

Quarterly consolidated accounts



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Consolidated balance sheet as at 31 March 2013

Assets in EUR thousand	31.3.2013	31.12.2012 ¹
Fixed-income securities – held to maturity	3,350,612	3,605,956
Fixed-income securities – loans and receivables	3,431,859	3,415,187
Fixed-income securities – available for sale	22,388,225	21,782,072
Fixed-income securities – at fair value through profit or loss	92,228	147,413
Equity securities – available for sale	29,359	29,246
Other financial assets – at fair value through profit or loss	64,855	60,835
Real estate and real estate funds	839,888	647,961
Investments in associated companies	131,910	133,017
Other invested assets	1,029,359	970,798
Short-term investments	558,137	509,718
Cash	615,307	572,188
Total investments and cash under own management	32,531,739	31,874,391
Funds withheld	14,701,897	14,627,847
Contract deposits	105,584	123,258
Total investments	47,339,220	46,625,496
Reinsurance recoverables on unpaid claims	1,507,868	1,538,215
Reinsurance recoverables on benefit reserve	511,859	507,257
Prepaid reinsurance premium	183,254	138,373
Reinsurance recoverables on other technical reserves	1,906	2,611
Deferred acquisition costs	1,867,630	1,841,279
Accounts receivable	3,783,345	3,065,664
Goodwill	58,213	59,099
Deferred tax assets	616,986	620,456
Other assets	506,191	402,655
Accrued interest and rent	4,559	4,238
Assets held for sale	–	6,333
Total assets	56,381,031	54,811,676

¹ Adjusted on the basis of IAS 8 (cf. Section 2 of the Notes)

Liabilities in EUR thousand	31.3.2013	31.12.2012 ¹
Loss and loss adjustment expense reserve	22,520,231	21,610,698
Benefit reserve	10,972,770	10,974,570
Unearned premium reserve	2,698,363	2,339,809
Other technical provisions	227,547	214,219
Funds withheld	815,517	821,060
Contract deposits	5,919,158	5,797,884
Reinsurance payable	902,640	1,121,409
Provisions for pensions	127,481	126,156
Taxes	243,054	237,552
Deferred tax liabilities	2,005,457	1,960,073
Other liabilities	611,232	493,311
Long-term debt and subordinated capital	2,406,868	2,400,791
Total liabilities	49,450,318	48,097,532
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	972,449	987,918
Cumulative foreign currency translation adjustment	29,246	(16,225)
Changes from hedging instruments	(9,455)	(9,455)
Other changes in cumulative other comprehensive income	(42,374)	(51,628)
Total other comprehensive income	949,866	910,610
Retained earnings	4,498,084	4,276,703
Equity attributable to shareholders of Hannover Rück SE	6,293,109	6,032,472
Non-controlling interests	637,604	681,672
Total shareholders' equity	6,930,713	6,714,144
Total liabilities	56,381,031	54,811,676

Consolidated statement of income as at 31 March 2013

in EUR thousand	1.1. – 31.3.2013	1.1. – 31.3.2012 ¹
Gross written premium	3,757,875	3,510,567
Ceded written premium	380,921	314,209
Change in gross unearned premium	(338,481)	(423,141)
Change in ceded unearned premium	42,388	42,948
Net premium earned	3,080,861	2,816,165
Ordinary investment income	246,107	258,159
Profit/loss from investments in associated companies	1,090	1,803
Realised gains and losses on investments	34,772	37,807
Unrealised gains and losses on investments	3,311	84,562
Total depreciation, impairments and appreciation of investments	3,093	7,052
Other investment expenses	21,267	18,393
Net income from investments under own management	260,920	356,886
Income/expense on funds withheld and contract deposits	93,823	83,730
Net investment income	354,743	440,616
Other technical income	705	385
Total revenues	3,436,309	3,257,166
Claims and claims expenses	2,270,013	2,046,111
Change in benefit reserves	79,143	109,036
Commission and brokerage, change in deferred acquisition costs	624,477	582,693
Other acquisition costs	848	3,274
Other technical expenses	1,367	1,016
Administrative expenses	88,359	74,091
Total technical expenses	3,064,207	2,816,221
Other income and expenses	(19,593)	(47,775)
Operating profit (EBIT)	352,509	393,170
Interest on hybrid capital	31,379	25,371
Net income before taxes	321,130	367,799
Taxes	82,327	92,507
Net income	238,803	275,292
thereof		
Non-controlling interest in profit and loss	17,399	13,991
Group net income	221,404	261,301
Earnings per share (in EUR)		
Basic earnings per share	1.84	2.17
Diluted earnings per share	1.84	2.17

¹ Adjusted on the basis of IAS 8 (cf. Section 2 of the Notes)

Consolidated statement of comprehensive income as at 31 March 2013

in EUR thousand	1.1.–31.3.2013	1.1.–31.3.2012 ¹
Net income	238,803	275,292
Not reclassifiable to the consolidated statement of income		
Actuarial gains and losses		
Gains/losses recognised directly in equity	(19)	(8,303)
Tax income/expense	5	2,654
	(14)	(5,649)
Income and expense recognised directly in equity that cannot be reclassified		
Gains/losses recognised directly in equity	(19)	(8,303)
Tax income/expense	5	2,654
	(14)	(5,649)
Reclassifiable to the consolidated statement of income		
Unrealised gains and losses on investments		
Gains/losses recognised directly in equity	9,115	248,539
Transferred to the consolidated statement of income	(29,824)	(9,682)
Tax income/expense	5,810	(69,262)
	(14,899)	169,595
Currency translation		
Gains/losses recognised directly in equity	63,023	(51,563)
Transferred to the consolidated statement of income	(5,507)	–
Tax income/expense	(10,454)	6,675
	47,062	(44,888)
Changes from hedging instruments		
Gains/losses recognised directly in equity	–	12,453
Tax income/expense	–	(3,976)
	–	8,477
Other changes		
Gains/losses recognised directly in equity	13,252	8,524
Tax income/expense	(3,984)	(2,510)
	9,268	6,014
Reclassifiable income and expense recognised directly in equity		
Gains/losses recognised directly in equity	85,390	217,953
Transferred to the consolidated statement of income	(35,331)	(9,682)
Tax income/expense	(8,628)	(69,073)
	41,431	139,198
Total income and expense recognised directly in equity		
Gains/losses recognised directly in equity	85,371	209,650
Transferred to the consolidated statement of income	(35,331)	(9,682)
Tax income/expense	(8,623)	(66,419)
	41,417	133,549
Total recognised income and expense	280,220	408,841
thereof:		
Attributable to non-controlling interests	19,560	23,933
Attributable to shareholders of Hannover Re	260,660	384,908

¹ Adjusted on the basis of IAS 8 (cf. Section 2 of the Notes)

Consolidated statement of changes in shareholders' equity as at 31 March 2013

in EUR thousand	Common shares	Additional paid-in capital	Other reserves (cumulative other comprehensive income)	
			Unrealised gains/losses	Currency translation
Balance as at 1.1.2012	120,597	724,562	453,115	11,559
Changes in ownership interest with no change of control status	-	-	-	(12)
Capital increases/additions	-	-	-	-
Capital repayments	-	-	-	-
Total income and expense recognised directly in equity	-	-	156,774	(42,610)
Net income	-	-	-	-
Dividends paid	-	-	-	-
Balance as at 31.3.2012	120,597	724,562	609,889	(31,063)
Balance as at 1.1.2013	120,597	724,562	987,918	(16,225)
Changes in ownership interest with no change of control status	-	-	-	-
Changes in the consolidated group	-	-	-	-
Capital increases/additions	-	-	-	-
Capital repayments	-	-	-	-
Total income and expense recognised in equity	-	-	(15,469)	45,471
Net income	-	-	-	-
Dividends paid	-	-	-	-
Balance as at 31.3.2013	120,597	724,562	972,449	29,246

The consolidated statement of changes in shareholders' equity for the previous year was adjusted retrospectively on the basis of IAS 8 due to effects resulting from the application of IAS 19R (cf. explanatory remarks on changes in accounting policies in Section 2 of the Notes).

