

Hannover Finance (Luxembourg) S. A.

(a corporation organised as a "société anonyme" under the laws of the Grand Duchy of Luxembourg, having its registered office at 25A, Boulevard Royale, L-2449 Luxembourg and registered with the Luxembourg Register for Commerce and Companies under number B 80692)

€ 750,000,000 5.75 per cent. Guaranteed Subordinated Fixed to Floating Rate Bonds of 2004/2024

Guaranteed on a subordinated basis by

hannover **re**[®]

Hannover Rückversicherung AG

(incorporated as a stock corporation under the laws of the Federal Republic of Germany and limited in its liability in accordance with German Stock Corporations law)

Issue Price 99.388 per cent.

Hannover Finance (Luxembourg) S. A. (the "Issuer") will issue € 750,000,000 nominal amount of Guaranteed Subordinated Fixed to Floating Rate Bonds due 26 February 2024 (the "Bonds") on 26 February 2004 at an issue price of 99.388 per cent. of the nominal amount of such Bonds.

The Bonds will bear interest from and including 26 February 2004 to but excluding 26 February 2014 at a rate of 5.75 per cent. per annum, payable annually in arrears on 26 February in each year, commencing 26 February 2005. Thereafter, unless previously redeemed, the Bonds will bear interest at a rate of 2.63 per cent. per annum above the Euro-zone inter-bank offered rate for three-month Euro deposits, payable quarterly in arrears on 26 May, 26 August, 26 November and 26 February in each year (each a "Floating Interest Payment Date"), all as more particularly described in "Terms and Conditions of the Bonds – Interest". Payments of interest may be deferred ("Arrears of Interest") as described in "Terms and Conditions of the Bonds – Interest".

The Bonds are redeemable in whole but not in part at the option of the Issuer at their principal amount together with any interest accrued and Arrears of Interest, if any, on 26 February 2014 or any Floating Interest Payment Date. The Issuer may also redeem the Bonds in whole but not in part at any time before 26 February 2014 following a Regulatory Event, a Tax Event or a Gross-up Event (each as defined herein) at their Early Redemption Amount (as defined herein) together with any interest accrued and any Arrears of Interest. Prior to 26 February 2014, such repayment will be subject to the prior replacement of the amount of Bonds to be redeemed with other at least equivalent capital (*Eigenmittel*) or if the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) (or any successor in its capacity) has given its prior consent to the repurchase or redemption of the Bonds without such replacement (to the extent such replacement is still required for the recognition as regulatory capital). Unless previously redeemed or cancelled, the Bonds will be redeemed at par on 26 February 2024. See "Terms and Conditions of the Bonds – Redemption and Purchase".

The obligations of the Issuer under the Bonds constitute unsecured and subordinated obligations of the Issuer ranking *pari passu* among themselves and at least *pari passu* with all other unsecured and subordinated obligations of the Issuer, save for any obligations required to be preferred by law. In the event of the liquidation, dissolution, insolvency, composition or other proceedings for the avoidance of insolvency of, or against, the Issuer, the obligations of the Issuer under the Bonds will be subordinated to the claims of all unsubordinated creditors of the Issuer so that in any such event no amounts shall be payable in respect of the Bonds until the claims of all unsubordinated creditors of the Issuer shall have first been satisfied in full.

Hannover Rückversicherung AG ("Hannover Re" or the "Guarantor") has given an unconditional and irrevocable Guarantee on a subordinated basis for the due payment of principal of, and interest on, and any other amounts expressed to be payable in respect of the Bonds. In the event of the dissolution, liquidation, insolvency or of other proceedings for the avoidance of insolvency of the Guarantor, the claims of the Bondholders under the Guarantee will be satisfied after (but only after) the claims of all unsubordinated creditors of the Guarantor have first been paid in full.

Application has been made to list the Bonds on the Luxembourg Stock Exchange.

The Bonds have been assigned an A rating by Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation.

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this offering circular (the "Offering Circular"). To the best of their knowledge and belief the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

Each of the Issuer and the Guarantor further confirms that (i) this Offering Circular contains all information with respect to the Issuer and the Guarantor as well as to the Guarantor and its subsidiaries and affiliates taken as a whole (the "Hannover Re Group") and to the Bonds and the Guarantee which is material in the context of the issue and offering of the Bonds and the Guarantee, including all information which, according to the particular nature of the Issuer and the Guarantor and of the Bonds and the Guarantee is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer and the Guarantor and of the rights attached to the Bonds and the Guarantee; (ii) the statements contained in this Offering Circular relating to the Issuer, the Guarantor, Hannover Re Group, the Bonds and the Guarantee are in every material particular true and accurate and not misleading; (iii) there are no other facts in relation to the Issuer, the Guarantor, Hannover Re Group, the Bonds or the Guarantee the omission of which would, in the context of the issue and offering of the Bonds, make any statement in the Offering Circular misleading in any material respect and (iv) reasonable enquiries have been made by the Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such information and statements.

No person is authorised to give any information or to make any representations other than those contained in this Offering Circular and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Issuer, the Guarantor, Deutsche Bank AG London or J.P. Morgan Securities Ltd. Neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Guarantor or any of their affiliates since the date of this Offering Circular, or that the information herein is correct at any time since its date.

Each investor contemplating purchasing any Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Guarantor. This Offering Circular does not constitute an offer of Bonds or an invitation by or on behalf of the Issuer, the Guarantor, Deutsche Bank AG London or J.P. Morgan Securities Ltd. to purchase any Bonds. Neither this Offering Circular nor any other information supplied in connection with the Bonds should be considered as a recommendation by the Issuer, the Guarantor, Deutsche Bank AG London or J.P. Morgan Securities Ltd. to a recipient hereof and thereof that such recipient should purchase any Bonds. This Offering Circular may not be used for or in connection with any offer or invitation in any jurisdiction or in any circumstances in which such offer or invitation is unlawful or unauthorised.

This Offering Circular does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

The offer, sale and delivery of the Bonds and the distribution of this Offering Circular in certain jurisdictions is restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor, Deutsche Bank AG London or J.P. Morgan Securities Ltd. to inform themselves about and to observe any such restrictions. For a description of certain specific restrictions on the offer, sale and delivery of the Bonds and on the distribution of this Offering Circular and other offering material relating to the Bonds, see "Subscription and Sale." In particular, the Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and are subject to U.S. tax law requirements. Subject to certain exceptions, the Bonds may not be offered, sold or delivered within the United States or to U.S. persons.

In this Offering Circular, all references to "€", "EUR" or "euro" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Communities, as amended by the Treaty on European Union, the Treaty of Amsterdam and as further amended from time to time.

IN CONNECTION WITH THE ISSUE OF THE BONDS, DEUTSCHE BANK AG LONDON OR ANY PERSON ACTING FOR IT MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH WOULD OTHERWISE PREVAIL FOR A LIMITED PERIOD. HOWEVER, THERE IS NO OBLIGATION ON DEUTSCHE BANK AG LONDON OR ANY AGENT OF IT TO DO THIS. SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME, AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD. SUCH STABILISING SHALL BE IN COMPLIANCE WITH ALL APPLICABLE LAWS, RULES AND REGULATIONS.

Incorporation by Reference

The 2001 and 2002 annual reports of Hannover Re Group including the 2001 and 2002 audited unconsolidated financial statements and the 2001 and 2002 audited consolidated financial statements of Hannover Re Group as well as the 2001 and 2002 audited financial statements of the Issuer are incorporated by reference into this Offering Circular. The unaudited consolidated interim financial statements for the nine months ended 30 September 2003 of Hannover Re Group are included in this Offering Circular. The documents incorporated by reference and the financial statements of the Issuer and Hannover Re Group for all subsequent years (such future financial statements not being incorporated into this Offering Circular by reference) may be inspected and are available free of charge at Deutsche Bank Luxembourg S.A., 2 Boulevard Konrad Adenauer, L-1115 Luxembourg as long as any Bonds are listed on the Luxembourg Stock Exchange and the rules of such stock exchange so require.

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TERMS AND CONDITIONS

The German version of the Terms and Conditions is the only legally binding version. The English translation is for convenience only.

Anleihebedingungen

§ 1

(Verbriefung und Nennbetrag)

(1) Währung, Nennbetrag und Form.

Die Hannover Finance (Luxembourg) S.A. (die „**Emittentin**“) begibt unter der Garantie der Hannover Rückversicherung Aktiengesellschaft (die „**Garantin**“) am 26. Februar 2004 (der „**Begebungstag**“) 750.000 auf den Inhaber lautende, garantierte nachrangige, fest- bis variabel verzinsliche Schuldverschreibungen (die „**Schuldverschreibungen**“) im Nennbetrag von je € 1.000 (der „**Nennbetrag**“) und im Gesamtnennbetrag von € 750.000.000,00.

(2) Globalurkunden und Austausch.

Die Schuldverschreibungen werden zunächst in einer vorläufigen Globalinhaberschuldverschreibung (die „**Vorläufige Globalurkunde**“) ohne Zinsscheine verbrieft und am oder um den Begebungstag bei einer gemeinsamen Verwahrstelle für Clearstream Banking, société anonyme, Luxembourg und Euroclear S.A./N.V. als Betreiberin des Euroclear-Systems (beide gemeinsam nachstehend als „**Clearing-System**“ bezeichnet) hinterlegt. Die Vorläufige Globalurkunde wird nicht vor Ablauf von 40 und spätestens nach Ablauf von 180 Tagen nach dem Begebungstag gegen Vorlage einer Bestätigung über das Nichtbestehen U.S.-amerikanischen wirtschaftlichen Eigentums (*beneficial ownership*) an den Schuldverschreibungen gemäß den Regeln und Betriebsabläufen des Clearing-Systems gegen eine endgültige Globalinhaberschuldverschreibung (die „**Dauer-Globalurkunde**“) ohne Zinsscheine ausgetauscht. Zahlungen auf eine Vorläufige Globalurkunde erfolgen nur gegen Vorlage einer solchen Bestätigung. Einzelurkunden oder Zinsscheine werden nicht ausgegeben.

§ 2

(Status und Garantie)

(1) Status der Schuldverschreibungen.

Die Schuldverschreibungen begründen (vorbehaltlich der Garantie) nicht besicherte, nachrangige Verbindlichkeiten der Emittentin, die untereinander und mit allen anderen gegenwärtigen und zukünftigen nicht besicherten und nachrangigen Verbindlichkeiten der Emittentin zumindest gleichrangig sind, soweit nicht zwingende gesetzliche Bestimmungen etwas anderes vorschreiben. Im Fall der Auflösung, der Liquidation, der Insolvenz oder eines der Abwendung der Insolvenz der Emittentin dienenden Verfahrens stehen solche Verbindlichkeiten nicht nachrangigen Ansprüchen aller anderen Gläubiger im Rang nach, so dass Zahlungen auf die Schuldverschreibungen erst erfolgen, wenn alle Ansprüche gegen die Emittentin aus nicht nachrangigen Verbindlichkeiten vollständig befriedigt sind.

(2) Hinweis nach § 53c Absatz 3b Satz 4 Versicherungsaufsichtsgesetz (VAG).

Für die Rechte der Anleihegläubiger aus den Schuldverschreibungen ist diesen (vorbehaltlich der Garantie) keine Sicherheit durch die Emittentin oder durch Dritte gestellt; eine solche Sicherheit wird auch zu keinem Zeitpunkt gestellt werden. Nachträglich können weder der Nachrang gemäß diesem § 2 beschränkt, noch die Laufzeit der Schuldverschreibungen oder die jeweiligen Kündigungs-

Terms and Conditions

§ 1

(Form and Denomination)

(1) Currency, Denomination and Form.

Hannover Finance (Luxembourg) S.A. (the „**Issuer**“) issues on 26 February 2004 (the „**Issue Date**“) under the guarantee of Hannover Rückversicherung Aktiengesellschaft (the „**Guarantor**“) guaranteed subordinated fixed to floating rate bearer bonds (the „**Bonds**“) in a denomination of € 1,000 each (the „**Denomination**“) in the aggregate principal amount of € 750,000,000.00.

(2) Global Notes and Exchange.

The Bonds will initially be represented by a temporary global bearer Bond (the „**Temporary Global Bond**“) without coupons which will be deposited with a common depository for Clearstream Banking, société anonyme, Luxembourg and Euroclear S.A./N.V., as operator of the Euroclear System (together hereinafter referred to as the „**Clearing System**“) on or around the Issue Date. The Temporary Global Bond will be exchangeable for a permanent global bearer Bond (the „**Permanent Global Bond**“) without coupons not earlier than 40 and not later than 180 days after the Issue Date upon certification as to non-U.S. beneficial ownership in accordance with the rules and operating procedures of the Clearing System. Payments on a Temporary Global Bond will only be made against presentation of such certification. No definitive Bonds or interest coupons will be issued.

§ 2

(Status and Guarantee)

(1) Status of the Bonds.

The obligations under the Bonds constitute (subject to the Guarantee) unsecured and subordinated obligations of the Issuer ranking *pari passu* among themselves and at least *pari passu* with all other present and future unsecured subordinated obligations of the Issuer, save for any obligations required to be preferred by law. In the event of the dissolution, liquidation, insolvency or any proceeding for the avoidance of insolvency of the Issuer, such obligations will be subordinated to the claims of all unsubordinated creditors of the Issuer so that in any such event no amounts shall be payable under the Bonds until the claims of all unsubordinated creditors of the Issuer shall first have been satisfied.

(2) Notification pursuant to § 53c (3b) Sentence 4 of the German Insurance Supervisory Act (VAG).

No security (subject to the Guarantee) of whatever kind is, or shall at any time be, provided by the Issuer or any other person securing rights of the Bondholders under the Bonds. No subsequent agreement may limit the subordination pursuant to the provisions set out in this § 2 or shorten any applicable notice period (*Kündigungsfrist*) in respect of the Bonds. If the Notes are redeemed before

fristen verkürzt werden. Eine vorzeitige Rückerstattung ist der Emittentin ohne Rücksicht auf entgegenstehende Vereinbarungen zurückzugewähren, sofern die Emittentin nicht aufgelöst wurde oder sofern nicht der Betrag durch die Einzahlung anderer, zumindest gleichwertiger Eigenmittel ersetzt worden ist.

(3) Nachrangige Garantie.

Die Garantin hat die nachrangige unbedingte und unwiderrufliche Garantie für die fristgerechte Zahlung von Kapital, Zinsen und sonstigen aus den Schuldverschreibungen zu zahlenden Beträgen übernommen. Die Garantie ist ein Vertrag zugunsten jedes Anleihegläubigers als begünstigtem Dritten gemäß § 328 Absatz 1 Bürgerliches Gesetzbuch (BGB), der das Recht begründet, die Garantin unmittelbar aus der Garantie auf Erfüllung in Anspruch zu nehmen und Ansprüche aus der Garantie gegen die Garantin unmittelbar durchzusetzen.

(4) Status der nachrangigen Garantie.

Im Fall der Auflösung, der Liquidation, der Insolvenz oder eines der Abwendung der Insolvenz der Garantin dienenden Verfahrens stehen Verbindlichkeiten aus der Garantie nicht nachrangigen Ansprüchen aller anderen Gläubiger im Rang nach, so dass Zahlungen auf die Garantie erst erfolgen, wenn alle Ansprüche gegen die Garantin aus nicht nachrangigen Verbindlichkeiten vollständig befriedigt sind.

(5) Aufrechnungsverbot.

Die Inhaber der Schuldverschreibungen (die „**Anleihegläubiger**“) sind nicht berechtigt, Forderungen aus den Schuldverschreibungen oder der Garantie mit möglichen Forderungen der Emittentin oder der Garantin gegen sie aufzurechnen und die Emittentin oder die Garantin ist nicht berechtigt, Forderungen gegenüber den Anleihegläubigern mit den Verpflichtungen aus den Schuldverschreibungen oder der Garantie aufzurechnen.

**§ 3
(Zinsen)**

(1) Festzinsperiode.

Im Zeitraum ab 26. Februar 2004 (einschließlich) bis 26. Februar 2014 (ausschließlich) werden die Schuldverschreibungen bezogen auf den Gesamt-Nennbetrag mit jährlich 5,75% verzinst. Zinsen sind nachträglich am 26. Februar eines jeden Jahres fällig, erstmals am 26. Februar 2004 (jeweils ein „**Festzinszahlungstag**“), sofern die Emittentin nicht von ihrem Recht gemäß § 3 (3) Gebrauch macht. Die Berechnung von Zinsen für einen Zeitraum, der kürzer als ein Jahr ist, erfolgt auf der Grundlage der tatsächlichen Anzahl von Tagen in diesem Zeitraum dividiert durch die tatsächliche Anzahl von Tagen (365 oder 366) im jeweiligen Jahr.

(2) Variable Zinsperiode.

(a) Variable Verzinsung.

Im Zeitraum ab dem 26. Februar 2014 (einschließlich) bis zum Fälligkeitstag (ausschließlich) werden Schuldverschreibungen, bezogen auf ihren Gesamtnennbetrag, zu einem von der Berechnungsstelle bestimmten Zinssatz, der dem Variablen Zinssatz entspricht, verzinst. Zinsen werden jeweils vierteljährlich nachträglich an jedem Variablen Zinszahlungstag fällig, erstmals am 26. Mai 2014, sofern die Emittentin nicht von ihrem Recht gemäß § 3 (3) Gebrauch macht.

(b) Variable Zinszahlungstage und Variable Zinsperioden.

„**Variabler Zinszahlungstag**“ bezeichnet den 26. Tag im Mai, August, November und Februar eines jeden Jah-

the Redemption Date the amounts redeemed must be returned to the Issuer irrespective of any agreement to the contrary unless the Issuer has been dissolved or such amounts have been replaced by other at least equivalent capital (*Eigenmittel*) of at least equal status.

(3) Subordinated Guarantee.

The Guarantor has given a subordinated unconditional and irrevocable Guarantee for the due payment of principal of, and interest on, and any other amounts expressed to be payable under the Notes. The Guarantee constitutes a contract for the benefit of the Noteholders from time to time as third party beneficiaries in accordance with § 328 paragraph 1 of the German Civil Code (*Bürgerliches Gesetzbuch*), giving rise to the right of each Noteholder to require performance under the Guarantee directly from the Guarantor and to enforce the Guarantee directly against the Guarantor.

(4) Status of the subordinated Guarantee.

In the event of the dissolution, liquidation, insolvency or any proceeding for the avoidance of insolvency of the Guarantor, such obligations will be subordinated to the claims of all unsubordinated creditors of the Guarantor so that in any such event no amounts shall be payable under the Guarantee until the claims of all unsubordinated creditors of the Guarantor shall first have been satisfied.

(5) No right to set-off.

The holders of the Bonds (the „**Bondholders**“) may not set off any claims arising under the Bonds or the Guarantee against any claims that the Issuer or the Guarantor may have against each of them. The Issuer or the Guarantor may not set off any claims it may have against any Bondholder against any of its obligations under the Bonds or the Guarantee.

**§ 3
(Interest)**

(1) Fixed Interest Period.

For the period from and including 26 February 2004 to but excluding 26 February 2014 the Bonds bear interest on their aggregate principal amount at the rate of 5.75% per annum. Interest shall be payable annually in arrear on 26 February of each year commencing on 26 February (each a „**Fixed Interest Payment Date**“), unless the Issuer exercises its right pursuant to § 3 (3). If interest is to be calculated for a period of less than one year, it shall be calculated on the basis of the actual number of days in such period divided by the actual number of days (365 or 366) in the respective year.

(2) Floating Rate Interest Period.

(a) Floating Rate Interest.

In the period from and including 26 February 2014 to and excluding the Maturity Date the Bonds shall bear interest on their aggregate principal amount at a rate determined by the Calculation Agent equal to the Rate of Interest. Interest will be payable quarterly in arrear on each Floating Interest Payment Date, the first such payment to be made on 26 May 2014, unless the Issuer exercises its right pursuant to § 3 (3).

(b) Floating Interest Payment Dates and Floating Interest Periods.

„**Floating Interest Payment Date**“ means the 26th day of May, August, November and February in each year.

res. Falls ein Variabler Zinszahlungstag auf einen Tag, der kein Geschäftstag ist, fällt, wird dieser Variable Zinszahlungstag auf den nächstfolgenden Geschäftstag verschoben, es sei denn, jener würde dadurch in den nächsten Kalendermonat fallen; in diesem Fall wird der Variable Zinszahlungstag auf den unmittelbar vorausgehenden Geschäftstag vorgezogen. In diesen Anleihebedingungen bezeichnet „**Geschäftstag**“ einen Tag, an dem alle maßgeblichen Stellen des Trans-European Automated Real-time Gross settlement Express Transfer (TARGET) Systems Geschäfte tätigen. Jeder Zeitraum ab dem 26. Februar 2014 (einschließlich) bis zum ersten Variablen Zinszahlungstag und nachfolgend ab jedem Variablen Zinszahlungstag (einschließlich) bis zu dem jeweils nächstfolgenden Variablen Zinszahlungstag (ausschließlich) wird als „**Variable Zinsperiode**“ bezeichnet.

(c) Variabler Zinssatz.

Der Zinssatz (der „**Variable Zinssatz**“) für die jeweilige Variable Zinsperiode berechnet sich aus dem Angebotsatz (ausgedrückt als jährlicher Prozentsatz) für Dreimonatseinlagen in Euro für diese Variable Zinsperiode, der am Zinsfestsetzungstag um 11:00 Uhr vormittags (Brüsseler Ortszeit) auf der Bildschirmseite angegeben wird zuzüglich 2,63% (die „**Marge**“), wobei alle Festlegungen durch die Berechnungsstelle erfolgen.

„**Zinsfestsetzungstag**“ bezeichnet den zweiten Geschäftstag, der dem Beginn der maßgeblichen Variablen Zinsperiode vorangeht.

„**Bildschirmseite**“ bezeichnet Moneyline Telerate Page 248, die „EURIBOR Bildschirmseite“ (oder eine Moneyline Telerate Bildschirmseite bzw. andere Bildschirmseite, die zum Zwecke der Anzeige solcher Angebotssätze als Nachfolger von Moneyline Telerate Page 248 eingesetzt wurde).

Sollte die maßgebliche Bildschirmseite nicht zur Verfügung stehen, wird die Berechnungsstelle von jeder der von ihr bestimmten fünf Referenzbanken deren jeweilige Angebotssätze (jeweils als Prozentsatz per annum ausgedrückt) für Dreimonatseinlagen in Euro für die betreffende Variable Zinsperiode gegenüber führenden Banken im Interbanken-Markt der Euro-Zone um ca. 11.00 Uhr (Brüsseler Ortszeit) am Zinsfestsetzungstag anfordern. Falls zwei oder mehr Referenzbanken der Berechnungsstelle solche Angebotssätze nennen, ist der Zinssatz für die betreffende Zinsperiode das arithmetische Mittel (falls erforderlich, auf- oder abgerundet auf das nächste ein Tausendstel Prozent, wobei 0,0005 aufgerundet wird) dieser Angebotssätze zuzüglich der Marge. Falls der Variable Zinssatz nicht gemäß der oben definierten Bestimmungen ermittelt werden kann, ist der Zinssatz der Angebotssatz bzw. das arithmetische Mittel der Angebotssätze auf der Bildschirmseite an dem letzten Tag vor dem Zinsfestsetzungstag, an dem diese Angebotssätze angezeigt wurden, zusätzlich der Marge.

In diesem Absatz bezeichnen „**Referenzbanken**“ diejenigen Banken, deren Angebotssätze zur Ermittlung des maßgeblichen Angebotssatzes zu dem Zeitpunkt benutzt wurden, als solch ein Angebot letztmals auf der maßgeblichen Bildschirmseite angezeigt wurde

Die Berechnungsstelle wird zu oder baldmöglichst nach jedem Zeitpunkt, an dem der Variable Zinssatz zu bestimmen ist, den auf die Schuldverschreibungen fälligen Zinsbetrag (der „**Zinsbetrag**“) für die entsprechende Variable Zinsperiode berechnen. Der Zinsbetrag wird ermittelt, indem der Zinssatz und der Zinstagequotient auf den Gesamtnennbetrag der Schuldverschreibungen angewendet werden, wobei der resultierende Betrag auf den nächstliegenden Cent auf- oder abgerundet wird (wobei 0,5 solcher Einheiten aufgerundet werden). „**Zinstagequotient**“ be-

If any Floating Interest Payment Date would otherwise fall on a day which is not a Business Day, it shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event the Floating Interest Payment Date shall be the immediately preceding Business Day. In these Terms and Conditions, „**Business Day**“ means a day on which all relevant parts of the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET) system are operational. Each period from and including 26 February 2014 to but excluding the first Floating Interest Payment Date and thereafter from and including each Floating Interest Payment Date to but excluding the next following Floating Interest Payment Date is a „**Floating Interest Period**“.

(c) Floating Rate Interest.

The rate of interest (the „**Rate of Interest**“) for each Floating Interest Period will be the offered quotation (expressed as a percentage rate per annum) for three-month deposits in euro for that Floating Interest Period which appears on the Screen Page as of 11:00 a.m. (Brussels time) on the Interest Determination Date plus 2.63% (the „**Margin**“), all as determined by the calculation agent.

„**Interest Determination Date**“ means the second Business Day prior to the commencement of the relevant Floating Interest Period.

„**Screen Page**“ means Moneyline Telerate Page 248, „EURIBOR Screen Page“ (or such other screen page of Moneyline Telerate or such other information service, which has been designated as the successor to Moneyline Telerate Page 248 for the purpose of displaying such rates).

If the Screen Page is not available the Calculation Agent shall request the five Reference Banks selected by it to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for three-month deposits in euro for the relevant Floating Interest Period to leading banks in the interbank market of the Euro-Zone at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date. As long as two or more of the selected Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Floating Interest Period shall be the arithmetic mean of such offered quotations (rounded if necessary to the nearest one thousandth of a percentage point, with 0.0005 being rounded upwards) plus the Margin. If the Rate of Interest cannot be determined in accordance with the foregoing provisions, the Rate of Interest shall be the offered quotation or the arithmetic mean of the offered quotations on the Screen Page on the last day preceding the Interest Determination Date on which such quotations were offered plus the Margin.

As used herein, „**Reference Banks**“ means those banks whose offered rates were used to determine such quotation when such quotation last appeared on the Screen Page.

The Calculation Agent will, on or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest and calculate the amount of interest (the „**Interest Amount**“) payable on the Bonds for the relevant Floating Interest Period. The Interest Amount shall be calculated by applying the Rate of Interest and the Day Count Fraction to the aggregate principal amount of the Bonds and rounding the resultant figure to the nearest cent, with 0.5 or more of a cent being rounded upwards. „**Day Count Fraction**“ means, in re-

zeichnet im Hinblick auf die Berechnung des Zinsbetrages für eine beliebige Variable Zinsperiode oder einen Teil davon (der „**Zinsberechnungszeitraum**“) die tatsächliche Anzahl von Tagen im Zinsberechnungszeitraum dividiert durch 360.

Die Berechnungsstelle wird veranlassen, dass der Zinssatz, der Zinsbetrag für die jeweilige Variable Zinsperiode, die jeweilige Variable Zinsperiode und der relevante Variable Zinszahlungstag der Emittentin und, sofern dies von den jeweiligen Wertpapierbörsen, an denen die Schuldverschreibungen notiert sind, vorgesehen ist, der jeweiligen Wertpapierbörse sowie den Anleihegläubigern durch Bekanntmachung gemäß § 10 baldmöglichst, aber keinesfalls später als zu Beginn der maßgeblichen nächstfolgenden Variablen Zinsperiode, bekannt gemacht wird. Im Fall einer Verlängerung oder Verkürzung der Variablen Zinsperiode kann der mitgeteilte Zinsbetrag und Variable Zinszahlungstag ohne Vorankündigung nachträglich angepasst (oder andere geeignete Anpassungsregelungen getroffen) werden. Jede solche Anpassung wird umgehend allen Wertpapierbörsen, an denen die Schuldverschreibungen zu diesem Zeitpunkt notiert sind, sowie den Anleihegläubigern gemäß § 10 bekannt gemacht.

