



somewhat
different

What's new about Hannover Re's investment strategy?

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Chief Financial Officer

CONSERVATIVE INVESTMENT POLICY TO CONTINUE

Focus on liquidity, quality and transparency

| Investment category | 2005 | 2006 | 2007 | 2008 | Q1/2009 |
|-------------------------------|------|------|------|------|---------|
| Fixed-income securities | 82% | 82% | 79% | 89% | 89% |
| • Governmentals | 26% | 21% | 19% | 28% | 28% |
| • Semi-governmentals | 20% | 21% | 20% | 23% | 23% |
| • Corporates | 26% | 27% | 26% | 23% | 23% |
| Investment grade | 24% | 25% | 24% | 22% | 21% |
| Non-inv. grade | 2% | 2% | 2% | 1% | 2% |
| • ABS/MBS | 10% | 13% | 15% | 15% | 15% |
| Equities | 8% | 10% | 12% | 3% | 2% |
| • Listed | 6% | 8% | 10% | < 1% | < 1% |
| • Private equity* | 2% | 2% | 2% | 3% | 2% |
| Real estate | 1% | < 1% | < 1% | < 1% | 1% |
| Others | 4% | 2% | 2% | 2% | 2% |
| Short-term investments & cash | 6% | 6% | 6% | 6% | 6% |

* Without outstanding commitments of EUR 291.1 m. in 2008 and EUR 306.1 m. as per 31 March 2009

ORDINARY INVESTMENT INCOME SLIGHTLY DOWN...

...but in line with expectations

| in m. EUR | Q1/2008 | Variance | Q1/2009 |
|---------------------------------------------|------------|---------------|------------|
| Ordinary investment income ¹⁾ | 212 | -6.0% | 199 |
| Realised gains/losses | 108 | -64.9% | 38 |
| Impairments ²⁾ | (86) | -41.5% | (50) |
| Unrealised gains/losses (trading) | (12) | +183.7% | (34) |
| Investment expenses ³⁾ | (14) | -7.7% | (13) |
| NII from assets under own management | 208 | -32.6% | 140 |
| NII from funds withheld | 55 | +6.0% | 58 |
| Total investment income | 263 | -24.6% | 198 |

1) Incl. results from associated companies

2) Excl. depreciation/impairments on real estate

3) Incl. depreciation/impairments on real estate

EXTRAORDINARY RESULT AFFECTED BY IMPAIRMENTS . . .

. . . primarily due to time-delayed valuation of private equity investments

| in m. EUR | Q1/2008 | | Q1/2009 | |
|-------------------------|--------------|---------------|--------------|---------------|
| | Realisations | Impairments | Realisations | Impairments |
| Fixed-income securities | 80.1 | (20.5) | 36.4 | (13.8) |
| Equities | 12.7 | (65.1) | 0.7 | (2.6) |
| Other | 14.9 | - | 0.6 | (33.7) |
| Total | 107.7 | (85.6) | 37.8 | (50.1) |

| Fixed-income impairments Q1/2009 | in m. EUR |
|----------------------------------|---------------|
| ABS/MBS | (6.8) |
| Subprime RMBS | (2.2) |
| Fixed-income loan funds | (2.2) |
| Royal Bank of Scotland | (1.3) |
| ISTAR Financial | (0.9) |
| Other | (0.4) |
| Total | (13.8) |

| Other impairments Q1/2009 | in m. EUR |
|---------------------------|---------------|
| Private equity | (27.4) |
| Fixed-income enhancements | (5.5) |
| Other | (0.8) |
| Total | (33.7) |

UNREALISED RESULT THROUGH P&L . . .

. . . impacted by market values of perpetuals

| Unrealised gains/losses Recognised in P&L (in m. EUR) | 31 Dec 08 | Variance | 31 Mar 09 |
|----------------------------------------------------------|--------------|-----------|-------------|
| Credit derivative component of modified coinsurance | (72) | 67 | (5) |
| Convertibles, structured and reclassification perpetuals | (68) | 42 | (26) |
| Merlin credit securitisation | 24 | (18) | 6 |
| Others | (4) | (5) | (9) |
| Total unrealised gains/losses P&L | (120) | 86 | (34) |

- Driven by modified coinsurance and perpetuals, which all have been reclassified from available for sale to direct P&L recognition in Q4/2008

UNREALISED RESULT THROUGH OCI. . .

. . .reflecting the interest rate increase

| Unrealised gains/losses Changes in market values (in m. EUR) | 31 Dec 08 | Variance | 31 Mar 09 | 31 May 09 |
|-----------------------------------------------------------------|------------|--------------|-------------|-------------|
| Fixed-income securities - available for sale | 102 | (206) | (104) | (115) |
| Equities | 1 | (1) | 0 | 1 |
| Shares in ltd. partnerships (alternatives) | 118 | (32) | 86 | 86 |
| Total unrealised gains/losses | 221 | (239) | (18) | (28) |