Continuation: Other reserves (cumulative other comprehensive income)		Retained earnings	Equity attributable to shareholders of Hannover Re	Non-controlling interests	Total shareholders' equity
Hedging instruments	Other				
–	(22,712)	3,680,397	4,967,518	635,642	5,603,160
–	–	(183)	(195)	195	–
–	–	–	–	94	94
–	–	–	–	(3,407)	(3,407)
8,477	966	–	123,607	9,942	133,549
–	–	261,301	261,301	13,991	275,292
–	–	–	–	(45,408)	(45,408)
8,477	(21,746)	3,941,515	5,352,231	611,049	5,963,280
(9,455)	(51,628)	4,276,703	6,032,472	681,672	6,714,144
–	–	(23)	(23)	1	(22)
–	–	–	–	(14,271)	(14,271)
–	–	–	–	7	7
–	–	–	–	(1,861)	(1,861)
–	9,254	–	39,256	2,161	41,417
–	–	221,404	221,404	17,399	238,803
–	–	–	–	(47,504)	(47,504)
(9,455)	(42,374)	4,498,084	6,293,109	637,604	6,930,713

Consolidated cash flow statement as at 31 March 2013

in EUR thousand	1.1.–31.3.2013	1.1.–31.3.2012 ¹
I. Cash flow from operating activities		
Net income	238,803	275,292
Appreciation/depreciation	5,557	10,005
Net realised gains and losses on investments	(34,772)	(37,807)
Net unrealised gains and losses on investments	(3,311)	(84,562)
Effect on net income from deconsolidation	(6,661)	–
Income from the recognition of negative goodwill	(175)	–
Amortisation of investments	33,037	18,879
Changes in funds withheld	(137,259)	(164,405)
Net changes in contract deposits	119,966	129,892
Changes in prepaid reinsurance premium (net)	296,171	379,974
Changes in tax assets/provisions for taxes	24,899	25,819
Changes in benefit reserve (net)	63,952	60,625
Changes in claims reserves (net)	719,543	531,229
Changes in deferred acquisition costs	(17,742)	(40,485)
Changes in other technical provisions	11,058	14,897
Changes in clearing balances	(931,567)	(425,852)
Changes in other assets and liabilities (net)	33,886	43,124
Cash flow from operating activities	415,385	736,625

¹ Adjusted on the basis of IAS 8 (cf. Section 2 of the Notes)

in EUR thousand	1.1.–31.3.2013	1.1.–31.3.2012
II. Cash flow from investing activities		
Fixed-income securities – held to maturity		
Maturities	330,017	146,191
Purchases	(46,980)	–
Fixed-income securities – loans and receivables		
Maturities, sales	89,969	166,857
Purchases	(75,192)	(39,418)
Fixed-income securities – available for sale		
Maturities, sales	2,340,604	2,434,153
Purchases	(2,763,155)	(3,285,477)
Fixed-income securities – at fair value through profit or loss		
Maturities, sales	21,205	11,918
Purchases	(6,525)	(31,599)
Equity securities – available for sale		
Sales	3,907	–
Purchases	(2,398)	(1,568)
Other financial assets – at fair value through profit or loss		
Sales	–	185
Other invested assets		
Sales	27,091	11,239
Purchases	(25,624)	(32,637)
Affiliated companies and participating interests		
Sales	–	23
Purchases	–	(8,202)
Real estate and real estate funds		
Sales	13,351	28,954
Purchases	(180,098)	(33,901)
Short-term investments		
Changes	(44,517)	(32,666)
Other changes (net)	(4,641)	(3,770)
Cash flow from investing activities	(322,986)	(669,718)

in EUR thousand	1.1.–31.3.2013	1.1.–31.3.2012
III. Cash flow from financing activities		
Contribution from capital measures	309	94
Payment on capital measures	(2,555)	(3,982)
Structural change without loss of control	(22)	–
Dividends paid	(47,504)	(45,408)
Proceeds from long-term debts	4,551	–
Repayment of long-term debts	(9,947)	(9,046)
Cash flow from financing activities	(55,168)	(58,342)
IV. Exchange rate differences on cash	9,721	(12,688)
Cash and cash equivalents at the beginning of the period	572,188	506,963
Change in cash and cash equivalents (I. + II. + III. + IV.)	46,952	(4,123)
Changes in the consolidated Group	(3,833)	–
Cash and cash equivalents at the end of the period	615,307	502,840
Supplementary information on the cash flow statement¹		
Income taxes paid (on balance)	(59,914)	(38,608)
Dividend receipts ²	10,384	5,760
Interest received	347,307	347,177
Interest paid	(66,109)	(63,757)

¹ Since the 2012 annual financial statements the supplementary information on the cash flow statement has been expanded to include dividend receipts as well as a breakdown of interest received and paid. The figures for the previous year were recalculated in this context. The income taxes as well as dividend receipts and interest received are included entirely in the cash flow from operating activities. The interest paid is attributable in an amount of EUR 45,126 thousand (EUR 47,777 thousand) to the cash flow from financing activities and in an amount of EUR 20,983 thousand (EUR 15,980 thousand) to the cash flow from operating activities.

² Including dividend-like profit participations from investment funds

Notes to the Interim Report 1/2013



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Notes

1. General reporting principles

With the entry in the commercial register of Hannover County Court the conversion of Hannover Rückversicherung AG to the legal form of a European Company, *Societas Europaea* (SE), came into effect on 19 March 2013. The company thus bears the name Hannover Rück SE and has its registered office at Karl-Wiechert-Allee 50, 30625 Hannover, Germany.

The parent company Hannover Rück SE (“Hannover Re”) and its subsidiaries (collectively referred to as the “Hannover Re Group”) are 50.22% owned by Talanx AG and included in its consolidated financial statement. Talanx AG is majority-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.

As provided for by IAS 34, in our preparation of the consolidated quarterly financial statement, consisting of the consolidated balance sheet, consolidated statement of income, consolidated statement of comprehensive income, 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 on 19 April 2013 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 31 March 2013.

The consolidated quarterly financial report was compiled in accordance with IAS 34 “Interim Financial Reporting”. Consequently, the accounting policies adopted in the period under review were the same as those applied in the preceding consolidated annual financial statement; changes made in specific

justified cases pursuant to IAS 8 are reported separately in the section entitled “Changes in accounting policies”. For more details of the accounting policies please see the Group annual financial report for the previous year.

All standards adopted by the IASB as at 31 March 2013 with binding effect for the period under review have been observed in the consolidated financial statement.

New accounting standards or accounting standards applied for the first time

IFRS 13 „Fair Value Measurement“, a standard published in May 2011, must be applied prospectively to financial years beginning on or after 1 January 2013. The standard establishes uniform and consistent requirements for the measurement of fair value, which had hitherto been contained in various standards. In this context, the fair value is defined as the exit price, the calculation of which shall be based as far as possible on relevant observable inputs. In addition, extensive explanatory and qualitative disclosures are required; these are intended,

in particular, to describe the quality of the calculation of fair value. Hannover Re applied IFRS 13 for the first time in the first quarter of 2013. Initial application did not result in any significant change in the carrying values in the consolidated financial statement. With regard to the new disclosures we would refer overall to our remarks in the subsection „Information on fair values and fair value hierarchy“ at the end of Section 5.1 „Investments under own management“.

Standards or changes in standards that have not yet entered into force or are not yet applicable

In November 2009 the IASB issued IFRS 9 „Financial Instruments“ on the classification and measurement of financial instruments. IFRS 9 is the first step in a three-phase project intended to replace IAS 39 „Financial Instruments: Recognition and Measurement“ with a new standard. IFRS 9 introduces new requirements for classifying and measuring financial assets. The provisions of IFRS 9 were expanded in October 2010 with an eye to financial liabilities for which the fair value option is chosen. In December 2011 the IASB issued „Mandatory Effective Date and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)“, delaying the mandatory effective date of IFRS 9 to annual periods beginning on or after 1 January 2015. In addition, it modified the relief from restating comparable periods and the associated disclosures in IFRS 7. Neither IFRS 9 nor the specified subsequent amendments have yet been ratified by the EU.

the aim of clarifying for the users of financial statements the nature of an entity's interest in other entities as well as the effects of those interests on its financial position, financial performance and cash flows, significantly expanded disclosures of information are required in comparison with the previous requirements.

The revised version of IAS 27 will in future consist solely of requirements for the accounting of investments in subsidiaries, jointly controlled entities and associates in separate (non-consolidated) financial statements of the parent company. In this context, only minimal changes were made relative to the previous wording of the standard.

In May 2011 the IASB published five new or revised standards governing consolidation, the accounting of investments in associated companies and joint ventures and the related disclosures in the notes.

The revised version of IAS 28 „Investments in Associates and Joint Ventures“ extends the content of standards governing the accounting of investments in associated companies to include rules governing the accounting of investments in joint ventures. In both instances application of the equity method is required.

In this connection IFRS 10 „Consolidated Financial Statements“ and IFRS 11 „Joint Arrangements“ replaced the previous standards governing consolidated financial statements and special purpose entities (IAS 27 „Consolidated and Separate Financial Statements“ and SIC-12 „Consolidation – Special Purpose Entities“) as well as the standards governing the accounting of interests in joint ventures (IAS 31 „Interests in Joint Ventures“ and SIC-13 „Jointly Controlled Entities – Non-Monetary Contributions by Venturers“).

In June 2012 the IASB issued „Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance – Amendments to IFRS 10, IFRS 11 and IFRS 12“. These amendments clarify that the effective date of IFRS 10 is 1 January 2013, if the financial year coincides with the calendar year. The requirement to provide adjusted comparative information is limited upon initial application to only the immediately preceding period; retrospective adjustments for subsidiaries sold in the comparative period are not required. Furthermore, it is not necessary to provide comparative information on unconsolidated structured entities upon initial application of IFRS 12. These amendments were adopted by the EU on 4 April 2013.