Alle Bescheinigungen, Mitteilungen, Gutachten, Festsetzungen, Berechnungen, Quotierungen und Entscheidungen, die von der Berechnungsstelle für die Zwecke dieses § 4 gemacht, abgegeben, getroffen oder eingeholt werden, sind (sofern nicht ein offensichtlicher Irrtum vorliegt) für die Emittentin, die Hauptzahlstelle, die Zahlstellen und die Anleihegläubiger bindend.

(3) Zinsrückstände.

(a) Aussetzung der Fälligkeit.

Die Emittentin ist berechtigt, die Fälligkeit einer Zinszahlung durch eine unwiderrufliche Bekanntmachung gemäß § 10 innerhalb einer Frist von nicht weniger als 10 und nicht mehr als 15 Geschäftstagen vor dem jeweiligen Festzinszahlungstag oder Variablen Zinszahlungstag (jeweils ein „**Zinszahlungstag**“) auszusetzen, wenn (i) auf der ordentlichen Hauptversammlung der Garantin unmittelbar vor dem jeweiligen Zinszahlungstag für keine Aktiengattung der Garantin eine Dividende, andere Ausschüttung oder Zahlung festgesetzt wurde und (ii) seit dieser ordentlichen Hauptversammlung der Garantin für keine Aktiengattung eine Dividende, andere Ausschüttung oder Zahlung festgesetzt worden ist. Auf eine demgemäß ausgesetzte Zinszahlung (ein „**Zinsrückstand**“) werden keine Zinsen geschuldet. Die Emittentin ist jedoch nicht berechtigt, eine Zinszahlung auszusetzen, sofern der Vorstand der Garantin seit der ordentlichen Hauptversammlung eine Ermächtigung zum Kauf eigener Aktien ausgenutzt hat.

(b) Fakultative Zahlung von Zinsrückständen.

Die Emittentin kann ausstehende Zinsrückstände jederzeit ganz oder teilweise nach Bekanntmachung an die Anleihegläubiger gemäß § 10 bei Einhaltung einer Frist von nicht weniger als 10 und nicht mehr als 15 Geschäftstagen zahlen (wobei eine solche Bekanntmachung unwiderruflich ist und die Emittentin verpflichtet ist, die jeweiligen Zinsrückstände an dem in dieser Bekanntmachung genannten Zahlungstag zu zahlen).

(c) Obligatorische Zahlung von Zinsrückständen.

Die Emittentin hat ausstehende Zinsrückstände (vollständig, jedoch nicht teilweise) an dem zuerst eintretenden der folgenden Tage zu zahlen:

respect of the calculation of the Interest Amount on each Bond for any Floating Interest Period or part thereof (the „**Calculation Period**“), the actual number of days in the Calculation Period divided by 360.

The Calculation Agent will cause the Rate of Interest, each Interest Amount for each Floating Interest Period, each Floating Interest Period and the relevant Floating Interest Payment Date to be notified to the Issuer and, if required by the rules of any stock exchange on which the Bonds are from time to time listed, to such stock exchange, and to the Bondholders by notice in accordance with § 10 as soon as possible after their determination, but in no event later than at the beginning of the relevant Floating Interest Period thereafter. Each Interest Amount and Floating Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements may be made by way of adjustment) without notice in the event of an extension or shortening of the Floating Interest Period. Any such amendment will be promptly notified to any stock exchange on which the Bonds are then listed and to the Bondholders in accordance with § 10.

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this § 4 by the Calculation Agent shall (in the absence of manifest error) be binding on the Issuer, the Principal Paying Agent, the Paying Agents and the Bondholders.

(3) Arrears of Interest.

(a) Suspension of Payment.

The Issuer may elect by not less than 10 nor more than 15 Business Days' notice to the Bondholders in accordance with § 10 (which notice will be irrevocable) before any Fixed Interest Payment Date or any Floating Interest Payment Date (each an „**Interest Payment Date**“) to suspend a payment of interest in case (i) no dividend, special dividend or other distribution or payment was declared in respect of any class of shares of the Guarantor at the ordinary general meeting (*ordentliche Hauptversammlung*) of the Guarantor immediately preceding that Interest Payment Date and (ii) no such dividend, special dividend or other distribution of payment has been declared in respect of any class of shares of the Guarantor since that ordinary general meeting of the Guarantor. The Issuer shall not have any obligation to pay interest regarding any payment so suspended (an „**Arrear of Interest**“). The Issuer may not defer a payment of interest if the Management Board (*Vorstand*) of the Guarantor has used an authorisation to buy own shares since the date of the ordinary general meeting of shareholders (*ordentliche Hauptversammlung*) of the Guarantor.

(b) Optional Payment of Arrears of Interest.

The Issuer may pay outstanding Arrears of Interest (in whole or in part) at any time on giving not less than 10 nor more than 15 Business Days' notice to the Bondholders in accordance with § 10 (which notice will be irrevocable and will oblige the Issuer to pay the relevant Arrears of Interest on the payment date specified in that notice).

(c) Mandatory Payment of Arrears of Interest.

The Issuer must pay outstanding Arrears of Interest (in whole but not in part) on the earlier of:

(i) am nächsten Zinszahlungstag, an dem die in § 3 (3) (a) genannten Voraussetzungen (i) und (ii) nicht mehr vorliegen;

(ii) am Fälligkeitstag;

(iii) an dem Tag, an dem eine Verfügung zur Abwicklung, Liquidation oder Auflösung der Emittentin oder der Garantin ergeht (sofern dies nicht für die Zwecke oder als Folge eines Zusammenschlusses, einer Umstrukturierung oder Sanierung geschieht, bei dem bzw. der die Emittentin oder die Garantin noch zahlungsfähig sind und bei dem bzw. der die fortführende Gesellschaft im Wesentlichen alle Vermögenswerte und Verpflichtungen der Emittentin oder der Garantin übernimmt; und

(iv) an dem Tag, an dem entweder die Emittentin oder die Garantin Zinsen auf Gleichrangige Wertpapiere oder Zinsen oder Aufgeschobene Zinsen auf Nachrangige Wertpapiere zahlt oder Gleichrangige Wertpapiere oder Nachrangige Wertpapiere vor deren Fälligkeit zurückkauft, wobei:

„**Gleichrangige Wertpapiere**“ eine Wertpapieremission bezeichnet, die die Emittentin, die Garantin oder eine ihrer Tochtergesellschaften begeben hat, die im gleichen Rang mit den Schuldverschreibungen steht;

„**Nachrangige Wertpapiere**“ eine Wertpapieremission bezeichnet, die die Emittentin, die Garantin oder eine ihrer Tochtergesellschaften als Schuldnerin begeben hat, die im Rang nach den Schuldverschreibungen steht; und

„**Aufgeschobene Zinsen**“ sämtliche Zinsen oder Dividenden sind, die für Gleichrangige Wertpapiere oder Nachrangige Wertpapiere an einem vorgesehenen Zinszahlungstag solcher Gleichrangigen bzw. Nachrangigen Wertpapiere vertragsgemäß nicht bezahlt worden sind.

(d) Zinszahlungen auf Gleichrangige Wertpapiere.

Wenn die Emittentin oder die Garantin Aufgeschobene Zinsen auf Gleichrangige Wertpapiere nachzahlt, hat die Emittentin Zinsrückstände an dem Zinszahlungstag nach einer solchen Nachzahlung ebenfalls nachzuzahlen. Im Fall der Nachzahlung nur eines Teilbetrags solcher Aufgeschobener Zinsen hat die Nachzahlung auf Zinsrückstände zu dem Bruchteil zu erfolgen, der dem Quotienten des gezahlten Teilbetrags und dem ausstehenden Betrag an Aufgeschobenen Zinsen entspricht.

(4) Ende der Verzinsung und Verzugszinsen.

Die Verzinsung der Schuldverschreibungen endet mit Beginn des Tages, an dem sie zur Rückzahlung fällig werden, oder, sollte die Emittentin eine Zahlung aus diesen Schuldverschreibungen bei Fälligkeit nicht leisten, mit Beginn des Tages der tatsächlichen Zahlung. Der jeweils anzuwendende Zinssatz wird gemäß diesem § 3 bestimmt.

§ 4 (Rückzahlung und Rückkauf)

(1) Rückzahlung bei Endfälligkeit.

Die Schuldverschreibungen werden, sofern keine vorzeitige Rückzahlung gemäß § 4 (3) und (4) und kein Rückkauf gemäß § 4 (2) erfolgt, am 26. Februar 2024 (der „**Fälligkeitstag**“) zum Nennbetrag zurückgezahlt.

(2) Rückkauf.

Vorbehaltlich der Regelungen des § 4 (7) können die Emittentin, die Garantin oder jede ihrer jeweiligen Tochtergesellschaften jederzeit Schuldverschreibungen auf dem freien Markt oder anderweitig sowie zu jedem beliebigen Preis kaufen und wieder veräußern.

(i) the next Interest Payment Date on which the conditions (i) and (ii) set forth in § 3 (3) (a) are no longer satisfied;

(ii) the Maturity Date;

(iii) the date on which an order is made for the winding up, liquidation or dissolution of the Issuer or the Guarantor (other than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent, where the continuing entity assumes substantially all of the assets and obligations of the Issuer or the Guarantor, as the case may be); and

(iv) the date on which the Issuer or the Guarantor makes any payment of interest on any Parity Securities or makes any payment of interest or Deferred Interest on any Junior Securities or repurchases Parity Securities or Junior Securities prior to their maturity; where:

„**Parity Securities**“ means any securities issued by the Issuer, the Guarantor or any of its subsidiaries, ranking (or expressed to rank) *pari passu* with the Bonds;

„**Junior Securities**“ means any securities issued by the Issuer, the Guarantor or any of its subsidiaries ranking (or expressed to rank) junior to the Bonds; and

„**Deferred Interest**“ means any interest or dividends deferred pursuant to its terms on any Parity Securities or Junior Securities on any scheduled interest payment date of such Parity Securities or Junior Securities.

(d) Payments on Parity Securities.

If the Issuer or the Guarantor makes any full or partial payment of Deferred Interest on any Parity Securities, the Issuer will on the Interest Payment Date immediately following such payment satisfy any Arrears of Interest. In case of only a partial payment of such Deferred Interest the payment on the Arrears of Interest shall be satisfied at such fractional amount equal to the amount resulting from the division of the amount of Deferred Interest actually paid by the amount of Deferred Interest payable.

(4) End of interest bearing period and default interest.

The Bonds shall cease to bear interest from the beginning of the day they are due for redemption, or, in case the issuer fails to make any payment under the Bonds when due, from the beginning of the day on which such payment is made. The respective rate of interest shall be determined pursuant to this § 3.

§ 4 (Redemption and Purchase)

(1) Redemption at Maturity.

Unless previously redeemed in accordance with § 4 (3) and (4) or repurchased pursuant to § 4 (2) the Bonds will be redeemed at their principal amount on 26 February 2024 (the „**Maturity Date**“).

(2) Repurchase.

Subject to § 4 (7), the Issuer, the Guarantor or any of their respective subsidiaries may at any time purchase Bonds in the open market or otherwise and at any price and may resell those Bonds.

(3) Vorzeitige Rückzahlung nach Wahl der Emittentin.

Die Emittentin kann die Schuldverschreibungen (insgesamt jedoch nicht nur teilweise) am 26. Februar 2014 und an jedem Variablen Zinszahlungstag durch Erklärung gemäß § 4 (6) zum Nennbetrag zuzüglich der bis zu diesem Tag (ausschließlich) aufgelaufener Zinsen sowie zuzüglich aller ausstehender Zinsrückstände (der „**Rückzahlungsbetrag**“) zurückzahlen.

(4) Vorzeitige Rückzahlung nach Eintritt eines Gross-up Ereignisses, eines Steuerereignisses oder eines Aufsichtsrechtlichen Ereignisses.

Die Emittentin ist bis zum 26. Februar 2014 (ausschließlich) berechtigt, durch Erklärung gemäß § 4 (6) und nach Maßgabe von § 4 (7) die Schuldverschreibungen nach Eintritt eines Gross-Up Ereignisses zum Rückzahlungsbetrag und nach Eintritt eines Steuerereignisses oder eines Aufsichtsrechtlichen Ereignisses zum Vorzeitigen Rückzahlungsbetrag (insgesamt und nicht teilweise) zurückzuzahlen.

(a) Gross-up-Ereignis.

Ein „**Gross-up-Ereignis**“ liegt vor, wenn die Emittentin durch eine gesetzgebende Körperschaft, ein Gericht oder eine Behörde verpflichtet ist oder verpflichtet sein wird, Zusätzliche Beträge gemäß § 6 zu zahlen oder die Garantin aufgrund einer Gesetzesänderung (oder einer Änderung von darunter erlassenen Bestimmungen und Vorschriften) des Großherzogtums Luxemburg oder der Bundesrepublik Deutschland oder einer ihrer Gebietskörperschaften oder Behörden oder als Folge einer Änderung der offiziellen Auslegung oder Anwendung dieser Gesetze, Bestimmungen oder Vorschriften durch eine gesetzgebende Körperschaft, ein Gericht oder eine Behörde verpflichtet ist oder verpflichtet sein wird, Zusätzliche Beträge gemäß § 6 zu zahlen und die Emittentin und/oder die Garantin diese Verpflichtung nicht durch das Ergreifen zumutbarer Maßnahmen abwenden kann.

Die Rückzahlungsbekanntmachung darf nicht früher als 90 Tage vor dem Tag erfolgen, an dem die Emittentin oder die Garantin erstmals verpflichtet wäre, Zusätzliche Beträge gemäß § 6 zu zahlen bzw. (je nachdem) wenn eine ordnungsgemäße Zahlungsaufforderung unter der Garantie erfolgen würde.

(b) Steuerereignis.

Ein „**Steuerereignis**“ liegt vor, wenn aufgrund einer Gesetzesänderung (oder einer Änderung von darunter erlassenen Bestimmungen und Vorschriften) des Großherzogtums Luxemburg oder der Bundesrepublik Deutschland oder einer ihrer Gebietskörperschaften oder einer ihrer Steuerbehörden, oder als Folge einer Änderung der offiziellen Auslegung oder Anwendung solcher Gesetze, Bestimmungen oder Vorschriften durch eine gesetzgebende Körperschaft, ein Gericht, eine Regierungsstelle oder eine Aufsichtsbehörde (einschließlich des Erlasses von Gesetzen sowie der Bekanntmachung gerichtlicher oder aufsichtsrechtlicher Entscheidungen), Zinsen, die von der Emittentin auf die Schuldverschreibungen zu zahlen sind oder Beträge, die von der Garantin aus der Garantie zu zahlen sind, von der Emittentin und/oder der Garantin nicht mehr für die Zwecke der luxemburgischen und/oder deutschen Ertragsteuer voll abzugsfähig sind und die Emittentin und/oder die Garantin dieses Risiko nicht durch das Ergreifen zumutbarer Maßnahmen abwenden kann.

(c) Aufsichtsrechtlichen Ereignisses.

Ein „**Aufsichtsrechtliches Ereignis**“ liegt vor, wenn die Bundesanstalt für Finanzdienstleistungsaufsicht (oder ein Funktionsnachfolger) schriftlich gegenüber der Garantin feststellt, dass die Schuldverschreibungen

(3) Early Redemption at the Option of the Issuer.

The Issuer may upon giving notice in accordance with § 4 (6) redeem the Bonds (in whole but not in part) on 26 February 2014 or on any Floating Interest Payment Date at their principal amount plus any interest accrued until such date (exclusive) and all outstanding Arrears of Interest to the date of redemption (the „**Redemption Amount**“).

(4) Early Redemption following a Gross-up Event, a Tax Event or a Regulatory Event.

Until 26 February 2014 (exclusively) the Issuer may upon giving notice in accordance with § 4 (6) and subject to § 4 (7) redeem the Bonds (in whole but not in part) following a Gross-Up Event at the Redemption Amount and following a Tax Event or a Regulatory Event at the Early Redemption Amount.

(a) Gross-up Event.

A „**Gross-up Event**“ shall occur if the Issuer has or will become obliged by a legislative body, a court or any authority to pay Additional Amounts pursuant to § 6 or the Guarantor has or will become obliged to pay Additional Amounts in respect of payments due under the Guarantee as a result of any change in or amendment to the laws (or any rules or regulations thereunder) of the Grand-Duchy of Luxembourg or the Federal Republic of Germany or any political subdivision or any authority of or in the Grand-Duchy of Luxembourg or the Federal Republic of Germany, or any change in or amendment to any official interpretation or application of those laws or rules or regulations, and that obligation cannot be avoided by the Issuer and/or the Guarantor taking such reasonable measures it (acting in good faith) deems appropriate.

No such notice of redemption may be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be for the first time obliged to pay the Additional Amounts pursuant to § 6 or (as the case may be) in respect of a demand for payment duly made under the Guarantee.

(b) Tax Event.

A „**Tax Event**“ shall occur if as a result of any amendment to, or change in, the laws (or any rules or regulations thereunder) of the Grand-Duchy of Luxembourg or the Federal Republic of Germany or any political subdivision or any taxing authority thereof or therein, or as a result of any amendment to, or change in, an official interpretation or application of any such laws, rules or regulations by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory determination), interest payable by the Issuer in respect of the Bonds or any amount payable by the Guarantor under the Guarantee is no longer fully deductible by the Issuer and/or the Guarantor for Luxembourg and/or German income tax purposes, and that risk cannot be avoided by the Issuer and/or the Guarantor taking such reasonable measures as it (acting in good faith) deems appropriate.

(c) Regulatory Event.

A „**Regulatory Event**“ shall occur if the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) (or any successor in its capacity) states in writing to the Guarantor that the Bonds

(ganz oder teilweise) nicht länger die Anforderungen an Eigenmittel für Zwecke der Ermittlung der Gruppensolvabilität oder der Einzelsolvabilität der Emittentin oder der Garantin oder der Unternehmensgruppe, zu der die Emittentin oder die Garantin gehören, erfüllt. Dies gilt nur, wenn die Schuldverschreibungen diese Anforderungen zu einem Zeitpunkt vor dieser Feststellung erfüllt haben.

(5) Vorzeitiger Rückzahlungsbetrag.

Der „**Vorzeitige Rückzahlungsbetrag**“ ist der Aufrechnungsbetrag, mindestens jedoch der Rückzahlungsbetrag (wie von der Berechnungsstelle bestimmt).

Der „**Aufrechnungsbetrag**“ wird durch die Berechnungsstelle bestimmt und entspricht der Summe aus den Aktuellen Werten (i) des Nennbetrags der Schuldverschreibungen und (ii) der verbleibenden vorgesehenen Zinszahlungen auf die Schuldverschreibungen bis zum 26. Februar 2014 (ausschließlich) am Tag der Rückzahlung.

Die Berechnungsstelle ermittelt die „**Aktuellen Werte**“ durch die Abzinsung pro Jahr des Nennbetrags der Schuldverschreibungen und der verbleibenden berechneten Zinszahlungen bis zum 26. Februar 2014; dabei gilt als Berechnungsgrundlage ein Jahr von 360 Tagen mit zwölf Monaten zu je 30 Tagen unter der Verwendung der Angepassten Vergleichsrendite zuzüglich 0,75%.

Die „**Angepasste Vergleichsrendite**“ ist die Rendite, die am Tag der Rückzahlung für ein Wertpapier mit Euro-Referenzzinssatz zu zahlen wäre, das die Berechnungsstelle unter Berücksichtigung einer vergleichbaren Laufzeit mit der Restlaufzeit der Schuldverschreibungen bis zum 26. Februar 2014 bestimmt hat und welches zum Zeitpunkt der Bestimmung als Berechnungsgrundlage für die Preisgebung neuer Anleihen mit vergleichbarer Laufzeit bis 26. Februar 2014 dienen könnte.

(6) Bekanntmachung der Vorzeitigen Rückzahlung.

Die Emittentin kann ein Recht zur vorzeitigen Rückzahlung gemäß § 4 (3) und (4) durch eine Bekanntmachung an die Anleihegläubiger gemäß § 10 unter Einhaltung einer Frist von nicht weniger als 30 und nicht mehr als 60 Tagen ausüben. Die Emittentin wird die Hauptzahlstelle vor dieser Bekanntmachung von der vorzeitigen Rückzahlung informieren. Die Bekanntmachung und die Information der Hauptzahlstelle sollen in den Fällen des § 4 (4) diejenigen Tatsachen enthalten, auf welche die Emittentin ihr Kündigungsrecht stützt.

(7) Aufsichtsrechtliche Einschränkungen.

(a) Rückkauf und Rückzahlung vor dem 26. Februar 2014.

Vor dem 26. Februar 2014 steht der Emittentin das Recht zum Rückkauf gemäß § 4 (2) und zur Rückzahlung nach Eintritt eines Gross-up-Ereignisses oder eines Steuerereignisses gemäß § 4 (4) nur zu, wenn der zurückzuzahlende Nennbetrag durch die Einzahlung anderer, zumindest gleichwertiger Eigenmittel ersetzt worden ist oder die Bundesanstalt für Finanzdienstleistungsaufsicht (oder ein Funktionsnachfolger) dem Rückkauf bzw. der Rückzahlung ohne eine solche Ersetzung zuvor zugestimmt hat (sofern eine solche Ersetzung für die Anerkennung der Schuldverschreibungen als aufsichtsrechtliche Eigenmittel noch erforderlich ist).

(b) Rückkauf und Rückzahlung am oder nach dem 26. Februar 2014.

Sofern die Emittentin und/oder die Garantin am oder nach dem 26. Februar 2014 weiterhin eine Anerkennung der Schuldverschreibungen als aufsichtsrechtliche Eigenmittel anstrebt, wird die Emittentin das Recht zum Rückkauf gemäß § 4 (2) oder zur Rückzah-

(in whole or in part) no longer fulfil the requirements for own funds for group solvency or solo solvency purposes of the Issuer or Guarantor or the group of companies the Issuer or the Guarantor is a member of. This applies only if at any time prior to such statement the Bonds did fulfil such requirements.

(5) Early Redemption Amount.

The „**Early Redemption Amount**“ will be the greater of the Redemption Amount and Make-Whole Amount (as determined by the Calculation Agent).

The „**Make-Whole Amount**“ will be calculated by the Calculation Agent, and will equal the sum of the Present Values on the date of redemption of (i) the principal amount of the Bonds and (ii) the remaining scheduled payments of interest on the Bonds to 26 February 2014 (exclusive).

The „**Present Values**“ will be calculated by the Calculation Agent by discounting the principal amount of the Bonds and the remaining interest payments to 26 February 2014 on an annual basis, assuming a 360-day year consisting of twelve 30-day months and using the Adjusted Comparable Yield plus 0.75%.

The „**Adjusted Comparable Yield**“ will be the yield at the date of redemption on the euro benchmark security selected by the Calculation Agent as having a maturity comparable to the remaining term of the Bonds to 26 February 2014 that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to 26 February 2014.

(6) Notification of Early Redemption.

The Issuer shall give not less than 30 nor more than 60 days' notice to the Bondholders in accordance with § 10 of any Early Redemption pursuant to § 4 (3) und (4). The Issuer shall give notice to the Principal Paying Agent about such Early Redemption before notifying the Noteholders. In the case of § 4 (4) such notices shall set forth the underlying facts of the Issuer's right to Early Redemption.

(7) Regulatory Limitations.

(a) Repurchase and Redemption before 26 February 2014.

Prior to 26 February 2014 the Issuer may only repurchase the bonds as set forth in § 4 (2) and may only redeem the Bonds following a Gross up Event or a Tax Event as set forth in § 4 (4) if the principal amount of the Bonds to be repaid has been replaced by other at least equivalent capital (*Eigenmittel*) or if the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) (or any successor in its capacity) has given its prior consent to the repurchase or redemption of the Bonds without such replacement (to the extent such replacement is still required for the recognition as regulatory capital).

(b) Repurchase and Redemption on or after 26 February 2014.

If the Issuer and/or the Guarantor wishes the Bonds to continue to be recognised as regulatory capital by the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) (or any successor in its capacity) on or after 26 February 2014, the

lung gemäß § 4 (3) nur ausüben, wenn der zurückzahlende Nennbetrag durch die Einzahlung anderer, zumindest gleichwertiger Eigenmittel ersetzt worden ist oder die Bundesanstalt für Finanzdienstleistungsaufsicht (oder ein Funktionsnachfolger) dem Rückkauf bzw. der Rückzahlung ohne eine solche Ersetzung zuvor zugestimmt hat (sofern eine solche Ersetzung für die Anerkennung der Schuldverschreibungen als aufsichtsrechtliche Eigenmittel noch erforderlich ist).

(c) Rückkauf und Rückzahlung durch Tochtergesellschaften.

Die in § 4 (7) (a) und (b) genannten Einschränkungen gelten nicht für Rückkäufe, soweit Tochterunternehmen der der Emittentin oder der Garantin die Schuldverschreibungen für fremde Rechnung oder für Sondervermögen (im Sinne des § 2 Abs. 2 und § 30 Investmentgesetz) erwerben, es sei denn, Anteile an diesen Sondervermögen werden mehrheitlich von der Emittentin, der Garantin oder einer ihrer Tochtergesellschaften gehalten.

**§ 5
(Zahlungen)**

(1) Die Emittentin verpflichtet sich, Kapital und Zinsen auf die Schuldverschreibungen bei Fälligkeit in Euro zu zahlen. Die Zahlung von Kapital und Zinsen erfolgt, vorbehaltlich geltender steuerrechtlicher und sonstiger gesetzlicher Regelungen und Vorschriften, über die Hauptzahlstelle zur Weiterleitung an das Clearing-System oder nach dessen Weisung zur Gutschrift für die jeweiligen Kontoinhaber. Die Zahlung an das Clearing-System oder nach dessen Weisung befreit die Emittentin in Höhe der geleisteten Zahlung von ihren entsprechenden Verbindlichkeiten aus den Schuldverschreibungen. Eine Bezugnahme in diesen Anleihebedingungen auf Kapital oder Zinsen der Schuldverschreibungen schließt jegliche Zusätzlichen Beträge gemäß § 6 ein.

(2) Falls ein Fälligkeitstag für die Zahlung von Kapital und/oder Zinsen kein Geschäftstag ist, erfolgt die Zahlung erst am nächstfolgenden Geschäftstag (außer im Fall von § 3 (2) (b)); die Anleihegläubiger sind nicht berechtigt, Zinsen oder eine andere Entschädigung wegen eines solchen Zahlungsaufschubs zu verlangen.

**§ 6
(Besteuerung)**

Sämtliche Zahlungen von Kapital und Zinsen in Bezug auf die Schuldverschreibungen (einschließlich Zahlungen der Garantin unter der nachrangigen Garantie) werden ohne Einbehalt oder Abzug von Steuern, Abgaben, Festsetzungen oder behördlichen Gebühren jedweder Art („**Steuern**“) geleistet, die von dem Großherzogtum Luxemburg bzw. der Bundesrepublik Deutschland oder einer ihrer Gebietskörperschaften oder Behörden mit der Befugnis zur Erhebung von Steuern auferlegt, erhoben, eingezogen, einbehalten oder festgesetzt werden, es sei denn, ein solcher Einbehalt oder Abzug ist gesetzlich vorgeschrieben. In einem solchen Falle wird die Emittentin bzw. die Garantin zusätzliche Beträge zahlen (die „**Zusätzlichen Beträge**“), so dass die Anleihegläubiger die Beträge erhalten, die sie ohne Einbehalt oder Abzug erhalten hätten. Solche Zusätzlichen Beträge sind jedoch nicht zahlbar wegen solcher Steuern:

(i) denen ein Anleihegläubiger wegen einer anderen Beziehung zum Großherzogtum Luxemburg bzw. der Bundesrepublik Deutschland unterliegt als der bloßen Tatsache, daß er der Inhaber der betreffenden Schuldverschreibungen ist; oder

Issuer will only repurchase the bonds as set forth in § 4 (2) or redeem as set forth in § 4 (3) if the principal amount of the Bonds to be repaid has been replaced by other at least equivalent capital (*Eigenmittel*) or if the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) (or any successor in its capacity) has given its prior consent to the repurchase or redemption of the Bonds without such replacement (to the extent such replacement is still required for the recognition as regulatory capital).

