

INTERIM REPORT

2/2001

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KEY FIGURES*of the Hannover Re Group*

<i>in EUR million</i>	<i>30.6.2001</i>	<i>30.6.2000</i>
Gross written premiums	4 526.4	3 752.9
Net premiums earned	2 797.6	2 309.6
Net underwriting result	(184.1)	(159.5)
Net investment income	423.4	444.3
Profit or loss on ordinary activities	239.4	284.8
Net income	118.8	103.1
Investments	11 511.8	10 200.5*
Total stockholders' equity	1 654.4	1 573.4*
Net underwriting provisions	14 827.5	12 953.3*
Earnings per share in EUR	4.02	3.51**
Retention	67.4%	65.6%
Loss ratio***	86.8%	78.2%
Expense ratio***	17.7%	28.5%
Combined ratio***	104.5%	106.7%

* Balance sheet figures as at 31 December 2000

** Dilution due to payment of outstanding amounts on subscribed share capital

*** Excluding life and health reinsurance and on the basis of net premiums earned

All of us at Hannover Re are shocked and appalled by the horrendous terrorist attacks that occurred in the United States. For all of us, the world is no longer the same place that it was before September 11th.

We are deeply saddened to have learned that some colleagues from our industry are among those who lost their lives. Our thoughts and our most heartfelt sympathy are with those who died and with their families.

Hannover Re mourns the loss of those killed in this tragedy.

We offer any assistance needed to our clients that have been affected by this unprecedented event.

Management and Staff
of Hannover Re

Dear shareholders, Ladies and Gentlemen,

The present interim report 2/2001, which has been compiled on the basis of United States Generally Accepted Accounting Principles (US GAAP), is almost without reservation positive: your company generated a profit after tax of EUR 118.8 million (+ 15.2%) with gross premiums of EUR 4.5 billion (+ 20.6%). All four strategic business segments contributed to this performance.



In *property and casualty reinsurance* we systematically exploited the opportunities offered by a tightening market. This resulted in a premium increase of 22.9% compared to the same period in the previous year. Despite a higher incidence of major claims and natural catastrophe losses, the combined ratio improved again to 104.5% as against 106.7% in the first half-year 2000.

Business developed as planned in *life and health reinsurance*. It is particularly true of this segment that premiums and profit contributions are not equally distributed across the periods of a balance sheet year. For this reason, it is important to emphasise that the profit contribution of the first half-year cannot be taken as a pointer to the result for the year as a whole.

The premium volume and retention rose sharply in *program business*: compared to the same period in the previous year, net premiums earned climbed by 142.6%. The result developed as planned.

Premium income in *financial reinsurance* was highly favourable. The demand for alternative covers clearly surpassed our original expectations. Net premiums earned almost doubled, rising by 97.6%. The profit contribution increased by 10.9% relative to the same period in the previous year.

The development of the capital markets proved to be the only disappointment. In line with the general situation, our net *investment income* similarly declined year-on-year by 4.7%. Ordinary investment income grew by 29.6% despite the lower interest rate level. However, this was more than offset by the sharply reduced profit on the disposal of investments.

The reporting period thus showed a pre-tax result before minority interest of EUR 189.5 million (- 16.2%) and an after-tax result of EUR 118.8 million (+ 15.2%).

The outlook for the full year's result is overshadowed by the immense scale of the terrorist attacks on the United States of America that took place on 11 September 2001. Your company is faced with loss expenditure of EUR 400 million before taxes. This additional burden is equal to our estimated pre-tax result for the 2001 financial year. Property and casualty reinsurance will therefore close with an unexpectedly negative year-end result. The performance of the other business segments, on the other hand, will not be affected by the losses in the USA, and based on our current information they are expected to generate the planned profit contributions. Consequently, we anticipate achieving a break-even result.

Even after the losses associated with the terrorist acts in the USA and taking account of the sharp falls in stock prices on the international stock markets, we place great value in the fact that we shall be able to participate to the fullest extent in the strongly improving market conditions for 2002. It can already be foreseen that substantial rate increases will take hold in the property and casualty reinsurance market. These should enable us to recoup the losses which have now occurred within relatively few years. This situation is further enhanced by the fact that we anticipate an easing in competition on the world-wide reinsurance market, since unfortunately a number of players in our industry are unlikely to survive the recent catastrophe. What is more, our very good rating constitutes an additional competitive edge in a market characterised by clients with an enormously high level of security consciousness.