The major new feature of IFRS 10 is that it identifies control as the single basis for verifying the consolidation requirement, irrespective of whether control is substantiated in company law, contractually or economically.

In October 2012 the IASB issued „Investment Entities (Changes to IFRS 10, IFRS 12 and IAS 27)“. Insofar as the parent company meets the definition of an investment entity, an exception is provided in relation to the consolidation of subsidiaries required under IFRS 10. Rather than consolidate them, such parent companies are required to measure their investments in particular subsidiaries at fair value through profit or loss in accordance with IFRS 9 „Financial Instruments“ or IAS 39 „Financial Instruments: Recognition and Measurement“. These amendments have still to be adopted by the EU.

In accordance with IFRS 11 a proportionate inclusion of interests in joint ventures will no longer be permissible in future. Rather, interests in joint ventures must be accounted for using the equity method.

In addition, the disclosure requirements previously contained in IAS 27 and IAS 31 have been combined and restructured in IFRS 12 „Disclosure of Interests in Other Entities“. With

The requirements of IFRS 10, 11 and 12 as well as the revised IAS 27 and 28 are to be applied to financial years beginning on or after 1 January 2013. The Accounting Regulatory Committee (ARC) decided in June 2012 that application of the aforementioned standards within the EU shall not be mandatory until one year later, with an effective date of 1 January 2014. The new IFRS 10, 11, 12 and the revised IAS 27 and 28 were adopted by the EU in December 2012.

Key exchange rates

The individual companies' statements of income prepared in the national currencies are converted into euro at the average rates of exchange and transferred to the consolidated financial statement. The conversion of foreign currency items in the

In December 2011 the IASB issued „Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)“. While the offsetting rules for financial instruments remain unchanged, the application guidance of the standard clarifies the meaning of „currently has a legally enforceable right to set-off“ and „simultaneous“. The amendments have a mandatory effective date for annual periods beginning on or after 1 January 2014 and were adopted by the EU in December 2012.

balance sheets of the individual companies and the transfer of these items to the consolidated financial statement are effected at the mean rates of exchange on the balance sheet date.

1 EUR corresponds to:	31.3.2013	31.12.2012	1.1.–31.3.2013	1.1.–31.3.2012
	Mean rate of exchange on the balance sheet date		Average rate of exchange	
AUD	1.2297	1.2690	1.2695	1.2585
BHD	0.4828	0.4970	0.4963	0.4988
CAD	1.3010	1.3119	1.3285	1.3234
CNY	7.9582	8.2148	8.1902	8.3337
GBP	0.8462	0.8180	0.8463	0.8369
HKD	9.9432	10.2186	10.2117	10.2679
KRW	1,425.3735	1,407.2395	1,431.9372	1,497.8491
MYR	3.9679	4.0364	4.0676	4.0576
SEK	8.3487	8.5742	8.5006	8.8613
USD	1.2806	1.3182	1.3164	1.3231
ZAR	11.7805	11.2069	11.7136	10.2426

Changes in accounting policies

In June 2011 the IASB published amendments to IAS 1 „Presentation of Financial Statements“. The revised IAS 1 requires entities to group items presented in OCI based on whether they are potentially reclassifiable to profit or loss subsequently, i.e. those that might be reclassified and those that will not be reclassified. Subtotals are to be shown accordingly for the two groups. Tax associated with items presented before tax is to be shown separately for each of the groups of OCI items. The amendments were adopted by the EU in June 2012 and are applicable retrospectively to annual periods beginning on or after 1 July 2012. Hannover Re applied the amended IAS 1 for the first time in the first quarter of 2013 and adjusted accordingly the disclosure for the comparable period in accordance with IAS 8 „Accounting Policies, Changes in Accounting Estimates and Errors“. The changes did not have any implications for the carrying values in the consolidated financial statement or for Group net income.

In the first quarter of 2013 Hannover Re applied for the first time the revised IAS 19 „Employee Benefits“ (IAS 19R), which was issued by the IASB in June 2011. The standard has a mandatory effective date for annual periods beginning on or after 1 January 2013. The change was adopted in European law by the EU in June 2012. In accordance with the transitional requirements the standard was applied retrospectively in conformity with IAS 8 „Accounting Policies, Changes in Accounting Estimates and Errors“.

The previous application of the corridor approach in the accounting of defined benefit pension plans resulted in actuarial gains and losses only being recognised to the extent that they exceeded certain size criteria. In addition, the portion to be recognised was spread over several years. An off-balance-sheet recognition of partial amounts of the pension commitment also arose out of the previously applicable rules governing retrospective plan changes, which resulted in an increase in the existing commitment and hence in a past service cost.

This past service cost was to be recognised immediately only to the extent that the additional benefits had already vested. Amounts above and beyond this were recognised pro rata until the resulting benefits vested.

In accordance with the revised IAS 19R all actuarial gains and losses („remeasurements“) are to be recognised immediately and entirely in OCI and past service costs in profit or loss for the period. In addition, the expected return on plan assets must in future be determined by applying the discount rate used to measure the defined benefit obligation. Given that pen-

sion commitments in the Hannover Re Group are funded only to a small extent through plan assets, there are no significant implications for Group net income. Furthermore, application of the revised IAS 19 resulted in a minimal adjustment of the accounting in connection with German partial retirement pension commitments.

The effects of the retrospective application of IAS 19R to the opening balance sheet as at 1 January 2012 and to the comparable period of the previous 2012 financial year are as follows.

Consolidated balance sheet as at 1 January 2012			
in EUR thousand	1.1.2012 as stated	Adjustments	1.1.2012
Assets			
Deferred tax assets	682,888	306	683,194
Liabilities			
Provisions for pensions	88,299	6,951	95,250
Deferred tax liabilities	1,723,265	(1,304)	1,721,961
Other liabilities	443,671	(1,846)	441,825
Total liabilities	44,260,297	3,802	44,264,099
Reserve as per IAS 19R	–	(4,159)	(4,159)
Total OCI	446,121	(4,159)	441,962
Retained earnings	3,679,351	1,046	3,680,397
Equity attributable to shareholders of Hannover Re	4,970,631	(3,113)	4,967,518
Non-controlling interests	636,024	(382)	635,642
Total shareholders' equity	5,606,655	(3,495)	5,603,160

Consolidated balance sheet as at 31 December 2012

in EUR thousand	31.12.2012 as stated	Adjustments	31.12.2012
Assets			
Deferred tax assets	620,493	(37)	620,456
Liabilities			
Provisions for pensions	86,464	39,692	126,156
Deferred tax liabilities	1,972,373	(12,300)	1,960,073
Other liabilities	494,604	(1,293)	493,311
Total liabilities	48,071,433	26,099	48,097,532
Cumulative foreign currency translation adjustment	(16,216)	(9)	(16,225)
Reserve as per IAS 19R	–	(24,417)	(24,417)
Total OCI	935,036	(24,426)	910,610
Retained earnings	4,275,613	1,090	4,276,703
Equity attributable to shareholders of Hannover Re	6,055,808	(23,336)	6,032,472
Non-controlling interests	684,472	(2,800)	681,672
Total shareholders' equity	6,740,280	(26,136)	6,714,144

The following adjustments were to be made in the consolidated statement of income for the comparable period of the previous year due to retrospective application of IAS 19R:

in EUR thousand	1.1.–31.3.2012 as stated	Adjustments	1.1.–31.3.2012
Other income and expenses	(47,779)	4	(47,775)
Operating profit/loss (EBIT)	393,166	4	393,170
Net income before taxes	367,795	4	367,799
Taxes	92,509	(2)	92,507
Net income	275,286	6	275,292
thereof			
Non-controlling interest in profit and loss	13,995	(4)	13,991
Group net income	261,291	10	261,301
Earnings per share (in EUR)			
Basic earnings per share	2,17	–	2,17
Diluted earnings per share	2,17	–	2,17

3. Consolidated companies and consolidation principles

Capital consolidation

The capital consolidation complies with the requirements 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 same is true of special purpose entities, the consolidation of which is discussed separately below.

The capital consolidation is based on the acquisition method. In the context of the acquisition method the acquisition costs, measured at the fair value of the consideration rendered by the parent company on the acquisition date, 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, impairment is taken where necessary on the basis of annual impairment tests. Immaterial and negative goodwill are recognised in the statement of income in the year of their occurrence. Costs associated with acquisition are expensed.