(c) Repurchase and Redemption by Subsidiaries.

The restrictions set forth in § 4 (7) (a) und (b) do not apply for purchases made by subsidiaries of the Issuer or the Guarantor for the account of a third party or funds (as defined for the purposes of § 2 para. 2 and § 30 Investment Act (*Investmentgesetz*), unless the majority of the shares in the relevant fund are held by the Issuer, the Guarantor or one of its subsidiaries.

**§ 5
(Payments)**

(1) The Issuer undertakes to pay, as and when due, principal and interest on the Bonds in euro. Payment of principal and interest on the Bonds shall be made, subject to applicable fiscal and other laws and regulations, through the Principal Paying Agent for on-payment to the Clearing System or to its order for credit to the respective account holders. Payments to the Clearing System or to its order shall to the extent of amounts so paid constitute the discharge of the Issuer from its corresponding liabilities under the Bonds. Any reference in these Terms and Conditions of the Bonds to principal or interest will be deemed to include any Additional Amounts as set forth in § 6.

(2) If the due date for any payment of principal and/or interest is not a Business Day, payment shall be effected only on the next Business Day (except as provided in § 3 (2) (b)). The Bondholders shall have no right to claim payment of any interest or other indemnity in respect of such delay in payment.

**§ 6
(Taxation)**

All payments of principal and interest in respect of the Bonds (including payments by the Guarantor under the subordinated Guarantee) will be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed, levied, collected, withheld or assessed by the Grand-Duchy of Luxembourg or the Federal Republic of Germany (as the case may be) or any political subdivision or any authority of or in the Grand-Duchy of Luxembourg or the Federal Republic of Germany (as the case may be) that has power to tax, unless that withholding or deduction is required by law. In that event, the Issuer or the Guarantor (as the case may be) will pay such additional amounts (the "**Additional Amounts**") as will result in receipt by the Bondholders of the same amounts as they would have received if no such withholding or deduction had been required. However, no such Additional Amounts shall be payable with respect to such Taxes:

(i) to which a Bondholder is liable because of a relationship with Grand-Duchy of Luxembourg or the Federal Republic of Germany other than the mere fact of his being the holder of the relevant Bonds; or

- (ii) deren Einbehalt oder Abzug auf eine Zahlung an eine natürliche Person erfolgt und zwar auf der Grundlage der Richtlinie 2003/48/EC der Europäischen Union oder einer anderen Richtlinie der Europäischen Union zur Besteuerung privater Zinserträge, die die Beschlüsse der ECOFIN-Versammlung vom 26. bis 27. November 2000 umsetzt oder aufgrund eines Gesetzes, das aufgrund solcher Richtlinie erlassen wurde, ihr entspricht oder eingeführt wurde, um dieser Richtlinie nachzukommen; oder
- (iii) denen der Anleihegläubiger nicht unterläge, wenn er seine Schuldverschreibungen binnen 30 Tagen nach Fälligkeit bzw., falls die notwendigen Beträge der Hauptzahlstelle bei Fälligkeit nicht zur Verfügung gestellt worden sind, nach dem Tag, an dem diese Mittel der Hauptzahlstelle zur Verfügung gestellt worden sind und dies gemäß § 10 bekannt gemacht wurde, zur Zahlung vorgelegt hätte.

**§ 7
(Vorlegungsfrist)**

Die Vorlegungsfrist der Schuldverschreibungen wird auf zehn Jahre reduziert.

**§ 8
(Zahlstellen und Berechnungsstellen)**

(1) Bestellung.

Die Emittentin hat die Deutsche Bank Aktiengesellschaft, Frankfurt am Main, Große Gallusstraße 10–14, D-60272 Frankfurt am Main, als Hauptzahlstelle und Berechnungsstelle (die „**Hauptzahlstelle**“ oder „**Berechnungsstelle**“) und Deutsche Bank Luxembourg S.A., 2 Boulevard Konrad Adenauer, L-1115 Luxembourg, als Zahlstelle (die „**Zahlstelle**“, gemeinsam mit der Hauptzahlstelle, die „**Zahlstellen**“) bestellt.

(2) Änderung oder Beendigung der Bestellung.

Die Emittentin und die Garantin behalten sich das Recht vor, jederzeit die Benennung einer Zahlstelle oder Berechnungsstelle zu verändern oder zu beenden und Nachfolger bzw. zusätzliche Zahlstellen zu ernennen. Dabei ist jedoch zu gewährleisten, dass die Emittentin und die Garantin jederzeit eine Zahlstelle (die auch Hauptzahlstelle sein kann) in Luxemburg unterhalten. Den Anleihegläubigern werden Änderungen in bezug auf die Zahlstellen, deren angegebenen Geschäftsstellen oder die Berechnungsstelle umgehend gemäß § 10 bekannt gemacht.

(3) Status der beauftragten Stellen.

Die Zahlstellen und die Berechnungsstelle handeln ausschließlich als Vertreter der Emittentin und der Garantin und übernehmen keine Verpflichtungen gegenüber den Anleihegläubigern; es wird kein Vertrags-, Auftrags- oder Treuhandverhältnis zwischen ihnen und den Anleihegläubigern begründet. Die Zahlstellen sind von den Beschränkungen des § 181 des Bürgerlichen Gesetzbuchs (BGB) befreit.

**§ 9
(Weitere Emissionen)**

Die Emittentin kann ohne Zustimmung der Anleihegläubiger weitere Schuldverschreibungen begeben, die in jeder Hinsicht (oder in jeder Hinsicht mit Ausnahme der ersten Zinszahlung) die gleichen Bedingungen wie die Schuldverschreibungen dieser Anleihe haben und die zusammen mit den Schuldverschreibungen dieser Anleihe eine einzige Anleihe bilden.

- (ii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26 – 27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

- (iii) to which the Bondholder would not be subject if he had presented his Bonds for payment within 30 days from the due date for payment, or, if the necessary funds have not been provided to the Fiscal Agent when due, from the date on which such funds have been provided to the Fiscal Agent, and a notice to that effect has been published in accordance with § 10.

**§ 7
(Presentation Period)**

The period for presentation of the Bonds will be reduced to 10 years.

**§ 8
(Paying and Calculation Agents)**

(1) Appointment.

The Issuer has appointed Deutsche Bank Aktiengesellschaft, Frankfurt am Main, Grosse Gallusstrasse 10–14, D-60272 Frankfurt am Main, as principal paying agent and calculation agent (the „**Principal Paying Agent**“ or „**Calculation Agent**“) and Deutsche Bank Luxembourg S.A., 2 Boulevard Konrad Adenauer, L-1115 Luxembourg, as paying agent (the „**Paying Agent**“, together with the Principal Paying Agent, the „**Paying Agents**“).

(2) Variation or Termination of Appointment.

The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of any Paying or Calculation Agent and to appoint successor or additional Paying Agents, provided that the Issuer and the Guarantor will at all times maintain a Paying Agent (which may be the Principal Paying Agent) in Luxembourg. Notice of any change in the Paying Agents or in the specified office of any Paying Agent or in the Calculation Agent will promptly be given to the Bondholders pursuant to § 10.

(3) Status of the Agents.

The Paying Agents and Calculation Agent act solely as agents of the Issuer and the Guarantor and do not assume any obligations towards or relationship of contract, agency or trust for or with any of the Bondholders. The Paying Agents are exempt from the restrictions of § 181 of the German Civil Code (*Bürgerliches Gesetzbuch*).

**§ 9
(Further Issues)**

The Issuer may from time to time, without the consent of the Bondholders, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Bonds.

**§ 10
(Bekanntmachungen)**

(1) Bekanntmachung in Tageszeitung.

Sämtliche Bekanntmachungen an die Anleihegläubiger gelten als ordnungsgemäß bekannt gemacht, wenn sie in einer führenden Tageszeitung mit allgemeiner Verbreitung in Luxemburg (voraussichtlich das Luxemburger Wort), veröffentlicht werden. Jede derartige Bekanntmachung gilt mit dem Tage der ersten Veröffentlichung als wirksam erfolgt.

(2) Bekanntmachung an das Clearing System.

Die Emittentin ist berechtigt, eine Zeitungsveröffentlichung nach § 10 (1) durch eine Bekanntmachung an das Clearing System zur Weiterleitung an die Anleihegläubiger zu ersetzen, vorausgesetzt, dass in Fällen, in denen die Schuldverschreibungen an einer Börse notiert sind, die Regeln dieser Börse diese Form der Bekanntmachung zulassen. Jede derartige Bekanntmachung gilt am siebten Tag nach dem Tag der Bekanntmachung an das Clearing System als den Anleihegläubigern mitgeteilt.

**§ 11
(Ersetzung)**

(1) Ersetzung.

Die Garantin ist jederzeit berechtigt, ohne Zustimmung der Anleihegläubiger sich selbst oder eine andere Gesellschaft (soweit es sich bei dieser Gesellschaft nicht um ein Versicherungsunternehmen handelt), die direkt oder indirekt von der Garantin kontrolliert wird, als neue Emittentin für alle sich aus oder im Zusammenhang mit den Schuldverschreibungen ergebenden Verpflichtungen mit schuld-befreiender Wirkung für die Emittentin an die Stelle der Emittentin zu setzen (die „**Neue Emittentin**“), sofern

- (i) die Neue Emittentin sämtliche Verpflichtungen der Emittentin aus oder im Zusammenhang mit den Schuldverschreibungen übernimmt;
- (ii) die Neue Emittentin sämtliche für die Schuldnerersetzung und die Erfüllung der Verpflichtungen aus oder im Zusammenhang mit den Schuldverschreibungen erforderlichen Genehmigungen erhalten hat;
- (iii) die Neue Emittentin in der Lage ist, sämtliche zur Erfüllung der aufgrund der Schuldverschreibungen bestehenden Zahlungsverpflichtungen erforderlichen Beträge in Euro an die Hauptzahlstelle oder die Clearing-Systeme zu zahlen, und zwar ohne Abzug oder Einbehalt von Steuern oder sonstigen Abgaben jedweder Art, die von dem Land (oder den Ländern), in dem (in denen) die Neue Emittentin ihren Sitz oder Steuersitz hat, auferlegt, erhoben oder eingezogen werden; und
- (iv) für den Fall, daß die Neue Emittentin nicht die Garantin ist, die Bestimmungen des Absatzes 4 der Garantie, wonach sich die Garantie auf die von der Neuen Emittentin gemäß den Anleihebedingungen zahlbaren Beträge erstreckt, in vollem Umfang Bestand haben.

(2) Bezugnahmen.

Im Fall einer Schuldnerersetzung gemäß Absatz (1) gilt jede Bezugnahme in diesen Anleihebedingungen auf die Emittentin als eine solche auf die Neue Emittentin und jede Bezugnahme auf das Großherzogtum Luxemburg als eine solche auf den Staat, in welchem die Neue Emittentin steuerlich ansässig ist.

(3) Bekanntmachung und Wirksamwerden der Ersetzung.

Die Ersetzung der Emittentin ist gemäß § 10 bekannt zu machen. Mit der Bekanntmachung der Ersetzung wird die

**§ 10
(Notices)**

(1) Notices in Newspaper

Notices to the Bondholders will be valid if published in a leading newspaper having general circulation in Luxembourg (which is expected to be the Luxemburger Wort). Any notice so given will be deemed to have been validly given on the date of first such publication.

(2) Notice to the Clearing System.

The Issuer may, in lieu of publication in the newspapers set forth in § 10 (1) above, deliver the relevant notice to the Clearing System, for communication by the Clearing System to the Noteholders, provided that, so long as any Bonds are listed on any stock exchange, the rules of such stock exchange permit such form of notice. Any such notice shall be deemed to have been given to the Noteholders on the seventh day after the day on which the said notice was given to the Clearing System.

**§ 11
(Substitution)**

(1) Substitution.

The Guarantor may at any time, without the consent of the Bondholders, substitute for the Issuer either itself or any other company (other than an insurance undertaking) which is directly or indirectly controlled by the Guarantor, as new issuer (the “**New Issuer**”) in respect of all obligations arising under or in connection with the Bonds, with the effect of releasing the Issuer of all such obligations, if:

- (i) the New Issuer assumes all obligations of the Issuer arising under or in connection with the Bonds;
- (ii) the New Issuer has obtained all authorisations and approvals necessary for the substitution and the fulfilment of the obligations arising under or in connection with the Bonds;
- (iii) the New Issuer is in the position to pay to the Clearing Systems or to the Principal Paying Agent in euro and without deducting or withholding any taxes or other duties of whatever nature imposed, levied or deducted by the country (or countries) in which the New Issuer has its domicile or tax residence all amounts required for the performance of the payment obligations arising from or in connection with the Bonds; and
- (iv) in the event that the New Issuer is not the Guarantor, the provisions of paragraph 4 of the Guarantee, pursuant to which the Guarantee shall extend to any and all amounts expressed to be payable by the new Issuer pursuant to these Terms and Conditions of the Bonds, shall be in full force and effect.

(2) References.

In the event of a substitution pursuant to subsection (1), any reference in these Terms and Conditions of the Bonds to the Issuer shall be a reference to the New Issuer and any reference to the Grand Duchy of Luxembourg shall be a reference to the New Issuer's country of domicile for tax purposes.

(3) Notice and Effectiveness of Substitution.

Notice of any substitution of the Issuer shall be given by publication in accordance with § 10. Upon such publica-

Ersetzung wirksam und die Emittentin und im Falle einer wiederholten Anwendung dieses § 11 jede frühere Neue Emittentin von ihren sämtlichen Verpflichtungen aus den Schuldverschreibungen frei. Im Falle einer solchen Ersetzung werden die Wertpapierbörsen informiert, an denen die Schuldverschreibungen notiert sind, und es wird, soweit erforderlich, eine Ergänzung zu dem Offering Circular mit einer Beschreibung der Neuen Emittentin erstellt.

§ 12 (Schlußbestimmungen)

(1) Anzuwendendes Recht

Außer § 2 (1), der sich nach Luxemburger Recht bestimmt, bestimmen sich Form und Inhalt der Schuldverschreibungen und der Garantie, nach dem Recht der Bundesrepublik Deutschland. Die Bestimmungen der §§ 86-94-8 des Luxemburger Gesetzes vom 10. August 1915 bezüglich Handelsunternehmen in der jeweils gültigen Fassung ist auf diese Schuldverschreibungen nicht anwendbar.

(2) Gerichtsstand

Ausschließlicher Gerichtsstand für alle Rechtsstreitigkeiten aus den in diesen Anleihebedingungen geregelten Angelegenheiten ist, soweit gesetzlich zulässig, Frankfurt am Main, Bundesrepublik Deutschland. Die Emittentin und die Garantin verzichten unwiderruflich darauf, gegenwärtig oder zukünftig gegen die Gerichte in Frankfurt am Main als Forum für Rechtsstreitigkeiten Einwände zu erheben, und versichern, keines der Gerichte in Frankfurt am Main als ungelegenes oder unangemessenes Forum zu bezeichnen.

(3) Erfüllungsort

Erfüllungsort ist Frankfurt am Main, Bundesrepublik Deutschland.

(4) Zustellungsbevollmächtigter

Für etwaige Rechtsstreitigkeiten oder sonstige Verfahren vor deutschen Gerichten bestellt die Emittentin die Hannover Rückversicherung AG, Karl-Wiechert-Allee 50, 30625 Hannover, Bundesrepublik Deutschland, zum Zustellungsbevollmächtigten.

(5) Geltendmachung von Rechten

Jeder Anleihegläubiger kann in Rechtsstreitigkeiten gegen die Emittentin oder die Garantin im eigenen Namen seine Rechte aus den ihm zustehenden Schuldverschreibungen geltend machen unter Vorlage der folgenden Dokumente: (a) einer Bescheinigung seiner Depotbank, die (i) den vollen Namen und die volle Anschrift des Anleihegläubigers bezeichnet, (ii) den Gesamtnennbetrag der Schuldverschreibungen angibt, die am Ausstellungstag dieser Bescheinigung dem bei dieser Depotbank bestehenden Depot dieses Anleihegläubigers gutgeschrieben sind, und (iii) bestätigt, dass die Depotbank dem Clearing System und der Hauptzahlstelle eine schriftliche Mitteilung zugeleitet hat, die die Angaben gemäß (i) und (ii) enthält und Bestätigungsvermerke des Clearing Systems sowie des jeweiligen Clearing System-Kontoinhabers trägt, sowie (b) einer von einem Vertretungsberechtigten des Clearing Systems oder der Hauptzahlstelle beglaubigten Ablichtung der Globalurkunde.

§ 13 (Sprache)

Diese Anleihebedingungen sind in deutscher Sprache abgefasst und mit einer Übersetzung in die englische Sprache versehen. Der deutsche Wortlaut ist allein rechtsverbindlich. Die englische Übersetzung dient nur zur Information.

tion, the substitution shall become effective, and the Issuer and in the event of a repeated application of this § 11, any previous New Issuer shall be discharged from any and all obligations under the Bonds. In case of such substitution, the stock exchange(s), if any, on which the Bonds are then listed will be notified and a supplemental offering circular describing the New Issuer will be prepared, if required.

§ 12 (Final Provisions)

(1) Applicable Law

The Bonds and the Guarantee are governed by the laws of the Federal Republic of Germany, except that Condition 2 (1) is governed by the laws of Luxembourg. The provisions of articles 86 to 94-8 of the Luxembourg act dated 10 August 1915 concerning commercial companies, as amended, shall not apply to the Bonds.

(2) Place of Jurisdiction

To the extent legally permissible, exclusive place of jurisdiction for all proceedings arising from matters provided for in these Terms and Conditions shall be Frankfurt am Main, Federal Republic of Germany. The Issuer and the Guarantor, respectively, irrevocably waive any objection which it might now or hereafter have to the courts of Frankfurt am Main being nominated as the forum to hear and determine any Proceedings and to settle any Disputes, and agrees not to claim that any of those courts is not a convenient or appropriate forum.

(3) Place of Performance

Place of performance shall be Frankfurt am Main, Federal Republic of Germany.

(4) Process Agent

For any legal disputes or other proceedings before German courts, the Issuer appoints Hannover Rückversicherung AG, Karl-Wiechert-Allee 50, 30625 Hannover, Federal Republic of Germany, as authorised agent for accepting services of process.

(5) Enforcement of Rights

Any Noteholder may in any proceedings against the Issuer or the Guarantor protect and enforce in its own name its rights arising under its Notes by submitting the following documents: (a) a certificate issued by its Depository Bank (i) stating the full name and address of the Noteholder, (ii) specifying an aggregate principal amount of Notes credited on the date of such certificate to such Noteholder's securities account maintained with such Depository Bank and (iii) confirming that the Depository Bank has given a written notice to the Clearing System as well as to the Principal Paying Agent containing the information pursuant to (i) and (ii) and bearing acknowledgements of the Clearing System and the relevant Clearing System account holder as well as (b) a copy of the Global Note certified by a duly authorised officer of the Clearing System or the Fiscal Agent as being a true copy.

§ 13 (Language)

These Terms and Conditions are written in the German language and provided with an English language translation. The German text shall be the only legally binding version. The English language translation is provided for convenience only.

GERMAN LANGUAGE GUARANTEE

NACHRANGIGE GARANTIE

der

Hannover Rückversicherung AG
Hannover, Bundesrepublik Deutschland

zugunsten der Anleihegläubiger der
Garantierten Nachrangigen Anleihe von 2004/2024
mit einem Gesamtnennbetrag von
€ 750.000.000
(die „Schuldverschreibungen“)

der

Hannover Finance (Luxembourg) S. A.
(die „Emittentin“)

Die Hannover Rückversicherung AG (die „**Garantin**“) garantiert hiermit gegenüber Anleihegläubigern, auf nachrangiger Basis, unbeding und unwiderruflich die ordnungsgemäße und fristgerecht Zahlung von Kapital, Zinsen und sonstigen aus den Schuldverschreibungen zu zahlenden Beträgen, die von der Emittentin auf die Schuldverschreibungen zahlbar sind.

Die Verpflichtungen der Garantin aus dieser nachrangigen Garantie sind nachrangig gegenüber ranghöheren, nicht nachrangigen Forderungen sämtlicher sonstigen Gläubiger der Garantin und zumindest gleichrangig mit allen anderen nachrangigen Forderungen gegen die Garantin. Im Fall der Auflösung, der Liquidation, der Insolvenz oder eines der Abwendung der Insolvenz der Garantin dienenden Verfahrens stehen Verbindlichkeiten aus der Garantie nicht nachrangigen Ansprüchen aller anderen Gläubiger im Rang nach, so dass Zahlungen auf die Garantie erst erfolgen, wenn alle Ansprüche gegen die Garantin aus nicht nachrangigen Verbindlichkeiten vollständig befriedigt sind. Jedes Recht zur Aufrechnung gegen Ansprüche der Garantin mit Ansprüchen aus den Schuldverschreibungen oder dieser nachrangigen Garantie ist ausgeschlossen.

Für die Rechte der Anleihegläubiger aus dieser nachrangigen Garantie ist diesen keine Sicherheit durch die Garantin oder durch Dritte gestellt; eine solche Sicherheit wird auch zu keinem Zeitpunkt gestellt werden. Nachträglich können weder der Nachrang dieser Garantie beschränkt, noch die Laufzeit der Garantie verkürzt werden. Eine vorzeitige Zahlung ist der Garantin ohne Rücksicht auf entgegenstehende Vereinbarungen zurückzugewähren, sofern die Garantin nicht aufgelöst wurde oder sofern nicht der Betrag durch die Einzahlung anderer, zumindest gleichwertiger Eigenmittel ersetzt worden ist.

Es ist Sinn und Zweck dieser nachrangigen Garantie sicherzustellen, daß die Anleihegläubiger unter allen Umständen, ob rechtlicher oder tatsächlicher Natur, und unabhängig von der Wirksamkeit oder Durchsetzbarkeit der Verpflichtungen der Emittentin oder der Gesellschaft (außer der Garantin), die gegebenenfalls die Emittentin gemäß § 11 der Bedingungen der Schuldverschreibung (die „**Anleihebedingungen**“) ersetzt hat (die „**Neue Emittentin**“), und unabhängig von sonstigen Gründen, aufgrund derer eine Zahlung durch die Emittentin oder die Neue Emittentin unterbleiben mag, die zahlbaren Kapitalbeträge, Zinsen und sonstigen aufgrund der Anleihebedingungen an die Anleihegläubiger zahlbaren Beträge zu den Fälligkeitsterminen erhalten, die in den Anleihebedingungen festgesetzt sind.

Sämtliche Zahlungen unter dieser nachrangigen Garantie werden ohne Einbehalt oder Abzug von Steuern, Abgaben, Festsetzungen oder behördlichen Gebühren jedweder Art („**Steuern**“) geleistet, die von dem Großherzog-

ENGLISH LANGUAGE TRANSLATION OF THE GUARANTEE SUBORDINATED GUARANTEE

of

Hannover Rückversicherung AG
Hanover, Federal Republic of Germany

for the benefit of the Bondholders of the
Guaranteed Subordinated Bonds of 2004/2024
in an aggregate principal amount
€ 750,000,000
(the “Bonds”)

of

Hannover Finance (Luxembourg) S. A.
(the “Issuer”)

Hannover Rückversicherung AG (the “**Guarantor**“) guarantees to the Bondholders, on a subordinated basis, unconditionally and irrevocably the due and timely payment of principal, interest and any other amounts payable by the Issuer on the Bonds.

The obligations of the Guarantor under this subordinated Guarantee shall be subordinated to the claims of all other creditors of the Guarantor which are senior and not subordinated, rank at least *pari passu* with all other subordinated obligations of the Guarantor. In the event of the dissolution, liquidation, insolvency or any proceeding for the avoidance of insolvency of the Guarantor, such obligations will be subordinated to the claims of all unsubordinated creditors of the Guarantor so that in any such event no amounts shall be payable under the Guarantee until the claims of all unsubordinated creditors of the Guarantor shall first have been satisfied. Any right to set-off claims arising from this subordinated Guarantee against claims of the Guarantor shall be excluded.

No security of whatever kind is, or shall at any time be, provided by the Guarantor or any other person securing rights of the Bondholders under the subordinated Guarantee. No subsequent agreement may limit the subordination of this Guarantee or shorten the term of this Guarantee. If the Notes are redeemed before the Redemption Date the amounts redeemed must be returned to the Issuer irrespective of any agreement to the contrary unless the Issuer has been dissolved or such amounts have been replaced by other at least equivalent capital (*Eigenmittel*) of at least equal status.

The intent and purpose of this subordinated Guarantee is to ensure that the Bondholders under all circumstances, whether factual or legal, and regardless of the validity and enforceability of the obligations of the Issuer or the company (other than the Guarantor) which may have been substituted for the same (the “**Substitute Issuer**“) pursuant to § 11 of the terms and conditions of the bonds (the “**Conditions**“), or of any other grounds on the basis of which the Issuer or the Substitute Issuer may fail to effect payment, shall receive the amounts payable as principal, interest and other amounts payable to the Bondholders pursuant to the Conditions on the due dates therefor provided for in the Conditions.

All payments under this subordinated Guarantee will be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature (“**Taxes**“) imposed, levied, col-

tum Luxemburg bzw. der Bundesrepublik Deutschland oder einer ihrer Gebietskörperschaften oder Behörden mit der Befugnis zur Erhebung von Steuern auferlegt, erhoben, eingezogen, einbehalten oder festgesetzt werden, es sei denn, ein solcher Einbehalt oder Abzug ist gesetzlich vorgeschrieben. In einem solchen Falle wird die Garantin zusätzliche Beträge zahlen (die „**Zusätzlichen Beträge**“), so dass die Anleihegläubiger die Beträge erhalten, die sie ohne Einbehalt oder Abzug erhalten hätten. Solche Zusätzlichen Beträge sind jedoch nicht zahlbar wegen solcher Steuern:

- (i) denen ein Anleihegläubiger wegen einer anderen Beziehung zum Großherzogtum Luxemburg bzw. der Bundesrepublik Deutschland unterliegt als der bloßen Tatsache, dass er der Inhaber der betreffenden Schuldverschreibungen ist; oder
- (ii) deren Einbehalt oder Abzug auf eine Zahlung an eine natürliche Person erfolgt und zwar auf der Grundlage der Richtlinie 2003/48/EC der Europäischen Union oder einer anderen Richtlinie der Europäischen Union zur Besteuerung privater Zinserträge, die die Beschlüsse der ECOFIN-Versammlung vom 26. bis 27. November 2000 umsetzt oder aufgrund eines Gesetzes, das aufgrund solcher Richtlinie erlassen wurde, ihr entspricht oder eingeführt wurde, um dieser Richtlinie nachzukommen; oder
- (iii) denen der Anleihegläubiger nicht unterläge, wenn er seine Schuldverschreibungen binnen 30 Tagen nach Fälligkeit bzw., falls die notwendigen Beträge der Hauptzahlstelle bei Fälligkeit nicht zur Verfügung gestellt worden sind, nach dem Tag, an dem diese Mittel der Hauptzahlstelle zur Verfügung gestellt worden sind und dies gemäß § 10 der Anleihebedingungen bekannt gemacht wurde, zur Zahlung vorgelegt hätte.

Diese nachrangige Garantie ist ein Vertrag zugunsten der jeweiligen Anleihegläubiger als begünstigte Dritte gemäß § 328(1) BGB, der jedem Anleihegläubiger das Recht gibt, Erfüllung der hierin übernommenen Verpflichtungen unmittelbar von der Garantin zu verlangen und diese Verpflichtungen unmittelbar gegen die Garantin durchzusetzen.