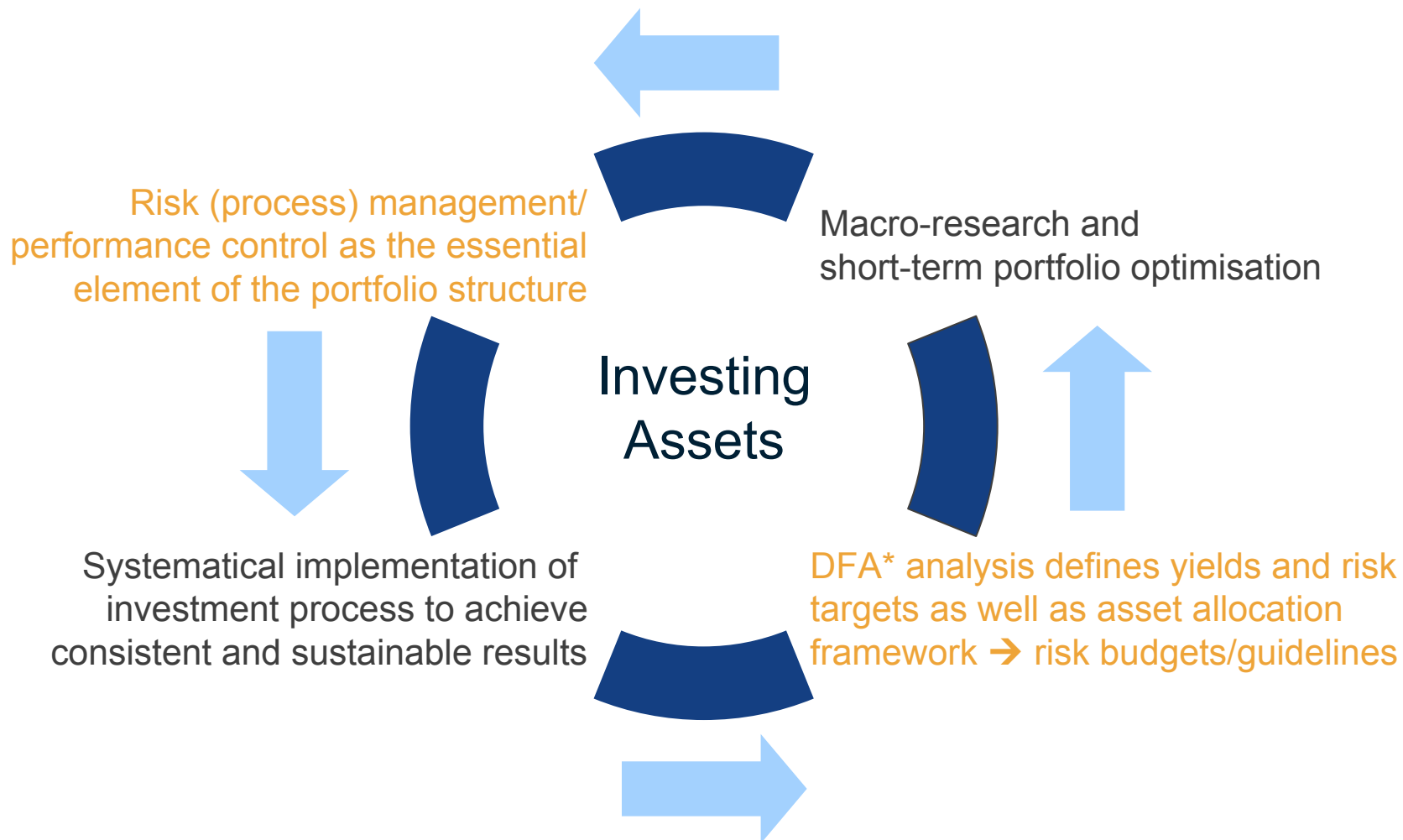
Significant reduction in value of fixed-income securities (available for sale):

- EUR -60 m. – Corporate bonds (increase of spreads in subordinated sector of financial bonds)
- EUR -39 m. – U.S.-Treasuries (increase of yield curve by 10 to 20 bps)
- EUR -34 m. – ABS/MBS (increase of spreads for ABS and covered bonds excl. "Pfandbriefe")
- EUR -30 m. – Semi-Government bonds (increase of spreads primarily for agencies)
- EUR -27 m. – EU-Government bonds (increase of spreads for NL, F, IRL, UK and B bonds)

| Unrealised gains/losses At amortised cost (in m. EUR) | 31 Dec 08 | Variance | 31 Mar 09 | 31 May 09 |
|----------------------------------------------------------------------|-----------|----------|-----------|-----------|
| Fixed-income securities - held to maturity, loans and receivables | 106 | (7) | 99 | 85 |