Consolidation of business transactions within the Group

Receivables and liabilities between the companies included in the consolidated financial statement are offset against each other. Profits and expenses from business transactions within the Group are also eliminated. Transactions between a disposal

Consolidation of special purpose entities

Business relations with special purpose entities are to be examined in accordance with SIC-12 "Consolidation – Special Purpose Entities" with an eye to their implications for consolidation. In cases where IFRS do not currently contain any specific

Retrocessions and Insurance-Linked Securities (ILS)

As part of its extended Insurance-Linked Securities (ILS) activities, Hannover Re writes so-called collateralised fronting arrangements under which risks assumed from ceding companies are passed on to institutional investors outside the Group using special purpose entities. The purpose of such transactions is to directly transfer clients' business. Due to the lack of a controlling influence over the special purpose entities involved, there is no consolidation requirement for Hannover Re with respect to these structures.

Companies over which Hannover Re is able to exercise a significant influence are normally consolidated „at equity“ as associated companies with the proportion of the shareholders' equity attributable to the Group. A significant 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.

Non-controlling interests in shareholders' equity are reported separately within Group shareholders' equity in accordance with IAS 1 "Presentation of Financial Statements". The non-controlling interest in profit or loss, which forms part of net income and is shown separately after net income as a „thereof“ note, amounted to EUR 17.4 million (EUR 14.0 million) as at 31 March 2013.

For further details we would refer to the relevant information in the consolidated financial statement as at 31 December 2012.

group and the continuing operations of the Group are similarly eliminated in accordance with IAS 27 "Consolidated and Separate Financial Statements".

standards, Hannover Re's analysis – in application of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" – also falls back on the relevant standards of US GAAP.

In connection with the sale of the operational companies of the subgroup Clarendon Insurance Group, Inc. (CIGI), Wilmington, to Enstar Group Ltd., Hamilton/Bermuda, a partial portfolio of CIGI was retroceded to a special purpose entity. The term of the retrocession arrangement runs until the underlying obligations have been finally settled. Since Hannover Re is not the major beneficiary of the special purpose entity and does not exercise either indirect or direct control over it, there is no requirement to consolidate this special purpose entity.

Securitisation of reinsurance risks

The securitisation of reinsurance risks is largely structured through the use of special purpose entities.

In the previous year Hannover Re issued a catastrophe (“CAT”) bond for the purpose of transferring to the capital market peak natural catastrophe exposures deriving from European wind-storm events. The term of the CAT bond, which has a volume of nominally EUR 100.0 million, runs until 31 March 2016; it was placed with institutional investors from Europe, North America and Asia by Eurus III Ltd. Eurus III Ltd. is a special purpose entity domiciled in Hamilton/Bermuda that was registered in August 2012 as a „special purpose insurer“ under the Bermuda Insurance Act 1978. The retrocessions concluded with the special purpose entity under the transaction afford Hannover Re, E+S Rück and Hannover Re (Bermuda) Ltd. protection against the aforementioned catastrophe risks. Since Hannover Re does not exercise a controlling influence over Eurus III Ltd., there is no consolidation requirement for the special purpose entity.

Life and health reinsurance assumed

Some transactions in the life and health reinsurance segment necessitate the involvement of ceding special purpose entities as contracting parties that are established by parties outside the Group and from which member companies of the Hannover Re Group assume certain underwriting and/or financial risks. The transactions largely serve the purpose of financing statutory reserves (so-called Triple-X or AXXX reserves) and transferring extreme mortality risks above a contractually defined retention. Since Hannover Re does not bear the majority of the economic risks or benefits arising out of its business relations

Investments

Within the scope of its asset management activities Hannover Re has participated since 1988 in numerous special purpose entities – predominantly funds –, which for their part transact certain types of equity and debt capital investments. On the basis of our analysis of our relations with these entities we concluded that the Group does not exercise a controlling influence in any of these transactions and a consolidation requirement therefore does not exist.

Hannover Re participates – primarily through the companies Hannover Insurance-Linked Securities GmbH & Co. KG (HILS) and Leine Investment SICAV-SIF – in a number of special purpose entities for the securitisation of catastrophe risks

By way of its „K“ transactions Hannover Re has raised further underwriting capacity for catastrophe risks on the capital market. The „K Cession“, which was placed with investors in North America, Europe and Asia, involves a quota share cession on worldwide natural catastrophe business as well as aviation and marine risks. The volume of this securitisation was equivalent to EUR 256.2 million (EUR 268.0 million) as at the balance sheet date. The transaction has an indefinite term and can be cancelled annually by the investors. Kaith Re Ltd., a special purpose entity domiciled in Bermuda, is being used for the securitisation.

Hannover Re also 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.

with these special purpose entities and cannot exercise a controlling influence over them, there is no consolidation requirement for Hannover Re.

Depending upon the classification of the contracts pursuant to IFRS 4 or IAS 39, the transactions are recognised either in the technical account or as derivative financial instruments or as financial guarantees. Please see also our remarks in Section 7.1 „Derivative financial instruments and financial guarantees“.

by investing in “disaster bonds” (or “CAT bonds”). While HILS will continue to manage its portfolio, future new business in this area will be written by the Luxembourg-based Leine Investment companies, which were established in the previous year. Leine Investment General Partner S.à.r.l. is the managing partner of the asset management company Leine Investment SICAV-SIF, the business object of which is to build, hold and manage a portfolio of insurance-linked securities and catastrophe bonds – including for third-party investors outside the Group. Since Hannover Re does not exercise a controlling influence in any of these transactions either there is no requirement to consolidate the special purpose entities concerned.

Acquisitions and new formations

The Munich-based HR GLL Central Europe Holding GmbH was established in January 2013 and included in the consolidated financial statement for the first time with effect from the first quarter of 2013. All shares of the company are held by HR GLL Central Europe GmbH & KG, Munich. The business object of the company is to purchase, manage, rent, lease and sell commercial real estate or equivalent rights in Europe as well as to establish and acquire subsidiaries in the form of real estate companies that acquire and hold such real estate.

With effect from 1 January 2013 Glencar Underwriting Managers, Inc., based in Chicago, United States (Glencar), was consolidated for the first time in view of the expansion recorded in the business volume. The business object of the company is to write specialty lines as well as property and casualty program business in the US market with a focus on small to mid-sized programs. In the second quarter of 2011 Funis GmbH & Co. KG, a wholly owned subsidiary of Hannover Re, participated

Disposals and retirements

By way of the contractually agreed transfer of its management share in Secquaero ILS Fund Ltd., Georgetown, Grand Cayman back to the investment manager outside the Group, Hannover Re relinquished control over the company and its participations with effect from 1 January 2013. Since that date the company has therefore no longer been included in the consolidated financial statement, but is instead carried as a

Further corporate changes

Hannover Re transferred all the business of its subsidiary Hannover Life Reassurance (UK) Ltd., Virginia Water, to a newly established branch of the parent company Hannover Re with the same registered office effective 1 January 2013 by way of a so-called „Part VII transfer“. The branch trades under the name Hannover Re UK Life Branch and was registered on 3 December 2012 under the Companies Act 2006. Hannover

in Glencar with a capital contribution of USD 98,000 (corresponding to 49.0% of the share capital). Preference shares in an amount of roughly USD 2.3 million were purchased in the course of the third quarter of 2011; of these, preference shares amounting to USD 1.6 million constitute voting, puttable equity instruments and were therefore recognised as debt pursuant to IAS 32. The remaining preference shares in an amount of roughly USD 0.7 million have the features of non-voting, non-puttable equity instruments and are classified as equity pursuant to IAS 32. Given that Hannover Re holds a majority of the voting rights in Glencar, it has the possibility of exercising control over the company. For reasons of materiality Glencar was carried as a participating interest until the fourth quarter of 2012. At the time of initial consolidation and as at the balance sheet date, Funis held an interest of 49.0% in the share capital. The liabilities-side difference arising out of initial consolidation in an amount of EUR 0.2 million was recognised in income.

participating interest at net asset value and recognised under other invested assets. Income of EUR 1.2 million was carried under other income and expenses from derecognition of the assets and liabilities as well as initial recognition of the participating interest at net asset value. In addition, cumulative other comprehensive income of EUR 5.5 million was realised from currency translation.

Life Reassurance (UK) Ltd. was deleted from the Commercial Register on 8 January 2013 and liquidated with effect from the first quarter of 2013. Since this internal restructuring within the Group involves a transaction between companies under common control, the transaction does not give rise to goodwill nor does it have any implications for Group net income.

4. Group segment report

The segment information shown here is based on the same principles as those applied in the consolidated financial statement as at 31 December 2012. It follows the system used for internal reporting purposes, on the basis of which the full Executive Board regularly evaluates the performance of segments and decides on the allocation of resources to them. The „Consolidation“ column includes not only the elimination of cross-segment transactions but also, more significantly, companies whose business operations cannot be unambiguously allocated to non-life reinsurance or life/health reinsurance. These are principally the service and financing companies belonging to the Group. Since the performance indicators used to steer the

segments correspond to the system according to which the consolidated financial statement is prepared, a separate reconciliation of the segment results with the Group result is not provided. Both the companies that were consolidated for the first time in the reporting period – namely Glencar Underwriting Managers, Inc., Chicago and HR GLL Central Europe Holding GmbH, Munich – and Secquaero ILS Fund Ltd., which was no longer included in the consolidated financial statement, are allocable to the non-life reinsurance segment. We would also refer to the relevant information in the consolidated financial statement as at 31 December 2012.

