Figures in EUR thousand	2009	2008
	1.1.–30.9.	1.1.–30.9.
I. Cash flow from operating activities		
Net income (loss)	611,666	(139,857)
Appreciation/depreciation	100,600	450,291
Net realised gains and losses on investments	(67,885)	(77,029)
Amortisation of investments	14,557	(14,420)
Changes in funds held	(437,791)	(1,475,810)
Net changes in contract deposits	(87,395)	1,552,625
Changes in prepaid reinsurance premium (net)	353,733	259,253
Changes in tax assets/provisions for taxes	101,733	(79,961)
Changes in benefit reserve (net)	505,902	312,326
Changes in claims reserves (net)	948,978	769,453
Changes in deferred acquisition costs	(31,575)	(88,801)
Changes in other technical provisions	(19,127)	3,954
Changes in clearing balances	(508,262)	(374,501)
Changes in other assets and liabilities (net)	(251,040)	97,642
Cash flow from operating activities	1,234,094	1,195,165
II. Cash flow from investing activities		
Fixed-income securities – held to maturity		
Maturities	42,833	11,305
Purchases	(43,415)	–
Fixed-income securities – loans and receivables		
Maturities, sales	98,655	57,907
Purchases	(724,134)	(149,774)
Fixed-income securities – available for sale		
Maturities, sales	8,172,054	7,351,007
Purchases	(8,734,214)	(7,870,794)

Figures in EUR thousand	2009	2008
	1.1.–30.9.	1.1.–30.9.
Fixed-income securities – at fair value through profit or loss		
Maturities, sales	67,293	28,671
Purchases	(9,450)	(40,242)
Equity securities – available for sale		
Sales	20,931	894,951
Purchases	(22,267)	(956,538)
Other financial instruments – at fair value through profit or loss		
Sales	1,073	63,244
Purchases	(123)	(69,012)
Other invested assets		
Sales	3,866	16,008
Purchases	(37,560)	(122,990)
Affiliated companies and participating interests		
Sales	3,995	586
Purchases	(1,266)	(3,600)
Real estate		
Sales	126	–
Purchases	(46,378)	(119)
Short-term investments		
Changes	(73,702)	(99,944)
Other changes (net)	93,181	(28,002)
Cash flow from investing activities	(1,188,502)	(917,336)

Figures in EUR thousand	2009	2008
	1.1.–30.9.	1.1.–30.9.
III. Cash flow from financing activities		
Contribution from capital measures	–	2,599
Payment on capital measures	(1,577)	–
Structural change without loss of control	–	14,134
Dividends paid	(13,470)	(318,550)
Proceeds from long-term debts	24	35
Repayment of long-term debts	(15,220)	(432)
Cash flow from financing activities	(30,243)	(302,214)
IV. Exchange rate differences on cash	(7,101)	980
Change in cash and cash equivalents (I.+II.+III.+IV.)	8,248	(23,405)
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	8,248	(23,405)
Cash and cash equivalents at the end of the period	438,473	312,017
Income taxes	(72,329)	(109,298)
Interest paid	(95,106)	(81,540)

SEGMENTAL REPORT

as at 30 September 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 as well as 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 in the "Consolidation" column.

Segmentation of assets

Figures in EUR thousand	Non-life reinsurance	
	2009	2008
	30.9.	31.12.
Assets		
Held to maturity	2,524,408	1,262,866
Loans and receivables	2,096,251	1,418,271
Available for sale	9,747,746	11,244,214
At fair value through profit or loss	83,276	145,226
Other invested assets	759,193	871,345
Short-term investments	695,829	654,969
Cash	286,680	324,659
Total investments and cash under own management	16,193,383	15,921,550
Funds held by ceding companies	878,841	789,996
Contract deposits	–	–
Total investments	17,072,224	16,711,546
Reinsurance recoverables on unpaid claims	1,697,272	1,975,496
Reinsurance recoverables on benefit reserve	–	–
Prepaid reinsurance premium	80,681	23,582
Reinsurance recoverables on other reserves	8,635	9,813
Deferred acquisition costs	361,475	302,229
Accounts receivable	2,146,495	1,976,575
Other assets in the segment	1,625,460	1,187,502
Total	22,992,242	22,186,743