TOP PRIORITY: CAPITAL MAINTENANCE AND TOTAL RETURN

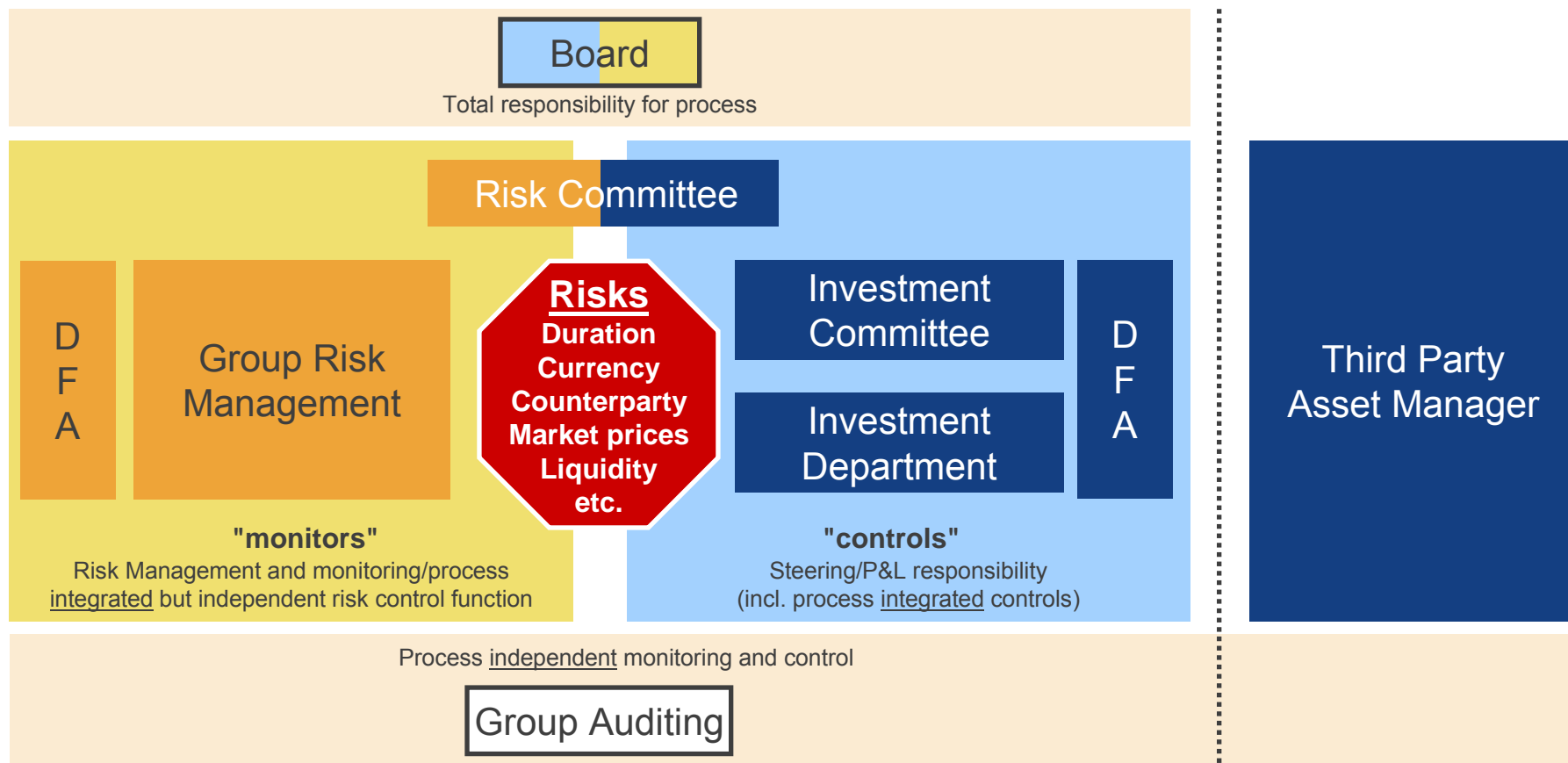
Hannover Re's investment process



* Dynamic Financial Analysis

CLEARLY SEPARATED FUNCTIONS THROUGHOUT PROCESS...

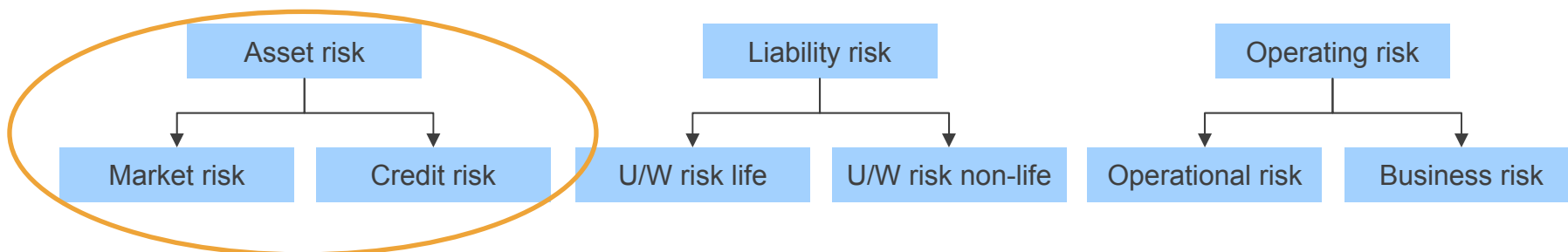
...combined with competence-bundling committee structure



- ➔ Interaction between investment department, risk and investment committees as well as asset managers clearly defined

RISK CATEGORIES

Investment risk handled within integrated risk-management approach



- **Equity risk:** The risk of a change in value caused by the change of actual market values of equities and/or income from equities
- **Interest rate risk:** The risk of a change in value caused by a change of interest rates. Interest rate risk includes the risk caused by a asset liability duration or cash flow mismatch (ALM* risk)
- **Real-estate risk:** The risk of a change in value caused by a change of the actual values of real-estate securities and/or income from real-estate securities
- **Spread risk:** The risk of a change in value due to a deviation of the actual market credit spreads (as reflection of changed market perceptions with respect to credit risk or market liquidity)
- **Foreign exchange risk:** The risk of a change in value caused by a change of foreign currency exchange rates
- **Default risk:** The risk of a change in value caused by the default or delay of outstanding obligations (interest or principle)
- **Liquidity risk:** The risk of insufficient liquidity in order to fulfil the company's obligations in time (e.g. in case of catastrophes related or not to financial market crisis)

* Asset Liability Management

ALM IS DRIVEN BY LIABILITIES. . .