Segmentation of assets	Non-life reinsurance	
in EUR thousand	31.3.2013	31.12.2012 ¹
Assets		
Held to maturity	3,029,771	3,213,397
Loans and receivables	3,323,618	3,313,608
Available for sale	15,802,778	15,572,034
At fair value through profit or loss	56,351	113,030
Other invested assets	1,919,397	1,679,251
Short-term investments	365,295	325,302
Cash	441,207	407,336
Total investments and cash under own management	24,938,417	24,623,958
Funds withheld	892,845	925,312
Contract deposits	1,161	25,803
Total investments	25,832,423	25,575,073
Reinsurance recoverables on unpaid claims	1,227,906	1,288,664
Reinsurance recoverables on benefit reserve	–	–
Prepaid reinsurance premium	181,978	135,999
Reinsurance recoverables on other reserves	711	1,103
Deferred acquisition costs	516,418	476,592
Accounts receivable	2,416,582	1,691,435
Other assets in the segment	1,339,983	1,288,719
Assets held for sale	–	6,333
Total assets	31,516,001	30,463,918

Segmentation of liabilities		
in EUR thousand		
Liabilities		
Loss and loss adjustment expense reserve	19,320,618	18,595,088
Benefit reserve	–	–
Unearned premium reserve	2,596,168	2,253,544
Provisions for contingent commissions	138,548	141,114
Funds withheld	424,328	432,884
Contract deposits	89,541	84,523
Reinsurance payable	667,437	702,224
Long-term liabilities	172,505	167,774
Other liabilities in the segment	2,003,838	1,868,048
Total liabilities	25,412,983	24,245,199

¹ Adjusted on the basis of IAS 8

Life and health reinsurance		Consolidation		Total	
31.3.2013	31.12.2012 ¹	31.3.2013	31.12.2012	31.3.2013	31.12.2012 ¹
198,399	199,319	122,442	193,240	3,350,612	3,605,956
76,979	75,424	31,262	26,155	3,431,859	3,415,187
6,181,162	5,805,682	433,644	433,602	22,417,584	21,811,318
81,229	75,731	19,503	19,487	157,083	208,248
79,833	75,055	1,927	(2,530)	2,001,157	1,751,776
161,310	183,866	31,532	550	558,137	509,718
171,440	161,258	2,660	3,594	615,307	572,188
6,950,352	6,576,335	642,970	674,098	32,531,739	31,874,391
13,809,052	13,702,535	–	–	14,701,897	14,627,847
104,423	97,455	–	–	105,584	123,258
20,863,827	20,376,325	642,970	674,098	47,339,220	46,625,496
281,671	251,161	(1,709)	(1,610)	1,507,868	1,538,215
511,859	507,257	–	–	511,859	507,257
1,457	2,620	(181)	(246)	183,254	138,373
1,195	1,508	–	–	1,906	2,611
1,351,202	1,364,675	10	12	1,867,630	1,841,279
1,367,328	1,375,992	(565)	(1,763)	3,783,345	3,065,664
521,864	503,325	(675,898)	(705,596)	1,185,949	1,086,448
–	–	–	–	–	6,333
24,900,403	24,382,863	(35,373)	(35,105)	56,381,031	54,811,676

3,201,322	3,017,220	(1,709)	(1,610)	22,520,231	21,610,698
10,972,942	10,974,804	(172)	(234)	10,972,770	10,974,570
102,195	86,265	–	–	2,698,363	2,339,809
88,999	73,105	–	–	227,547	214,219
391,189	388,176	–	–	815,517	821,060
5,829,617	5,713,361	–	–	5,919,158	5,797,884
235,717	421,214	(514)	(2,029)	902,640	1,121,409
–	4,552	2,234,363	2,228,465	2,406,868	2,400,791
1,627,498	1,626,756	(644,112)	(677,712)	2,987,224	2,817,092
22,449,479	22,305,453	1,587,856	1,546,880	49,450,318	48,097,532

Segment statement of income	Non-life reinsurance	
in EUR thousand	1.1. – 31.3.2013	1.1. – 31.3.2012 ¹
Gross written premium	2,197,623	2,116,636
Thereof		
From insurance business with other segments	–	–
From insurance business with external third parties	2,197,623	2,116,636
Net premium earned	1,691,927	1,554,703
Net investment income	186,823	254,519
Thereof		
Unrealised gains and losses on investments	(3,955)	45,630
Total depreciation, impairments and appreciation of investments	3,085	5,666
Income/expense on funds withheld and contract deposits	3,632	3,308
Claims and claims expenses	1,158,564	1,115,144
Change in benefit reserve	–	–
Commission and brokerage, change in deferred acquisition costs and other technical income/expenses	386,521	351,939
Administrative expenses	48,761	40,862
Other income and expenses	(26,245)	(38,235)
Operating profit/loss (EBIT)	258,659	263,042
Interest on hybrid capital	–	–
Net income before taxes	258,659	263,042
Taxes	66,839	77,053
Net income	191,820	185,989
Thereof		
Non-controlling interest in profit or loss	16,932	12,835
Group net income	174,888	173,154

¹ Adjusted on the basis of IAS 8

Life and health reinsurance		Consolidation		Total	
1.1.–31.3.2013	1.1.–31.3.2012 ¹	1.1.–31.3.2013	1.1.–31.3.2012	1.1.–31.3.2013	1.1.–31.3.2012 ¹
1,560,301	1,393,977	(49)	(46)	3,757,875	3,510,567
49	46	(49)	(46)	–	–
1,560,252	1,393,931	–	–	3,757,875	3,510,567
1,388,856	1,261,464	78	(2)	3,080,861	2,816,165
162,373	177,398	5,547	8,699	354,743	440,616
7,141	35,374	125	3,558	3,311	84,562
8	1,386	–	–	3,093	7,052
90,191	80,422	–	–	93,823	83,730
1,111,371	931,164	78	(197)	2,270,013	2,046,111
79,081	109,037	62	(1)	79,143	109,036
239,463	236,408	3	(1,749)	625,987	586,598
39,511	34,105	87	(876)	88,359	74,091
6,545	(5,853)	107	(3,687)	(19,593)	(47,775)
88,348	122,295	5,502	7,833	352,509	393,170
–	–	31,379	25,371	31,379	25,371
88,348	122,295	(25,877)	(17,538)	321,130	367,799
22,617	20,949	(7,129)	(5,495)	82,327	92,507
65,731	101,346	(18,748)	(12,043)	238,803	275,292
467	1,156	–	–	17,399	13,991
65,264	100,190	(18,748)	(12,043)	221,404	261,301

5. Notes on the individual items of the balance sheet

5.1 Investments under own management

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

The investments under own management also encompass investments in associated companies, real estate and real estate funds (also includes: investment property), other invested assets, short-term investments and cash.

For further details we would refer to the relevant information in the consolidated financial statement as at 31 December 2012.

The following table shows the regional origin of the investments under own management.

Investments	31.3.2013	31.12.2012
in EUR thousand		
Regional origin		
Germany	6,803,777	6,779,027
United Kingdom	2,391,189	2,955,807
France	1,865,251	1,819,918
Other	6,984,540	6,348,984
Europe	18,044,757	17,903,736
USA	8,490,878	8,065,355
Other	1,152,301	1,162,038
North America	9,643,179	9,227,393
Asia	1,271,175	1,301,702
Australia	2,316,130	2,245,320
Australasia	3,587,305	3,547,022
Africa	400,394	417,557
Other	856,104	778,683
Total	32,531,739	31,874,391

Maturities of the fixed-income and variable-yield securities

in EUR thousand	31.3.2013		31.12.2012	
	Amortised cost ¹	Fair value	Amortised cost ¹	Fair value
Held to maturity				
due in one year	830,889	840,603	908,601	916,267
due after one through two years	527,761	547,238	606,525	629,138
due after two through three years	1,183,848	1,271,883	1,089,354	1,171,603
due after three through four years	411,743	447,659	532,996	577,930
due after four through five years	58,969	62,370	150,735	162,378
due after five through ten years	334,732	368,026	315,208	350,218
due after more than ten years	2,670	3,296	2,537	3,198
Total	3,350,612	3,541,075	3,605,956	3,810,732
Loans and receivables				
due in one year	205,098	207,863	207,861	216,965
due after one through two years	367,307	380,402	408,386	423,503
due after two through three years	290,683	307,187	311,764	330,670
due after three through four years	590,549	643,481	382,075	417,721
due after four through five years	94,716	103,842	285,438	312,267
due after five through ten years	1,093,130	1,208,017	1,033,273	1,156,510
due after more than ten years	790,376	921,036	786,390	922,804
Total	3,431,859	3,771,828	3,415,187	3,780,440
Available for sale				
due in one year ²	2,819,665	2,831,766	2,379,998	2,387,173
due after one through two years	2,350,621	2,389,419	2,758,881	2,797,560
due after two through three years	2,396,856	2,487,475	2,525,881	2,616,092
due after three through four years	1,889,815	1,987,496	1,775,135	1,862,419
due after four through five years	2,322,824	2,428,414	2,436,644	2,549,947
due after five through ten years	7,846,921	8,337,707	7,132,799	7,617,225
due after more than ten years	2,806,754	3,099,392	2,709,969	3,033,562
Total	22,433,456	23,561,669	21,719,307	22,863,978
Financial assets at fair value through profit or loss				
due in one year	57,986	57,986	69,544	69,544
due after one through two years	7,838	7,838	15,626	15,626
due after two through three years	3,724	3,724	17,619	17,619
due after three through four years	3,177	3,177	14,823	14,823
due after four through five years	1,983	1,983	4,936	4,936
due after five through ten years	–	–	7,276	7,276
due after more than ten years	17,520	17,520	17,589	17,589
Total	92,228	92,228	147,413	147,413