Die Garantin erklärt, dass für den Fall von Zahlungen der Emittentin an Anleihegläubiger, die nach erfolgter Zahlung insgesamt oder zum Teil für unwirksam, missbräuchlich oder anfechtbar erklärt werden und/oder an die Emittentin, die Insolvenzmasse, den Insolvenzverwalter oder an eine andere Partei aufgrund irgendeines Insolvenzrechts oder dessen Auslegung zurückgezahlt werden, diese Garantin und Beträge oder Teilbeträge, die durch solche Zahlungen bereits beglichen, abgegolten oder befriedigt wurden, in vollem Umfang wie vor dem Zeitpunkt der ersten Zahlung, Abgeltung oder Befriedigung fortbestehen.

Begriffe, die in den Anleihebedingungen definiert sind, haben in dieser nachrangigen Garantie die gleiche Bedeutung wie in den Anleihebedingungen, soweit sie in dieser nachrangigen Garantie nicht anderweitig definiert sind.

Die diese nachrangige Garantie annehmende Deutsche Bank Aktiengesellschaft, Frankfurt am Main, handelt nicht als Treuhänderin oder in ähnlicher Funktion für die Anleihegläubiger. Die Deutsche Bank Aktiengesellschaft, Frankfurt am Main, verpflichtet sich, das Original dieser nachrangigen Garantie bis zur Erfüllung sämtlicher Verpflichtungen aus den Schuldverschreibungen und dieser nachrangigen Garantie zu verwahren.

lected, withheld or assessed by the Grand-Duchy of Luxembourg or the Federal Republic of Germany (as the case may be) or any political subdivision or any authority of or in the Grand-Duchy of Luxembourg or the Federal Republic of Germany (as the case may be) that has power to tax, unless that withholding or deduction is required by law. In that event, the Guarantor (as the case may be) will pay such additional amounts (the “**Additional Amounts**”) as will result in receipt by the Bondholders of the same amounts as they would have received if no such withholding or deduction had been required. However, no such Additional Amounts shall be payable with respect to such Taxes:

- (i) to which a Bondholder is liable because of a relationship with Grand-Duchy of Luxembourg or the Federal Republic of Germany other than the mere fact of his being the holder of the relevant Bonds; or
- (ii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26–27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (iii) to which the Bondholder would not be subject if he had presented his Bonds for payment within 30 days from the due date for payment, or, if the necessary funds have not been provided to the Fiscal Agent when due, from the date on which such funds have been provided to the Fiscal Agent, and a notice to that effect has been published in accordance with § 10 of the Conditions.

The Subordinated Guarantee constitutes a contract in favour of the Bondholders from time to time as third party beneficiaries pursuant to § 328(1) of the German Civil Code (*Bürgerliches Gesetzbuch*) giving rise to the right of each Noteholder to require performance of the obligations undertaken herein directly from the Guarantor and to enforce such obligations directly against the Guarantor.

The Guarantor further agrees that to the extent that the Issuer makes a payment or payments to the Bondholders, which payment or payments or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside, and/or required to be repaid to the Issuer or its estate, trustee, receiver, or any other party under any bankruptcy law, or officially binding interpretation thereof, then to the extent of such payment or repayment, this Guarantee and the advances or part thereof that have been paid, reduced, or satisfied by such amount shall be reinstated and continued in full force and effect as of the date such initial payment, reduction, or satisfaction occurred.

Unless otherwise defined herein, terms used herein and defined in the Conditions shall in this subordinated Guarantee have the meaning attributed to them in the Conditions.

Deutsche Bank Aktiengesellschaft, Frankfurt am Main, which accepts this subordinated Guarantee does not act in a fiduciary or similar capacity for the Bondholders. Deutsche Bank Aktiengesellschaft, Frankfurt am Main, agrees to hold the original copy of this subordinated Guarantee in custody until all obligations under the Bonds and the subordinated Guarantee have been fulfilled.

Die Rechte und Pflichten aus dieser nachrangigen Garantie bestimmen sich ausschließlich nach deutschem Recht. Gerichtsstand ist Frankfurt am Main, Bundesrepublik Deutschland.

Die deutsche Fassung dieser nachrangigen Garantie ist allein rechtsverbindlich. Die englische Übersetzung dient nur der Information.

Hannover,

26. Februar 2004

Hannover Rückversicherung AG

The rights and obligations arising from this Subordinated Guarantee shall in all respects be determined in accordance with German law. The place of jurisdiction shall be Frankfurt/Main, Federal Republic of Germany.

The German version of this Subordinated Guarantee shall be the only legally binding version. The English translation is for convenience only.

Hannover,

26 February 2004

Hannover Rückversicherung AG

Wir nehmen die obenstehenden Erklärungen an.

Frankfurt am Main,

26. Februar 2004

Deutsche Bank Aktiengesellschaft

We accept all of the above.

Frankfurt am Main,

26 February 2004

Deutsche Bank Aktiengesellschaft

USE OF PROCEEDS

The net proceeds of the issuance of the Bonds to be issued on 26 February 2004, amounting to approximately € 742,000,000, will be used to strengthen the capital base of the group.

DESCRIPTION OF THE ISSUER

Incorporation, Corporate Seat, Duration and Objects

The Issuer was incorporated as a public limited liability company (*société anonyme*) for an unlimited duration on 8 February 2001 in the Grand Duchy of Luxembourg. It has its registered office at 25A, Boulevard Royal, L 2449 Luxembourg. The Issuer was registered on 28 February 2001 with the trade and companies register at the district court of Luxembourg under number B 80692 and its articles of incorporation have been published in *the Mémorial C number 804, Recueil des Sociétés et Associations* ("Mémorial C") of the Grand Duchy of Luxembourg on 2 September 2002. The articles of incorporation of the Issuer were amended on 14 July 2003 and were published in the Mémorial C on 29 August 2003.

The object of the Issuer is the holding of participations, in any form whatsoever, directly or indirectly, in Luxembourg or in foreign companies, the acquisition by purchase, subscription or in any other way of stocks, bonds, notes, debentures or other securities of any kind; the securitisation of loans as well as the transfer by sale, exchange or otherwise and the holding, development and management of these securities. The Issuer may also hold participations in partnerships.

The Issuer may enter into loans of any nature, issue debt securities as well as it may enter into any other type of secured liabilities. The Issuer may grant loans to its subsidiaries or to any other companies of the Hannover Re Group. The Issuer may also stand surety for its subsidiaries or any other companies of the Hannover Re Group vis-à-vis third parties. The Issuer may pledge its assets in total or in part in favour of any person which puts any necessary financial resources at its disposal.

The Issuer may conclude currency swap contracts and/or interest rate swaps, as well as it may enter into contracts on derivative instruments, currency hedging and/or similar contracts. In general, the Issuer may avail itself of all and any investment methods which are in the interest of the development of the Issuer, in particular methods aiming at protecting the Issuer from risks linked to currencies, interest losses or similar risks.

The Issuer may also take all controlling measures and carry out all transactions which it may deem useful in the accomplishment and development of its corporate object.

The annual general meeting of the shareholders of the Issuer takes place on the second Wednesday of June at 11.00 a. m. at the registered office of the Issuer. The Issuer does not have any subsidiaries and it does not hold any real estate.

Share Capital

The issued paid in capital of the Issuer of € 600,000 consists of 600 registered shares with par value of € 1,000 per share. Together with a capital reserve (*Ausgabeagio*) of € 13,400,000, the total capital amounts to € 14,000,000.

Ownership

599 of the 600 shares are held by the Guarantor; one share is held by Mr. Dietmar Stenzel, who is one of the three directors of the Issuer.

Capitalisation

The following tables set forth the capitalisation of the Issuer (reviewed) as at 30 September 2003:

Capitalisation as of 30 September 2003

	30 September 2003	30 September 2003 adjusted for the present issue
	(€)	(€)
Paid in capital consisting of 600 shares	600,000	600,000
Capital reserve	13,400,000	13,400,000
Total stockholder's equity	14,000,000	14,000,000
Notes payable	350,000,000	1,100,000,000
Total capitalisation	364,000,000	1,114,000,000

Save for the Bonds to be issued as described in this Offering Circular, there has been no material change to the capitalisation of the Issuer since 30 September 2003.

Management

The company has a Board of Directors (*Verwaltungsrat*) consisting of three directors. The Issuer has no employees. The Board of Directors consists of:

Wilhelm Zeller (Chairman)

Elke A. König

Dietmar Stenzel

The business address of the members of the Board of Directors is 25A, Boulevard Royal, L 2449 Luxembourg.

In addition to being the directors of the Issuer, Wilhelm Zeller and Dr. Elke A. König are also members of the Executive Board of the Guarantor and of certain other companies within the Hannover Re Group.

Financial Year

The financial year of the Issuer is the calendar year.

Auditors

The Issuer's statutory auditor (*Kommissar*) is KPMG Luxembourg Audit s.c., having its registered office at 31 Alleé Scheffer, L-2520 Luxembourg. The audited financial statements of the Issuer for the year ended 31 December 2001 and 2002 and the reviewed interim report of the Issuer for the first nine months of 2003 are incorporated by reference into this Offering Circular. Copies thereof may be obtained free of charge at the offices of the Paying Agent in Luxembourg.

Recent Developments

There has been no material change in the financial condition of the Issuer since 30 September 2003, other than as disclosed in this Offering Circular.

Hannover Finance (Luxembourg) S. A.

Luxembourg GAAP

	31 December 2001	31 December 2002	30 September 2003
	000' €	000' €	000' €
Assets			
Fixed-income Securities – available for sale	232,290	261,725	254,931
Other Invested Assets	100,000	100,000	103,175
Short-term Investments	26,471	1,230	3,804
Total Investments and Cash	<u>358,761</u>	<u>362,955</u>	<u>361,910</u>
Other Assets	2,464	2,379	2,316
Accrued Interest and Rent	9,760	11,660	6,725
Totals	<u><u>370,985</u></u>	<u><u>376,994</u></u>	<u><u>370,951</u></u>

	31 December 2001	31 December 2002	30 September 2003
	000' €	000' €	000' €
Liabilities			
Other Liabilities	23,646	38,665	11,955
Bond Payable	350,000	350,000	350,000
Total Liabilities	<u>373,646</u>	<u>388,665</u>	<u>361,955</u>
Common Stock	200	200	600
Capital Reserve	300	300	13,400
Retained Earnings			
Beginning of Period	0	– 3,161	– 12,171
Net Income/Loss	– 3,161	– 9,010	7,167
End of Period	<u>– 3,161</u>	<u>– 12,171</u>	<u>– 5,004</u>
Total Stockholders' Equity	<u>– 2,661</u>	<u>– 11,671</u>	<u>8,996</u>
Totals	<u><u>370,985</u></u>	<u><u>376,994</u></u>	<u><u>370,951</u></u>

Hannover Finance (Luxembourg) S. A.

Luxembourg GAAP

	8 February – 31 December 2001	1 January – 31 December 2002	1 January – 30 September 2003
	000' €	000' €	000' €
Ordinary Investment Income	16,714	22,032	16,671
Realised Gains on Investments	1,593	1,647	5,949
Depreciation on Investments	– 1,347	– 9,895	1,165
Other Income/Expenses	– 2,680	– 917	– 256
Interest Expense on Bond Payable	<u>– 17,441</u>	<u>– 21,877</u>	<u>– 16,361</u>
Net Income/Loss	<u><u>– 3,161</u></u>	<u><u>– 9,010</u></u>	<u><u>7,168</u></u>

DESCRIPTION OF THE GUARANTOR

Overview

Hannover Re Group, with gross premiums of € 12.5 billion, is one of the five largest reinsurance groups in the world. It transacts all lines of property/casualty, life/health as well as financial reinsurance and program business. It maintains business relations with more than 3,000 insurance companies in about 150 countries. Its worldwide network consists of more than 100 subsidiaries, branch and representative offices in 19 countries.

The Hannover Re Group has four business segments: property and casualty reinsurance, which in 2002 contributed 48% to the Hannover Re Group's gross written premiums, life and health reinsurance (20%), financial reinsurance (10%) and program business (22%).

Hannover Rückversicherung AG

Incorporation, Corporate Seat, Duration, Corporate Purpose and Regulation

Hannover Re was incorporated as a stock corporation on 6 June 1966 in Bochum under the name "Aktiengesellschaft für Transport und Rückversicherung". The founders of Hannover Re were Feuer-schadenverband Rheinisch Westfälischer Zechen V.a.G., Haftpflichtverband der Deutschen Industrie V.a.G., Haftpflicht Unterstützungs Kasse kraftfahrender Beamter Deutschlands a.G., Schadenschutzverband GmbH and Westfalen Bank AG. The major shareholders of Hannover Re, namely Feuer-schadenverband Rheinisch Westfälischer Zechen V.a.G. and Haftpflichtverband der Deutschen Industrie V.a.G., later merged to form HDI Haftpflichtverband der Deutschen Industrie V.a.G. ("HDI"), which now indirectly holds the shares of Hannover Re through Talanx Aktiengesellschaft ("Talanx").

The registered office of Hannover Re is at Karl-Wiechert-Allee 50, 30625 Hannover, Germany. Hannover Re is registered with the Commercial Register of the Local Court (*Amtsgericht*) Hannover under the registration number HRB 6778. The corporate purpose of Hannover Re, as stated in its articles of association, is to pursue activities in the reinsurance business. Hannover Re may also engage in other insurance business.

The duration of Hannover Re is unlimited.

Announcements of Hannover Re are published in the electronic Federal Gazette of Germany (*elektronischer Bundesanzeiger*).

Share Capital, Shares and Dividends

Share Capital

As of 30 September 2003, the issued share capital of Hannover Re amounted to € 120,597,134.00, consisting of 120,597,134 ordinary registered no-par-value shares (*Stückaktien*). All shares are fully paid up and have the same voting rights.

The capital stock has been increased contingently by up to € 48,500,000.00 through the issue of up to 48,500,000 new registered no-par-value shares with participating rights effective from the beginning of the financial year in which they are issued.

Hannover Re has an aggregate authorised share capital (*genehmigtes Kapital*) of € 25,066,794.00. In general, the shareholders have pre-emptive rights with respect to newly issued shares. However, the Executive Board, with the consent of the Supervisory Board, may exclude the pre-emptive rights under certain circumstances as set forth in the articles of association of the Guarantor.

Hannover Re also has issued *Genussscheine* (surplus debentures) in an aggregate principal amount of DM 150 million (€ 76.7 million). The holders of the *Genussscheine* have a claim for an annual dis-

tribution of 7.55% on the principal amount, payable out of the profits of Hannover Re. The distribution on the *Genussscheine* for a specific financial year as well as any arrears on the *Genussscheine* both have to be paid before a dividend may be distributed to the shareholders.

The ordinary shareholders' meeting of Hannover Re of 27 May 2003, authorised the Executive Board of Hannover Re to buy back up to 10% of its outstanding share capital. The authorisation expires on 31 October 2004 in accordance with § 71 Section 1 No. 8 Stock Corporation Act (Aktengesetz AktG). As at 31 December 2003 such shares had not been repurchased.

Shares

After a placement of 20.6% of the issued share capital of Hannover Re with institutional investors on 18 February 2004, Talanx Aktiengesellschaft holds 51.2% of the issued share capital of Hannover Re. The remaining 48.8% is publicly held. The shares of Hannover Re are listed for trading on the Frankfurt and Hannover Stock Exchanges. The shares are represented by a global share certificate, which has been deposited with Clearstream Banking AG, Frankfurt am Main. The shareholders are not entitled to request the delivery of share certificates.

The annual ordinary general meeting of shareholders of Hannover Re takes place at least once a year and passes resolutions with respect to the allocation and distribution of profits and the discharge of responsibilities of the Executive Board and the Supervisory Board. The meeting takes place within the first fourteen months after the end of the financial year and is called by the Executive Board. To attend and vote, shareholders must be registered in the share register of Hannover Re and give advanced notice of their intention to attend and vote. The announcement of a shareholders' meeting must be published in the electronic Federal Gazette of Germany (*elektronischer Bundesanzeiger*).

Dividends

Dividends are proposed by the Supervisory Board and Executive Board, and are approved at the annual ordinary general meeting of shareholders. If approved, dividends are paid once a year promptly following the general meeting. Dividends may be declared and paid from the balance sheet profit (*Bilanzgewinn*) only, as shown in the annual financial statements. The annual financial statements are adopted and approved by resolution of the Executive Board and the Supervisory Board. In determining the distributable balance sheet profits, the Executive Board and the Supervisory Board are authorised to allocate to other revenue reserves (*andere Gewinnrücklagen*) up to 50% of the net income (*Jahresüberschuss*) that remains after deduction of amounts to be allocated to the statutory reserves and losses carried forward. The ordinary general meeting, which resolves on the distribution of profits, is entitled to allocate additional amounts to the profit reserves and to carry forward the profits in part or in full.

For the financial years 2000, 2001 and 2002 Hannover Re has paid the following dividends on fully paid up shares:

Dividends per share (Hannover Re)

	<u>Dividend</u>
	€
2000	1.21
2001	–
2002	0.85

The Hannover Re Group

Hannover Re is the parent company of the Hannover Re Group. The consolidated financial statement includes six German and sixteen foreign companies, as well as three foreign consolidated entities.

Hannover Re conducts its own reinsurance business and also operates as a holding company, performing management and control functions within the Hannover Re Group. As of December 2002,

total assets of the Hannover Re Group amounted to € 33.6 billion (2001: € 32.6 billion). As of 30 September 2003, total assets of the Hannover Re Group amounted to € 35.2 billion. As of 31 December 2002, the Hannover Re Group globally employed a total of 2,016 employees, consisting of 750 in Germany, 760 in the US, 153 in South Africa, 96 in the UK and Ireland and 257 in other countries.

Application of US GAAP FAS 141 D 11–D 18 (“as-if pooling” method)

Hannover Reinsurance (Dublin) Limited (HRD, formerly: HDI Reinsurance (Ireland) Limited), which Talanx had transferred to the Hannover Re as contribution in kind, was consolidated in Hannover Re Group’s quarterly accounts as of 30 September 2003 for the first time. At this point the due date for the first time recognition of the transferred company was determined to be the effective date of the transaction 1 July 2003. This accounting treatment was agreed with the auditor within the regular review for the third quarter 2003.

The “as-if pooling”-accounting method is a US GAAP speciality which applies only for transactions under “common control”. Following 30 September 2003 it had been clarified together with the auditor that the “as-if pooling” method has to be applied because Talanx as parent company exercised “common control” over Hannover Re and HRD and therefore various adjustments have to be made to fully comply with US GAAP requirements.

The main consequence of the “as-if pooling” is that HRD has to be considered “as-if” the company had been part of the Hannover Re Group since the beginning of the year already and the figures for the previous year have to be adjusted accordingly. For all addressees of the financial statements this – in the company’s view – would not reflect Hannover Re Group’s performance 2003.

Based on these considerations “as-if pooling”-figures were added pro forma but the results are discussed on the basis of financial statements as historically published.

Capitalisation

The following table shows the capitalisation of Hannover Re Group as of 30 September 2003:

Capitalisation (Hannover Re Group) (1)

	30 September 2003 Historically published US GAAP	30 September 2003 US GAAP “as if pooling method”
	000’ €	000’ €
Common stock	120,597	120,597
Additional Paid-in capital	764,199	724,562
Total comprehensive income	– 196,369	– 181,512
Retained earnings	1,641,637	1,666,417
Total stockholders’ equity	<u>2,330,064</u>	<u>2,330,064</u>
Surplus debentures	117,597	117,597
Notes payable	691,207	691,207
Total capitalisation	<u><u>3,138,868</u></u>	<u><u>3,138,868</u></u>

(1) Save as disclosed above, there has been no material change to the capitalisation of Hannover Re Group since 30 September 2003.

Business Development of Hannover Re Group for the period until 31 December 2002

Property and Casualty Reinsurance

The improvement in premiums and conditions in the reinsurance markets, which had begun to emerge even before the terrorist attacks of 11 September 2001, gathered momentum in the months thereafter. This market hardening resulted in a positive effect during each phase of renewals in 2002 for all lines of business of Hannover Re Group.

In the cyclical property and casualty reinsurance sector Hannover Re Group pursues a strategy of profit orientation. Growth and enlargement of market share is sought only during phases of hard market. The fact that Hannover Re Group writes the bulk of its property and casualty reinsurance business centrally from its home office in Hannover provides flexibility in each market situation. This centralisation also helps control the quality of the treaties written as well as pooling of know-how and experience.

Worldwide, Hannover Re Group prefers to write non-proportional business, since profit margins in this area are higher than for proportional treaties. In 2002 Hannover Re Group increased the proportion of property and casualty reinsurance portfolio what is accounted for by non-proportional treaties to 69.8% across all countries and lines of business.

Life and Health Reinsurance

In the life and health reinsurance business group – represented on the worldwide market by the Hannover Life Re brand – Hannover Re Group follows an approach to finding solutions for clients' needs ranging from the establishment of a new company (financing of new business) to fiscal optimization and strategic market positioning (product partnerships). Life/health reinsurance made up 19.8% of total business volume in 2002, amounting to € 2.5 billion. In an internationally diversified portfolio Hannover Re Group concentrates on the reinsurance of life insurance and pension schemes.

Proportional reinsurance continues to be the dominant product line; non-proportional covers are used for the most part in group insurance and as catastrophe excess of loss coverage.

Financial Reinsurance

Via its strategic business group financial reinsurance Hannover Re Group offers individually structured coverage in order to stabilize its clients' profits and protect their financial statements. In this business group Hannover Re Advanced Solutions, as an established brand for financial reinsurance, is positioned as one of the three market leaders worldwide. In the 2002 financial year, gross written premiums amounted to € 1.2 billion, which is 10.0% of the total business volume.

In 2002 the situation in the major primary markets for financial reinsurance was characterised by substantial rate increases around the world. Demand for simple financial reinsurance products aimed at protecting key balance sheet figures climbed. Rate rises were particularly pronounced in the USA as a consequence of the competition that had prevailed for many years and the associated failure by many insurers to constitute adequate reserves. The growth in premium volumes led to a squeeze of solvency margins, especially for mid-sized and smaller insurers.

Program Business

Program business involves narrowly defined homogeneous primary insurance portfolios (programs) that typically cover non-standard niche business. This business model is well-established in the US and is based on outsourcing of essential tasks (such as acquisition, underwriting or damage control) to underwriting agencies or third parties. Programs are written in all classes of insurance.

The Clarendon Insurance Group writes the bulk of the program business. Since mid-2001 Clarendon has been led by new management, which pursues a business policy focused more closely on the quality of the gross business.

In addition to Clarendon Group, program business is also written by the US subsidiary Insurance Corporation of Hannover (ICH). Effective 31 December 2002, ICH was integrated into the Clarendon Group in order to bundle Hannover Re Group's activities in program business. ICH constitutes a complement to Clarendon's established business, since it writes relatively small programs run largely in its retention.

The International Insurance Company of Hannover Ltd. (the "Inter Hannover") in London also transacts program business. Inter Hannover writes the bulk of its business in the United Kingdom and on the European Continent.

Along with the aforementioned companies, Compass Insurance Co.Ltd., Johannesburg, another member of the Hannover Re Group, also conducts program business. This company was consolidated for the first time in 2002. Compass established the program model in the South African market.

As at 31 December 2003, the major operating subsidiaries of Hannover Re were:

E+S Rückversicherungs-AG, Hannover/Germany

E+S Rückversicherungs-AG, Hannover, is a 55.78% owned subsidiary of Hannover Re. The majority of the remaining shares are held by seven German mutual insurance companies. E+S Rückversicherungs-AG has various subsidiaries in several countries. Within the Hannover Re Group, E+S Rückversicherungs-AG is exclusively responsible for the German business and operates in both property and casualty reinsurance as well as life and health reinsurance segments.

Total gross written premium of E+S Rückversicherungs-AG were € 2.5 billion in 2002 (2001: € 1.9 billion). Net income in 2002 was € 20.0 million (2001: € 12.0 million).

Clarendon Insurance Group, Wilmington, Delaware/USA

Clarendon Insurance Group has been part of the Hannover Re Group since 1999. Clarendon Insurance Group operates as a primary insurer in the strategic segment of program business, in particular in the property and liability classes; it is one of the market leaders in this sector in the United States. Key areas consist of workers' compensation insurance, householders' and homeowners' comprehensive insurance and the insurance of non-standard motor risks (policyholders with a non-standard risk profile).

Total gross written premiums of Clarendon were US\$ 3.0 billion in 2002 and net income (on a stand alone basis) amounted to US\$ 33.5 million.

Hannover Re (Bermuda) Ltd, Hamilton/Bermuda

Hannover Re (Bermuda) Ltd ("HR Bermuda") in Hamilton/Bermuda was established in 2001 and is a wholly owned subsidiary of Hannover Re. HR Bermuda participates in various excess of loss property catastrophe reinsurance contracts.

Since 2002 HR Bermuda became the centre of competence within the Hannover Re Group for the writing of property catastrophe programs and therefore took on a special strategic role.

Other operating subsidiaries of the Hannover Re Group include:

International Insurance Company of Hannover Ltd., London/United Kingdom

Hannover Reinsurance Company (Ireland), Dublin/Ireland

E+S Reinsurance (Ireland) Ltd., Dublin/Ireland

Hannover Life Reassurance Company of America, Orlando/USA

Hannover Life Re of Australasia Ltd, Sydney/Australia

Hannover Life Reassurance (UK) Ltd., Virginia Water/United Kingdom

Hannover Reinsurance Group Africa (Pty) Ltd., Johannesburg/South Africa

Hannover Life Reassurance (Ireland) Ltd., Dublin/Ireland

Overview of the Business Development of the Hannover Re Group

2002 compared to 2001

The following is an overview of the Hannover Re Group's business development during the financial years 2002 and 2001, as reflected in its consolidated financial statements prepared in accordance with US GAAP.

	Property/Casualty		Life/Health		Financial Reinsurance		Program Business		Hannover Re Group	
	31 Decem- ber 2002	31 Decem- ber 2001								
	€ million/US GAAP									
Gross written premiums	6,020.0	4,938.5	2,471.5	2,371.0	1,242.6	1,740.6	2,729.1	2,457.4	12,463.2	11,507.5
Net earned premiums	3,502.1	2,989.3	2,142.2	1,740.3	1,211.0	1,280.3	832.9	486.1	7,688.2	6,496.0
Underwriting result	130.8	- 481.3	- 185.4	- 145.8	- 308.3	- 291.3	51.9	40.1	- 311.0	- 878.3
Investment income	255.9	361.4	268.4	196.8	357.2	358.0	46.9	29.6	928.4	945.8
Operating result before other expenses	386.7	- 119.9	83.0	51.0	48.9	66.7	98.8	69.7	617.4	67.5
Net income after tax and minorities . . .	154.1	- 75.5	30.0	23.2	39.7	45.6	43.4	17.8	267.2	11.1

Nine months ended 30 September 2003, compared to the nine months ended 30 September 2002

	Property/Casualty		Life/Health		Financial Reinsurance		Program Business		Hannover Re Group			
	30 Sep- tember 2003 US GAAP "as-if pooling method"	30 Sep- tember 2002 histori- cally published	30 Sep- tember 2003 US GAAP "as-if pooling method"									
	€ million/US GAAP											
Gross written premium	4,041.6	4,782.7	1,669.4	1,614.3	1,223.4	1,468.6	732.6	1,938.0	1,998.8	8,872.3	9,117.5	9,128.4
Net earned premium	2,638.7	2,867.2	1,390.7	1,369.9	1,089.7	1,190.5	516.5	789.9	578.9	5,909.0	6,009.8	5,332.5
Underwriting result	73.8	139.5	-92.2	-103.1	-126.3	-97.6	-173.1	29.1	41.4	-115.6	-86.9	-95.3
Investment income	305.4	190.0	152.1	145.1	222.7	266.7	211.5	36.6	27.6	716.8	760.8	574.2
Operating result before other expenses	379.2	329.5	59.9	42.0	96.4	169.1	38.4	65.7	69.0	601.2	673.8	478.9
Net income after tax and minorities	137.4	137.4	22.1	17.8	57.1	120.6	30.0	40.0	25.5	256.6	320.1	207.8

Business Development of Hannover Re Group in 2002 and for the period ended 30 September 2003

Business Development Overview

Having achieved a result of only € 11.1 million in 2001 owing to the terrorist attacks of 11 September 2001, Hannover Re Group returned to the profitability of previous years in 2002 with a net income of € 267.2 million.