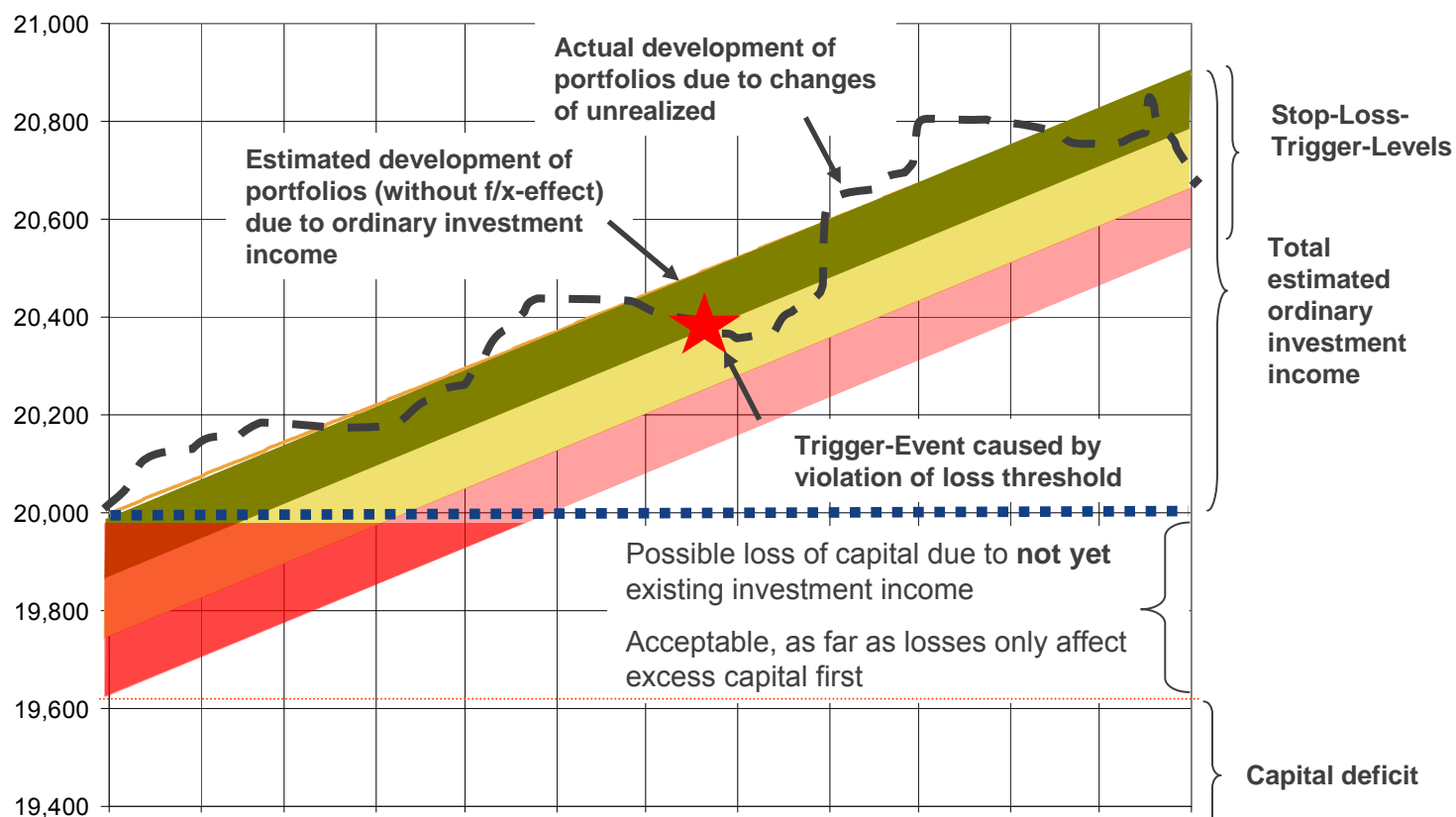
. . .because our business is reinsurance, not leveraged investing!

- Differing needs, depending on type and mix of business
 - Long-tail business (casualty, motor, life) = longer durations
 - Short-tail business (property, property cat., etc.) = shorter duration
- ↳ **Liabilities** drive ALM

- Investment risks to be managed
 - Durations, i.e. interest rate risk (gap analysis)
 - Currencies (matching requirement)
 - Counterparty credit risk (diversification limits)
 - Market price risk (modelling of correlations)
 - Liquidity risk (structuring maturities and product types)

AVOIDANCE OF INCREASED RISKS OVER THE YEAR

Capital losses are calculated on risk appetite at the beginning

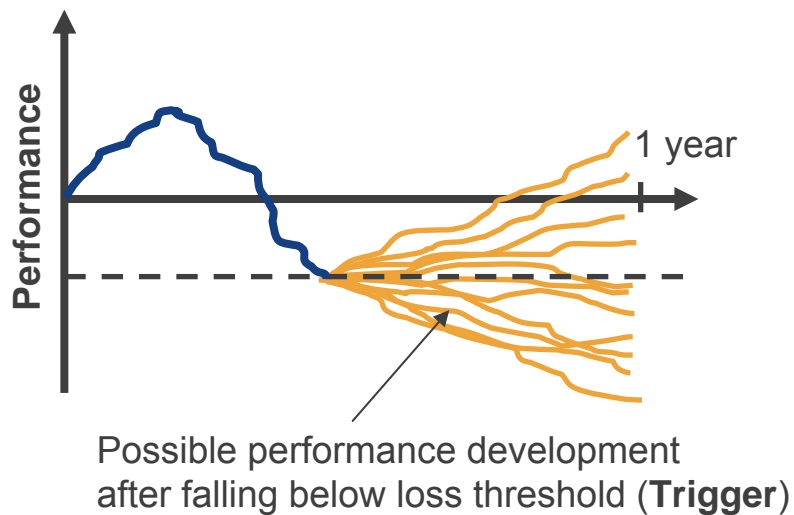


$$\text{Loss} = \text{value of portfolio}_{\text{day } i} - \text{value of portfolio}_{\text{beginning of the year}} - \left(\frac{i}{365}\right) \times \text{estimated ordinary investment income}$$