¹ Including accrued interest

² Including short-term investments and cash

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

in EUR thousand	31.3.2013				
	Amortised cost	Unrealised gains	Unrealised losses	Accrued interest	Fair value
Investments held to maturity					
Fixed-income securities					
Government debt securities of EU member states	389,795	26,699	–	5,554	422,048
US treasury notes	840,640	25,062	–	8,762	874,464
Other foreign government debt securities	56,266	699	7	644	57,602
Debt securities issued by semi-governmental entities	659,439	37,900	–	9,187	706,526
Corporate securities	266,415	14,620	1,203	4,466	284,298
Covered bonds/asset-backed securities	1,090,520	86,693	–	18,924	1,196,137
Total	3,303,075	191,673	1,210	47,537	3,541,075

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

in EUR thousand	31.12.2012				
	Amortised cost	Unrealised gains	Unrealised losses	Accrued interest	Fair value
Investments held to maturity					
Fixed-income securities					
Government debt securities of EU member states	393,836	28,425	–	7,097	429,358
US treasury notes	819,013	27,592	–	6,208	852,813
Other foreign government debt securities	56,054	611	42	160	56,783
Debt securities issued by semi-governmental entities	650,493	39,766	–	9,744	700,003
Corporate securities	449,024	18,863	872	9,172	476,187
Covered bonds/asset-backed securities	1,181,346	90,836	403	23,809	1,295,588
Total	3,549,766	206,093	1,317	56,190	3,810,732

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

in EUR thousand	31.3.2013				
	Amortised cost	Unrealised gains	Unrealised losses	Accrued interest	Fair value
Loans and receivables					
Government debt securities of EU member states	–	–	–	273	273
Debt securities issued by semi-governmental entities	2,016,433	217,780	388	32,820	2,266,645
Corporate securities	330,493	22,482	24	6,477	359,428
Covered bonds/asset-backed securities	1,026,619	100,556	437	18,744	1,145,482
Total	3,373,545	340,818	849	58,314	3,771,828

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

in EUR thousand	31.12.2012				
	Amortised cost	Unrealised gains	Unrealised losses	Accrued interest	Fair value
Loans and receivables					
Government debt securities of EU member states	10,271	590	–	204	11,065
Debt securities issued by semi-governmental entities	2,005,258	238,045	58	30,095	2,273,340
Corporate securities	330,248	23,476	15	4,981	358,690
Covered bonds/asset-backed securities	1,018,651	103,215	–	15,479	1,137,345
Total	3,364,428	365,326	73	50,759	3,780,440

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

in EUR thousand	31.3.2013				
	Amortised cost	Unrealised gains	Unrealised losses	Accrued interest	Fair value
Available for sale					
Fixed-income securities					
Government debt securities of EU member states	1,768,342	82,192	2,116	19,270	1,867,688
US treasury notes	1,150,465	39,888	3,872	3,688	1,190,169
Other foreign government debt securities	1,577,762	25,965	1,056	13,488	1,616,159
Debt securities issued by semi-governmental entities	4,310,133	220,250	4,309	53,779	4,579,853
Corporate securities	9,219,299	539,434	16,302	137,214	9,879,645
Covered bonds/asset-backed securities	2,812,324	223,648	5,570	27,370	3,057,772
Investment funds	166,894	30,045	–	–	196,939
	21,005,219	1,161,422	33,225	254,809	22,388,225
Equity securities					
Shares	13,023	4,297	1	–	17,319
Investment funds	9,095	2,945	–	–	12,040
	22,118	7,242	1	–	29,359
Short-term investments	555,467	16	–	2,654	558,137
Total	21,582,804	1,168,680	33,226	257,463	22,975,721

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

in EUR thousand		31.12.2012			
	Amortised cost	Unrealised gains	Unrealised losses	Accrued interest	Fair value
Available for sale					
Fixed-income securities					
Government debt securities of EU member states	1,837,251	80,205	2,625	17,715	1,932,546
US treasury notes	1,220,030	41,560	2,463	4,164	1,263,291
Other foreign government debt securities	1,634,844	22,801	1,933	16,842	1,672,554
Debt securities issued by semi-governmental entities	4,199,653	245,014	2,779	53,405	4,495,293
Corporate securities	8,568,646	559,256	11,301	133,424	9,250,025
Covered bonds/asset-backed securities	2,733,081	197,507	9,499	35,536	2,956,625
Investment funds	182,864	28,874	–	–	211,738
	20,376,369	1,175,217	30,600	261,086	21,782,072
Equity securities					
Shares	12,206	3,945	1	–	16,150
Investment funds	10,931	2,165	–	–	13,096
	23,137	6,110	1	–	29,246
Short-term investments	505,151	54	–	4,513	509,718
Total	20,904,657	1,181,381	30,601	265,599	22,321,036

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

in EUR thousand	31.3.2013	31.12.2012	31.3.2013	31.12.2012	31.3.2013	31.12.2012
	Fair value before accrued interest		Accrued interest		Fair value	
Financial assets at fair value through profit or loss						
Fixed-income securities						
Corporate securities	66,321	54,474	898	13,305	67,219	67,779
Covered bonds/asset-backed securities	24,993	79,634	16	–	25,009	79,634
	91,314	134,108	914	13,305	92,228	147,413
Other financial assets						
Derivatives	64,855	60,835	–	–	64,855	60,835
	64,855	60,835	–	–	64,855	60,835
Total	156,169	194,943	914	13,305	157,083	208,248

Information on fair values and fair value hierarchy

The methods and models set out below are used to establish the fair value of financial instruments on the assets and liabilities side of the balance sheet. The fair value of a financial instrument corresponds in principle to the amount that Hannover Re would receive or pay if it were to sell or settle the said financial instrument on the balance sheet date. Insofar as market prices are listed on markets for financial instruments, their bid price is used. In other cases the fair values are established on the basis of the market conditions prevailing on the balance sheet date for financial assets with similar credit rating, duration and return characteristics or using recognised models of

mathematical finance. Hannover Re uses a number of different valuation models for this purpose. The details are set out in the following table.

The operating units responsible for the coordination and documentation of measurement are organisationally separate from the operating units that enter into investment risks. All relevant measurement processes and measurement methods are documented. Decisions on measurement-related policy issues are taken by a Measurement Committee that meets on a monthly basis.

Valuation models			
Financial instrument	Pricing method	Parameter	Pricing model
Fixed-income securities			
Unlisted plain vanilla bonds, interest rate swaps	Theoretical price	Interest rate curve	Present-value method
Unlisted structured bonds	Theoretical price	Interest rate curve Volatility surfaces	Hull-White, Black-Karasinski, LIBOR market model etc.
Unlisted bond funds	Theoretical price	Audited net asset values (NAV)	Net asset value method
ABS/MBS for which no market prices are available	Theoretical price	Prepayment speed, incurred losses, default probabilities, recovery rates	Future cash flow method, liquidation method
CDOs/CLOs Profit participation certificates	Theoretical price	Risk premiums, default rates, recovery rates, redemptions	Present-value method
Equities			
Unlisted equities	Theoretical price	Acquisition cost, cash flows, EBIT multiples, as applicable book value	Net asset value method
Other invested assets			
Private equity	Theoretical price	Acquisition cost, cash flows, EBIT multiples, market prices	Net asset value method
Other financial assets – at fair value through profit or loss			
Currency forwards	Theoretical price	Interest-rate curves, spot and forward rates	Interest parity model
OTC stock options, OTC stock index options	Theoretical price	Listing of the underlying share, implicit volatilities, money-market interest rate, dividend yield	Black-Scholes
Insurance derivatives	Theoretical price	Market values, actuarial parameters, interest rate curve	Present-value method

Fair value hierarchy

For the purposes of the disclosure requirements pursuant to IFRS 7 „Financial Instruments: Disclosures“, the financial instruments recognised at fair value in the balance sheet are to be assigned to a three-level fair value hierarchy. This hierarchy, which reflects characteristics of the price data and inputs used for measurement purposes, is structured as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

- Level 2: Inputs used for measurement that are based on observable market data and are not included within level 1. This level includes, in particular, prices for comparable assets and liabilities, prices on markets that are not considered active as well as inputs derived from such prices or market data.
- Level 3: Inputs used for measurement that are not based on observable market data (unobservable inputs).