With the exception of financial reinsurance – which had been influenced by special factors in the previous year – premium volume increased in all business groups. Total gross premium income grew by 8.3% or € 1.0 billion to € 12.5 billion in 2002.

As a consequence of the terrorist attacks on the World Trade Centre, reinsurance markets around the world experienced premium increases, and improvements in terms and conditions. This market hardening has been sustained in all property and casualty reinsurance lines since then. In accordance with Hannover Re Group's strategy of increasing its business and acquiring additional market share only during phases of cyclical upswing, premium volumes in property and casualty reinsurance increased.

In 2002 ordinary investment income grew by 18.9% to € 1.1 billion (€ 942.0 million). This rise was primarily due to higher deposit interest income. The difficult climate in the capital markets led to write-downs on investments of € 207.0 million; of this amount, € 164.6 million was attributable to equities. Equity allocation was less than 6% as at year-end 2002 which limited the required write-downs. The balance of realised price gains and losses increased compared to 2001; net investment income fell from € 945.7 million to € 928.4 million.

The operating result (EBIT) in 2002 increased by 331.2% to € 470.9 million (€ 109.2 million). The interest on hybrid capital in 2002 amounted to € 57.5 million (€ 56.1 million); the tax burden in 2002 totalled € 131.2 million (€ 17.5 million). After deducting minority interests of € 15.0 million (€ 24.6 million), consolidated net income of € 267.2 million (€ 11.1 million) was reported. This corresponds to earnings per share of € 2.75 (€ 0.11).

Hannover Re Group was satisfied with the development of its business in the first nine months of 2003:

Gross premium income declined slightly in the first nine months of 2003. This was primarily due to the relative appreciation of the € against the US\$ in a year-on-year comparison. Furthermore, the adjustments in strategy that were made in property and casualty reinsurance continued to be an influencing factor in the third quarter. Gross written premium across all business groups totalled € 8,872.3 million (30 September 2003 US GAAP "as-if pooling method": € 9,117.4 million; 30 September 2002: € 9,128.4 million) as of 30 September 2003, a slight decline of 2.8%. At constant exchange rates consolidated gross premium income would have grown by 8.7% year-on-year. Net premium earned moved contrary to gross written premium, rising by 10.8% to € 5,909.0 million (30 September 2003 US GAAP "as-if pooling method": € 6,009.8 million; 30 September 2002: € 5,332.6 million) as the level of retained premium increased to 71.0% (30 September 2003 US GAAP "as-if pooling method": 71.4%; 30 September 2002: 66.8%). Investment income developed in line with expectations; no significant write-downs were taken on investments.

Operating profit (EBIT) as at September 2003 increased by 41.5% to € 498.2 million (30 September 2003 US GAAP "as-if pooling method": € 569.2 million; 30 September 2002: € 352.2 million). Consolidated net income totalled € 256.6 million (30 September 2003 US GAAP "as-if pooling method": € 320.2 million), an increase of 23.5% compared to the same period of the previous year (€ 207.8 million). This corresponded to earnings of € 2.43 (30 September 2003 US GAAP "as-if pooling method": € 2.79; 30 September 2002: € 2.14) per share, an improvement of 13.6%.

As a consequence of the capital increase in June 2003 and the surpluses generated as at the end of the third quarter stockholders' equity increased to € 2,330.1 million, an increase of 34.0% compared with 1 January 2003 (€ 1,739.5 million). The business with HDI has been restructured. Hannover Re

Group shall no longer place HDI's entire reinsurance volume on the market, but instead shall merely assume the role of preferred reinsurer. Due to this restructuring and the increase in the level of retained premium, reinsurance recoverables on unpaid claims decreased as anticipated. Hannover Re Group contracted by 13.0% from € 6,179.9 million in the beginning of the financial year 2003 to € 5,379.4 million as at 30 September 2003. Hannover Re is on the way to reducing this item by one-third – based on the level as at year-end 2002 – by 2005.

Property and casualty reinsurance

Gross written premiums were enlarged by 21.9% to € 6.0 billion. In 2002 the € continued to rise steadily, especially against the US\$. The proportion of total gross premium income attributable to property and casualty reinsurance rose to 48.3% for the year ended 2002 (2001: 42.9%).

In 2002 net premium grew by 17.2% to € 3.5 billion; the retention rate at year-end 2002 was 62.7% (2001: 67.8%). The profitability of the business written is based on the change in the combined ratio. Leaving aside the extraordinary burden of the terrorist attacks of 11 September 2001, the combined ratio fell by 6.4 percentage points.

Catastrophe losses for Hannover Re Group in 2002 were in line with the multi-year average. They totalled € 182.0 million for net account. Catastrophe losses thus accounted for 5.2% of net premium income.

Hannover Re Group did not have to constitute significant additional reserves for losses from the terrorist attacks and from US liability business.

In the 2002 financial year in property and casualty reinsurance an underwriting profit of € 130.8 million (2001: € 481.3 million) was generated. For the first time since 1995 Hannover Re Group thus achieved a positive underwriting result in property and casualty reinsurance. Just as other market players throughout the industry, Hannover Re had to take write-downs on its equity portfolio in 2002. The comparatively low equity allocation throughout the year – standing at just 5.7% as at year-end – limited the write-downs as a whole. Overall, Hannover Re Group generated net income after tax of € 154.1 million, a figure € 229.7 million higher than in 2001. The earnings per share contributed by the property and casualty reinsurance business group to the consolidated result in 2002 thus stood at € 1.59 (2001: € -0.75).

Business climate in 2003 for property and casualty reinsurers remained favourable. This is reflected in adequate prices in all lines of business.

By 30 September 2003 the relative appreciation of the € compared to the same period of the previous year – especially against the US\$ – was the principal reason for the decline of 15.5% in gross written premiums to € 4,041.6 million (30 September 2002: € 4,782.7 million). Without this currency effect the decrease would have been a mere 8.4%. Two additional factors were relevant for the underwriting side: The restructuring of the entire reinsurance business of HDI and the continuing application of the "More from less" initiative, under which Hannover Re concentrates more closely on profitable market segments. By 30 September 2003, net premium earned amounted to € 2,638.7 million (30 September 2002: € 2,867.2 million) after the first nine months 2003, a decrease of 8.0% due to the higher level of retained premium.

The claims situation in the first nine months of 2003 has been positive. The proportion of catastrophe losses relative to net premium earned stood at 2.6% as at 30 September 2003. This figure remains below the multi-year average of roughly 5%. Hannover Re Group incurred two new natural catastrophe losses in the third quarter, namely the hurricanes "Fabian" and "Isabel" with a provisional total loss amount of € 47.3 million (for gross and net account). This corresponds to 4.8% of net premium earned in the third quarter. "Fabian" swept across Bermuda and the East Coast of the Southern United States, causing estimated insured losses of US\$ 300–350 million (Hannover Re Group's share: € 25.1 million). The insured damage caused by "Isabel" in the eastern parts of the USA is put at US\$ 500–1,000 million (Hannover Re Group's share: € 22.2 million).

The combined ratio in the first nine months of 2003 stood at 97.2% (30 September 2002: 95.1%). The higher level relative to the previous year was primarily due to the larger proportion of long-tail US casualty business. The underwriting result of € 73.8 million posted in the first nine months of 2003 was 47.1% lower than in the previous year (€ 139.5 million). This is a logical consequence of an adjusted business mix.

Investment income recorded in the third quarter helped to grow Hannover Re Group's operating profit (EBIT) as at 30 September 2003 by 27.8% to € 304.0 million (previous year: € 237.9 million). Despite higher tax expenditure, net income in the first nine months of 2003 increased by 2.2% to € 137.4 million (€ 134.5 million). The property and casualty reinsurance business group thus contributed earnings of € 1.30 (30 September 2003 US GAAP "as-if pooling method": € 1.20; 30 September 2002: € 1.38) per share to the Group's nine-month result.

Life and health reinsurance

Hannover Re Group asserted itself in 2002 in a highly competitive climate. In important insurance markets such as Germany, France, the United Kingdom, Italy, ASEAN and China, Hannover Re Group ranked among the top three reinsurers, while in Australia and Southern Africa Hannover Re Group has assumed the role of market leader. In the United States, Hannover Re considers itself a leading specialty provider for the reinsurance of already existing complete life and annuity portfolios.

Hannover Re Group is spread across a global network of seven "business centers" in which Hannover Life Re International – one of the life reinsurance divisions of Hannover Re – fulfils a central coordinating role. Consolidated gross premium income – excluding the premium deposits for unit-linked life and annuity products – grew by 4.2% to € 2.5 billion in 2002, while net premium earned increased by as much as 23.1% to € 2.1 billion due to reduced retrocession. The level of retained premium thus stood at 86.9% (2001: 73.7%). Growth derived from a number of European markets, including the United Kingdom and Ireland, as well as Asia.

The breakdown of the portfolio structure into the typical product lines of life, annuity, health and personal accident shifted further in favour of the preferred lines of life and annuity, which in sum now accounted for more than 68% of the total premium income in 2002.

Overall, 2002 closed with a diminished operating result (EBIT) of € 48.5 million (€ 50.5 million). The underwriting result decreased by € 39.7 million and net investment income improved by € 71.7 million. Net income after tax totalled € 30.0 million, a rise of 29.1% on 2001. Earnings per share in 2002 for the life and health reinsurance business group therefore amounted to € 0.31 (2001: € 0.24).

During the first nine months of 2003 life and health reinsurance developed in line with strategic targets and planning. Gross written premium as at 30 September 2003 amounted to € 1,669.4 million (previous year: € 1,614.3 million). Life and health reinsurance was similarly impacted by the strength of the € against the major foreign currencies. Despite adverse effects of exchange rates, net premium earned climbed by 1.5% to € 1,390.7 million (30 September 2002: € 1,369.9 million). Operating profit (EBIT) of € 48.9 million after the first nine months of 2003 surpassed the previous year's figure (30 September 2002: € 26.1 million) by 87.6%. Investment income was 4.8% higher than in the first nine months of 2002 due to lower write-downs on securities. Net income rose as at 30 September 2003 due to increased tax expenditure incurred by the German operations to show an improvement of 23.9% reaching € 22.1 million (30 September 2002: € 17.9 million). Profit contribution delivered by life and health reinsurance rose by 16.7% per share, to € 0.21 (30 September 2003 US GAAP "as-if pooling method": € 0.19; 30 September 2002: € 0.18).

Financial reinsurance

Hannover Re Advanced Solutions, Hannover Re Group's brand for financial reinsurance products, has positioned itself among the world's three largest providers.

In 2002, gross written premium in financial reinsurance declined overall by 28.6% to € 1.2 billion. This decrease was the consequence of extraordinary premium effects in the previous two years. In partic-

ular, additional premium were booked due to experience – based contracts as an after-effect of the losses of 11 September 2001. Net premium earned in this business group totalled € 1.2 billion (2001: € 1.3 billion), while the operating result (EBIT) stood at € 47.8 million (2001: € 65.7 million). The portfolio was dominated by contracts that are less prone to volatility. Earnings per share amounted to € 0.41 (2001: € 0.47).

Financial reinsurance gross written premiums rose by 67.0% by 30 September 2003 to reach € 1,223.4 million (30 September 2003 US GAAP “as-if pooling method”: € 1,468.6 million; 30 September 2002: € 732.6 million). In financial reinsurance, too, the growth after nine months would have been higher – as much as 88.8% – had exchange rates against the € remained stable. The sustained demand for solvency-supporting quota share arrangements accounts for growth of premium. As an additional factor, the financial reinsurance business of the HRD, which Hannover Re acquired as a contribution in kind from Talanx as part of the capital increase on 12 June 2003, was transferred with effect from 1 July 2003. The third quarter also witnessed the first transaction in East Asia and other transactions in Eastern Europe. With the level of retained premium higher than as at the third quarter of 2002 at 98.1% (30 September 2003 US GAAP “as-if pooling method”: 95.9%; 30 September 2002: 91.8%), the rise in net premium earned of 111.0% to € 1,089.7 million (30 September 2003 US GAAP “as-if pooling method”: € 1,190.5 million; 30 September 2002: € 516.5 million) was more marked than the growth in gross premium.

Operating profit (EBIT) increased more than premium volume, growing by 126.3% to € 90.3 million (30 September 2003 US GAAP “as-if pooling method”: € 161.4 million; 30 September 2002: € 39.9 million). After taxes this translated into net income of € 57.1 million as at 30 September 2003 (30 September 2003 US GAAP “as-if pooling method”: € 120.6 million; 30 September 2002: € 30.0 million). Profit contribution per share in financial reinsurance amounted to € 0.54 (30 September 2003 US GAAP “as-if pooling method”: € 1.05; 30 September 2002: € 0.31).

Program business

In 2002 gross premium in program business increased by 11.1% or € 271.7 million to € 2.7 billion. In view of the improved profitability of this business group the level of retained premium climbed by € 357.9 million to € 1,030.9 million (+ 53.2%). The Group’s retention now stands at 37.8% (previous year: 27.4%). Net income after tax totalled € 43.3 million (2001: € 17.8 million). Earnings per share in this business group reached € 0.45 (2001: € 0.18).

Under Clarendon Group’s new management the selection, assessment and controlling of the managing general agents was tightened up. Around 50% of the programs were terminated, corresponding to roughly 30% of the premium volume. On the other hand, a number of new programs were written.

Clarendon Group also increased its level of retained premium. It now retains a substantial portion of the risk in its own books; the retention has increased steadily and stood at 32.5% as of year-end 2002. Gross premium grew by 7.2% to € 2.4 billion, while net premium expanded by as much as 88.1% to € 568.1 million. Net income amounted to € 44.6 million.

In addition to the Clarendon Group, program business is written by its US subsidiary, Insurance Corporation of Hannover (ICH).

The International Insurance Company of Hannover Ltd. (Inter Hannover) in London also transacts program business. Inter Hannover writes the bulk of its business in the United Kingdom and on the European Continent. The market situation in this line remains satisfactory. In 2002 Inter Hannover expanded the number of programs written in the United Kingdom; a foundation was also laid in France as well as in Norway and Sweden.

Overall, Inter Hannover’s enlarged gross premium income increased by 28.8% to GBP 162.1 million (2001: € 258.2 million). Net premium grew by 71.0% to GBP 127.0 million (2001: € 202.2 million). By the year ended 2002 closed with net income was at € 7.0 million.

Along with the aforementioned companies, Compass Insurance Co. Ltd., Johannesburg generated gross premium of ZAR 337.1 million (€ 34.2 million) in 2002. Net premium of ZAR 212.0 million (€ 21.5

million) was retained after reinsurance. Due to expenses incurred for restructuring, Compass Insurance Co. Ltd. closed the year with a net loss of ZAR 47.4 million (€ 4.8 million).

In total, the companies operating in the program business segment generated gross premium income of € 2.7 billion (2001: € 2.5 billion) in 2002. Net income after tax totalled € 43.3 million (2001: € 17.8 million). Earnings per share in this business group reached € 0.45 (2001: € 0.18).

In the first nine months of 2003, program business followed up on restructuring and increasing its net retention.

Gross written premium in the first nine months of 2003 fell slightly by 3.0% to € 1,938.0 million (30 September 2002: € 1,998.8 million). At constant exchange rates, growth of 15.4% would have been generated. As a consequence of the increase in the level of retained premium net premium earned climbed by 36.5% to € 789.9 million (30 September 2002: € 578.9 million). The increase of 3.4 percentage points in the combined ratio to 96.3% (30 September 2002: 92.9%) was due to higher retention and the associated lower commission income.

Increased investment income also led to a rise in operating profit (EBIT) as at 30 September 2003 by 13.7% to € 54.9 million (30 September 2002: € 48.3 million). The growth in net income generated from program business amounted to € 40.0 million (30 September 2002: € 25.5 million) after nine months of 2003, a rise of 56.9%. Program business contributed earnings of € 0.38 (30 September 2003 US GAAP "as-if pooling method": € 0.35; 30 September 2002: € 0.26) per share to the Group result.

Investments

Despite adverse effects resulting from exchange rate movements, the total portfolio of self-managed assets (i.e. excluding funds held by ceding companies) grew in 2002 by 4.8% to € 12.7 billion, primarily explained by the performance of the reinsurance business which generated significant cash inflows.

Hannover Re further reduced the proportion of dividend-bearing securities in its portfolio in 2002, comprising liquid blue chips listed on major indices (EURO Stoxx, Nikkei, S&P 500). As at year-end only 5.7% of the investment portfolio compared in listed stocks.

Hannover Re pursued its long-term strategy of investing in alternative investments, which contributed to the positive performance.

Ordinary income in 2002 increased by € 177.6 million to € 1.1 billion; while at the same time the total investment portfolio (including funds held by ceding companies) grew by 5.3% to € 20.3 billion. While yields declined around the world in 2002, this rise can be attributed to higher deposit interest income.

The balance of realised gains and losses increased compared to the previous year. Profits on disposals of € 201.9 million were generated through the sale of securities. This contrasted with losses on disposals of € 108.6 million. The balance of € 93.3 million in 2002 was € 37.4 million higher than in 2001.

In 2002, write-downs on Hannover Re Group's investments, primarily in equities, increased by € 177.8 million to € 207.0 million.

Total net investment income declined from € 945.7 million to € 928.4 million in 2002. This includes the effects of currency fluctuations.

The results after the first nine months of 2003 remained according to plan. The asset portfolio developed positively in the present market climate. Write-downs on securities of € 8.8 million were necessary in the third quarter of 2003, following € 5.0 million in the second quarter and € 75.3 million in the first quarter. Compared to the previous year, total writedowns on securities as at 30 September 2003 were reduced by 25.8% to € 89.1 million (30 September 2002: € 120.0 million).

In the third quarter of 2003, Hannover Re Group invested free liquidity in EURO Stoxx 50 equities, as a result of which the equity allocation of exchange-listed stocks stood at 6.2% by 30 September 2003. In September, the duration of the bond portfolio was slightly increased to 3.7 against a backdrop of declining yields. Losses on the disposal of investments in the first nine months of 2003 amounted to € 72.5 million (30 September 2003 US GAAP "as-if pooling method": € 72.8 million; 30 September 2002: € 88.3 million) but were offset by the realised profits of € 149.0 million (30 September 2003 US GAAP "as-if pooling method": € 149.0 million; 30 September 2002: € 110.8 million).

In the third quarter of 2003 interest on reinsurance deposits and assets again contributed to the positive development of ordinary income, which climbed by 6.1% to € 771.8 million (30 September 2003 US GAAP "as-if pooling method": € 816.2 million; 30 September 2002: € 727.8 million). Hannover Re Group was therefore satisfied with the increase of 24.9% in net investment income to € 716.8 million as at 30 September 2003 (30 September 2003 US GAAP "as-if pooling method": € 760.8 million; 30 September 2002: € 574.1 million).

Outlook

In the first nine month of 2003 Hannover Re Group has developed favourably in a generally positive market climate, and it is the expectation of Hannover Re Group that this trend will have sustained in the fourth quarter of 2003.

The largest business group, property and casualty reinsurance, remains profitable, as was the case in 2002. For the whole of 2003, Hannover Re expects a combined ratio of less than 100%, despite the strains resulting from an increase in the proportion of casualty business in comparison with property business. The initial assessment of the 2003/04 renewal season suggests that rates and conditions in almost all areas of property and casualty reinsurance will again be at risk-adequate levels and Hannover Re expects the property and casualty reinsurance business to be profitable again in 2004. Furthermore, Hannover Re Group expects prices for reinsurance products in the property and casualty segment to continue to rise in most areas, notably in the U.S. casualty business – an area where Hannover Re Group has further stepped up its new acceptances. Hannover Re Group expects 2004 to be a year with positive conditions for the property and casualty markets.

Gross written premiums for the full year 2003 will be well below the level of the previous year due to exchange rate influences and strategic reorientation, as can be seen already from the development in the last quarters of 2003. The decline in net premiums will, however, have a less significant impact due to higher net retentions. Barring a significant rise in natural or man-made catastrophes Hannover Re Group expects to close 2003 with a profit in property and casualty reinsurance which should surpass the level of the previous year.

In life and health reinsurance Hannover Re Group anticipates – in view of the sustained strength of its balance sheet currency – gross premium income largely at the same level as was the case in the previous year, while the operating profit (EBIT) and net income are expected to surpass the level of 2002. Hannover Re expects the fourth quarter to provide a significant contribution in this respect. For 2004 conditions in the international life reinsurance markets are regarded to be promising for Hannover Re. Consequently, despite only modest premium growth, Hannover Re Group expects marked growth rates in EBIT and net income for the year 2004.

In financial reinsurance, the position for year-end 2003 is expected to be similar to the picture already emerging as of 30 September 2003: double digit growth in gross premium income and a higher profit contribution compared to the previous year.

In program business, the organizational changes – particularly at Clarendon – have proven their value. The results of the 2003 underwriting year are positive and within Hannover Re's plans and expectations. The level of retained premiums is anticipated to remain high as of year-end 2003, and with gross premiums unchanged year-on-year, Hannover Re anticipates net income to be at least on the same level as was the case in the previous year.

In 2004 the performance of Hannover Re's investment portfolio is expected to be dominated by two opposing trends: an increase in total volume of assets as a consequence of strong inflow of cash

from the underwriting business, on the one hand, and low returns on assets due to the situation in the capital markets. Since Hannover Re expects these effects to balance out, ordinary income is expected to be at the same level as was the case in the previous year. The decision to take the necessary systematic write-downs on the – comparatively low level of equity holdings throughout 2002 and in the first quarter of 2003 has proven to be the right strategy. As long as there are no major down-turns in the international capital markets, Hannover Re expects a balanced result at year-end 2004. Net investment income for the year 2004 as a whole should therefore exceed the levels of the previous year.

In view of the overall business developments in the first nine months of 2003 and the expectations described above, Hannover Re in November 2003 raised its profit forecast for the 2003 financial year to around EUR 350 million, provided that there were no unforeseen substantial adverse developments in the capital markets and no accumulation of catastrophe losses significantly in excess of the multi-year average.

For the year 2004, Hannover Re expects to show double-digit growth of its net earnings compared with the levels expected to be recorded in 2003.

Litigation and Arbitration Proceedings

The members of the Hannover Re Group participate in judicial and extra-judicial proceedings in Germany and abroad both as plaintiffs or petitioners and as defendants or respondents, in their capacity as insurance companies, taxpayers and employers, respectively. The outcome of these proceedings is uncertain.

Acquisition of Lion Holding, Inc. (Clarendon Group) in 1999

On 25 February 1999, Hannover Re purchased all shares in Lion Holding, Inc. (currently bearing the corporate name "Hannover Finance Inc.;" hereinafter, "Lion Holding"), with registered office in Delaware, USA, from the shareholders at that time (hereinafter, "the former Lion shareholders"), some of whom were involved in the management of Lion Holding. Lion Holding is the parent company of the Clarendon Group, through which the Hannover Re Group conducts parts of its North American business. The stock purchase agreement included the provision that USD 50 million from the purchase price would be retained in a trust account to Hannover Re as a security in case the former Lion shareholders did not fulfill their guarantees.

After the shares in Lion Holding were transferred, Hannover Re discovered that various guarantees given by the former Lion shareholders were not fulfilled. For this reason, Hannover Re addressed a claim letter to the former Lion shareholders within a two-year period, as provided in the stock purchase agreement, and requested the trustee not to pay out the amount in the trust account which would otherwise have been made available to the former Lion shareholders after expiration of the two-year period. The former Lion shareholders contested this claim letter and filed a complaint before the Supreme Court of the State of New York on 27 December 2001 for release of the assets in the trust account.

In addition, two former Lion shareholders who were involved in the management of Lion Holding filed suits against Hannover Re before the District Court of New York, Southern District, on 6 June 2002, requesting payment of additional purchase price elements provided for in the stock purchase agreement and bonus payments based on their employment agreements. The total volume from both suits amounts to around USD 120 million. Claims for additional purchase price payments based on the stock purchase agreement and claims for additional bonuses based on the employment agreements are essentially dependent on the operating profit of the companies of the Clarendon Group in financial years 1999-2001. In the view of Hannover Re, at most USD 25 million of this amount is justified. The plaintiffs allege that Hannover Re manipulated the earnings of the Clarendon Group companies in breach of good faith in order to frustrate the plaintiffs' claims.

The cases mentioned above are currently in the pre-trial "document discovery" stage. The company expects the depositions to begin in spring 2004, so that the cases will not be resolved before the end of 2004.

Although Hannover Re expects that the cases described above will be resolved in its favor, the outcome of the cases is not foreseeable with absolute certainty at the present time.

Lloyd's New Central Fund Suit

The International Insurance Company of Hannover (hereinafter, "IICH"), together with five other insurers (referred to as "the insurers" in this section), issued a policy in the first half of 1999 for the New Central Fund of the Society of Lloyd's (hereinafter, "Lloyd's") for the years 1999-2003. The policy has a limit of £ 500 million over the entire term, of which 15% was underwritten by IICH. Lloyd's asserted damages in the amount of around £ 380 million under this policy through 31 December 2003. IICH has already paid £ 29.2 million, without acknowledging a legal duty to do so, and reserving its right to request repayment.

After careful examination, the insurers are of the opinion that the payments from the New Central Fund asserted by Lloyd's for which insurance cover has been requested are not covered by the policy and are not in accordance with the existing practice at Lloyd's for utilization of the New Central Fund, which was explained to the insurers before the policy was issued.

On 27 June 2003, Lloyd's initiated arbitration proceedings in this matter against the insurers, requesting payment of the asserted damages. The insurers rejected this e.g. in a brief of 4 August 2003, and, alternatively, requested cancellation of the policy and repayment of the payments previously made because Lloyd's provided erroneous and misleading information in relation to the placement of the policy. The case is currently in the document discovery stage preliminary to the hearing before the arbitration panel. The hearing is not currently expected before autumn 2004. Even though the company assumes that the Lloyd's claim is unjustified, the outcome of the proceedings is uncertain at the moment.

Collapse of the HIH Insurance Group in Australia

The HIH Insurance Group, one of the largest insurance companies in Australia, collapsed in 2001 due to overindebtedness. A "Royal Commission" was established to investigate the specific circumstances of the collapse, submitting its final "Royal Commission Report" in April 2003. Among the matters investigated were two insurance contracts concluded between members of the Hannover Re Group and the HIH Insurance Group. Members of the management of the Hannover Re Group companies were interrogated by the Royal Commission. The Royal Commission Report made no findings which justify direct action against members of the Hannover Re Group, and made no recommendations for measures in supervisory law against members of the Hannover Re Group.

Independent of the Royal Commission's investigation, shareholders and investors in the HIH Insurance Group filed a class action with the Federal Court of New South Wales on 17 April 2002 against a total of 14 defendants in connection with the collapse of the HIH Insurance Group. Among the defendants are Hannover Re and its subsidiaries Hannover Reinsurance (Ireland) Ltd. and E+S Reinsurance (Ireland) Ltd. In this class action, the plaintiffs are suing for damages for losses due to the collapse of the HIH group. The amount in dispute cannot be determined at this time, since the precise number of shareholders taking part in the class action is not yet certain. The essence of the plaintiffs' argument is that the management of the HIH group issued inaccurate and misleading press releases, business reports and other information, which allegedly misled investors to purchase shares in the HIH group. The defendants are collectively accused of creating the false impression, through their actions, that the HIH group was adequately capitalized, profitable and liquid. Since the corporate bodies of the Hannover Re Group had no knowledge of the actions taken by the management of the HIH group or of any errors made by the independent auditing companies involved, Hannover Re assumes that the court will not find against the defendant companies of the Hannover Re Group in this matter. However, the outcome of the proceedings is not yet certain. In the event of a negative result, Hannover Re and its subsidiaries Hannover Reinsurance (Ireland) Ltd. and E+S Reinsurance (Ireland) Ltd. may have

to make substantial payments and reimburse for considerable costs and expenses, which could have a negative impact on the financial, earnings and liquidity position of the Hannover Re Group.