In response to the terrorist attacks in the USA the price of our share fell dramatically. For a brief period it even dropped below the EUR 40 mark – a decline in value, which was entirely disproportionate to the loss carried by our company and hence a clear overreaction on the part of the market. Furthermore, this assessment was confirmed by a very rapid recovery as the share price climbed by a good 50% within just a few weeks. Nevertheless, I must stress that even the present price level can only be characterised as unrealistic. In no way does it reflect the excellent prospects enjoyed by our company. Our overriding task in the coming weeks and months must therefore be to draw the attention of investors to our company's excellent positioning and thereby restore the stock price to an appropriate level.

With this in mind, I would like to thank you for your confidence in our company on behalf of my colleagues on the Executive Board and myself. We shall continue to strive to live up to this trust and – even more so in the wake of the events in September of this year – we shall do our utmost to bring about a sustained increase in the value of your company.

Yours sincerely,



Wilhelm Zeller
Chairman of the Executive Board

Liabilities

Figures in EUR thousand

30.6.2001 31.12.2000

Loss and loss adjustment expense reserve	14 538 193	12 782 710
Policy benefits for life and health contracts	3 327 089	3 043 573
Unearned premium reserve	2 076 569	1 608 381
Provision for contingent commission	130 056	114 243
Other technical provisions	44 202	22 117
Reinsurance payable	955 393	1 378 184
Funds held under reinsurance treaties	517 471	817 609
Contract deposits	100 337	109 773
Minorities	312 336	294 134
Other liabilities	333 455	307 740
Taxes	152 662	171 955
Provision for deferred taxes	758 316	741 102
Notes payable	827 065	415 105
Surplus debenture	121 210	117 597
Total liabilities	24 194 354	21 924 223
Stockholders' equity		
Common stock	75 493	75 493
Nominal value 75 493 Authorised capital 20 767		
Additional paid-in capital	201 794	201 794
Cumulative comprehensive income		
Unrealised appreciation/depreciation of investments, net of deferred taxes	3729	71 413
Cumulative foreign currency conversion adjustment, net of deferred taxes	(47 409)	(8 800)
Other changes in cumulative comprehensive income	1 882	864
Total comprehensive income	(41 798)	63 477
Treasury stock	–	–
Retained earnings		
Beginning of period	1 232 615	900 630
Net income	118 759	364 880
Dividend paid	–	(80 426)
Other changes	67 489	47 531
	1 418 863	1 232 615
Total stockholders' equity	1 654 352	1 573 379
	25 848 706	23 497 602

CONSOLIDATED STATEMENT OF INCOME*for the first half year 2001*

<i>Figures in EUR thousand</i>	<i>1.1.-30.6.2001</i>	<i>1.1.-30.6.2000</i>
Gross written premiums	4 526 395	3 752 903
Ceded written premiums	1 476 948	1 292 158
Change in gross unearned premiums	(301 991)	(150 799)
Change in ceded unearned premiums	50 127	(380)
Net premiums earned	2 797 583	2 309 566
Ordinary investment income	419 698	323 824
Realised gains on investments	75 189	155 987
Realised losses on investments	63 779	19 075
Unrealised gains and losses on investments	10 385	–
Other investment expenses	18 052	16 457
Net investment income	423 441	444 279
Other technical income	6 776	7 965
Total revenues	3 227 800	2 761 810
Claims and claims expenses	2 284 434	1 783 044
Change in policy benefits for life and health contracts	103 897	33 870
Commission and brokerage	461 122	518 450
Other acquisition costs	13 771	25 784
Other technical expenses	46 271	36 976
Administrative expenses	78 936	78 929
Total technical expenses	2 988 431	2 477 053
Profit or loss on ordinary activities	239 369	284 757
Amortisation of goodwill	6 855	5 318
Other income/expenses	(43 020)	(53 376)
Net income before taxes	189 494	226 063
Taxes	59 520	94 475
Minority interest	(11 215)	(28 475)
Net income	118 759	103 113

Figures in EUR thousand

1.1.-30.6.2001 1.1.-30.6.2000

Other comprehensive income		
Net unrealised appreciation/depreciation of investments	(67 684)	(25 740)
Cumulative foreign currency conversion adjustments	(38 609)	2 104
Other comprehensive income	1 018	(904)
Net comprehensive income	13 484	78 573