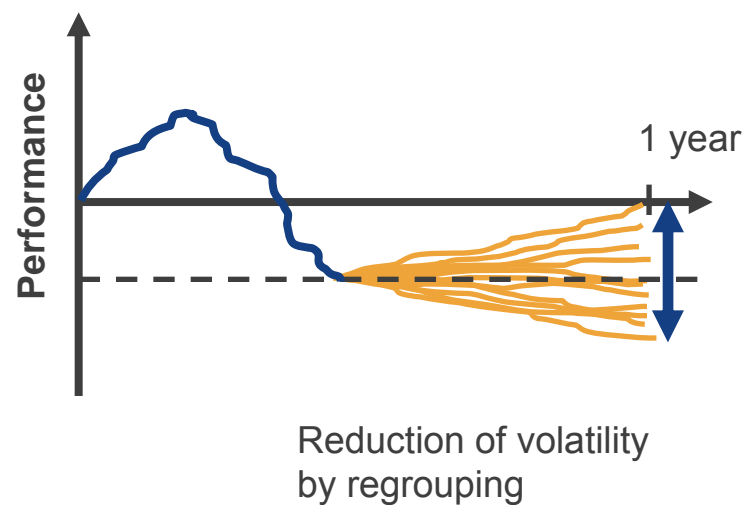
REDUCTION OF VOLATILITY...

...by implementation of stop-loss triggers

Without reduction of risk
after falling below loss threshold



With reduction of risk
after falling below loss threshold



ISSUER LIMIT CALCULATION

Diversification is also key on the asset side

→ Weighting by seniority

| Subordinated bonds in the "Upper Tier II" and "Tier I" categories, participation certificates, preferred stocks, shares | Subordinated bonds in the "Lower Tier II" category | Unsecured money market instruments, senior bonds | Secured money market instruments (other private deposit insurance systems) | Secured money market instruments (German savings banks/Sparkassen and cooperative banks/Volksbanken) |
|-------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|--------------------------------------------------|----------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|
| 100% | 80% | 60% | 40% | 20% |

→ Differential weighting by rating

| Rating note | Weight | | Differential rating weights |
|-------------|--------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| AAA | 0.99 | <p>Issuer has AA- rating</p> <p> $\frac{\text{Rating weight on issue}}{\text{Rating weight issuer AA-}} = \text{Differential rating}$ </p> | 0.44 |
| AA+ | 1.25 | | 0.55 |
| AA | 1.99 | | 0.88 |
| AA- | 2.26 | | 1.00 |
| A+ | 2.6 | | 0.12 |
| A | 3.04 | | 1.35 |
| A- | 3.6 | | 0.16 |
| BBB+ | 4.66 | | 2.06 |
| BBB | 6.08 | | 2.69 |
| BBB- | 9.11 | | 4.03 |
| BB+ | 13.49 | | 5.97 |
| BB | 17.47 | 7.73 | |

→ Sample

| Wells Fargo LT-Rating AA- | Senior AA- | Tier I BBB+ |
|-------------------------------|------------|-------------|
| Size (in m. EUR) | 10.0 | 10.0 |
| Seniority | 60% | 100% |
| Differential rating | 1.00 | 2.06 |
| Single exposure (in m. EUR) | 6.0 | 20.6 |
| Exposure (in m. EUR) | 26.6 | |
| Total portfolio ~ (in m. EUR) | 21.500 | |
| Extended company exposure | 0.12% | |

ISSUER LIMITS...

...protect us from material losses from defaults

→ Resulting limits per name (issuer) in percent of the total portfolio

| Weighted issuer risk Rating | Government exposure incl. explicitly government-guaranteed securities | Semi-public institutions (without government guarantee) | Extended company exposure (non-insurance) | Insurance company exposure |
|--------------------------------|-----------------------------------------------------------------------|---------------------------------------------------------|-------------------------------------------|----------------------------|
| AAA | no limit | 0.48% | 0.36% | 0.18% |
| AA+/- | no limit | 0.36% | 0.24% | 0.12% |
| A+/- | 3.5% | 0.24% | 0.18% | 0.09% |
| BBB+ /BBB flat | 2.5% | 0.12% | 0.12% | 0.06% |
| ≤ BBB- | 0.3% | 0.06% | 0.06% | 0.03% |

INDIVIDUAL LIMITS ARE REQUIRED. . .

. . .for different asset classes

| Rating | ABS / MBS issue limit | Credit limit Covered bonds ceiling ≤ 60% | Credit limit Covered bonds ceiling 60% - 80% | Credit limit Covered bonds ceiling ≥ 80% |
|----------------|--------------------------|---------------------------------------------------|-------------------------------------------------------|---------------------------------------------------|
| AAA | 0.24% | 0.36% | 0.30% | 0.24% |
| AA+/- | 0.18% | 0.30% | 0.24% | 0.18% |
| A+/- | 0.12% | 0.24% | 0.18% | 0.12% |
| BBB+ /BBB flat | 0.06% | 0.18% | 0.12% | 0.06% |
| ≤ BBB- | 0.03% | 0.12% | 0.06% | 0.03% |

LIQUIDITY MANAGEMENT . . .