Legal Disputes of Hannover Finance Inc. with Insurers

Hannover Finance Inc. and its subsidiaries are currently engaged in legal disputes with various insurers, e. g. the Lincoln National Life Insurance Company and the John Hancock Mutual Life Insurance Company. The outcome of these cases is uncertain at this time, so that the result could be disadvantageous for Hannover Finance Inc. and its subsidiaries.

Tax Disputes related to Tax Assessment Notices issued by the Hannover-Nord Revenue Office

Hannover Re and E+S Rückversicherungs-Aktiengesellschaft (hereinafter, "E+S Rück AG") have filed suits with the Fiscal Court in Hannover against additional tax assessment notices which were issued by the Hannover-Nord Revenue Office after its field audit for the 1988-1992 assessment periods. Additional taxes in the amount of around € 46 million are in dispute for Hannover Re and around € 27.7 million for E+S Rück AG. The outcome of the proceedings is uncertain, so that a disadvantageous result for Hannover Re and E+S Rück AG is possible.

The collapse of Frontier Insurance

In the past, the Clarendon Group reinsured some of its business with Frontier Insurance. The Clarendon Group's claims against Frontier Insurance are secured through a deposit of securities. After the collapse of Frontier Insurance, its insolvency administrator requested the Clarendon Group to agree to release a part of the securities deposit, contending that the Clarendon Group was oversecured. The Clarendon Group is not currently prepared to agree to a release.

Executive Board

The Executive Board (*Vorstand*) of Hannover Re consists of seven members. As of the date of this Offering Circular the members and their respective responsibilities are:

Name	Position
Wilhelm Zeller	Chairman; Controlling, Internal Auditing; Investor Relations, Public Relations; Corporate Development; Human Resources; Underwriting & Actuarial Services; Program Business
André Arrago	Property and Casualty Treaty Reinsurance Arab, European Romance and Latin American countries, Northern and Eastern Europe, Asia and Australasia
Dr. Wolf Becke	Life and Health markets worldwide
Jürgen Gräber	Co-ordination of entire Non-Life Reinsurance; Property and Casualty Treaty Reinsurance North America and English-speaking Africa; Financial Reinsurance worldwide
Dr. Elke A. König	Finance and Accounting, Asset Management; Information Technology; Facility Management
Dr. Michael Pickel	Property and Casualty Treaty Reinsurance Germany, Austria, Switzerland and Italy; Credit, Surety and Political Risk worldwide; Group Legal Services, Run Off Solutions
Ulrich Wallin	Specialty Division (worldwide Facultative Business; worldwide Treaty and Facultative Business Marine, Aviation and Space); Property and Casualty Treaty Reinsurance Great Britain and Ireland; Retrocessions

The business address of the members of the Executive Board is Karl-Wiechert-Allee 50, D-30625 Hannover.

Supervisory Board

As of the date of this Offering Circular the following individuals are members of the Supervisory Board (*Aufsichtsrat*):

Name	Position within Supervisory Board	Principal Outside Activity
Wolf Dieter Baumgartl	Chairman	Chairman of the Board of Management of HDI Haftpflichtverband der Deutschen Industrie V. a. G.
Dr. Paul Wieandt	Deputy Chairman	Chairman of the Executive Board of SchmidtBank AG
Herbert K. Haas	Member	Member of the Executive Board of HDI Haftpflichtverband der Deutschen Industrie V. a. G.
Karl Heinz Midunsky	Member	Corporate Vice President and Treasurer of Siemens AG
Otto Müller	Member (employee representative)	
Renate Schaper Stewart	Member (employee representative)	
Hans-Günter Siegerist	Member (employee representative)	
Dr. Klaus Sturany	Member	Member of the Executive Board of RWE Aktiengesellschaft
Bodo Uebber	Member	Chairman of the Executive Board of Daimler Chrysler Services AG (since 16 December 2003); Deputy Member of the Executive Board of Daimler Chrysler AG

Financial Year

The financial year of Hannover Re is the calendar year.

Auditors

The auditors of Hannover Re and the consolidated financial statements of Hannover Re Group are KPMG Deutsche Treuhand Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Osterstr. 40, D-30159 Hannover. The financial statements of Hannover Re as of 31 December 2000, 31 December 2001 and 31 December 2002 and the consolidated financial statements of the Hannover Re Group as of 31 December 2000, 31 December 2001 and 31 December 2002 were audited by the auditors and the auditors have in each case issued an unqualified auditors' opinion.

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CONSOLIDATED QUARTERLY ACCOUNTS

of Hannover Re

CONSOLIDATED BALANCE SHEET

as at 30 September 2003

<i>Assets</i> <i>Figures in EUR thousand</i>	<i>Historically published*</i> 30.9.2003	<i>US GAAP (as-if pooling method)</i> 30.9.2003	<i>Historically published**</i> 31.12.2002
Fixed-income securities – held to maturity	340 358	340 358	356 333
Fixed-income securities – available for sale	10 905 168	10 905 168	9 140 755
Equity securities – available for sale	879 288	879 288	717 745
Equity securities – trading	22 420	22 420	5 493
Real estate	250 660	250 660	265 858
Other invested assets	637 956	637 956	676 563
Short-term investments	871 397	871 397	874 027
Total investments without cash	13 907 247	13 907 247	12 036 774
Cash	543 110	543 110	671 866
Total investments and cash	14 450 357	14 450 357	12 708 640
Prepaid reinsurance premiums	697 222	697 222	739 487
Reinsurance recoverables on benefit reserve	295 258	295 258	489 784
Reinsurance recoverables on unpaid claims	5 379 357	5 379 357	6 179 896
Reinsurance recoverables on other reserves	26 180	26 180	41 902
Deferred acquisition costs	1 762 787	1 762 787	1 321 961
Accounts receivable	3 887 869	3 887 869	3 809 631
Funds held by ceding companies	8 010 842	8 010 842	7 597 206
Goodwill	215 649	215 649	233 883
Other assets	280 561	280 561	280 893
Accrued interest and rent	202 766	202 766	175 688
	35 208 848	35 208 848	33 578 971

* Figures as historically published in the Interim Report 3/2003 in which HDI Reinsurance (Ireland) Ltd. was included as of 1 July 2003.

** Figures as historically published in the Annual Report 2002.

<i>Liabilities</i> <i>Figures in EUR thousand</i>	<i>Historically published*</i> 30.9.2003	<i>US GAAP (as-if pooling method)</i> 30.9.2003	<i>Historically published**</i> 31.12.2002
Loss and loss adjustment expense reserve	19 870 257	19 870 257	18 836 651
Policy benefits for life and health contracts	4 180 019	4 180 019	4 136 701
Unearned premium reserve	2 719 840	2 719 840	2 411 591
Provisions for contingent commission	136 445	136 445	143 120
Other technical provisions	4 473	4 473	7 870
Reinsurance payable	1 821 475	1 821 475	1 936 514
Funds held under reinsurance treaties	1 034 735	1 034 735	1 630 200
Contract deposits	338 881	338 881	184 884
Minorities	411 147	411 147	400 426
Other liabilities	584 509	584 509	480 540
Taxes	177 915	177 915	110 311
Provision for deferred taxes	790 284	790 284	742 078
Notes payable	691 207	691 207	698 792
Surplus debenture	117 597	117 597	119 831
Total liabilities	32 878 784	32 878 784	31 839 509
Stockholders' equity			
Common stock	120 597	120 597	97 164
Nominal value 120 597 Authorised capital 25 067			
Additional paid-in capital	764 199	724 562	374 451
Cumulative comprehensive income			
Unrealised appreciation/depreciation of investments, net of deferred taxes	140 345	143 638	43 127
Cumulative foreign currency conversion adjustment, net of deferred taxes	(307 147)	(295 583)	(100 276)
Other changes in cumulative comprehensive income	(29 567)	(29 567)	(54 295)
Total comprehensive income	(196 369)	(181 512)	(111 444)
Retained earnings			
Beginning of period	1 379 291	1 340 529	1 243 334
Net income	256 576	320 118	267 172
Dividend paid	(82 589)	(82 589)	–
Other changes	88 359	88 359	(131 215)
	1 641 637	1 666 417	1 379 291
Total stockholders' equity	2 330 064	2 330 064	1 739 462
	35 208 848	35 208 848	33 578 971

* Figures as historically published in the Interim Report 3/2003 in which HDI Reinsurance (Ireland) Ltd. was included as of 1 July 2003.

** Figures as historically published in the Annual Report 2002.

CONSOLIDATED STATEMENT OF INCOME

for the period 1 January to 30 September 2003

<i>Figures in EUR thousand</i>	<i>Historically published*</i>		<i>US GAAP (as-if pooling method)</i>	<i>Historically published**</i>
	<i>1.7.–30.9.2003</i>	<i>1.1.–30.9.2003</i>	<i>1.1.–30.9.2003</i>	<i>1.1.–30.9.2002</i>
Gross written premiums	2 894 772	8 872 298	9 117 499	9 128 374
Ceded written premiums	770 801	2 575 253	2 612 051	3 029 713
Change in gross unearned premiums	135 030	(410 469)	(531 687)	(839 899)
Change in ceded unearned premiums	11 099	22 382	36 009	73 791
Net premiums earned	2 270 100	5 908 958	6 009 770	5 332 553
Ordinary investment income	245 714	771 829	816 213	727 770
Realised gains on investments	61 500	148 960	148 960	110 843
Realised losses on investments	55 740	72 508	72 825	88 317
Unrealised gains and losses on investments	11 935	8 007	8 007	(17 603)
Other investment expense/depreciations	32 879	139 533	139 598	158 566
Net investment income	230 530	716 755	760 757	574 127
Other technical income	656	18 821	18 821	18 879
Total revenues	2 501 286	6 644 534	6 789 348	5 925 559
Claims and claims expenses	1 646 773	4 521 659	4 577 700	4 017 328
Change in policy benefits for life and health contracts	109 666	316 726	316 726	216 772
Commission and brokerage	428 087	951 481	966 850	955 737
Other acquisition costs	(4 062)	1 564	2 065	6 870
Other technical expenses	30 642	83 681	83 681	82 253
Administrative expenses	42 016	168 342	168 516	167 832
Total technical expenses	2 253 122	6 043 453	6 115 538	5 446 792
Other income and expenses	(35 244)	(102 920)	(104 615)	(126 603)
Operating profit (EBIT)	212 920	498 161	569 195	352 164
Interest on hybrid capital	13 382	40 308	40 308	45 248
Net income before taxes	199 538	457 853	528 887	306 916
Taxes	130 177	198 776	206 268	84 002
Minority interest	24 841	(2 501)	(2 501)	(15 117)
Net income	94 202	256 576	320 118	207 797

* Figures as historically published in the Interim Report 3/2003 in which HDI Reinsurance (Ireland) Ltd. was included as of 1 July 2003.

** Figures as historically published in the Interim Report 3/2002.

<i>Figures in EUR thousand</i>	<i>Historically published*</i>		<i>US GAAP (as-if pooling method)</i>	<i>Historically published**</i>
	<i>1.7.–30.9.2003</i>	<i>1.1.–30.9.2003</i>	<i>1.1.–30.9.2003</i>	<i>1.1.–30.9.2002</i>
Other comprehensive income				
Net unrealised appreciation/ depreciation of investments	(42 282)	97 218	99 707	45 178
Cumulative foreign currency conversion adjustments	(42 452)	(206 871)	(203 497)	(28 073)
Other comprehensive income	19 716	24 728	24 728	(28 562)
Net comprehensive income	29 184	171 651	241 056	196 340
Earnings per share				
Earnings per share in EUR	0.78	2.43	2.79	2.14

* Figures as historically published in the Interim Report 3/2003 in which HDI Reinsurance (Ireland) Ltd. was included as of 1 July 2003.

** Figures as historically published in the Interim Report 3/2002.

CASH FLOW STATEMENT

as at 30 September 2003

<i>Figures in EUR thousand</i>	<i>Historically published*</i> 1.1.–30.9.2003	<i>US GAAP (as-if pooling method)</i> 1.1.–30.9.2003	<i>Historically published**</i> 1.1.–30.9.2002
I. Cash flow from operating activities			
Consolidated net income (after tax)	256 576	320 118	207 797
Appreciation/depreciation	115 429	115 429	139 984
Net realised gains and losses on investments	(76 452)	(76 135)	(22 526)
Amortisation of investments	3 271	3 603	(9 067)
Minority interest	2 501	2 501	15 117
Changes in funds held	(700 182)	(810 143)	(603 760)
Changes in prepaid reinsurance premiums (net)	345 479	463 578	672 111
Changes in tax assets/provisions for taxes	157 146	164 639	49 023
Changes in benefit reserves (net)	436 978	436 978	(25 462)
Changes in claims reserves (net)	1 652 835	1 657 145	1 502 017
Changes in deferred acquisition costs	(329 803)	(382 753)	(125 292)
Changes in other technical provisions	5 621	5 611	32 696
Changes in clearing balances	(323 095)	(385 877)	(533 148)
Changes in other assets and liabilities (net)	78 223	81 700	(68 352)
Cash flow from operating activities	1 624 527	1 596 394	1 231 138
II. Cash flow from investing activities			
Fixed income securities – held to maturity			
Maturities	30 678	30 678	3 317
Purchases	(15 000)	(15 000)	(122 969)
Fixed income securities – available for sale			
Maturities, sales	3 743 411	3 914 735	2 685 114
Purchase	(5 790 625)	(5 825 866)	(3 505 751)
Equity securities – available for sale			
Sales	138 316	138 316	306 546
Purchases	(376 764)	(376 764)	(213 233)
Other invested assets			
Sales	80 530	80 530	101 773
Purchases	(73 364)	(73 364)	(173 580)
Affiliated companies and participating interests			
Sales	2 825	2 825	17 733
Acquisitions	(7 457)	(7 457)	(15 866)
Real estate			
Sales	820	820	–
Acquisitions	(524)	(524)	(1 701)
Short-term investments			
Changes	174 012	76 749	(437 670)
Other changes (net)	(20 799)	(21 049)	(58 893)
Cash flow from investing activities	(2 113 941)	(2 075 371)	(1 415 180)

* Figures as historically published in the Interim Report 3/2003 in which HDI Reinsurance (Ireland) Ltd. was included as of 1 July 2003.
 ** Figures as historically published in the Interim Report 3/2002.

<i>Figures in EUR thousand</i>	<i>Historically published*</i> 1.1.–30.9.2003	<i>US GAAP (as-if pooling method)</i> 1.1.–30.9.2003	<i>Historically published**</i> 1.1.–30.9.2002
III. Cash flow from financing activities			
Inflows from capital increases	219 590	219 590	–
Inflow from capital increase through contribution in kind	11 402	–	–
Net changes in contract deposits	153 852	153 852	(75 448)
Dividend paid	(82 589)	(82 589)	–
Changes in notes payable	30 086	30 086	–
Other changes	(4 338)	(4 338)	–
Cash flows from financing activities	328 003	316 601	(75 448)
IV. Exchange rate differences on cash	32 655	32 642	46 562
Change in cash and cash equivalents (I.+II.+III.+IV.)	(128 756)	(129 734)	(212 928)
Cash and cash equivalents at the beginning of the period	671 866	672 844	830 659
Change in cash and cash equivalents according to cash flow statement	(128 756)	(129 734)	(212 928)
Cash and cash equivalents at the end of the period	543 110	543 110	617 731
Income taxes	(31 222)	(31 222)	(21 388)
Interest paid	(77 014)	(77 014)	(92 678)

* Figures as historically published in the Interim Report 3/2003 in which HDI Reinsurance (Ireland) Ltd. was included as of 1 July 2003.

** Figures as historically published in the Interim Report 3/2002.

SEGMENTAL REPORT

as at 30 September 2003

In the following table we have allocated the underwriting assets and liabilities as at 30 September 2003 and 31 December 2002 to our business segments after eliminating intergroup transactions across segments.

Segmentation of underwriting assets and liabilities

<i>Figures in EUR thousand</i>	<i>Property/casualty reinsurance</i>		<i>Life/health reinsurance</i>	
	<i>30.9.2003*</i>	<i>Historically published 31.12.2002</i>	<i>30.9.2003*</i>	<i>Historically published 31.12.2002</i>
Assets				
Prepaid reinsurance premiums	238 774	94 365	1 508	1 523
Deferred acquisition costs (net)	211 694	250 988	1 394 354	963 961
Reinsurance recoverables on benefit reserves	–	–	295 258	489 784
Reinsurance recoverables in incurred claims and others	2 601 185	3 073 835	99 956	112 513
Funds held by ceding companies	200 796	252 479	3 304 853	3 329 560
Total underwriting assets	3 252 449	3 671 667	5 095 929	4 897 341
Liabilities				
Loss and loss adjustment expense reserve	8 981 064	8 954 985	988 084	934 142
Policy benefits for life and health contracts	–	–	4 180 019	4 136 701
Unearned premium reserve	1 278 792	1 124 308	17 653	21 522
Other technical provisions	95 633	110 872	28 324	20 437
Funds held under reinsurance treaties	624 654	986 831	204 933	343 819
Total underwriting liabilities	10 980 143	11 176 996	5 419 013	5 456 621

*Figures as historically published and US GAAP (as-if pooling method) are identical.

<i>Financial reinsurance</i>		<i>Program business</i>		<i>Total</i>	
<i>30.9.2003*</i>	<i>Historically published 31.12.2002</i>	<i>30.9.2003*</i>	<i>Historically published 31.12.2002</i>	<i>30.9.2003*</i>	<i>Historically published 31.12.2002</i>
15 420	86	441 520	643 513	697 222	739 487
47 952	25 604	108 787	81 408	1 762 787	1 321 961
–	–	–	–	295 258	489 784
473 162	632 218	2 231 234	2 403 232	5 405 537	6 221 798
4 504 580	4 012 475	613	2 692	8 010 842	7 597 206
5 041 114	4 670 383	2 782 154	3 130 845	16 171 646	16 370 236
6 512 154	5 544 198	3 388 955	3 403 326	19 870 257	18 836 651
–	–	–	–	4 180 019	4 136 701
335 448	103 913	1 087 947	1 161 848	2 719 840	2 411 591
16 273	19 681	688	–	140 918	150 990
18 838	24 164	186 310	275 386	1 034 735	1 630 200
6 882 713	5 691 956	4 663 900	4 840 560	27 945 769	27 166 133

*Figures as historically published and US GAAP (as-if pooling method) are identical.

SEGMENTAL REPORT

as at 30 September 2003

Segmental statement of income

in TEUR	Property/casualty reinsurance			Life/health reinsurance		
	Historically published*	US GAAP (as-if pooling method)	Historically published**	Historically published*	US GAAP (as-if pooling method)	Historically published**
	1.1.–30.9.2003	1.1.–30.9.2003	1.1.–30.9.2002	1.1.–30.9.2003	1.1.–30.9.2003	1.1.–30.9.2002
Gross written premiums	4 041 605	4 041 605	4 782 744	1 669 355	1 669 355	1 614 311
Net premiums earned	2 638 679	2 638 679	2 867 216	1 390 676	1 390 676	1 369 943
Claims and claims expenses	2 031 737	2 031 737	2 076 782	856 711	856 711	866 255
Change in policy benefits for life and health contracts	–	–	–	(316 726)	(316 726)	(216 772)
Commission and brokerage and other technical expenses	456 164	456 164	577 508	273 345	273 345	361 830
Investment income	305 351	305 351	189 989	152 083	152 083	145 073
Administrative expenses	76 978	76 978	73 433	36 100	36 100	28 226
Other income and expenses	(75 127)	(75 127)	(91 599)	(10 993)	(10 993)	(15 876)
Operating profit (EBIT)	304 024	304 024	237 883	48 884	48 884	26 057
Interest on hybrid capital	26 879	26 879	34 503	4 985	4 985	4 182
Net income before taxes	277 145	277 145	203 380	43 899	43 899	21 875
Taxes	140 803	140 803	60 241	21 315	21 315	3 776
Minority interest	1 032	1 032	(8 675)	(467)	(467)	(246)
Net income	137 374	137 374	134 464	22 117	22 117	17 853

* Figures as historically published in the Interim Report 3/2003 in which HDI Reinsurance (Ireland) Ltd. was included as of 1 July 2003.

** Figures as historically published in the Interim Report 3/2002.

<i>Financial reinsurance</i>			<i>Program business</i>			<i>Total</i>		
<i>Historically published*</i>	<i>US GAAP (as-if pooling method)</i>	<i>Historically published**</i>	<i>Historically published*</i>	<i>US GAAP (as-if pooling method)</i>	<i>Historically published**</i>	<i>Historically published*</i>	<i>US GAAP (as-if pooling method)</i>	<i>Historically published**</i>
<i>1.1.–30.9.2003</i>	<i>1.1.–30.9.2003</i>	<i>1.1.–30.9.2002</i>	<i>1.1.–30.9.2003</i>	<i>1.1.–30.9.2003</i>	<i>1.1.–30.9.2002</i>	<i>1.1.–30.9.2003</i>	<i>1.1.–30.9.2003</i>	<i>1.1.–30.9.2002</i>
1 223 359	1 468 560	732 566	1 937 979	1 937 979	1 998 753	8 872 298	9 117 499	9 128 374
1 089 654	1 190 466	516 468	789 949	789 949	578 926	5 908 958	6 009 770	5 332 553
1 013 325	1 069 366	622 164	619 886	619 886	452 127	4 521 659	4 577 700	4 017 328
–	–	–	–	–	–	(316 726)	(316 726)	(216 772)
200 215	216 085	64 784	88 181	88 181	21 859	1 017 905	1 033 775	1 025 981
222 712	266 714	211 455	36 609	36 609	27 610	716 755	760 757	574 127
2 453	2 627	2 592	52 811	52 811	63 581	168 342	168 516	167 832
(6 028)	(7 723)	1 540	(10 772)	(10 772)	(20 668)	(102 920)	(104 615)	(126 603)
90 345	161 379	39 923	54 908	54 908	48 301	498 161	569 195	352 164
3 002	3 002	1 577	5 442	5 442	4 986	40 308	40 308	45 248
87 343	158 377	38 346	49 466	49 466	43 315	457 853	528 887	306 916
27 189	34 681	5 491	9 469	9 469	14 494	198 776	206 268	84 002
(3 066)	(3 066)	(2 859)	–	–	(3 337)	(2 501)	(2 501)	(15 117)
57 088	120 630	29 996	39 997	39 997	25 484	256 576	320 118	207 797

* Figures as historically published in the Interim Report 3/2003 in which HDI Reinsurance (Ireland) Ltd. was included as of 1 July 2003.

** Figures as historically published in the Interim Report 3/2002.

NOTES

1. General accounting principles

Hannover Rückversicherung AG (Hannover Re) belongs to the Talanx AG, a 100% subsidiary of HDI Haftpflichtverband der Deutschen Industrie V.a.G. (HDI). HDI is obliged to prepare consolidated annual accounts in accordance with §§ 341 i et seq of the German Commercial Code (HGB). The annual financial statements of Hannover Re and its subsidiaries are included in these consolidated annual accounts. The German Commercial Code (HGB) was amended with effect from 19 July 2002. Consequently, pursuant to § 291 Para. 3 No. 1 of the German Commercial Code (HGB) the consolidated annual accounts of the parent company no longer release Hannover Re from its obligation to compile a consolidated financial statement.

The consolidated financial statement of Hannover Re has been drawn up fully in accordance with United States Generally Accepted Accounting Principles (US GAAP).

All Statements of Financial Accounting Standards (SFAS) issued by the Financial Accounting Standards Board (FASB) on or before 30 September 2003 with binding effect for the 2003 financial year have been observed in the consolidated financial statement.

The quarterly results of reinsurance companies, including our results, are for various reasons not a reliable indicator for the results of the financial year as a whole. Losses from natural catastrophes and other catastrophe losses have a disproportionate impact on the result of the reporting period in which they occur. Furthermore, late reported claims for major loss complexes 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.

2. Accounting principles including reporting and valuation methods

The quarterly accounts included in the consolidated financial statement were drawn up as at 30 September 2003. The reader is also referred to the corresponding information contained in the consolidated financial statement drawn up as at 31 December 2002.

3. Consolidated companies and consolidation principles

Consolidated companies

Effective 1 July 2003, Talanx, the parent of Hannover Re, transferred its equity interests in Hannover Reinsurance (Dublin) Limited ("HRD" and formerly HDI Reinsurance (Ireland) Limited), a wholly-owned subsidiary, to Hannover Re as a contribution in kind. Because this transfer constitutes a "transaction between entities under common control," Hannover Re is required under accounting principles generally accepted in the United States ("US GAAP") to incorporate HRD into the Group's consolidated financial statements using the "as-if-pooling method" of accounting. Under this method, the historical results of operations and cash flows of HRD are required to be included in the Group's consolidated financial statements at their historical amounts, after elimination of all intercompany transactions between HRD and other members of the consolidated group, as if the transfer of HRD had occurred at the beginning of the earliest period for which Group consolidated financial statements are presented. Accordingly, the US GAAP consolidated interim financial statements of the Hannover Re Group as of and for the nine months ended 30 September 2003 included on pages XX through XX of the Prospectus present the consolidated operations and cash flows of the Group as if HRD had been a member of the consoli-

dated Group from the beginning of 2003. Comparable US GAAP consolidated interim financial statements for the nine months ended 30 September 2002 are not available because prior to its transfer from Talanx to Hannover Re, HRD did not prepare interim financial statements.

All guidance given to the expected profitability had been given on the basis of a first time consolidation as of 1 July 2003. Accordingly as "historically published" information has been added to these statements, representing the consolidated financial position, results of operations and cash flows of the Group as previously reported, before the application of the as-if pooling method to the transfer of HRD into the Group.

Capital consolidation

The capital consolidation complies with the standards of SFAS 141. Under the "purchase accounting" method the purchase costs of the parent company have been netted with the proportionate stockholders' equity of the subsidiary at the time when it was 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 SFAS 141 are to be accounted for separately from goodwill, the difference between the revalued stockholders' equity of the subsidiary and the purchase price is recognised as goodwill. In the case of transactions between companies under common control, the assets and liabilities of the consolidated company are carried over at book value by the parent company, with no reporting of fair value or goodwill. Immaterial and negative goodwill were booked to earnings in the year of their occurrence. Where minority interests in the stockholders' equity exist, such interests are reported separately. The minority interest in the result is deducted from the net income in the statement of income and totalled EUR 2,501 thousand (previous year: EUR 15,117 thousand) as at 30 September 2003.

Debt consolidation

Receivables and liabilities between the companies included in the consolidated financial statement were offset against each other.

Consolidation of expenses and profit

The effects of business transactions within the Group were eliminated.

4. Notes on the individual items of the balance sheet and statement of income

4.1 Investments including income and expenses

Investments were valued in accordance with SFAS 115 "Accounting for Certain Investments in Debt and Equity Securities". The allocation and valuation of investments are guided by the investment intent.

Fixed-income securities classified as held to maturity are valued at purchase costs plus/minus amortised costs. The amortised costs derive from the difference between the nominal value and purchase cost and they are spread over the time to maturity of the fixed-income securities.

Fixed-income securities classified as available for sale are valued at fair value. The difference between the fair value and amortised cost is booked to other comprehensive income.

Trading securities are valued at fair value. The difference between the fair value and amortised cost is recognised within the statement of income.

Securities whose fair value falls permanently below purchase cost are written down to current value and recognised within the statement of income.

The other investments primarily consist of shares in private-equity limited partnerships.

Contractual maturities of the fixed-income securities in the held-to-maturity portfolio and the available-for-sale portfolio as at the balance sheet dates of 30 September 2003 and 31 December 2002

<i>Figures in EUR thousand</i>	<i>30.9.2003*</i>		<i>31.12.2002**</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	45 956	47 243	30 608	31 382
Due after one through five years	127 643	138 308	173 937	187 824
Due after five through ten years	145 000	156 037	130 000	138 330
Due after ten years	21 759	23 520	21 788	24 057
Total	340 358	365 108	356 333	381 593
Available-for-sale				
Due in one year	1 049 503	1 056 890	1 279 481	1 289 054
Due after one through five years	5 838 444	5 959 349	4 380 831	4 515 430
Due after five through ten years	2 361 225	2 447 936	2 059 290	2 142 071
Due after ten years	1 407 073	1 440 993	1 161 819	1 194 200
Total	10 656 245	10 905 168	8 881 421	9 140 755

* Figures as historically published and US GAAP (as-if pooling method) are identical.