The following table shows the breakdown of the financial instruments recognised at fair value into the three-level fair value hierarchy.

Fair value hierarchy of financial instruments recognised at fair value

in EUR thousand	31.3.2013			
	Level 1	Level 2	Level 3	Total
Fixed-income securities	7,169,937	15,289,965	20,551	22,480,453
Equity securities	29,351	–	8	29,359
Other financial assets – at fair value through profit or loss	43,351	21,504	–	64,855
Other invested assets	3,552	42,032	1,109,719	1,155,303
Short-term investments	543,374	14,763	–	558,137
Total financial assets measured at fair value	7,789,565	15,368,264	1,130,278	24,288,107
Other liabilities	–	60,159	56,666	116,825
Total financial liabilities measured at fair value	–	60,159	56,666	116,825

The classification of financial instruments according to the fair value hierarchy is regularly reviewed. In the period under review financial instruments with a fair value of EUR 361.0 million were no longer allocable to level 1 but rather to level 2. The reclassification was necessary owing to the reduced liquidity of the instruments. Financial instruments with a fair value of EUR 1.7 million, which in the previous year were recognised as level 2 instruments, were allocated to level 1 in the current

reporting period. The reclassifications affected solely fixed-income securities carried as available for sale. The reallocation amounts stated refer to the carrying value of the investments recognised at the beginning of the period.

The following table provides a reconciliation of the fair values of financial instruments included in level 3 at the beginning of the period with the fair values as at the balance sheet date.

Development of level 3 financial instruments

in EUR thousand	1.1.–31.3.2013			
	Fixed-income securities	Equities, equity funds and other variable-yield securities	Other invested assets	Other liabilities
Net book value at 1 January of the year under review	27,329	8	1,061,953	54,812
Currency translation at 1 January	803	–	19,994	–
Net book value after currency translation	28,132	8	1,081,947	54,812
Changes in consolidated group	(7,286)	–	(8,986)	–
Income and expenses				
recognised in the statement of income	(92)	–	(82)	244
recognised directly in shareholders' equity	–	–	13,228	–
Additions	–	–	42,931	–
Disposals	–	–	(20,676)	–
Transfers to level 3	–	–	–	–
Transfers from level 3	–	–	–	–
Currency translation at 31 March of the year under review	(203)	–	1,357	1,610
Net book value at 31 March of the year under review	20,551	8	1,109,719	56,666

The breakdown of income and expenses recognised in the statement of income in the reporting period in connection with financial instruments assigned to level 3 is as follows.

Income and expenses from level 3 financial instruments

in EUR thousand	1.1.–31.3.2013		
	Fixed-income securities	Other invested assets	Other liabilities
Total in the financial year			
Unrealised gains and losses	(92)	265	(244)
Total depreciation, impairments and appreciation of investments	–	(347)	–
Thereof attributable to financial instruments included in the portfolio at 31 March of the year under review			
Unrealised gains and losses	(92)	265	(238)
Total depreciation, impairments and appreciation of investments	–	(347)	–

If models are used to measure financial instruments included in level 3 under which the adoption of reasonable alternative inputs leads to a material change in fair value, IFRS 7 „Financial Instruments: Disclosures“ requires disclosure of the effects of these alternative assumptions. Of the assets-side financial instruments included in level 3 with fair values of altogether EUR 1,130.3 million (EUR 1,089.3 million) as at the balance

sheet date, Hannover Re measures financial instruments with a volume of EUR 1,045.3 million (EUR 990.4 million) using the net asset value method, in respect of which alternative inputs within the meaning of the standard cannot reasonably be established. For the remaining financial instruments included in level 3 with a volume of EUR 85.0 million (EUR 98.9 million), the effects of alternative inputs and assumptions are immaterial.

5.2 Shareholders' equity, non-controlling interests and treasury shares

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 fully paid up. Each share carries an equal voting right and an equal dividend entitlement.

Non-controlling interests in the shareholders' equity of the subsidiaries amounted to EUR 637.6 million (EUR 681.7 million) as at the balance sheet date. They were principally attributable to non-controlling interests in the shareholders' equity of E+S Rück in an amount of EUR 618.8 million (EUR 648.2 million).

Authorised capital of up to EUR 60,299 thousand is available with a time limit of 3 May 2015. The subscription right of shareholders may be excluded with the consent of the Supervisory

Board. New, registered no-par-value shares may be issued on one or more occasions for contributions in cash or kind. Of the total amount, up to EUR 1,000 thousand may be used to issue employee shares.

In addition, conditional capital of up to EUR 60,299 thousand is available. It can be used to grant shares to holders of convertible bonds and bonds with warrants as well as to holders of participating bonds with conversion rights and warrants and has a time limit of 2 May 2016.

The Executive Board is authorised – with the consent of the Supervisory Board – to acquire treasury shares of up to 10% of the existing share capital. The authorisation is limited until 3 May 2015.

IAS 1 requires separate disclosure of treasury shares in shareholders' equity. The company was not in possession of treasury shares at any time during the period under review.

The change in the other reserves arising out of currency translation, which is recognised in equity, was attributable in an amount of EUR 11.6 million to the translation of long-term debt or loans with no maturity date extended to Group companies and branches abroad.

6. Notes on the individual items of the statement of income

6.1 Gross written premium

Gross written premium		
in EUR thousand	1.1. – 31.3.2013	1.1. – 31.3.2012
Regional origin		
Germany	414,493	413,847
United Kingdom	653,631	596,604
France	171,887	163,094
Other	541,420	529,107
Europe	1,781,431	1,702,652
USA	875,440	800,857
Other	151,444	134,143
North America	1,026,884	935,000
Asia	380,940	346,167
Australia	208,387	190,605
Australasia	589,327	536,772
Africa	127,330	122,397
Other	232,903	213,746
Total	3,757,875	3,510,567

6.2 Investment income

Investment income		
in EUR thousand	1.1. – 31.3.2013	1.1. – 31.3.2012
Income from real estate	14,195	11,490
Dividends	513	218
Interest income	247,482	256,086
Other income	(16,083)	(9,635)
Ordinary investment income	246,107	258,159
Profit or loss on shares in associated companies	1,090	1,803
Appreciation	152	176
Realised gains on investments	38,614	45,716
Realised losses on investments	3,842	7,909
Unrealised gains and losses on investments	3,311	84,562
Impairments on real estate	2,895	2,570
Impairments on equity securities	3	1,379
Impairments on participating interests and other financial assets	347	3,279
Other investment expenses	21,267	18,393
Net income from assets under own management	260,920	356,886
Interest income on funds withheld and contract deposits	122,002	100,018
Interest expense on funds withheld and contract deposits	28,179	16,288
Total investment income	354,743	440,616

The impairments totalling EUR 0.3 million (EUR 4.7 million) were attributable in the current year entirely (EUR 3.3 million) to the area of alternative investments – specifically, exclusively to private equity investments. No impairments (EUR 1.4 million) were recognised on equities or equity funds whose fair value had fallen significantly – i. e. by at least 20% – or for a prolonged period – i. e. for at least nine months – below acquisition cost. Nor were any impairments recognised on struc-

tured fixed-income securities or other fixed-income securities. These write-downs contrasted with write-ups of EUR 0.2 million (EUR 0.2 million) on investments written down in previous periods. 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

in EUR thousand	1.1.–31.3.2013	1.1.–31.3.2012
Fixed-income securities – held to maturity	31,086	38,100
Fixed-income securities – loans and receivables	30,273	30,361
Fixed-income securities – available for sale	179,611	176,750
Financial assets – at fair value through profit or loss	292	1,790
Other	6,220	9,085
Total	247,482	256,086

7. Other notes

7.1 Derivative financial instruments and financial guarantees

Hannover Re's portfolio contained derivative financial instruments as at the balance sheet date in the form of forward exchange contracts predominantly taken out to hedge cash flows from reinsurance contracts. The resulting liabilities of EUR 16.0 million (31 December 2012: EUR 16.8 million) were recognised under other liabilities.

Hannover Re holds derivative financial instruments to hedge interest rate risks from loans connected with the financing of real estate; these gave rise to recognition of other liabilities in an amount of EUR 3.4 million (31 December 2012: EUR 3.9 million).

Derivative financial instruments in connection with reinsurance

Certain reinsurance treaties meet criteria which require application of the prescriptions in IFRS 4 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 54.1 million as at 31 March 2013 (31 December 2012: EUR 47.7 million) that were separated from the underlying transaction and measured at fair value.