Life and health reinsurance		Consolidation		Total	
2009	2008	2009	2008	2009	2008
30.9.	31.12.	30.9.	31.12.	30.9.	31.12.
99,467	43,058	297,122	169,278	2,920,997	1,475,202
157,463	105,019	157,938	157,567	2,411,652	1,680,857
3,471,214	2,646,643	544,716	614,564	13,763,676	14,505,421
123,151	55,409	109,672	98,547	316,099	299,182
25,379	67,270	–	–	784,572	938,615
295,859	148,189	35,205	4,561	1,026,893	807,719
147,752	97,315	4,041	8,251	438,473	430,225
4,320,285	3,162,903	1,148,694	1,052,768	21,662,362	20,137,221
10,201,046	8,988,523	(2,271)	(2,372)	11,077,616	9,776,147
613,536	288,782	–	–	613,536	288,782
15,134,867	12,440,208	1,146,423	1,050,396	33,353,514	30,202,150
136,647	103,672	–	–	1,833,919	2,079,168
154,458	159,151	–	–	154,458	159,151
5,972	6,151	–	–	86,653	29,733
–	115	–	–	8,635	9,928
1,545,429	1,558,554	–	–	1,906,904	1,860,783
1,054,241	825,477	(12)	(290)	3,200,724	2,801,762
386,491	336,508	(1,008,787)	(664,942)	1,003,164	859,068
18,418,105	15,429,836	137,624	385,164	41,547,971	38,001,743

SEGMENTAL REPORT

as at 30 September 2009

Segmentation of technical and other liabilities

Figures in EUR thousand	Non-life reinsurance	
	2009	2008
	30.9.	31.12.
Liabilities		
Loss and loss adjustment expense reserve	15,477,227	15,376,337
Benefit reserve	–	–
Unearned premium reserve	1,622,115	1,250,648
Other technical provisions	90,872	122,923
Funds held under reinsurance contracts	194,899	170,294
Contract deposits	91,932	91,329
Reinsurance payable	826,201	953,518
Long-term liabilities	40,530	43,144
Other liabilities in the segment	1,403,002	1,222,087
Total	19,746,778	19,230,280

Life and health reinsurance		Consolidation		Total	
2009	2008	2009	2008	2009	2008
30.9.	31.12.	30.9.	31.12.	30.9.	31.12.
1,952,671	1,555,732	–	–	17,429,898	16,932,069
7,399,730	5,913,075	–	–	7,399,730	5,913,075
87,561	83,208	–	–	1,709,676	1,333,856
47,742	34,073	–	–	138,614	156,996
629,441	398,039	(2,270)	(2,381)	822,070	565,952
5,220,698	5,055,095	–	–	5,312,630	5,146,424
306,814	284,223	(561)	(829)	1,132,454	1,236,912
–	–	1,364,765	1,376,883	1,405,295	1,420,027
1,721,194	1,378,233	(983,356)	(635,381)	2,140,840	1,964,939
17,365,851	14,701,678	378,578	738,292	37,491,207	34,670,250

SEGMENTAL REPORT

as at 30 September 2009

Segmental statement of income

Figures in EUR thousand	Non-life reinsurance	
	2009	2008
	1.1.–30.9.	1.1.–30.9.
Gross written premium	4,405,195	3,791,939
thereof		
From insurance business with other segments	–	–
From insurance business with external third parties	4,405,195	3,791,939
Net premium earned	3,765,404	3,103,205
Net investment income	379,309	143,088
thereof		
Deposit interest and expenses	21,750	19,218
Claims and claims expenses	2,766,040	2,419,459
Change in benefit reserve	–	–
Commission and brokerage, change in deferred acquisition costs and other technical income/expenses	787,387	699,067
Administrative expenses	113,839	115,857
Other income and expenses	(433)	(97,907)
Operating profit/loss (EBIT)	477,014	(85,997)
Interest on hybrid capital	–	–
Net income (loss) before taxes	477,014	(85,997)
Taxes	117,566	94,362
Net income (loss)	359,448	(180,359)
thereof		
Minority interest in profit or loss	28,142	(2,355)
Group net income (loss)	331,306	(178,004)