** Figures as historically published in the Annual Report 2002.

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.

Amortised costs and unrealised gains and losses on the portfolio of investments classified as held to maturity

<i>30.9.2003*</i> <i>Figures in EUR thousand</i>	<i>Cost or amortised cost</i>	<i>Unrealised gains losses</i>		<i>Estimated fair value</i>
Investments held to maturity				
Fixed-income securities				
Corporate securities	222 483	15 311	376	237 418
Asset-backed securities	87 875	7 802	–	95 677
Other securities	30 000	2 080	67	32 013
Total	340 358	25 193	443	365 108

<i>31.12.2002**</i> <i>Figures in EUR thousand</i>	<i>Cost or amortised cost</i>	<i>Unrealised gains losses</i>		<i>Estimated fair value</i>
Investments held to maturity				
Fixed-income securities				
Corporate securities	238 466	16 413	–	254 879
Asset-backed securities	87 867	7 560	–	95 427
Other securities	30 000	1 601	314	31 287
Total	356 333	25 574	314	381 593

* Figures as historically published and US GAAP (as-if pooling method) are identical.

** Figures as historically published in the Annual Report 2002.

Amortised cost and unrealised gains and losses on the portfolios of investments classified as available for sale and trading

<i>30.9.2003*</i> <i>Figures in EUR thousand</i>	<i>Cost or amortised cost</i>	<i>Unrealised gains losses</i>		<i>Estimated fair value</i>
Available for sale				
Fixed-income securities				
Government debt securities of EU member states	2 039 137	36 633	2 417	2 073 353
US Treasury Notes	1 724 850	25 412	5 450	1 744 812
Other foreign government debt securities	637 514	15 057	1 288	651 283
Corporate securities	4 190 343	141 519	25 509	4 306 353
Asset-backed securities	1 105 239	36 910	8 200	1 133 949
From investment funds	548 525	18 957	538	566 944
Other securities	410 637	18 681	844	428 474
	10 656 245	293 169	44 246	10 905 168
Dividend-bearing securities				
Equities	255 429	14 995	26 044	244 380
From investment funds	644 627	14 146	25 420	633 353
Other dividend-bearing securities	1 165	390	–	1 555
	901 221	29 531	51 464	879 288
Short-term investments	871 397	–	–	871 397
Total	12 428 863	322 700	95 710	12 655 853
Trading				
Dividend-bearing securities				
Derivatives	19 836	2 584	–	22 420
Total	19 836	2 584	–	22 420

* Figures as historically published and US GAAP (as-if pooling method) are identical.

<i>31.12.2002*</i> <i>Figures in EUR thousand</i>	<i>Cost or amortised cost</i>	<i>Unrealised gains losses</i>		<i>Estimated fair value</i>
Available for sale				
Fixed-income securities				
Government debt securities of EU member states	1 547 751	50 090	–	1 597 841
US Treasury Notes	1 339 647	44 464	–	1 384 111
Other foreign government debt securities	451 613	13 883	1 310	464 186
Corporate securities	3 525 911	143 321	43 255	3 625 977
Asset-backed securities	1 032 697	28 426	14 514	1 046 609
From investment funds	521 285	22 929	380	543 834
Other securities	462 517	17 448	1 768	478 197
	8 881 421	320 561	61 227	9 140 755
Dividend-bearing securities				
Equities	190 614	5 536	33 450	162 700
From investment funds	667 257	–	113 297	553 960
Other dividend-bearing securities	1 165	–	80	1 085
	859 036	5 536	146 827	717 745
Short-term investments	874 027	–	–	874 027
Total	10 614 484	326 097	208 054	10 732 527
Trading				
Dividend-bearing securities				
Derivatives	–	5 493	–	5 493
Total	–	5 493	–	5 493

* Figures as historically published in the Annual Report 2002.

4.2 Staff

The average number of staff at the companies included in the consolidated financial statement of the Hannover Re Group was 1,989 (31 December 2002: 1,900). Of this number, 775 were employed in Germany in the year under review. The change in the number of employees in the third quarter of 2003 was attributable also to the spin-off of 27 employees to the newly established company Protection Re, which is part of Talanx. The majority of staff were employed at the consolidated Group companies abroad.

4.3 Stockholders' equity and minority interests

The stockholders' equity is shown as a separate component of the financial statement in accordance with SFAS 130 "Reporting of Comprehensive Income". The change in the stockholders' 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.

Capital increase

Effective 12 June 2003 Hannover Re implemented a capital increase against cash in the amount of 10% of the capital stock through issuance of 9,716,392 new, registered no-par-value shares – each with an interest of EUR 1.00 in the capital stock. The new shares carry dividend rights with effect from 1 January 2003. Based on the placement price per share of EUR 22.60, the resulting cash inflow for Hannover Re amounted to EUR 219.6 million.

Effective 1 July 2003, Talanx, the parent of Hannover Re, transferred its equity interests in Hannover Reinsurance (Dublin) Limited ("HRD" and formerly HDI Reinsurance (Ireland) Limited), a wholly-owned subsidiary, to Hannover Re as a contribution in kind. A detailed description is given in chapter "3. Consolidated companies and consolidation principles".

Minority interests are established in accordance with the shares held by companies outside the Group in the stockholders' equity of the subsidiaries.

Conditional authorised capital of up to EUR 25.1 million is available. It can be used to grant shares to holders of convertible and warrant bonds and to issue employee shares in the amount of EUR 1.0 million. It has a time limit of 13 November 2007.

Consolidated statement of changes in stockholders' equity

<i>30.9.2003</i> <i>US GAAP (as-if pooling method)</i> <i>Figures in EUR thousand</i>	<i>Balance as at 1 January</i>	<i>Capital increase/ additions</i>	<i>Change in the current period less deferred taxes</i>	<i>Change in retained earnings</i>	<i>Transfer*</i>	<i>Group stockholders' equity</i>	<i>Minority interests</i>	<i>Group stockholders' equity incl. minority interests</i>
Common stock	110 881	9 716	–	–	–	120 597		
Additional paid-in capital	514 688	209 874	–	–	–	724 562		
Cumulative comprehensive income	(102 450)	–	9 297	–	(88 359)	(181 512)		
Retained earnings	1 340 529	–	–	–	–	1 340 529		
Net income	–	–	–	320 118	–	320 118		
Dividend paid	–	–	–	(82 589)	–	(82 589)		
Other changes	–	–	–	–	88 359	88 359		
Total	1 863 648	219 590	9 297	237 529	–	2 330 064	411 147	2 741 211

<i>30.9.2002</i> <i>Historically published**</i> <i>Figures in EUR thousand</i>	<i>Balance as at 1 January</i>	<i>Capital increase/ additions</i>	<i>Change in the current period less deferred taxes</i>	<i>Change in retained earnings</i>	<i>Group stockholders' equity</i>	<i>Minority interests</i>	<i>Group stockholders' equity incl. minority interests</i>
Common stock	82 799	14 365	–	–	97 164		
Additional paid-in capital	388 816	(14 365)	–	–	374 451		
Cumulative comprehensive income	(42 921)	–	(11 457)	–	(54 378)		
Retained earnings	1 243 334	–	–	–	1 243 334		
Net income	–	–	–	207 797	207 797		
Other changes	–	–	–	(81 277)	(81 277)		
Total	1 672 028	–	(11 457)	126 520	1 787 091	298 740	2 085 831

* The cumulative currency effects from previous years in the amount of EUR 88.4 million hitherto reported under retained earnings will in future not be included in the comprehensive income. These currency effects derive primarily from the conversion of foreign annual financial statements to euros.

** Figures as historically published in the Interim Report 3/2002.

4.4 Other comprehensive income

The changes of EUR 24.7 million in the cumulative comprehensive income in the year under review resulted principally from the application of SFAS 133 "Accounting for Derivative Instruments and Hedging Activities". This development was due to changes in the fair value of interest-rate swaps included in a cash-flow hedge transaction used to hedge floating-rate loans.

4.5 Treasury stock

By a resolution of the Annual General Meeting of Hannover Rückversicherung AG adopted on 24 May 2002, the company was authorised until 31 October 2003 to acquire treasury stock of up to 10% of the capital stock existing on the date of the resolution. The company did not hold treasury stock as at 30 September 2003.

5. Other notes

5.1 Contingent liabilities

Hannover Re has secured by guarantee a surplus note in the amount of USD 400.0 million issued in the 1999 financial year by Hannover Finance Inc., Wilmington/USA.

Hannover Re has secured by guarantee subordinated debt issued by Hannover Finance (Luxembourg) S.A. in the 2001 financial year in the amount of EUR 350 million.

As security for our technical liabilities to our US clients, we have established a master trust in the USA. As at the balance sheet date this master trust amounted to EUR 1,660.8 million (31 December 2002: EUR 1,491.9 million). The securities held in the master trust are shown 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 of the letters of credit as at the balance sheet date was EUR 3,125.7 million (31 December 2002: EUR 3,754.5 million).

Outstanding capital commitments with respect to special investments exist in the amount of EUR 68.3 million for E+S Rückversicherungs-AG and EUR 127.9 million for Hannover Re. These involve primarily private equity funds and venture capital firms in the form of private limited companies.

Within the scope of a novation agreement regarding a life insurance contract we assumed contingent reinsurance commitments with respect to due date and amount estimated at EUR 22.3 million as at the balance sheet date.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

of Hannover Re Group as at 31 December 2002

CONSOLIDATED BALANCE SHEET

as at 31 December 2002

<i>Assets</i> <i>Figures in EUR thousand</i>	<i>2002</i>	<i>2001</i>
Fixed-income securities – held to maturity	356 333	284 070
Fixed-income securities – available for sale	9 140 755	8 422 878
Fixed-income securities – trading	–	46 895
Equity securities – available for sale	717 745	1 021 451
Equity securities – trading	5 493	8 879
Real estate	265 858	311 207
Other invested assets	676 563	578 578
Short-term investments	874 027	622 569
Total investments without cash	12 036 774	11 296 527
Cash	671 866	830 659
Total investments and cash	12 708 640	12 127 186
Prepaid reinsurance premiums	739 487	910 068
Reinsurance recoverables on benefit reserve	489 784	493 650
Reinsurance recoverables on unpaid claims	6 179 896	6 758 763
Reinsurance recoverables on other reserves	41 902	113 017
Deferred acquisition costs	1 321 961	1 196 459
Accounts receivable	3 809 631	3 148 683
Funds held by ceding companies	7 597 206	7 150 799
Goodwill	233 883	263 258
Other assets	280 893	291 574
Accrued interest and rent	175 688	194 137
	33 578 971	32 647 594

<i>Liabilities</i> <i>Figures in EUR thousand</i>	<i>2002</i>	<i>2001</i>
Loss and loss adjustment expense reserve	18 836 651	18 859 679
Policy benefits for life and health contracts	4 136 701	3 908 584
Unearned premium reserve	2 411 591	2 312 432
Provision for contingent commission	143 120	144 228
Other technical provisions	7 870	35 323
Reinsurance payable	1 936 514	1 336 760
Funds held under reinsurance treaties	1 630 200	1 744 536
Contract deposits	184 884	261 250
Minorities	400 426	307 811
Other liabilities	480 540	460 673
Taxes	110 311	99 070
Provision for deferred taxes	742 078	588 555
Notes payable	698 792	797 148
Surplus debenture	119 831	119 517
Total liabilities	31 839 509	30 975 566
Stockholders' equity		
Common stock	97 164	82 799
Nominal value 97 164 Authorised capital 48 500		
Additional paid-in capital	374 451	388 816
Cumulative comprehensive income		
Unrealised appreciation/depreciation of investments, net of deferred taxes	43 127	31 164
Cumulative foreign currency conversion adjustment, net of deferred taxes	(100 276)	(58 192)
Other changes in cumulative comprehensive income	(54 295)	(15 893)
Total comprehensive income	(111 444)	(42 921)
Retained earnings		
Beginning of period	1 243 334	1 232 615
Net income	267 172	11 084
Dividend paid	–	(69 990)
Other changes	(131 215)	69 625
	1 379 291	1 243 334
Total stockholders' equity	1 739 462	1 672 028
	33 578 971	32 647 594

CONSOLIDATED STATEMENT OF INCOME

for the 2002 financial year

<i>Figures in EUR thousand</i>	<i>1.1.–31.12.2002</i>	<i>1.1.–31.12.2001</i>
Gross written premiums	12 463 227	11 507 489
Ceded written premiums	4 328 181	4 409 828
Change in gross unearned premiums	(410 963)	(623 721)
Change in ceded unearned premiums	(35 848)	22 119
Net premiums earned	7 688 235	6 496 059
Ordinary investment income	1 119 629	941 988
Realised gains on investments	201 907	190 006
Realised losses on investments	108 554	134 053
Unrealised gains and losses on investments	(7 090)	21 332
Other investment expenses/depreciations	277 542	73 567
Net investment income	928 350	945 706
Other technical income	21 475	17 831
Total revenues	8 638 060	7 459 596
Claims and claims expenses	5 988 555	5 795 449
Change in policy benefits for life and health contracts	574 123	297 973
Commission and brokerage	1 039 969	1 028 602
Other acquisition costs	35 911	11 667
Other technical expenses	123 495	79 869
Administrative expenses	258 767	178 574
Total technical expenses	8 020 820	7 392 134
Other income and expenses	(146 318)	41 774
Operating profit/loss (EBIT)	470 922	109 236
Interest on hybrid capital	57 548	56 094
Net income before taxes	413 374	53 142
Taxes	131 197	17 505
Minority interest	(15 005)	(24 553)
Net income	267 172	11 084

Figures in EUR thousand 1.1.–31.12.2002 | 1.1.–31.12.2001

Other comprehensive income		
Net unrealised appreciation/depreciation of investments	11 963	(40 249)
Cumulative foreign currency conversion adjustments	(42 084)	(49 392)
Other comprehensive income	(38 402)	(16 757)
Net comprehensive income	198 649	(95 314)

Earnings per share		
Earnings per share in EUR*	2.75	0.11

* For previous year stock split of 15 July in a ratio of 3 for 1 taken into account

CASH FLOW STATEMENT

for the 2002 financial year

Figures in EUR thousand

1.1.–31.12.2002

1.1.–31.12.2001

	1.1.–31.12.2002	1.1.–31.12.2001
I. Cash flows from operating activities		
Consolidated net income (after tax)	267 172	11 084
Appreciation/depreciation	248 759	54 434
Net realised gains and losses on investments	(93 354)	(55 953)
Amortisation of investments	(5 296)	(2 650)
Minority interest	15 005	24 553
Changes in funds held	(1 374 919)	(2 179 236)
Changes in prepaid reinsurance premiums (net)	429 632	603 500
Changes in tax assets/provisions for taxes	55 681	(212 995)
Changes in benefit reserves (net)	532 739	569 958
Changes in claims reserves (net)	2 002 234	2 695 687
Changes in deferred acquisition costs	(208 275)	(482 738)
Changes in other technical provisions	55 790	(89 396)
Changes in clearing balances	(305 019)	119 083
Changes in other assets and liabilities (net)	(4 856)	110 915
Cash flows from operating activities	1 615 293	1 166 246
II. Cash flows from investing activities		
Fixed income securities – held to maturity		
Maturities	8 449	15 705
Purchases	(124 606)	(31 745)
Fixed income securities – available for sale		
Maturities, sales	4 941 360	3 377 429
Purchases	(6 020 990)	(4 986 378)
Equity securities – available for sale		
Sales	100 719	831 694
Purchases	(288 255)	(400 488)
Other invested assets		
Sales	19 397	312 654
Purchases	(138 497)	(300 176)
Affiliated companies and participating interests		
Sales	9 273	8 767
Acquisitions	(29 298)	(53 939)
Real estate		
Sales	28 372	1 094
Acquisitions	(2 536)	(84 360)
Short-term investments		
Changes	(239 162)	(151 176)
Other changes (net)	(67 844)	(7 972)
Cash flows from investing activities	(1 803 618)	(1 468 891)

<i>Figures in EUR thousand</i>	<i>1.1.–31.12.2002</i>	<i>1.1.–31.12.2001</i>
III. Cash flows from financing activities		
Inflows from capital increases	–	209 644
Net changes in contract deposits	(65 267)	156 214
Dividend paid	–	(69 990)
Changes in notes payable	(33 797)	350 646
Other changes	63 971	6 041
Cash flows from financing activities	(35 093)	652 555
IV. Exchange rate differences on cash	64 625	(1 513)
Change in cash and cash equivalents (I.+II.+III.+IV.)	(158 793)	348 397
Cash and cash equivalents at the beginning of the period	830 659	482 262
Change in cash and cash equivalents according to cash flow statement	(158 793)	348 397
Cash and cash equivalents at the end of the period	671 866	830 659
Income taxes	(29 233)	(97 620)
Interest paid	(107 039)	(88 554)

SEGMENTAL REPORT

as at 31 December 2002

In the following table we have allocated the underwriting assets and liabilities as at 31 December 2002 and 2001 to our business segments after eliminating intergroup transactions across segments.

Segmentation of underwriting assets and liabilities

<i>in TEUR</i>	<i>Property/casualty reinsurance</i>		<i>Life/health reinsurance</i>	
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
Assets				
Prepaid reinsurance premiums	94 365	135 664	1 523	503
Deferred acquisition costs (net)	250 988	218 873	963 961	889 117
Reinsurance recoverables on benefit reserves	–	–	489 784	493 650
Reinsurance recoverables on incurred claims and others	3 073 835	3 309 175	112 513	187 807
Funds held by ceding companies	252 479	376 714	3 329 560	3 007 960
Total underwriting assets	3 671 667	4 040 426	4 897 341	4 579 037
Liabilities				
Loss and loss adjustment expense reserve	8 954 985	10 120 457	934 142	1 087 888
Policy benefits for life and health contracts	–	–	4 136 701	3 908 584
Unearned premium reserve	1 124 308	1 016 839	21 522	15 926
Other technical provisions	110 872	135 574	20 437	36 661
Funds held under reinsurance treaties	986 831	735 653	343 819	331 418
Total underwriting liabilities	11 176 996	12 008 523	5 456 621	5 380 477

<i>Financial reinsurance</i>		<i>Program business</i>		<i>Total</i>	
<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
86	–	643 513	773 901	739 487	910 068
25 604	1 590	81 408	86 879	1 321 961	1 196 459
–	–	–	–	489 784	493 650
632 218	834 777	2 403 232	2 540 021	6 221 798	6 871 780
4 012 475	3 731 432	2 692	34 693	7 597 206	7 150 799
4 670 383	4 567 799	3 130 845	3 435 494	16 370 236	16 622 756
5 544 198	4 544 332	3 403 326	3 107 002	18 836 651	18 859 679
	–	–	–	4 136 701	3 908 584
103 913	125 691	1 161 848	1 153 976	2 411 591	2 312 432
19 681	4 475	–	2 841	150 990	179 551
24 164	367 945	275 386	309 520	1 630 200	1 744 536
5 691 956	5 042 443	4 840 560	4 573 339	27 166 133	27 004 782

Segmental statement of income

<i>in TEUR</i>	<i>Property/casualty reinsurance</i>		<i>Life/health reinsurance</i>	
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
Gross written premiums	6 020 029	4 938 461	2 471 500	2 371 022
Net premiums earned	3 502 073	2 989 302	2 142 270	1 740 263
Claims and claims expenses	2 722 079	2 795 966	1 218 683	1 066 010
Change in policy benefits for life and health contracts	–	–	(574 123)	(297 973)
Commission and brokerage and other technical expenses	543 154	590 366	478 322	489 652
Investment income	255 860	361 353	268 424	196 751
Administrative expenses	106 042	84 261	56 625	32 459
Other income and expenses	(81 080)	79 391	-34 464	(445)
Operating profit/loss (EBIT)	305 578	(40 547)	48 477	50 475
Interest on hybrid capital	40 866	41 420	6 575	6 028
Net income before taxes	264 712	(81 967)	41 902	44 447
Taxes	97 642	(14 387)	9 755	15 764
Minority interest	(12 931)	(7 946)	(2 150)	(5 452)
Net income	154 139	(75 526)	29 997	23 231

<i>Financial reinsurance</i>		<i>Program business</i>		<i>Total</i>	
<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
1 242 611	1 740 606	2 729 087	2 457 400	12 463 227	11 507 489
1 210 956	1 280 345	832 936	486 149	7 688 235	6 496 059
1 380 973	1 557 458	666 820	376 015	5 988 555	5 795 449
-	-	-	-	(574 123)	(297 973)
132 924	11 336	23 500	10 953	1 177 900	1 102 307
357 194	357 955	46 872	29 647	928 350	945 706
5 393	2 814	90 707	59 040	258 767	178 574
(1 034)	(978)	(29 740)	(36 194)	(146 318)	41 774
47 826	65 714	69 041	33 594	470 922	109 236
3 716	4 436	6 391	4 210	57 548	56 094
44 110	61 278	62 650	29 384	413 374	53 142
4 323	5 893	19 477	10 235	131 197	17 505
(92)	(9 830)	168	(1 325)	(15 005)	(24 553)
39 695	45 555	43 341	17 824	267 172	11 084

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

of Hannover Re Group as at 31 December 2001

CONSOLIDATED BALANCE SHEET *as at 31 December 2001*

<i>Assets</i> <i>Figures in EUR thousand</i>	<i>2001</i>	<i>2000</i>
Fixed-income securities – held to maturity	284 070	267 031
Fixed-income securities – available for sale	8 422 878	6 518 580
Fixed-income securities – trading	46 895	40 869
Equity securities – available for sale	1 021 451	1 593 969
Equity securities – trading	8 879	–
Real estate	311 207	228 540
Other invested assets	578 578	593 415
Short-term investments	622 569	475 849
Total investments without cash	11 296 527	9 718 253
Cash	830 659	482 262
Total investments and cash	12 127 186	10 200 515
Prepaid reinsurance premiums	910 068	823 915
Reinsurance recoverables on benefit reserve	493 650	254 696
Reinsurance recoverables on unpaid claims	6 758 763	3 532 690
Reinsurance recoverables on other reserves	113 017	6 392
Deferred acquisition costs	1 196 459	714 427
Accounts receivable	3 148 683	3 296 030
Funds held by ceding companies	7 150 799	3 995 706
Goodwill	263 258	266 066
Other assets	291 574	275 591
Accrued interest and rent	194 137	131 574
	32 647 594	23 497 602

Liabilities*Figures in EUR thousand***2001****2000**

Loss and loss adjustment expense reserve	18 859 679	12 782 710
Policy benefits for life and health contracts	3 908 584	3 043 573
Unearned premium reserve	2 312 432	1 608 381
Provision for contingent commission	144 228	1 14 243
Other technical provisions	35 323	22 117
Reinsurance payable	1 336 760	1 378 184
Funds held under reinsurance treaties	1 744 536	817 609
Contract deposits	261 250	109 773
Minorities	307 811	294 134
Other liabilities	460 673	307 740
Taxes	99 070	171 955
Provision for deferred taxes	588 555	741 102
Notes payable	797 148	415 105
Surplus debenture	119 517	1 17 597
Total liabilities	30 975 566	21 924 223
Stockholders' equity		
Common stock	82 799	75 493
Nominal value 82 799 Authorised capital 13 461		
Additional paid-in capital	388 816	201 794
Cumulative comprehensive income		
Unrealised appreciation/depreciation of investments, net of deferred taxes	31 164	71 413
Cumulative foreign currency translation adjustment, net of deferred taxes	(58 192)	(8 800)
Other changes in cumulative comprehensive income	(15 893)	864
Total comprehensive income	(42 921)	63 477
Retained earnings		
Beginning of period	1 232 615	900 630
Net income	11 084	364 880
Dividend paid	(69 990)	(80 426)
Other changes	69 625	47 531
	1 243 334	1 232 615
Total stockholders' equity	1 672 028	1 573 379
	32 647 594	23 497 602

CONSOLIDATED STATEMENT OF INCOME*for the 2001 financial year*

<i>Figures in EUR thousand</i>	<i>2001</i>	<i>2000</i>
Gross written premiums	11 507 489	8 320 493
Ceded written premiums	4 409 828	3 016 514
Change in gross unearned premiums	(623 721)	(216 922)
Change in ceded unearned premiums	22 119	123 127
Net premiums earned	6 496 059	5 210 184
Ordinary investment income	941 988	798 947
Realised gains on investments	190 006	251 168
Realised losses on investments	134 053	70 524
Unrealised gains and losses on investments	21 332	(4 402)
Other investment expenses	73 567	106 509
Net investment income	945 706	868 680
Other technical income	17 831	18 704
Total revenues	7 459 596	6 097 568
Claims and claims expenses	5 795 449	4 467 863
Change in policy benefits for life and health contracts	297 973	37 494
Commission and brokerage	1 028 602	903 946
Other acquisition costs	11 667	17 627
Other technical expenses	79 869	71 468
Administrative expenses	178 574	179 675
Total technical expenses	7 392 134	5 678 073
Profit or loss on ordinary activities	67 462	419 495
Amortisation of goodwill	13 377	11 679
Other income/expenses	(943)	(103 540)
Net income before taxes	53 142	304 276
Taxes (tax revenue in 2000)	17 505	129 025
Minority interest	(24 553)	(68 421)
Net income	11 084	364 880

<i>Figures in EUR thousand</i>	<i>2001</i>	<i>2000</i>
Other comprehensive income		
Net unrealised appreciation/depreciation of investments	(40 249)	22 680
Cumulative foreign currency translation adjustments	(49 392)	(27 937)
Other comprehensive income	(16 757)	(2 091)
Net comprehensive income	(95 314)	357 532
Earnings per share		
Earnings per share in EUR	0.34	13.29
Diluted earnings per share in EUR	0.34	12.38

CASH FLOW STATEMENT *for the 2001 financial year*

<i>Figures in EUR thousand</i>	<i>2001</i>	<i>2000</i>
I. Cash flows from operating activities		
Consolidated net income (after tax)	11 084	364 880
Appreciation/depreciation	54 434	88 502
Net realised gains and losses on investments	(55 953)	(180 644)
Amortisation of investments	(2 650)	(10 925)
Changes in funds held	(2 179 236)	(897 298)
Changes in prepaid reinsurance premiums (net)	603 500	77 205
Changes in tax assets/provisions for taxes	(212 995)	(228 831)
Changes in benefit reserves (net)	569 958	679 796
Changes in claims reserves (net)	2 695 687	1 023 537
Changes in deferred acquisition costs	(482 738)	(220 218)
Changes in other technical provisions	(89 396)	20 883
Changes in clearing balances	119 083	(605 279)
Changes in other assets and liabilities (net)	93 182	(567 173)
Cash flows from operating activities	1 123 960	(455 565)
Income taxes paid (-)/refunded (+)	(97 620)	(95 269)
Interest paid	(88 554)	(96 205)
II. Cash flows from investing activities		
Fixed income securities – held to maturity		
Maturities	15 705	11 924
Purchases	(31 745)	(14 165)
Fixed income securities – available for sale		
Maturities, sales	3 377 429	1 803 328
Purchases	(4 986 378)	(1 766 656)
Equity securities – available for sale		
Sales	831 694	562 338
Purchases	(400 488)	(565 639)
Other invested assets		
Sales	312 654	306 625
Purchases	(300 176)	(419 630)
Affiliated companies and participating interests		
Sales	26 500	11 002
Acquisitions	(53 939)	(80 704)
Real estate		
Sales	1 094	–
Acquisitions	(84 360)	(7 148)
Short-term investments		
Changes	(151 176)	235 194
Other changes (net)	(7 972)	195 895
Cash flows from investing activities	(1 451 158)	272 364

<i>Figures in EUR thousand</i>	<i>2001</i>	<i>2000</i>
III. Cash flows from financing activities		
Changes in treasury stock	–	230
Inflows from capital increases	209 644	12 782
Net changes in contract deposits	156 214	168 850
Dividend paid	(69 990)	(80 426)
Changes in notes payable	350 646	(925)
Other changes	30 594	116 134
Cash flows from financing activities	677 108	216 645
IV. Exchange rate differences on cash	(1 513)	1 152
Change in cash and cash equivalents (I.+II.+III.+IV.)	348 397	44 996
Cash and cash equivalents at the beginning of the period	482 262	437 266
Change in cash and cash equivalents according to cash flow statement	348 397	44 996
Cash and cash equivalents at the end of the period	830 659	482 262

In the following table we have allocated the underwriting assets and liabilities as at 31 December 2001 and 2000 to our business segments after eliminating intergroup transactions across segments.