Hannover Re holds derivative financial instruments to hedge inflation risks associated with the loss reserves. These transactions resulted in the recognition of other financial assets at fair value through profit or loss in an amount of EUR 10.8 million (31 December 2012: EUR 13.1 million) as well as other liabilities in an amount of EUR 4.3 million (31 December 2012: EUR 4.9 million).

The net changes in the fair value of the aforementioned instruments resulted in an improvement of EUR 0.8 million in the result of the period under review (31 March 2012: improvement in the result of EUR 40.4 million).

In addition, liabilities from derivatives in connection with the technical account totalling EUR 65.9 million (31 December 2012: EUR 60.9 million) were recognised under other liabilities as at the balance sheet date.

Of this amount, EUR 56.7 million (31 December 2012: EUR 54.8 million) is attributable to a number of transactions in the life and health reinsurance business group that are to be classified as derivative financial instruments. Under these transactions Hannover Re companies offer their contracting parties coverage for risks from possible future payment obligations arising out of hedging instruments. The payment obligations result from contractually defined events and relate to the development of an underlying group of primary insurance contracts with statutory reserving requirements. The contracts are to be classified and recognised as stand-alone credit derivatives pursuant to IAS 39. These instruments gave rise to a charge against investment income in an amount of EUR 0.2 million (31 March 2012: none).

Of the derivatives carried on the assets side, fair values of EUR 46.6 million (31 December 2012: EUR 39.8 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 con-

Financial guarantees

Structured transactions were entered into in the life and health reinsurance business group in order to finance statutory reserves (so-called Triple-X or AXXX reserves) of US ceding companies. In each case such structures necessitate the involvement of a special purpose entity. The special purpose entities carry extreme mortality risks securitised by the cedant above a contractually defined retention and transfer these risks by way of a fixed/floating swap to a member company of the Hannover Re Group. The total amount of the contractually agreed capacities of the transactions is equivalent to EUR 1,171.3 million (EUR 1,137.9 million); an amount equivalent to EUR 884.0 million (EUR 848.1 million) had been taken up as at the balance sheet date. The variable payments to the special purpose entities that are guaranteed by Hannover Re cover their payment obligations. By way of compensation agreements Hannover Re is reimbursed by the parent compa-

7.2 Related party disclosures

IAS 24 “Related Party Disclosures” defines related parties as group entities of a common parent, associated entities, legal entities under the influence of key management personnel and the key management personnel of the entity itself. Transactions between Hannover Re and its subsidiaries, which are to be regarded as related parties, were eliminated through consolidation and are therefore not discussed in the notes to the consolidated financial statement. In the period under review the following significant business relations existed with related parties.

sequently 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 ModCo derivatives gave rise to an improvement in investment income of EUR 5.6 million before tax as at 31 March 2013 (31 March 2012: EUR 36.8 million).

nies of the cedants for payments resulting from the swaps in the event of a claim.

Under IAS 39 these transactions are to be recognised at fair value as financial guarantees. To this end Hannover Re uses the net method, according to which the present value of the agreed fixed swap premiums is netted with the present value of the guarantee commitment. The fair value on initial recognition therefore amounted to zero. The higher of the fair value and the amount carried as a provision on the liabilities side pursuant to IAS 37 is recognised at the point in time when utilisation is considered probable. This was not the case as at the balance sheet date. In this case the reimbursement claims from the compensation agreements are to be capitalised separately from and up to the amount of the provision.

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

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 Talanx 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. Talanx Immobilien Management GmbH performs services for Hannover Re under a management contract.

Companies belonging to the Talanx Group granted the Hannover Re Group insurance protection inter alia in the areas of public liability, building, group accident and business travel collision insurance. 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.

Business assumed and ceded in Germany and abroad

in EUR thousand	1.1.–31.3.2013		1.1.–31.3.2012	
	Premium	Underwriting result	Premium	Underwriting result
Business assumed				
Non-life reinsurance	132,622	52,516	110,460	14,938
Life and health reinsurance	46,028	3,094	51,845	5,468
	178,650	55,610	162,305	20,406
Business ceded				
Non-life reinsurance	(2,256)	(1,946)	(3,068)	9,102
Life and health reinsurance	(13,844)	(2,311)	(12,194)	(2,161)
	(16,100)	(4,257)	(15,262)	6,941
Total	162,550	51,353	147,043	27,347

The Group companies E+S Rück, Hannover Finance (Luxembourg) S.A., Hannover Re (Ireland) Plc and Hannover Re (Bermuda) Ltd. invested in previous years in a nominal amount of altogether EUR 150.0 million in a bearer debenture of Talanx AG with a maturity date of 8 July 2013 and a coupon of 5.43 %. Talanx AG redeemed this bearer debenture in the first quarter of 2013. The redemption gave rise to realised gains on investments of EUR 2.8 million before tax for Hannover Re. In the

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 which are not included in Hannover Re's consolidation. This includes business both assumed and ceded at usual market conditions.

Talanx Reinsurance Broker AG grants Hannover Re and E+S Rück a preferential position as reinsurers of cedants 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. In certain circumstances Hannover Re and E+S Rück are obliged to assume unplaced shares of the reinsurance of Group cedants from Talanx Reinsurance Broker AG.

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

context of a new bond issue by Talanx AG the Group companies Hannover Rück SE and E+S Rück invested in a nominal amount of EUR 47.0 million in the issued bearer debt, which has a coupon of 3.125%. The carrying amount of the instrument, which is recognised under fixed-income securities held to maturity, was EUR 47.2 million including accrued interest of EUR 0.2 million.

7.3 Staff

The average number of staff employed at the companies included in the consolidated financial statement of the Hannover Re Group was 2,336 (2,263) during the period under review.

As at the balance sheet date altogether 2,359 (2,312) staff were employed by the Hannover Re Group, with 1,171 (1,164) employed in Germany and 1,188 (1,148) working for the consolidated Group companies abroad.

7.4 Earnings per share

Calculation of the earnings per share

	1.1.–31.3.2013	1.1.–31.3.2012 ¹
Group net income in EUR thousand	221,404	261,301
Weighted average of issued shares	120,597,134	120,597,134
Basic earnings per share in EUR	1.84	2.17
Diluted earnings per share in EUR	1.84	2.17

¹ Adjusted on the basis of IAS 8

The earnings per share is calculated by dividing the net income attributable to the shareholders of Hannover Re by the weighted average number of shares outstanding within the period under review.

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

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 issue of shares or subscription rights from the authorised or conditional capital.

7.5 Contingent liabilities and commitments

Hannover Re has placed four subordinated debts on the European capital market through its subsidiary Hannover Finance (Luxembourg) S.A. Hannover Re has secured by subordinated guarantee both the debt issued in 2004, the volume of which amounts to EUR 750.0 million, and the debts from the 2005, 2010 and 2012 financial years in amounts of EUR 500.0 million each.

The guarantees given by Hannover Re for the subordinated debts attach if the issuer 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 two trust accounts (master trust and supplemental trust) in the United States. They amounted to EUR 2,943.1 million (EUR 2,855.7 million) and EUR 12.3 million (EUR 11.9 million) respectively as at the balance sheet date. The securities held in the trust accounts are shown as available-for-sale investments. In addition, we furnished further collateral to ceding companies in an amount of EUR 550.1 million (EUR 549.3 million) in the form of 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 2,364.6 million (EUR 2,314.4 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 sureties for our company in the form of letters of credit. The total amount as at the balance sheet date was EUR 3,390.9 million (EUR 3,343.0 million).

In addition, we keep own investments with a book value of EUR 51.6 million (EUR 67.3 million) in blocked custody accounts as collateral provided under existing derivative transactions. We received collateral with a fair value of EUR 7.5 million (EUR 9.5 million) for existing derivative transactions.

For liabilities in connection with participating interests in real estate companies and real estate transactions Hannover Re Real Estate Holdings, Orlando has furnished the usual collateral under such transactions to various banks, the amount of which totalled EUR 295.3 million (EUR 288.3 million) as at the balance sheet date.

Outstanding capital commitments with respect to alternative investments exist on the part of the Group in an amount of EUR 593.5 million (EUR 575.9 million). These primarily involve as yet unfulfilled payment obligations from investment commitments given to private equity funds and venture capital firms.

The application of tax regulations may not have been resolved at the time when tax items are brought to account. The calculation of tax refund claims and tax liabilities is based on what we consider to be the regulations most likely to be applied in each case. The revenue authorities may, however, take a differing view, as a consequence of which additional tax liabilities could arise in the future.

Hannover Re enters into contingent liabilities as part of its normal business operations. A number of reinsurance treaties concluded by Group companies with outside third parties include letters of comfort, guarantees or novation agreements under which the parent company guarantees the liabilities of the subsidiary in question or enters into the rights and obligations of the subsidiary under the treaties if particular constellations materialise.

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