Life and health reinsurance		Consolidation		Total	
2009	2008	2009	2008	2009	2008
1.1.–30.9.	1.1.–30.9.	1.1.–30.9.	1.1.–30.9.	1.1.–30.9.	1.1.–30.9.
3,266,262	2,315,438	–	(1,358)	7,671,457	6,106,019
–	1,358	–	(1,358)	–	–
3,266,262	2,314,080	–	–	7,671,457	6,106,019
2,960,954	2,058,554	–	–	6,726,358	5,161,759
433,503	206,262	37,639	21,067	850,451	370,417
167,494	142,550	2	1	189,246	161,769
1,950,066	1,233,759	(503)	(615)	4,715,603	3,652,603
493,405	272,952	–	–	493,405	272,952
641,097	608,175	(4,435)	(4,631)	1,424,049	1,302,611
66,235	51,780	(2,807)	(1,881)	177,267	165,756
87,743	(4,998)	(9,002)	(2,825)	78,308	(105,730)
331,397	93,152	36,382	25,369	844,793	32,524
–	–	57,516	57,944	57,516	57,944
331,397	93,152	(21,134)	(32,575)	787,277	(25,420)
64,592	26,422	(6,547)	(6,347)	175,611	114,437
266,805	66,730	(14,587)	(26,228)	611,666	(139,857)
5,136	5,291	–	–	33,278	2,936
261,669	61,439	(14,587)	(26,228)	578,388	(142,793)

The consolidated investments and the gross written premium are broken down below according to their geographical origin.

Investments

Figures in EUR thousand	2009	2008
	30.9.	31.12.
Investments		
Germany	6,532,195	6,172,406
United Kingdom	1,305,166	1,134,915
France	1,684,121	1,628,884
Other	3,692,661	3,167,276
Europe	13,214,143	12,103,481
USA	5,883,057	5,812,077
Other	677,422	695,394
North America	6,560,479	6,507,471
Asia	472,179	426,485
Australia	867,853	664,541
Australasia	1,340,032	1,091,026
Africa	391,360	230,475
Other	156,348	204,768
Total	21,662,362	20,137,221

Gross written premium

Figures in EUR thousand	2009	2008
	1.1.–30.9.	1.1.–30.9.
Gross written premium		
Germany	1,058,290	995,187
United Kingdom	1,326,878	1,075,557
France	389,365	298,873
Other	924,273	968,125
Europe	3,698,806	3,337,742
USA	2,147,849	1,282,129
Other	291,438	269,336
North America	2,439,287	1,551,465
Asia	601,087	464,197
Australia	287,779	331,109
Australasia	888,866	795,306
Africa	254,064	184,252
Other	390,434	237,254
Total	7,671,457	6,106,019

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 quarterly financial report has been compiled in accordance with IAS 34 "Interim Financial Reporting". As provided for by IAS 34.41, in our preparation of the consolidated quarterly financial statement, 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, 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.

The present consolidated quarterly financial statement was prepared by the Executive Board at its meeting on 19 October 2009 and released for publication.

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 September 2009.

All standards adopted by the IASB as at 30 September 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 will apply the amendments, which are likely to be ratified by the European Union in the fourth quarter of 2009, for the first time to the consolidated financial statement as at 31 December 2009.

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. 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.

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 measurement 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.

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

Allowing for all fair values consolidated for the first time with respect to the recognised, identifiable assets, liabilities and contingent liabilities, the capital consolidation gave rise to negative goodwill of EUR 80.2 million after tax. This was recognised immediately in the statement of income as required by IFRS 3.56. In accordance with the provisions of IFRS 3 as applicable to this reinsurance and asset purchase transaction, the directly allocable incidental costs of the entire transaction – including, for example, fees for consulting and auditing services rendered by third parties – are included in the acquisition costs. The incidental costs, the final amount of which will probably be definitively established in the course of the fourth quarter of 2009, will total around EUR 10.0 million. As at 30 September 2009, as has been the case to date, the negative goodwill was recognised under other operating income and the incidental costs under other operating expenses in the consolidated statement of income.