Segmental statement of income

<i>Figures in EUR thousand</i>	<i>Property/ casualty reinsurance 1.1.-30.6.2001</i>	<i>Property/ casualty reinsurance 1.1.-30.6.2000</i>	<i>Life/ health reinsurance 1.1.-30.6.2001</i>	<i>Life/ health reinsurance 1.1.-30.6.2000</i>
Gross written premiums	1 747 762	1 421 588	1 076 938	1 155 398
Net premiums earned	1 208 717	1 046 779	813 789	895 967
Claims and claims expenses	967 508	858 057	562 423	677 043
Change in policy benefits for life and health contracts	–	–	(103 897)	(33 870)
Commission and brokerage and other technical expenses	267 115	248 494	225 746	230 946
Other technical income	4 009	392	2 767	7 573
Investment income	208 956	275 159	121 269	96 957
Administrative expenses	35 668	33 027	24 199	26 335
Net technical and investment income	151 391	182 752	21 560	32 303
Other expenses	32 735	19 694	857	15 776
Net income before tax	118 656	163 058	20 703	16 527
Taxes	43 845	80 176	6 504	5 285
Minority interest	(5 706)	(23 260)	(633)	(477)
Net income	69 105	59 622	13 566	10 765

<i>Program business</i>	<i>Program business</i>	<i>Financial reinsurance</i>	<i>Financial reinsurance</i>	<i>Total</i>	<i>Total</i>
<i>1.1.-30.6.2001</i>	<i>1.1.-30.6.2000</i>	<i>1.1.-30.6.2001</i>	<i>1.1.-30.6.2000</i>	<i>1.1.-30.6.2001</i>	<i>1.1.-30.6.2000</i>
1 165 006	891 519	536 689	284 398	4 526 395	3 752 903
271 279	111 827	503 798	254 993	2 797 583	2 309 566
204 458	89 867	550 045	158 077	2 284 434	1 783 044
-	-	-	-	(103 897)	(33 870)
27 145	(20 688)	1 158	122 458	521 164	581 210
-	-	-	-	6 776	7 965
10 800	14 343	82 416	57 820	423 441	444 279
16 675	16 332	2 394	3 235	78 936	78 929
33 801	40 659	32 617	29 043	239 369	284 757
13 618	22 221	2 665	1 003	49 875	58 694
20 183	18 438	29 952	28 040	189 494	226 063
7 343	6 387	1 828	2 627	59 520	94 475
(879)	(1 080)	(3 997)	(3 658)	(11 215)	(28 475)
11 961	10 971	24 127	21 755	118 759	103 113

The amortised cost and the unrealised gains and losses on the portfolio of investments classified as held to maturity were as follows:

<i>Figures in EUR thousand</i>	<i>Cost or amortised cost</i>	<i>Unrealised gains</i>	<i>Unrealised losses</i>	<i>Fair value</i>
Investments held to maturity as at 30.6.2001				
Fixed-income securities				
US Treasury Notes	35 733	1 436	–	37 169
Other foreign government debt securities	2 391	62	–	2 453
Corporate securities	158 242	7 914	255	165 901
Asset-backed securities	56 008	3 607	–	59 615
Other securities	11 331	–	30	11 301
Total	263 705	13 019	285	276 439
Investments held to maturity as at 31.12.2000				
Fixed-income securities				
US Treasury Notes	33 730	806	–	34 536
Other foreign government debt securities	2 188	22	–	2 210
Corporate securities	168 386	6 551	437	174 500
Asset-backed securities	55 986	3 369	–	59 355
Other securities	6 741	22	–	6 763
Total	267 031	10 770	437	277 364

The amortised cost and the unrealised gains and losses on the portfolios of investments classified as available for sale were as follows:

<i>Figures in EUR thousand</i>	<i>Cost or amortised cost</i>	<i>— Unrealised gains</i>	<i>— losses</i>	<i>Fair value</i>
Investments available for sale as at 30.6.2001				
Fixed-income securities				
Government debt securities of EU member states	907 158	15 706	2 081	920 783
US Treasury Notes	1 167 610	35 524	1 670	1 201 464
Other foreign government debt securities	336 340	5 877	8 359	333 858
Corporate securities	3 048 507	80 360	62 034	3 066 833
Asset-backed securities	868 517	10 774	9 811	869 480
From investment funds	1 048 278	8 853	–	1 057 131
Other securities	131 265	3 379	1 231	133 413
	7 507 675	160 473	85 186	7 582 962
Dividend-bearing securities				
Equities	348 835	41 405	22 696	367 544
From investment funds	1 072 513	1 405	94 024	979 894
Other dividend-bearing securities	116	–	–	116
	1 421 464	42 810	116 720	1 347 554
Short-term investments	906 962	–	1	906 961
Total	9 836 101	203 283	201 907	9 837 477
Investments available for sale as at 31.12.2000				
Fixed-income securities				
Government debt securities of EU member states	756 390	18 464	403	774 451
US Treasury Notes	1 016 210	27 891	1 467	1 042 634
Other foreign government debt securities	327 667	4 380	2 287	329 760
Corporate securities	2 643 204	47 773	34 101	2 656 876
Asset-backed securities	707 007	9 979	7 831	709 155
From investment funds	911 061	11 803	–	922 864
Other securities	81 004	2 756	920	82 840
	6 442 543	123 046	47 009	6 518 580
Dividend-bearing securities				
Equities	477 143	71 117	22 402	525 858
From investment funds	1 097 088	463	37 476	1 060 075
Other dividend-bearing securities	4 255	3 781	–	8 036
	1 578 486	75 361	59 878	1 593 969
Short-term investments	475 850	–	1	475 849
Total	8 496 879	198 407	106 888	8 588 398

The amortised cost and the unrealised gains and losses on the portfolios of investments classified as trading were as follows:

<i>Figures in EUR thousand</i>	<i>Cost or amortised cost</i>	<i>— Unrealised — gains losses</i>		<i>Fair value</i>
Trading as at 30.6.2001				
Fixed-income securities				
Corporate securities	49 114	–	4 279	44 835
Total	49 114	–	4 279	44 835
Trading as at 31.12.2000				
Fixed-income securities				
Corporate securities	45 251	–	4 382	40 869
Total	45 251	–	4 382	40 869

The contractual maturities of the fixed-income securities in the held to maturity portfolio, available for sale portfolio and trading portfolio were as follows as at the balance sheets dates of 30 June 2001 and of 31 December 2000:

<i>Figures in EUR thousand</i>	<i>30.6.2001</i>		<i>31.12.2000</i>	
	<i>Cost or amortised cost</i>	<i>Estimated fair value</i>	<i>Cost or amortised cost</i>	<i>Estimated fair value</i>
Held to maturity				
Due in one year	5 552	5 587	13 623	13 640
Due after one through five years	178 464	186 391	162 949	167 962
Due after five years through ten years	72 773	77 161	84 007	89 010
Due after ten years	6 916	7 300	6 452	6 752
Total	263 705	276 439	267 031	277 364
Available for sale				
Due in one year	957 276	965 876	920 887	907 266
Due after one through five years	3 063 766	3 108 976	2 720 974	2 779 964
Due after five years through ten years	1 755 568	1 763 370	1 350 009	1 371 195
Due after ten years	1 731 065	1 744 740	1 450 673	1 460 155
Total	7 507 675	7 582 962	6 442 543	6 518 580
Trading				
Due after five years through ten years	49 114	44 835	45 251	40 869
Total	49 114	44 835	45 251	40 869

The actual 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.

The following table shows the investment income:

<i>Figures in EUR thousand</i>	<i>30.6.2001</i>	<i>30.6.2000</i>
Real estate	12 687	11 143
Dividends	43 383	22 487
Ordinary investment income on fixed-income securities	236 550	196 054
Other income	127 078	94 140
Ordinary investment income	419 698	323 824
Realised gains on investments	75 189	155 987
Realised losses from investments	63 779	19 075
Unrealised gains and losses	10 385	–
Other investment expenses	18 052	16 457
Total investment income	423 441	444 279

Financial calendar 2001/2002

30 October 2001 Interim report 2/2001

31 January 2002 Interim report 3/2001

25 April 2002 Press conference on the annual results 2001

26 April 2002 Analyst's meeting in Frankfurt

26 April 2002 Analyst's meeting in London

24 May 2002 Annual General Meeting
Beginning 10:30 a.m.

24 May 2002 Interim report 1/2002

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