. . . avoids refinancing risks

| Asset class | Comment |
|---------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Fixed-income securities | |
| Government bonds | Federal bonds/Treasuries marketable without restriction ; other countries partially marketable to a smaller extent only and with prior announcement |
| Supranationals/ Agencies | EUR 25 - 50 m. marketable without problems ; permanent issuer better than sporadic ones |
| Covered Bonds/ "Pfandbriefe" | German "Jumbo-Pfandbriefe" up to EUR 10 m. marketable ; other "Hypo-Pfandbriefe" only with prior order; foreign Covered Bonds partially with significant discounts |
| Corporate Bonds Non-Financials/Financials | Permanent issuer and standard names with wide bid/ask marketable with prior order and for smaller positions (< EUR 5 m.) ; sporadic issuer and problem names with significant discounts or illiquid |
| Corporate Bonds Financials (senior) | Permanent issuer and standard names with wide bid/ask marketable with prior order and for smaller positions (< EUR 5 m.) ; sporadic issuer and problem names illiquid |
| Corporate Bonds Financials (subordinated) | Almost illiquid , marketable only with prior order |
| Equities (listed) | Liquid with discounts |
| Equities (Private Equity) | Completely illiquid because of lock-up periods (10 years) but independent from crisis |
| High yield-funds, LevLoan-funds, fixed-income enhancements | Almost illiquid because of lock-up periods (12 months); subsequently liquid only with significantly widened spreads |

- Minimum liquidity plus always liquidable securities limited at a level of EUR 4.5 bn. to EUR 5.0 bn.
- Worst case: No LoC facility prolongation or very limited acceptance by cedents (due to lack of reliance in financial sector) plus liquid 100-year-event in reinsurance business (EUR 1 bn.)

CHANGES TO INVESTMENT GUIDELINES

Continuous improvements and reactions on market developments

→ Investment guidelines

- Significant reduction of issuer limits for already diversified portfolio
- Recalibration of limits for ABS, MBS as well as covered bonds
- More detailed structure of risk-weighted limits
- Restructuring of liquidity key limits
- Increase of hedging limits for listed equity portfolio by using derivative instruments and structured products; increase of special limits for options
- Specification of processes for approval of limit violations

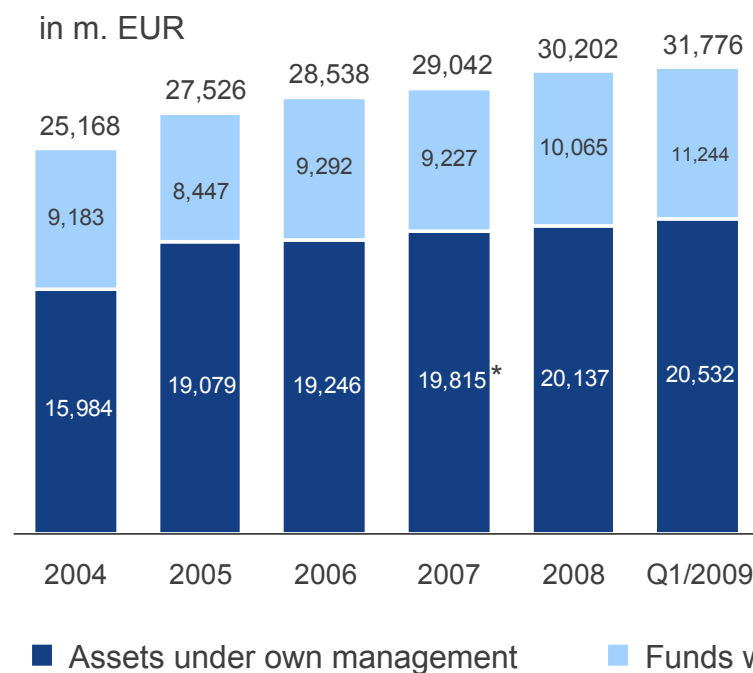
→ Investment policy/guidance

- Implementation of more detailed escalation systems according to risk appetite (Group CFO, group investment committee, local CFO, local investment committee, group board, CRO)
- Consideration of yield shock hedging strategies
- Preparation of re-entry into equity markets; diversification into non-interest-sensitive sectors
- Increased minimum liquidity/liquidable security requirements

