
Report on the **FIRST QUARTER**

2001

Hannover
Rückversicherungs-AG

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KEY FIGURES*of the Hannover Re Group*

<i>in EUR million</i>	<i>31.3.2001</i>	<i>31.12.2000</i>
Gross written premiums	2 366.3	8 320.5
Net premiums earned	1 416.2	5 210.2
Net underwriting result	(116.0)	(449.2)
Net investment income	204.9	868.7
Profit or loss on ordinary activities	88.8	419.5
Net income	41.3	364.9
Investments	10 772.1	10 200.5
Total stockholders' equity	1 634.6	1 573.4
Net underwriting provisions	13 980.5	12 953.3
Earnings per share in EUR	1.40	12.38**
Retention	67.0%	63.7%
Loss ratio*	83.7%	90.1%
Expense ratio*	23.5%	18.7%
Combined ratio*	107.2%	108.8%

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

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

Dear shareholders, ladies and gentlemen,

In previous years we have informed you of our half-yearly results in addition to reporting on our annual financial statements. We are now pleased to present our first quarterly report. In this way, our company has satisfied the reporting requirements placed on listed companies by Deutsche Börse AG.

In this context, however, it is my duty to advise you that quarterly reports compiled by reinsurance companies have only modest informational value. In the life and health reinsurance and financial reinsurance segments, in particular, there is no equal distribution of business throughout the year. What is more, in most markets reinsurers do not receive concrete details of claims reserves until year-end. It is for these reasons that quarterly reports must contain extensive guesswork. The information included in this quarterly report is therefore limited. Most importantly, it can scarcely be taken as an indicator of the overall result for the year.

Since this is the first time that we have published a quarterly report, we are also unable to provide comparative figures for the first quarter 2000. As has already been explained, it would be unrealistic to divide the previous year's figures by four. In common with our annual reporting, the quarterly report is based on United States Generally Accepted Accounting Principles (US GAAP).

Overall, the first quarter of the current year developed as expected. The premium volume totalled EUR 2.4 billion, and each of our four strategic business segments generated profit contributions on underwriting business.

The favourable market trend in property and casualty reinsurance was sustained. Having already exploited growth opportunities in the previous year, we were able to vigorously expand our business in the current year on a systematic basis in certain key markets following a successful renewal phase. Despite a significantly higher incidence of major claims and natural catastrophe losses compared to the previous year, the combined ratio improved to 105.6% (previous year: 108.4%).

In life and health reinsurance both premium growth and results developed as planned. The relatively weak profit contribution gives no indication of the expected result for the year.

Program business also performed well and lived up to growth expectations. The combined ratio improved from 102.5% to 96.6%. Following the unsatisfactory result of the previous year, there are thus clear signs of the anticipated increase in profitability.

Demand is rising steadily in financial reinsurance, and the volume of business in this segment consequently surpassed our expectations. In this segment, too, the result of the first quarter provides no indication of the year-end result.

Net investment income deteriorated below the line. Ordinary income was higher, but realised gains on investments declined; this decrease was due in part to the general trend on the capital markets, although it also reflects the alternative courses of action arising out of the revised general tax framework.

On balance, the pre-tax result before minority interests totalled EUR 63.1 million and the after-tax result EUR 41.3 million. Earnings per share amounted to EUR 1.40.

Summing up, the performance of all our business segments in the first quarter 2001 was in line with our expectations. Taking additional account of the more extensive information available as of going to press, and provided no extraordinary incidence of major losses, negative developments on the capital markets or other unforeseen events, I am confident that in 2001 we shall again achieve our profit targets.

On behalf of my colleagues on the Executive Board and myself, I would like to thank you for your trust in our company. We shall continue to strive to live up to this trust and shall do our utmost to increase the value of your company on a sustained basis.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'W. Zeller', written in a cursive style.