The gross written premium of the acquired business amounted to EUR 606.4 million from the date of initial consolidation until the balance sheet date. A net profit of EUR 58.2 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 September 2009 it amounted to EUR 33.3 million (EUR 2.9 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 the aim of transferring to the capital market peak natural catastrophe exposures deriving from severe European windstorm events, Hannover Re issued a catastrophe ("CAT") bond that can be traded on a secondary market for the second time in July 2009. The CAT bond, which has a volume of EUR 150 million, was placed with institutional investors from Europe and North America by Eurus II Ltd., a special purpose entity domiciled in the Cayman Islands. Hannover Re does not exercise a controlling influence over the special purpose entity. Under IFRS this transaction is to be recognised as a financial instrument. Pursuant to IAS 39.9 the contract gives rise to a derivative, the fair value of which as at 30 September 2009 was EUR 0.7 million and which we recognised under other liabilities as at the balance sheet date.

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 120.3 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. Han-

nover 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 September 2009 was EUR 18.9 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 %	Q3 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)	96.8	95.4	99.7	100.8	112.8	97.2	96.0	96.3	116.5	107.8	111.1
thereof catastrophe losses ³⁾	5.3	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 302.5 million (9.5%) of our accounts receivable from reinsurance business in an amount of EUR 3,200.7 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 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	(281.5)
	Yield increase	+100 basis points	(553.4)
	Yield decrease	-50 basis points	289.8
	Yield decrease	-100 basis points	589.1
	Fair value as at 30.9.2009		13,743.7
Equity securities	Share prices	-10%	(2.0)
	Share prices	-20%	(4.0)
	Share prices	+10%	2.0
	Share prices	+20%	4.0
	Fair value as at 30.9.2009		20.0

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 securities¹⁾

	Government bonds		Securities issued by semi-governmental entities		Corporate bonds		Covered bonds/asset-backed securities	
	in %	in EUR million	in %	in EUR million	in %	in EUR million	in %	in EUR million
AAA	86.0	4,802.1	58.4	3,200.8	4.6	228.1	80.0	2,619.0
AA	5.5	305.0	36.8	2,017.2	18.3	907.5	13.1	429.2
A	5.8	326.7	3.9	213.9	54.2	2,692.5	0.9	28.5
BBB	2.4	133.4	0.5	27.6	15.7	779.5	1.5	48.1
< BBB	0.3	15.0	0.4	22.1	7.2	358.2	4.5	149.0
Total	100.0	5,582.2	100.0	5,481.6	100.0	4,965.8	100.0	3,273.8

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 classes¹⁾

Figures in %	Parameter as per investment guidelines	30.9.2009
Bonds (direct holdings and investment funds)	at least 50.0	89.0
Listed equities (direct holdings and investment funds)	at most 17.5	0.1
Real estate	at most 5.0	0.9

¹⁾ Calculated on a fair value basis

For further explanatory remarks please see the risk report on page 9 of the present quarterly 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	
	30.9.	30.9.	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	118,610	128,292	12,087	9,803
due after one through two years	231,190	241,448	29,736	30,260
due after two through three years	383,215	399,796	197,804	206,450
due after three through four years	626,725	661,227	255,693	267,561
due after four through five years	218,249	227,294	297,477	304,497
due after five through ten years	1,325,733	1,395,780	673,498	728,460
due after ten years	17,275	17,016	8,907	8,978
Total	2,920,997	3,070,853	1,475,202	1,556,009
Loans and receivables				
due in one year	171,330	171,076	71,859	72,140
due after one through two years	87,645	89,912	136,024	136,654
due after two through three years	13,827	13,990	82,013	83,086
due after three through four years	110,109	111,945	9,898	9,873
due after four through five years	366,017	372,086	198,037	203,531
due after five through ten years	1,465,505	1,508,007	970,241	996,374
due after ten years	197,219	197,218	212,785	209,757
Total	2,411,652	2,464,234	1,680,857	1,711,415
Available for sale				
due in one year ²⁾	3,648,326	3,658,812	3,496,170	3,473,225
due after one through two years	1,494,126	1,536,606	1,947,238	1,966,672
due after two through three years	1,642,503	1,685,040	1,725,197	1,751,528
due after three through four years	1,617,711	1,677,512	1,217,321	1,239,933
due after four through five years	1,831,638	1,877,367	1,867,138	1,933,328
due after five through ten years	3,255,404	3,338,786	4,021,163	4,059,484
due after ten years	1,419,011	1,434,932	1,344,802	1,296,606
Total	14,908,719	15,209,055	15,619,029	15,720,776
Financial assets at fair value through profit or loss				
due in one year	42,339	42,339	68,553	65,907
due after one through two years	36,976	36,976	4,788	4,991
due after two through three years	29,477	29,477	71,132	70,476
due after three through four years	43,127	44,700	641	626
due after four through five years	11,663	11,663	56,687	58,560
due after five through ten years	42,727	42,727	34,675	34,529
due after ten years	19,185	19,185	23,373	19,439
Total	225,494	227,067	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 its fair value