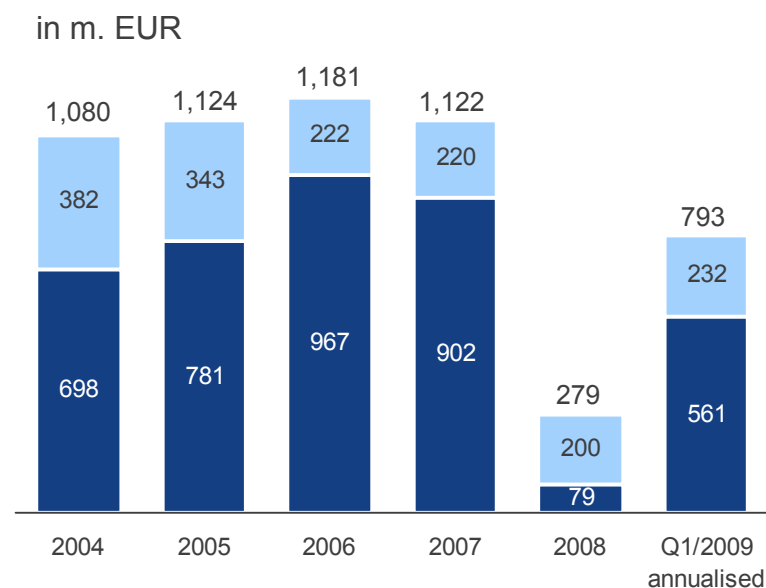
GROWING ASSETS BASED ON STRONG R/I CASH FLOW

We expect rising volumes and returns coming back to normal

Total investments



Investment income

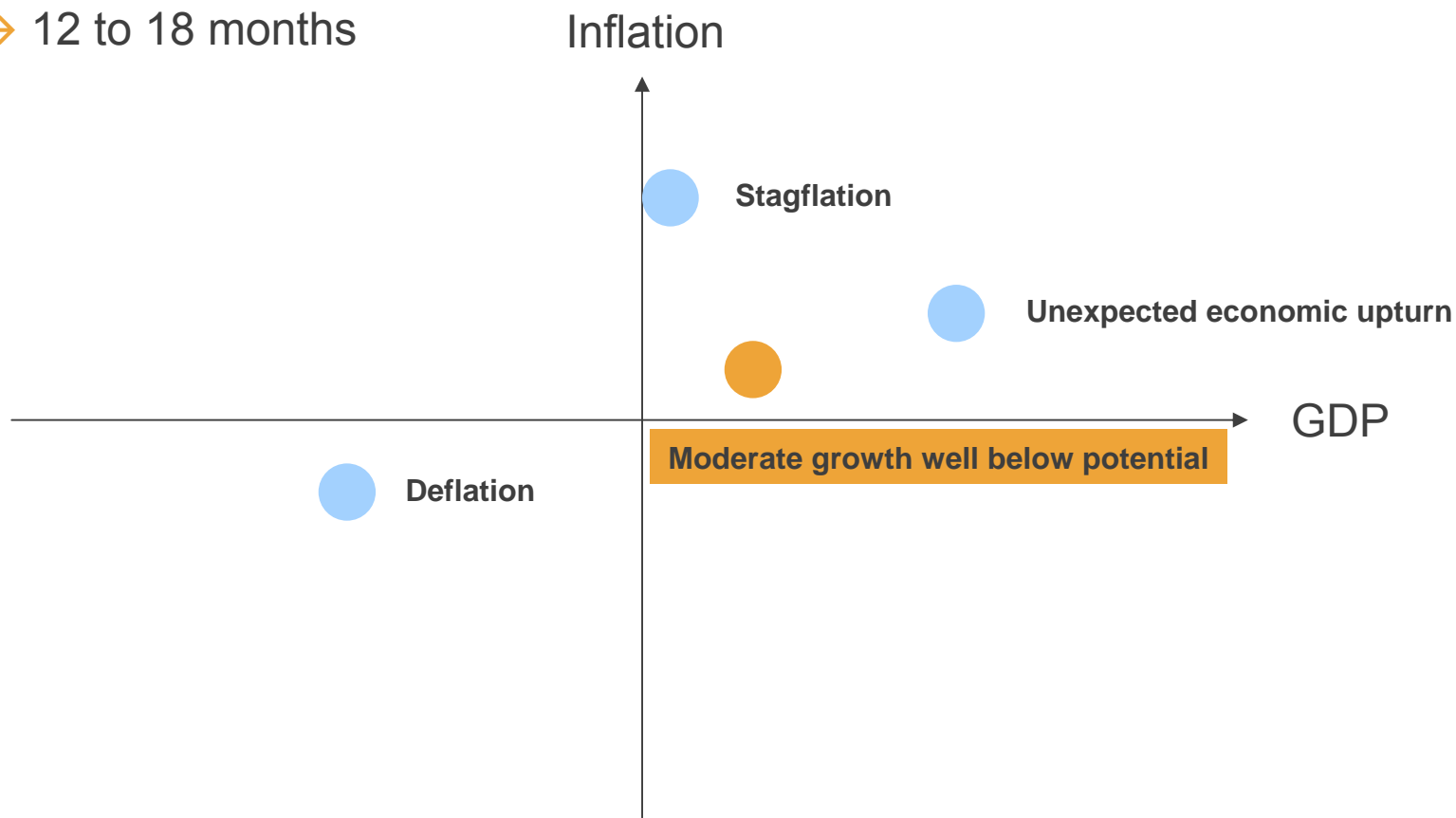


* Excl. Praetorian Financial Group EUR 839.2 m.

MACROECONOMIC SCENARIOS

How to be prepared for various options

→ 12 to 18 months



STRATEGIC ASSET ALLOCATION 2009 DECIDED BY THE BOARD

Close regulation necessary in recession or depression scenarios

| Investment category | Asset allocation | | Strategy 2009 | |
|--------------------------------------|------------------|--------|---------------|--------------------|
| | 2007 | 2008 | Benchmark | Bands |
| Fixed-income securities | 79% | 90% | 85% | min. 80%, max. 90% |
| • Governmentals | 19% | 28% | 24% | min. 20% |
| • Semi-governmentals | 20% | 24% | 24% | min. 20%, max. 50% |
| • Corporates | 26% | 23% | 26% | min. 5%, max. 30% |
| Investment grade | 24% | 21% | 24% | min. 5%, max. 30% |
| Non Inv. grade | 2% | 2% | 2% | min. 0%, max. 4% |
| • ABS/MBS | 15% | 15% | 15% | min. 10%, max. 50% |
| Equities | 12% | 2% | 3% | min. 2%, max. 4% |
| • Listed | 10% | < 1% | 0% | min. 0%, max. 0% |
| • Private Equity* | 2% | 2% | 3% | min. 2%, max. 4% |
| Real estate | < 1% | 1% | 2% | min. 1%, max. 5% |
| Others | 2% | 1% | 2% | no band |
| Short-term investments & cash | 6% | 6% | 6% | min. 2%, max. 10% |
| Assets (without deposits, in m. EUR) | 19,815 | 20,137 | | |

* Without outstanding commitments (on average 1.2% to 1.7% of total assets)

FOCUS ON INTEREST RATE AND CREDIT RISKS

Fixed income and liquidity risk appetite adjusted to current capital situation

→ Interest rate risks

- Economically low interest rate risks due to general matching strategy of durations between assets and liabilities (4.1 years)
- Reduction of interest rate risks for financial and rating-related capital due to reclassification of assets in loans and/or held-to-maturity buckets and derivative hedging to be reviewed
 - 200 bps interest rate increase: stress to be decreased from EUR 1.4 bn. to approx. EUR 900 m.