Wilhelm Zeller
Chairman of the Executive Board

Financial calendar 2001/2002

20 July 2001 Annual General Meeting 2001
Beginning 10:30 a.m.

20 July 2001 Report on the first quarter 2001

23 July 2001 Dividend payment

30 October 2001 Report on the second quarter 2001

31 January 2002 Report on the third quarter 2001

19 July 2002 Annual General Meeting
Beginning 10:30 a.m.

22 July 2002 Dividend payment

CONSOLIDATED BALANCE SHEET as at 31 March 2001

<i>Assets</i> Figures in EUR thousand	31.3.2001	31.12.2000
Fixed-income securities – held to maturity	262 664	267 031
Fixed-income securities – available for sale	6 799 193	6 518 580
Fixed-income securities – trading	43 136	40 869
Equity securities – available for sale	1 355 275	1 593 969
Real estate	229 999	228 540
Other invested assets	571 487	593 415
Short-term investments	1 100 147	475 849
Total investments without cash	10 361 901	9 718 253
Cash	410 185	482 262
Total investments and cash	10 772 086	10 200 515
Prepaid reinsurance premiums	923 112	823 915
Reinsurance recoverables on benefit reserve	271 573	254 696
Reinsurance recoverables on unpaid claims	3 670 641	3 532 690
Reinsurance recoverables on other reserves	10 226	6 392
Deferred acquisition costs	794 674	714 427
Accounts receivable	2 945 671	3 296 030
Funds held by ceding companies	4 518 590	3 995 706
Goodwill	273 357	266 066
Other assets	282 817	275 591
Accrued interest and rent	151 151	131 574
	24 613 898	23 497 602

Liabilities

Figures in EUR thousand

31.3.2001 31.12.2000

Loss and loss adjustment expense reserve	13 568 602	12 782 710
Policy benefits for life and health contracts	3 247 536	3 043 573
Unearned premium reserve	1 900 436	1 608 381
Provision for contingent commission	86 170	1 14 243
Other technical provisions	53 342	22 117
Reinsurance payable	967 665	1 378 184
Funds held under reinsurance treaties	741 927	817 609
Contract deposits	53 686	109 773
Minorities	288 315	294 134
Other liabilities	260 486	307 740
Taxes	173 169	171 955
Provision for deferred taxes	718 523	741 102
Notes payable	801 801	415 105
Surplus debenture	117 597	117 597
Total liabilities	22 979 255	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	78 255	71 413
Cumulative foreign currency conversion adjustment, net of deferred taxes	(19 900)	(8 800)
Other changes in cumulative comprehensive income	(444)	864
Total comprehensive income	57 911	63 477
Treasury stock	–	–
Retained earnings		
Beginning of period	1 232 615	900 630
Net income	41 277	364 880
Dividend paid	–	(80 426)
Other changes	25 553	47 531
	1 299 445	1 232 615
Total stockholders' equity	1 634 643	1 573 379
	24 613 898	23 497 602

CONSOLIDATED STATEMENT OF INCOME*for the first quarter of the 2001 financial year*

<i>Figures in EUR thousand</i>	<i>1.1.-31.3.2001</i>	<i>1.1.-31.12.2000</i>
Gross written premiums	2 366 342	8 320 493
Ceded written premiums	780 833	3 016 514
Change in gross unearned premiums	(243 804)	(216 922)
Change in ceded unearned premiums	74 479	123 127
Net premiums earned	1 416 184	5 210 184
Ordinary investment income	211 187	798 947
Realised gains on investments	39 537	251 168
Realised losses on investments	46 186	70 524
Unrealised gains and losses on investments	11 004	(4 402)
Other investment expenses	10 686	106 509
Net investment income	204 856	868 680
Other technical income	2 997	18 704
Total revenues	1 624 037	6 097 568
Claims and claims expenses	1 096 042	4 467 863
Change in policy benefits for life and health contracts	97 253	37 494
Commission and brokerage	264 887	903 946
Other acquisition costs	3 657	17 627
Other technical expenses	26 017	71 468
Administrative expenses	47 375	179 675
Total technical expenses	1 535 231	5 678 073
Profit or loss on ordinary activities	88 806	419 495
Amortisation of goodwill	4 149	11 679
Other income/expenses	(21 607)	(103 540)
Net income before taxes	63 050	304 276
Taxes (tax yield in 2000)	19 479	129 025
Minority interest	(2 294)	(68 421)
Net income	41 277	364 880

Figures in EUR thousand

1.1.-31.3.2001 1.1.-31.12.2000

Other comprehensive income		
Net unrealised appreciation/depreciation of investments	6 842	22 680
Cumulative foreign currency conversion adjustments	(11 100)	(27 937)
Other comprehensive income	(1 308)	(2 091)
Net comprehensive income	35 711	357 532

SEGMENTAL REPORT as at 31 March 2001

Segmental statement of income

<i>Figures in EUR thousand</i>	<i>Property/ casualty reinsurance 1.1.-31.3.2001</i>	<i>Property/ casualty reinsurance 1.1.-31.12.2000</i>	<i>Life/ health reinsurance 1.1.-31.3.2001</i>	<i>Life/ health reinsurance 1.1.-31.12.2000</i>
Gross written premiums	1 106 970	3 385 386	546 438	2 090 506
Net premiums earned	684 885	2 524 439	445 592	1 592 297
Claims and claims expenses	514 906	2 033 826	283 910	1 209 010
Change in policy benefits for life and health contracts	–	–	(97 253)	(37 494)
Commission and brokerage and other technical expenses	185 229	625 844	100 938	424 602
Other technical income	–	4 323	2 997	13 949
Investment income	88 400	471 930	63 232	204 347
Administrative expenses	22 806	75 444	12 280	56 869
Net technical and investment income	50 344	265 578	17 440	82 618
Other expenses	8 502	45 851	12 921	51 720
Net income before tax	41 842	219 727	4 519	30 898
Taxes (tax yield)	14 660	(108 729)	1 818	(27 658)
Minority interest	(1 435)	(61 943)	478	(4 624)
Net income	25 747	266 513	3 179	53 932