30.9.2009					
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	323,465	6,229	478	5,254	334,470
US treasury notes	343,394	39,467	539	4,378	386,700
Other foreign government debt securities	12,833	796	–	95	13,724
Debt securities issued by semi-governmental entities	679,592	34,689	1,685	10,081	722,677
Corporate securities	554,280	26,528	1,197	8,432	588,043
Covered bonds/asset-backed securities	960,364	50,691	4,645	18,829	1,025,239
Total	2,873,928	158,400	8,544	47,069	3,070,853
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

Hannover Re reclassified fixed-income securities at fair values of altogether EUR 1.5 billion from the category of available for sale to held to maturity. The securities gave rise to cumulative unrealised losses of EUR 9.7 million, which as a consequence of reclassification are to be amortised in income over the residual times to maturity of the instruments. These securities are permanently available to the relevant companies of the Hannover Re Group in due consideration of cash flow projections. The ability to hold them until maturity enabled the companies to reduce balance sheet volatility.

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

30.9.2009					
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	79,476	1,831	358	492	81,441
Debt securities issued by semi-governmental entities	826,554	12,169	1,114	6,488	844,097
Corporate securities	611,219	21,920	3,048	11,923	642,014
Covered bonds/ asset-backed securities	606,978	22,982	1,800	9,800	637,960
Other	202,331	–	–	56,391	258,722
Total	2,326,558	58,902	6,320	85,094	2,464,234
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 its fair value

30.9.2009					
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	2,144,447	56,078	2,869	36,400	2,234,056
US treasury notes	1,985,096	54,807	1,806	13,032	2,051,129
Other foreign government debt securities	501,305	8,952	1,077	3,495	512,675
Debt securities issued by semi-governmental entities	3,775,513	122,554	7,414	61,090	3,951,743
Corporate securities	3,133,870	117,923	48,542	54,618	3,257,869
Covered bonds/asset-backed securities	1,555,448	65,819	60,889	20,993	1,581,371
From investment funds	158,086	20,037	23,277	–	154,846
	13,253,765	446,170	145,874	189,628	13,743,689
Equity securities					
Shares	14,361	3,596	236	–	17,721
From investment funds	1,743	523	–	–	2,266
	16,104	4,119	236	–	19,987
Short-term investments	1,026,220	136	96	633	1,026,893
Total	14,296,089	450,425	146,206	190,261	14,790,569

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

30.9.2009			
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	7,066	113	7,179
Corporate securities	122,522	895	123,417
Covered bonds/asset-backed securities	96,051	420	96,471
	225,639	1,428	227,067
Other financial assets			
Derivatives	89,032	–	89,032
	89,032	–	89,032
Total	314,671	1,428	316,099

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 15.4 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 89.0 million as at 30 September 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 4.5 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 60.6 million (31 December 2008: none) and of the derivatives recognised on the liabilities side fair values of EUR 1.7 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 during the year gave rise to an improvement in investment income from the ModCo derivatives of EUR 153.5 million before taxes as at 30 September 2009 (30 September 2008: charge of EUR 30.0 million).

Investment income

Figures in EUR thousand	2009	2008
	30.9.	30.9.
Real estate	1,606	1,051
Dividends	2,592	41,505
Interest income on investments	594,403	536,655
Other investment income	5,228	48,299
Ordinary investment income	603,829	627,510
Profit or loss on shares in associated companies	131	4,413
Realised gains on investments	123,454	204,259
Realised losses on investments	55,569	127,230
Unrealised gains and losses on investments	135,441	(33,428)
Depreciation on real estate	994	365
Impairments/depreciation on equity securities	3,327	355,329
Impairments on fixed-income securities	35,171	77,304
Impairments on participating interests and other financial assets	70,819	–
Other investment expenses	35,770	33,878
Net income from assets under own management	661,205	208,648
Interest income on funds withheld and contract deposits	312,339	197,785
Interest expense on funds withheld and contract deposits	123,093	36,016
Total investment income	850,451	370,417