→ Credit market

- Configuration of current investment strategy by internal model as well as S&P-model
- Slight expansion of investments in corporate bonds of defensive sectors with high ratings
- Continuous high diversification in credit portfolio; no credit structures
- Selective investments in "Pfandbriefe"

→ Liquidity

- Requirement of minimum liquidity of between EUR 4.5 bn. to EUR 5.0 bn.

STILL NO EQUITIES BUT INCREASE OF REAL ESTATE QUOTA

Alternative investment programmes not stopped

→ Equities

- Diversifying character especially in case of interest rate increase scenarios economically evidenced by internal model
- Moderate increase of a quota up to 4% of assets possible
- Due to current reinsurance opportunities no re-entry until end of Q3/2009
- Consideration of hedging strategies for risk reduction mandatory
- Implementation of separate stop-loss triggers mandatory
- Our approach:
 - Preference of lowly leveraged companies with solid fundamentals
 - Tactical focus on cyclical and financial sector
 - Low alpha generating profile preferred

STILL NO EQUITIES BUT INCREASE OF REAL ESTATE QUOTA (CONT'D)

Alternative investment programmes not stopped

→ Real estate

- Continued setup of long-term real estate quota of 5%; current budgets of USD 360 m. and EUR 280 m. with focus on prime locations in Europe and the United States

→ Alternative investments

- Current investment programs continued despite cyclical downturn and expected impairments on private equities
- Programs for alternative fixed-income investments will remain slowed down, apart from an extra budget of EUR 50 m. approved in 2008 to benefit from current opportunities
- Various limited budgets to make use of selected opportunities (collateralised loan obligations, insurance linked securities, high yield)

EXPECTED NET INVESTMENT INCOME YIELD

Calculation of 3.4% to 3.8% for 2009

| Investment category | Q1/2009 | Bands 2009 | P/L Yield |
|--------------------------------------------------|---------------|--------------------|-------------|
| Fixed-income securities | 89% | min. 55%, max. 94% | |
| • Governmentals | 28% | min. 20% | 3.5% - 3.8% |
| • Semi-governmentals | 23% | min. 20%, max. 50% | 4.0% - 4.3% |
| • Corporates | 23% | min. 5%, max. 30% | |
| Investment grade | 21% | min. 5%, max. 30% | 4.4% - 4.7% |
| Non-inv. grade | 2% | max. 4% | 5.0% - 5.3% |
| • Pfandbriefe/Covered/ABS | 15% | min. 10%, max. 50% | 3.9% - 4.2% |
| Equities | 2% | max. 4% | |
| • Listed | < 1% | max. < 1% | |
| • Private equity ¹⁾ | 2% | max. 4% | ~ (20.0%) |
| Real estate | 1% | min. 2%, max. 5% | 4.9% - 5.2% |
| Others | 2% | no band | 4.4% - 4.7% |
| Short-term investments & cash | 6% | min. 2%, max. 10% | 0.8% - 1.1% |
| Investments (w/o funds held)⁵⁾ | 20,950 | | |



| in m. EUR | 2008 | 2009e |
|-----------------------------------------------------------|-----------|------------------|
| Ordinary investment income ²⁾ | 834 | 780 - 820 |
| Realised gains/losses | (114) | 60 - 80 |
| Impairments ³⁾ | (480) | (80) - (100) |
| Unrealised gains/losses (trading) | (120) | (30) - (40) |
| Investment expenses ⁴⁾ | (42) | (40) - (50) |
| Net investment income from assets under management | 79 | 690 - 750 |



- Expected yield between 3.4% and 3.8% in 2009

- Current coupons are weighted with approximately 72%
- 2009 cash flow from R/I and investments calculated at current market yield; weighted by 28%
- Realisations mainly out of government and semi-government securities
- Impairments mainly due to private equity developments and corporate defaults

1) Without outstanding commitments of EUR 291.1 m. in 2008 and EUR 306.1 m. as per 31 March 2009

2) Incl. results from associated companies

3) Excl. depreciation/impairments on real estate

4) Incl. depreciation/impairments on real estate

5) In m. EUR

STRESS TESTS FOR TURBULENT MARKETS

Close view on yield increase

| Portfolio | Scenario | | Change in market value in m. EUR |
|---------------------------------------|----------------|----------|-------------------------------------|
| Equities ¹⁾ | Prices | -10% | -2 |
| Equities ¹⁾ | Prices | -20% | -4 |
| Equities ¹⁾ | Prices | -30% | -5 |
| Fixed-income securities ²⁾ | Yield increase | +50 bps | -284 |
| Fixed-income securities ²⁾ | Yield decline | -50 bps | +294 |
| Fixed-income securities ²⁾ | Yield increase | +100 bps | -556 |
| Fixed-income securities ²⁾ | Yield decline | -100 bps | +601 |

1) Euro STOXX 50: 2.071 as per 31 March 2009

2) Fixed-income securities excl. held to maturity or loans and receivables