<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.-31.3.2001</i>	<i>1.1.-31.12.2000</i>	<i>1.1.-31.3.2001</i>	<i>1.1.-31.12.2000</i>	<i>1.1.-31.3.2001</i>	<i>1.1.-31.12.2000</i>
520 315	1 974 407	192 619	870 194	2 366 342	8 320 493
108 404	292 699	177 303	800 749	1 416 184	5 210 184
86 319	261 809	210 907	963 218	1 096 042	4 467 863
-	-	-	-	(97 253)	(37 494)
7 267	(4 365)	1 127	(53 040)	294 561	993 041
-	-	-	432	2 997	18 704
4 779	24 682	48 445	167 721	204 856	868 680
11 092	42 686	1 197	4 676	47 375	179 675
8 505	17 251	12 517	54 048	88 806	419 495
3 759	14 650	574	2 998	25 756	115 219
4 746	2 601	11 943	51 050	63 050	304 276
2 081	3 394	920	3 968	19 479	(129 025)
60	3 902	(1 397)	(5 756)	(2 294)	(68 421)
2 725	3 109	9 626	41 326	41 277	364 880

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 at 31.3.2001				
Fixed-income securities				
US Treasury Notes	35 560	1 396	–	36 956
Other foreign government debt securities	2 305	47	–	2 352
Corporate securities	157 841	9 012	196	166 657
Asset-backed securities	55 997	4 081	–	60 078
Other securities	10 961	119	–	11 080
Total	262 664	14 655	196	277 123
Investments held to maturity 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>
Available-for-sale as at 31.3.2001				
Fixed-income securities				
Government debt securities of EU member states	751 864	24 079	406	775 537
US Treasury Notes	1 093 465	43 252	424	1 136 293
Other foreign government debt securities	323 430	9 760	5 413	327 777
Corporate securities	2 723 633	86 095	36 948	2 772 780
Asset-backed securities	743 368	15 977	6 560	752 785
From investment funds	899 141	18 415	–	917 555
Other securities	111 908	4 557	12 273	116 464
	6 646 809	202 135	49 751	6 799 193
Dividend-bearing securities				
Equities	362 681	41 438	26 969	377 150
From investment funds	1 007 120	440	35 535	972 025
Other dividend-bearing securities	4 245	1 855	–	6 100
	1 374 046	43 733	62 504	1 355 275
Short-term investments	1 100 142	5	–	1 100 147
Total	9 120 997	245 873	112 255	9 254 615
Available-for-sale 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 31.3.2001				
Fixed-income securities				
Corporate securities	47 253	–	4 117	43 136
Total	47 253	–	4 117	43 136
Trading 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 31 March 2001 and of 31 December 2000:

<i>Figures in EUR thousand</i>	<i>31.3.2001</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	5 354	5 399	13 623	13 640
Due after one through five years	178 428	187 408	162 949	167 962
Due after five years through ten years	72 083	77 149	84 007	89 010
Due after ten years	6 799	7 167	6 452	6 752
Total	262 664	277 123	267 031	277 364
Available-for-sale				
Due in one year	620 387	625 567	920 887	907 266
Due after one through five years	2 969 766	3 041 346	2 720 974	2 779 964
Due after five years through ten years	1 534 474	1 581 629	1 350 009	1 371 195
Due after ten years	1 522 182	1 550 651	1 450 673	1 460 155
Total	6 646 809	6 799 193	6 442 543	6 518 580
Trading				
Due after five years through ten years	47 253	43 136	45 251	40 869
Total	47 253	43 136	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>31.3.2001</i>	<i>31.12.2000</i>
Real estate	5 671	22 204
Dividends	11 566	82 408
Ordinary investment income on fixed-income securities	111 170	433 745
Other income	82 780	260 590
Ordinary investment income	211 187	798 947
Realised gains on investments	39 537	251 168
Realised losses from investments	46 186	70 524
Unrealised gains and losses	11 004	(4 402)
Other investment expenses	10 686	106 509
Total investment income	204 856	868 680