Of the impairments totalling EUR 109.8 million, an amount of EUR 70.8 million was attributable to alternative investments. This includes impairments of EUR 47.5 million taken on private equity. Impairments of EUR 35.2 million taken on fixed-income securities related predominantly to structured products. An impairment of EUR 3.3 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
	30.9.	30.9.
Fixed-income securities – held to maturity	110,770	43,137
Fixed-income securities – loans and receivables	48,714	38,291
Fixed-income securities – available for sale	396,306	400,898
Financial assets – at fair value through profit or loss	12,053	5,753
Other	26,560	48,576
Total	594,403	536,655

5.2 Staff

The average number of staff at the companies included in the consolidated financial statement of the Hannover Re Group was 1,962 (2008 financial year: 1,790) staff.

As at the balance sheet date altogether 2,053 (1,812) staff were employed by the Hannover Re Group, with 1,023 (963) employed in Germany and 1,030 (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 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.

As part of this year's employee share purchase scheme Hannover Re acquired altogether 26,176 treasury shares during the third quarter of 2009 and delivered them to eligible employees at preferential conditions. These shares are blocked until 31 July 2013. The company was no longer in possession of treasury shares as at the balance sheet date.

5.5 Earnings per share

Earnings per share

	2009		2008	
	1.7.–30.9.	1.1.–30.9.	1.7.–30.9.	1.1.–30.9.
Group net income (in EUR thousand)	159,376	578,389	(395,017)	(142,793)
Weighted average of issued shares	120,586,082	120,593,450	120,597,134	120,597,134
Earnings per share (in EUR)	1.32	4.80	(3.27)	(1.18)

Neither in the year under review nor in the previous reporting period were there any dilutive effects.

On account of this year's employee share purchase scheme Hannover Re acquired treasury shares in the course of the third quarter of 2009 and sold them to eligible employees. 26,176 treasury shares are not included in the weighted average number of shares pro rata temporis for the period from 3 July to 10 August 2009. For further details please see our comments in Section 5.4 "Treasury shares".

There were no 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 possible 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
	30.9.	30.9.
Business assumed		
Non-life reinsurance	265,754	34,063
Life and health reinsurance	249,138	56,338
	514,892	90,401
Business ceded		
Non-life reinsurance	298	(5,281)
Total	515,190	85,120

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.

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 2,317.4 million (31 December 2008: EUR 2,352.8 million). In addition, we extended further collateral to our cedants in an amount of EUR 227.4 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 1,548.0 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 2,613.8 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 78.1 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 279.9 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.

7.2 Events after the end of the quarter

As announced in a press release dated 13 October 2009, the China Insurance Regulatory Commission (CIRC) has approved the expansion of business activities by our Shanghai-based branch, which until now has transacted Chinese life/health reinsurance business. The CIRC issued the branch an appropriate licence at the beginning of October. Going forward, therefore, both business groups – namely life/health reinsurance as well as obligatory and facultative non-life reinsurance across all lines – will be written directly from Shanghai.

Typhoon "Melor", which swept across the south coast of Japan in early October 2009, has caused an estimated market loss of up to EUR 1.0 billion at time of writing. Hannover Re is currently determining its losses for net account, and anticipates an amount in the single-digit million euro range; this is not, however, included in the present quarterly financial statement.

Key exchange rates

1 EUR corresponds to:	Mean rate of exchange on the balance sheet date		Average rate of exchange	
	2009	2008	2009	2008
	30.9.	31.12.	1.1.–30.9.	1.1.–30.9.
AUD	1.6614	2.0257	1.8318	1.6761
BHD	0.5530	0.5312	0.5181	0.5732
CAD	1.5717	1.7160	1.6001	1.5371
CNY	10.0130	9.6090	9.3879	10.6338
GBP	0.9112	0.9600	0.8944	0.7800
HKD	11.3679	10.8323	10.6504	11.8544
KRW	1,726.9112	1,775.0000	1,786.5350	1,550.3000
MYR	5.0766	4.8700	4.8731	4.9692
SEK	10.2135	10.9150	10.6936	9.4508
USD	1.4668	1.3977	1.3740	1.5211
ZAR	10.8873	13.1698	11.7964	11.6326

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