Segmentation of underwriting assets and liabilities

<i>Figures in EUR thousand</i>	<i>Property/ casualty reinsurance 2001</i>	<i>Property/ casualty reinsurance 2000</i>	<i>Life/ health reinsurance 2001</i>	<i>Life/ health reinsurance 2000</i>
Assets				
Prepaid reinsurance premiums	135 664	1 12 460	503	359
Deferred acquisition costs (net)	218 873	135 330	889 117	577 863
Reinsurance recoverables on benefit reserves	–	–	493 650	254 696
Reinsurance recoverables on incurred claims and others	3 309 175	1 329 943	187 807	195 144
Funds held by ceding companies	376 714	301 436	3 007 960	1 887 236
Total underwriting assets	4 040 426	1 879 169	4 579 037	2 915 298
Liabilities				
Loss and loss adjustment expense reserve	10 120 457	7 497 745	1 087 888	952 999
Policy benefits for life and health contracts	–	–	3 908 584	3 043 573
Unearned premium reserve	1 016 839	701 855	15 926	4 723
Other technical provisions	135 574	121 977	36 661	6 680
Funds held under reinsurance treaties	735 653	403 926	331 418	347 076
Total underwriting liabilities	12 008 523	8 725 503	5 380 477	4 355 051

<i>Program business</i>	<i>Program business</i>	<i>Financial reinsurance</i>	<i>Financial reinsurance</i>	<i>Total</i>	<i>Total</i>
<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
773 901	673 482	–	37 614	910 068	823 915
86 879	(262)	1 590	1 496	1 196 459	714 427
–	–	–	–	493 650	254 696
2 540 021	1 876 231	834 777	137 764	6 871 780	3 539 082
34 693	63 159	3 731 432	1 743 875	7 150 799	3 995 706
3 435 494	2 612 610	4 567 799	1 920 749	16 622 756	9 327 826
3 107 002	2 175 503	4 544 332	2 156 463	18 859 679	12 782 710
–	–	–	–	3 908 584	3 043 573
1 153 976	792 972	125 691	108 831	2 312 432	1 608 381
2 841	–	4 475	7 703	179 551	136 360
309 520	8 040	367 945	58 567	1 744 536	817 609
4 573 339	2 976 515	5 042 443	2 331 564	27 004 782	18 388 633

Segmental statement of income

<i>Figures in EUR thousand</i>	<i>Property/ casualty reinsurance 2001</i>	<i>Property/ casualty reinsurance 2000</i>	<i>Life/ health reinsurance 2001</i>	<i>Life/ health reinsurance 2000</i>
Gross written premiums	4 938 461	3 385 386	2 371 022	2 090 506
Net premiums earned	2 989 302	2 524 439	1 740 263	1 592 297
Claims and claims expenses	2 795 966	2 033 826	1 066 010	1 209 010
Change in policy benefits for life and health contracts	–	–	(297 973)	(37 494)
Commission and brokerage and other technical expenses	603 834	625 844	492 601	424 602
Other technical income	13 468	4 323	2 949	13 949
Investment income	361 353	471 930	196 751	204 347
Administrative expenses	84 261	75 444	32 459	56 869
Net technical and investment income	(119 938)	265 578	50 920	82 618
Other expenses	(37 971)	45 851	6 473	51 720
Net income before tax	(81 967)	219 727	44 447	30 898
Taxes (tax revenue)	(14 387)	(108 729)	15 764	(27 658)
Minority interest	(7 946)	(61 943)	(5 452)	(4 624)
Net income	(75 526)	266 513	23 231	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>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
2 457 400	1 974 407	1 740 606	870 194	11 507 489	8 320 493
486 149	292 699	1 280 345	800 749	6 496 059	5 210 184
376 015	261 809	1 557 458	963 218	5 795 449	4 467 863
-	-	-	-	(297 973)	(37 494)
10 953	(4 365)	12 750	(53 040)	1 120 138	993 041
-	-	1 414	432	17 831	18 704
29 647	24 682	357 955	167 721	945 706	868 680
59 040	42 686	2 814	4 676	178 574	179 675
69 788	17 251	66 692	54 048	67 462	419 495
40 404	14 650	5 414	2 998	14 320	115 219
29 384	2 601	61 278	51 050	53 142	304 276
10 235	3 394	5 893	3 968	17 505	(129 025)
(1 325)	3 902	(9 830)	(5 756)	(24 553)	(68 421)
17 824	3 109	45 555	41 326	11 084	364 880

TAXATION

The following is a general description of certain tax considerations relating to the Bonds. It does not purport to be a complete analysis of all tax considerations relating to the Bonds. Prospective purchasers of Bonds should consult their tax advisers as to the consequences, under the tax laws of the country in which they are resident for tax purposes and under the tax laws of Luxembourg and the Federal Republic of Germany, of acquiring, holding and disposing of Bonds and receiving payments of principal, interest and other amounts under the Bonds. This summary is based upon the laws in force and their interpretation on the date of this Offering Circular and is subject to any change in law or interpretation that may take effect after such date.

Luxembourg

The following is a summary of certain material Luxembourg tax consequences of purchasing, owning and disposing of the Bonds. It does not purport to be a complete analysis of all possible tax situations that may be relevant to a decision to purchase, own or deposit the Bonds. Prospective purchasers of the Bonds should consult their own tax advisers as to the applicable tax consequences of the ownership of the Bonds, based on their particular circumstances. This summary does not allow any conclusions to be drawn with respect to issues not specifically addressed. The following description of Luxembourg tax law is based upon the Luxembourg law and regulations as in effect on the date of this Offering Circular and is subject to any amendments in law later introduced, whether or not on a retroactive basis.

Tax Residency

A Bondholder will not become resident, or be deemed to be resident, in Luxembourg by reason only of the holding of the Bonds, or the execution, performance, delivery and/or enforcement of the Bonds.

Taxation of the Bondholders

Withholding tax

Under Luxembourg tax law currently in effect (see, however, the section relating to the EU Savings Directive hereunder), there is no withholding tax for Luxembourg residents and non-residents on payments of interest (including accrued but unpaid interest) in respect of the Bonds, nor is any Luxembourg withholding tax payable on payments received upon redemption, repayment of the principal or upon an exchange of the Bonds.

Taxation of Luxembourg non-residents

Bondholders who are non-residents of Luxembourg and who do not hold the Bonds through a permanent establishment or a permanent representative in Luxembourg are not liable to any Luxembourg income tax, whether they receive payments of interest (including accrued but unpaid interest), or payments upon redemption, repayment of principal or exchange of the Bonds, or realise capital gains on the sale of any Bond.

Taxation of Luxembourg residents – General

Bondholders who are residents of Luxembourg or non-residents who have a permanent establishment or a permanent representative in Luxembourg with which the holding of the Bonds is connected, must for income tax purposes include any interest received in their taxable income. These holders will not be liable to any Luxembourg income tax on repayment of principal of the Bonds.

Luxembourg resident individuals

Luxembourg resident individual Bondholders are not subject to taxation on capital gains upon the transfer of the Bonds, unless the transfer of the Bonds precedes the acquisition of the Bonds, or the Bonds are disposed of within six months of the date of acquisition of these Bonds. Upon a redemption or exchange of the Bonds, individual Luxembourg resident Bondholders must however include the portion of the redemption or exchange price corresponding to accrued but unpaid interest in their taxable income.

Fully taxable Luxembourg resident companies

Luxembourg resident companies (*société de capitaux*), Bondholders or foreign entities of the same type which have a permanent establishment in Luxembourg with which the holding of the Bonds is connected, must include in their taxable income the difference between the sale or redemption price (including accrued but unpaid interest) and the lower of the cost or book value of the Bonds sold, exchanged or deemed realised.

Luxembourg resident companies with special tax regime

Luxembourg resident bondholders who are holding companies subject to the law of 31 July 1929 or undertakings for collective investment subject to the law of 20 December 2002 are tax exempt entities in Luxembourg and thus are not subject to any Luxembourg tax on income received on the bonds or gains realized upon their transfer.

Other Taxes

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by the Bondholders as a consequence of the issuance of the Bonds, nor will any of these taxes be payable as a consequence of a subsequent transfer, repurchase or redemption of the Bonds.

There is no Luxembourg value added tax payable in respect of payments in consideration for the issuance of the Bonds or in respect of the payment of interest or principal under the Bonds or the transfer of the Bonds. Luxembourg value added tax may, however, be payable in respect of fees charged for certain services rendered to the Issuer, if for Luxembourg value added tax purposes such services are rendered or are deemed to be rendered in Luxembourg and an exemption from Luxembourg value added tax does not apply with respect to such services.

Luxembourg net wealth tax will not be levied on a Bondholder, unless (i) such holder is or is deemed to be a Luxembourg resident or (ii) such Bonds are attributable to an enterprise or part thereof which is carried on in Luxembourg through a permanent establishment or a permanent representative in Luxembourg.

No gift, estate or inheritance tax is levied on the transfer of the Bonds upon death of a Bondholder in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes. Luxembourg gift tax will be levied in cases where the gift is notarised in Luxembourg.

Federal Republic of Germany

The information contained in this section is not intended as tax advice and does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser of the Bonds. It is based on German tax laws in effect as of the date hereof, which are subject to change, potentially with retroactive or retrospective effect.

Withholding Tax

Under current German law, payments of principal on the Bonds are not subject to German taxation. A withholding tax will be levied on payments of interest if (i) the Bondholder is subject to German taxation and (ii) the payment is made by an institution described below. A disposal of the Bonds may be subject to withholding tax as set out in (iii) below.

(a) Bondholders are subject to German taxation if they are:

- (i) resident in the Federal Republic of Germany (unlimited tax liability). This includes individuals having a residence or habitual abode in the Federal Republic of Germany and legal persons having their statutory seat or place of management in the Federal Republic of Germany;
- (ii) not resident in the Federal Republic of Germany (limited tax liability) to the extent the interest received under the Bonds constitutes income from German sources as defined in the German Income Tax Act (such as income effectively connected with a German trade or business).

(b) Provided that the Bondholders are subject to taxation in accordance with (i), withholding tax on interest payments is to be withheld by:

- (i) the German bank or financial services institution (including a German branch of a foreign bank or foreign financial services institution but excluding a foreign branch of a German bank or German financial services institution) disbursing the coupons (1) if it acts as a custodian or (2) if it does not act as custodian and disbursement is made against surrender of the coupons to a recipient other than a foreign bank or a foreign financial services institution;
- (ii) the relevant Issuer, if the Issuer disbursing the coupons (1) acts as a custodian or (2) if it does not act as a custodian, the disbursement is made against surrender of the coupons to a recipient other than a foreign bank or a foreign financial services institution.

(c) With regard to the accrued interest, withholding tax will – *inter alia* – also be triggered if Bondholders (subject to taxation in accordance with (i) and (ii) above) dispose of:

- (i) coupons or the right to receive interest payments without the underlying Bonds;
- (ii) coupons or the right to receive interest payments with the underlying Bonds provided the accrued interest is charged separately;
- (iii) the underlying Bonds without the coupons or the right to receive interest payments at a discounted price;
- (iv) coupons or the right to receive interest payments with the underlying Bonds provided the accrued interest is not charged separately;

(d) To the extent withholding tax has to be withheld in accordance with (i), (ii) and (iii) above, the current withholding tax rate is 30% plus a solidarity surcharge of 5.5% of the withholding tax amount. The aggregate deduction therefore is 31.65% of the gross amount of the interest payment. In case of an interest payment against surrender of a coupon (over-the-counter transaction), the overall deduction amounts to 35% plus 5.5% hereof (equal to an aggregate deduction of 36.925%).

If payments are made upon the maturity of coupons (or interest receivables), the withholding tax base is determined by such payments. The withholding tax base is determined in the case of:

- (iii) (a), by the proceeds deriving from the disposal of the coupons or the right to receive interest payments;
- (iii) (b), by the interest amount separately charged;
- (iii) (c) and (d), by the balance of the disposal proceeds and the issue price (or the acquisition costs) provided that the Bonds have been acquired or sold by the German bank or financial services institution in cases of (ii) (a) or by the Issuer in cases of (ii) (b) and since then have been administered or held in custody by the German bank or financial services institution (cases of (ii) (a)) or by the Issuer (cases of (ii) (b)). If these conditions are not met, the withholding tax base will be determined as 30% of the disposal proceeds.

The withholding tax base may be reduced by the German bank or financial services institution or the Issuer to the extent the bank, financial services institution or the Issuer separately charged accrued interest to the Bondholder as an expense upon the acquisition of the Bonds in the respective year of the disbursement of the coupon or the right to receive interest payments, unless the interest payments are made against surrender of the coupons (over-the-counter transaction) to a recipient other than a foreign bank or financial services institution.

Income Taxation

Bondholders subject to unlimited tax liability may credit the withholding tax within their tax assessment.

If the Bonds are held as private (non-business) assets (*Privatvermögen*) by an individual, payments of interest under the Bonds will be taxed as interest income and the amount of such payments after deduction of related expenses will be subject to progressive income tax up to 45% (42% in 2005) plus solidarity surcharge of 5.5% thereon. A personal annual exemption (*Sparer-Freibetrag*) of € 1,370 (€ 2,740 for married couples filing their tax return jointly) is available for the aggregate amount of all dividends and savings income including interest income from the Bonds. In addition, an individual is entitled to a standard deduction of € 51 (€ 102 for married couples filing their tax return jointly) in computing his overall investment income unless the expenses involved are demonstrated to have actually exceeded that amount.

If the Bonds are held as business assets (*Betriebsvermögen*), payments of interest under the Bonds will be subject to both, income tax and trade tax, which is a municipal tax levied at an effective tax rate of between 12% and 20% depending on the applicable trade tax factor of the relevant municipality.

If the Bonds are held by a Bondholder in the legal form of a corporation, payments of interest under the Bonds will be subject to corporate income tax at a rate of 25% plus solidarity surcharge of 5.5% thereon and trade tax.

Bondholders subject to limited tax liability may credit the withholding tax within their tax assessment if the interest income is effectively connected with a German branch. If the Bondholder furnishes proof for the issuing yield of a Bond, the capital income will be determined on this basis which may deviate from the above stated withholding tax base.

Under certain circumstances, withholding tax withheld pursuant to a foreign law may be credited against German tax liability.

Inheritance and Gift Tax

Under German law, German inheritance or gift tax will be imposed, in principle on the fair market value at the time of the taxable event, on the transfer of Bonds to another person by gift or at death, if:

- the donor or transferor or the heir, donee or other beneficiary has his residence or habitual abode in the Federal Republic of Germany or is a German citizen who has not been continuously outside Germany for a period of more than five years at the time of the transfer; or
- the Bonds were assets of a business for which a permanent establishment in the Federal Republic of Germany was maintained or a German permanent representative was appointed at the time of the transfer.

EU Savings Directive

On 3 June 2003 the EU Council of Economic and Finance Ministers adopted a new directive regarding the taxation of savings income. The directive is scheduled to be applied by Member States from 1 January 2005, provided that certain non-EU countries adopt similar measures from the same date.

Under the directive each Member State will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State; however, Austria, Belgium and Luxembourg may instead apply a withholding system for a transitional period in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to commence on the date from which the directive is to be applied by Member States and to terminate at the end of the first fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

SUBSCRIPTION AND SALE

Deutsche Bank AG London and J.P. Morgan Securities Ltd. (together, the “Managers”) have entered into a subscription agreement dated 24 February 2004 (the “Subscription Agreement”) with the Issuer and the Guarantor and, subject to the terms thereof, have agreed to subscribe and pay for the Bonds at their issue price of 99.388 per cent. of their principal amount less certain management and underwriting commissions and selling concessions. The Issuer has also agreed to reimburse the Managers for certain of their expenses incurred in connection with the management of the issue of the Bonds. The Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issuance of the Bonds. The Subscription Agreement is governed by German law.

Luxembourg

The Bonds are not offered to the public in Luxembourg and the Managers have represented, warranted and agreed that they will not offer the Bonds or cause the offering of the Bonds or contribute to the offering of the Bonds to the public in Luxembourg or out of Luxembourg. In particular, this offer has not been and will not be announced to the public and offering material will not be made available to the public except for listing purposes.

Germany

Each Manager has confirmed that it is aware of the fact that no German sales prospectus (*Verkaufsprospekt*) within the meaning of the Securities Sales Prospectus Act (*Wertpapier-Verkaufsprospektgesetz*, the “Act”) of the Federal Republic of Germany has been or will be published with respect to the Bonds and that it will comply with the Act and all other applicable legal and regulatory requirements. In particular, each of the Managers has represented that it has not engaged and has agreed that it will not engage in a public offering (*öffentliches Angebot*) within the meaning of the Act with respect to any Bonds otherwise than in accordance with the Act. Any resale of the Bonds in the Federal Republic of Germany may only be made in accordance with the provisions of the Act and any other laws applicable in the Federal Republic of Germany governing the sale and offering of securities.

United States of America

The Bonds and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act (“Regulation S”).

The Bonds are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Bonds (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of Bonds within the United States by a dealer, whether or not participating in the offering, may violate the registration requirements of the Securities Act.

United Kingdom

Each Manager has represented, warranted and agreed that:

- (a) it has not offered or sold and, prior to the expiry of a period of six months from the issue date of the Bonds, will not offer or sell any Bonds to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

The Netherlands

This Offering Circular may not be distributed and any Bonds (including rights representing an interest in a Bond in global form) may not be offered, sold, transferred or delivered as part of their initial distribution or at any time thereafter, directly or indirectly, to individuals or legal entities who are established, domiciled or have their residence in *The Netherlands* ("**Dutch Residents**") other than the following entities ("**Professional Market Parties**" or "**PMPs**") provided they acquire the Bonds for their own account and provided they also trade or invest in securities in the conduct of a business or profession:

- (a) banks, insurance companies, securities firms, collective investment institutions or pension funds that are supervised or licensed under Dutch law;
- (b) banks or securities firms licensed or supervised in a European Economic Area member state (other than The Netherlands) and registered with the Dutch Central Bank (*De Nederlandsche Bank N.V.*: "**DNB**") or the Dutch Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*) and acting through a branch office in The Netherlands;
- (c) Netherlands collective investment institutions which offer their shares or participations exclusively to professional investors and are not required to be supervised or licensed under Dutch law;
- (d) the Dutch government (*de Staat der Nederlanden*), DNB, Dutch regional, local or other decentralised governmental institutions, international treaty organisations and supranational organisations;
- (e) Netherlands enterprises or entities with total assets of at least EUR 500,000,000 (or the equivalent thereof in another currency) according to their balance sheet at the end of the financial year preceding the date they purchase or acquire the Bonds;
- (f) Netherlands enterprises, entities or natural persons with a net equity (*eigen vermogen*) of at least EUR 10,000,000 (or the equivalent thereof in another currency) according to their balance sheet at the end of the financial year preceding the date they purchase or acquire the Bonds and who or which have been active in the financial markets on average twice a month over a period of at least two consecutive years preceding such date;
- (g) Netherlands subsidiaries of the entities referred to under (a) above provided such subsidiaries are subject to prudential supervision;
- (h) Netherlands enterprises or entities that have a credit rating from an approved rating agency or whose securities have such a rating; and
- (i) such other entities designated by the competent Netherlands authorities after the date hereof by any amendment of the applicable regulations.

All Bonds (whether or not offered to Dutch Residents) shall bear the following legend:

“THIS BOND (OR ANY INTEREST THEREIN) MAY NOT BE SOLD, TRANSFERRED OR DELIVERED TO INDIVIDUALS OR LEGAL ENTITIES WHO ARE ESTABLISHED, DOMICILED OR HAVE THEIR RESIDENCE IN THE NETHERLANDS (“**DUTCH RESIDENTS**”) OTHER THAN PROFESSIONAL MARKET PARTIES WITHIN THE MEANING OF THE EXEMPTION REGULATION UNDER THE DUTCH ACT ON THE SUPERVISION OF CREDIT INSTITUTIONS 1992 (AS AMENDED) AND THAT TRADE OR INVEST IN SECURITIES IN THE CONDUCT OF A BUSINESS OR PROFESSION (“**PMP**”).

EACH DUTCH RESIDENT BY PURCHASING THIS BOND (OR ANY INTEREST THEREIN), WILL BE DEEMED TO HAVE REPRESENTED AND AGREED FOR THE BENEFIT OF THE ISSUER THAT IT IS A PMP AND IS ACQUIRING THIS BOND (OR ANY INTEREST THEREIN) FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A PMP.

EACH HOLDER OF THIS BOND (OR ANY INTEREST THEREIN), BY PURCHASING SUCH BOND (OR ANY INTEREST THEREIN), WILL BE DEEMED TO HAVE REPRESENTED AND AGREED FOR THE BENEFIT OF THE ISSUER THAT (1) SUCH BOND (OR ANY INTEREST THEREIN) MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED TO ANY *DUTCH RESIDENT* OTHER THAN A PMP ACQUIRING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A PMP AND THAT (2) IT WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS DESCRIBED HEREIN TO ANY SUBSEQUENT TRANSFEREE.”

and in the offer and in any documents or advertisements in which a forthcoming offering of such Bonds is publicly announced (whether electronically or otherwise) in The Netherlands it is stated that such offer is and will be exclusively made to such PMPs.

Republic of Italy

The offering of the Bonds has not been and will not be registered pursuant to the Italian securities legislation and, accordingly, each of the Managers has represented that it has not offered or sold, and will not offer or sell, any Bonds in the Republic of Italy in a solicitation to the public, and that sales of the Bonds in the Republic of Italy shall be effected in accordance with all Italian securities, tax, exchange control and other applicable laws and regulations.

Each of the Managers has represented that it will not offer, sell or deliver any Bonds or distribute copies of the Offering Circular or any other document relating to the Bonds in the Republic of Italy except to “**Professional Investors**”, as defined in Article 31.2 of CONSOB Regulation No. 11522 of 1st July 1998 (“**Regulation No. 11522**”), as amended, pursuant to Articles 30.2 and 100 of Legislative Decree No. 58 of 24th February 1998, as amended (“**Decree No. 58**”), or in any other circumstances where an express exemption from compliance with the solicitation restrictions provided by Decree No. 58 or CONSOB Regulation No. 11971 of 14th May 1999, as amended, applies, provided however, that any such offer, sale or delivery of Bonds or distribution of copies of the Offering Circular or any other document relating to the Bonds in the Republic of Italy must be:

- (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1st September 1993, as amended (“**Decree No. 385**”), Decree No. 58, Regulation No. 11522 and any other applicable laws and regulations;
- (b) in compliance with Article 129 of Decree No. 385 and the implementing instructions of the Bank of Italy (“*Istruzioni di vigilanza della Banca d’Italia*”), pursuant to which the issue, offer or placement of securities in Italy is subject to prior notification to the Bank of Italy, unless an exemption, depending, *inter alia*, on the aggregate amount of the securities issued, offered or placed in Italy and their characteristics, applies; and

in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

General

No action has been or will be taken in any jurisdiction by the Issuer, the Guarantor or the Managers that would, or is intended to, permit a public offering of the Bonds, or possession or distribution of this Offering Circular or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor and the Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Bonds or have in their possession, distribute or publish this Offering Circular or any other offering material relating to the Bonds, in all cases at their own expense.

GENERAL INFORMATION

(1) The creation and issue of the Bonds has been authorised by a resolution of the Boards of Directors of the Issuer dated 3 February 2004. The giving of the Guarantee of the Bonds has been authorised by a resolution of the Management Board (*Vorstand*) of the Guarantor dated 23 January 2003 and as resolution of the Supervisory Board (*Aufsichtsrat*) of the Guarantor dated 2 February 2004.

(2) Save as disclosed in this Offering Circular, there are no litigation or arbitration proceedings against or affecting the Issuer, the Guarantor or any of its subsidiaries or any of their respective assets, nor is the Issuer or the Guarantor aware of any pending or threatened proceedings, which (in either case) are or might be material in the context of the issue of the Bonds. For further information, please see "Description of the Guarantor – Litigation and Arbitration Proceedings".

(3) Save as disclosed in this Offering Circular, there has been no material adverse change, or any development reasonably likely to involve a material adverse change, in the condition (financial or otherwise) or general affairs of the Issuer since 31 December 2002 or in the condition (financial or otherwise) or general affairs of the Guarantor since 31 December 2002 that is material in the context of the issue of Bonds.

(4) For so long as any Bond is outstanding, copies of the following documents may be inspected during normal business hours at the specified office of each Paying Agent:

- (a) the Agency Agreement;
- (b) the Guarantee;
- (c) the Subscription Agreement;
- (d) the Articles of Association (*Satzung*) of the Issuer; and
- (e) the Articles of Association (*Satzung*) of the Guarantor.

(5) For so long as any of the Bonds are outstanding, a copy of the latest audited financial statements of the Issuer for each period since the financial year ended 31 December 2002 may be obtained free of charge during normal business hours at the specified office of each Paying Agent. The Issuer does not publish interim financial statements.

(6) For so long as any of the Bonds are outstanding, a copy of the latest audited unconsolidated financial statements, audited consolidated financial statements and unaudited consolidated interim financial statements, which are published quarterly, of Hannover Re Group for each period since the financial year ended 31 December 2002 may be obtained during normal business hours at the specified office of each Paying Agent.

(7) In connection with the application to list the Bonds on the Luxembourg Stock Exchange, a legal notice relating to the issue of the Bonds and copies of the constitutional documents of the Issuer will be deposited with the Register of Commerce and Companies in Luxembourg (*Registre de Commerce et des Sociétés à Luxembourg*) where such documents may be examined and copies obtained.

(8) The Temporary Global Bond and the Permanent Global Bond will each bear the following legend:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

(9) The Bonds have been accepted for clearance by Clearstream Banking, société anonyme, Luxembourg and Euroclear Bank N.V./S.A., as operator of the Euroclear System. The Common Code for the Bonds is 018704307, the ISIN is XS0187043079 and the German Security Code is AOVNFF.

REGISTERED OFFICE OF THE ISSUER

25A, Boulevard Royal
L-2449 Luxembourg

REGISTERED OFFICE OF THE GUARANTOR

Karl-Wiechert-Allee 50
D-30625 Hannover
Germany

FISCAL AGENT AND CALCULATION AGENT

Deutsche Bank Aktiengesellschaft
Grosse Gallusstrasse 10–14
D-60272 Frankfurt am Main
Germany

LISTING AND PAYING AGENT

Deutsche Bank Luxembourg S. A.
2, Boulevard Konrad Adenauer
L-1115 Luxembourg

LEGAL ADVISERS

To the Issuer and the Guarantor

as to German law:

Linklaters Oppenhoff & Rädler
Mainzer Landstrasse 16
D-60325 Frankfurt am Main
Germany

as to Luxembourg law:

Linklaters Loesch
4, rue Carlo Hemmer
P.O. Box 1107
L-1011 Luxembourg

To the Managers as to German Law

Clifford Chance
Partnerschaftsgesellschaft
Mainzer Landstrasse 46
D-60325 Frankfurt am Main
Germany

AUDITORS TO THE GUARANTOR

KPMG
Osterstrasse 40
D-30159 Hannover
Germany

AUDITORS TO THE ISSUER

KPMG Audit
31, Allée Scheffer
L-2520 Luxembourg