

**somewhat  
different**

Hannover Rück SE  
**Annual Report 2015**

*hannover* **re**<sup>®</sup>

## Key figures

in EUR million	2015	+/- previous year	2014	2013	2012	2011
<b>Results</b>						
Gross written premium	14,139.3	+30.1%	10,864.9	11,047.9	10,457.3	9,130.2
Net premium earned	10,178.6	+20.0%	8,481.3	8,209.5	7,808.2	6,965.6
Underwriting result	158.4		(15.0)	(4.7)	93.2	(151.9)
Allocation to the equalisation reserve and similar provisions	136.1	-51.0%	277.6	267.7	340.7	292.6
Investment result	1,695.9	+7.3%	1,580.8	1,116.6	1,233.9	953.9
Pre-tax profit	1,064.0	+78.0%	597.8	380.1	546.0	273.5
Profit for the financial year	905.8	+115.1%	421.2	367.2	410.3	270.2
Investments	41,338.2	-1.4%	41,912.3	33,203.3	30,452.0	27,005.6
Capital and reserves <sup>1</sup>	1,631.7	+18.1%	1,381.7	1,381.7	1,381.7	1,381.7
Subordinated liabilities	1,500.0		1,500.0	1,800.0	1,800.0	1,300.0
Equalisation reserve and similar provisions	3,066.7	+4.6%	2,930.6	2,653.0	2,385.3	2,044.6
Net technical provisions	27,218.3	-8.0%	29,594.4	25,031.3	22,891.3	21,142.7
<b>Total capital, reserves and technical provisions</b>	<b>33,416.7</b>	<b>-5.6%</b>	<b>35,406.7</b>	<b>30,866.0</b>	<b>28,458.3</b>	<b>25,869.0</b>
Number of employees	1,245	+3.8%	1,200	1,101	1,074	1,041
Retention	73.0%		79.3%	75.2%	76.0%	77.5%
Loss ratio <sup>2</sup>	71.9%		71.0%	71.6%	72.8%	76.0%
Expense ratio <sup>2</sup>	27.6%		28.3%	26.8%	26.7%	27.2%
Combined ratio <sup>2</sup>	99.5%		99.3%	98.4%	99.5%	103.2%

<sup>1</sup> Excluding disposable profit

<sup>2</sup> Excluding life and health reinsurance

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# Boards and officers

## Executive Board

### Ulrich Wallin

**Chairman of the Executive Board Hannover Rück SE, Hannover**

**Chairman of the Executive Board E+S Rückversicherung AG, Hannover**

**Member of the Board of Management Talanx AG, Hannover**

Chairman of the Board of Directors Hannover Life Reassurance Company of America, Orlando, USA

Chairman of the Board of Directors Hannover Re (Bermuda) Ltd., Hamilton, Bermuda

Chairman of the Board of Directors Hannover Re (Ireland) Limited, Dublin, Ireland

Chairman of the Supervisory Board International Insurance Company of Hannover SE, Hannover<sup>1</sup>

Member of the Board of Directors Hannover Life Re of Australasia Ltd, Sydney, Australia

### Sven Althoff

**Member of the Executive Board Hannover Rück SE, Hannover**

Member of the Board of Directors Apollo Syndicate Management Limited, London, United Kingdom

Member of the Board of Directors Energi, Inc., Peabody, USA

Member of the Board of Directors Integra Insurance Solutions Limited, Bradford, United Kingdom

### Claude Chèvre

**Member of the Executive Board Hannover Rück SE, Hannover**

Chairman of the Board of Directors Hannover Life Reassurance Africa Limited, Johannesburg, South Africa

Deputy Chairman of the Board of Directors Hannover Life Re of Australasia Ltd, Sydney, Australia

Member of the Board of Directors Hannover Life Reassurance Bermuda Ltd., Hamilton, Bermuda

Member of the Board of Directors Hannover Reinsurance Group Africa (Pty) Limited, Johannesburg, South Africa

Member of the Board of Directors Hannover ReTakaful B.S.C. (c), Manama, Bahrain

Member of the Board of Directors Hannover Re Services Japan, Tokyo, Japan

Member of the Board of Directors U for Life Sdn. Bhd., Kuala Lumpur, Malaysia

Member of the Supervisory Board Hannover Life Re AG, Hannover<sup>1</sup>

### Jürgen Gräber

**Member of the Executive Board Hannover Rück SE, Hannover**

Chairman of the Board of Directors Hannover Reinsurance Africa Limited, Johannesburg, South Africa

Chairman of the Board of Directors Hannover Reinsurance Group Africa (Pty) Limited, Johannesburg, South Africa

Chairman of the Board of Directors Hannover ReTakaful B.S.C. (c), Manama, Bahrain

Deputy Chairman of the Board of Directors Hannover Re (Bermuda) Ltd., Hamilton, Bermuda

Member of the Board of Directors Hannover Re (Ireland) Limited, Dublin, Ireland

Member of the Board of Directors Hannover Re Services Japan, Tokyo, Japan

Member of the Supervisory Board International Insurance Company of Hannover SE, Hannover<sup>1</sup>

Member of the Supervisory Board Talanx International AG, Hannover<sup>1</sup>

**Dr. Klaus Miller****Member of the Executive Board Hannover Rück SE, Hannover****Member of the Executive Board E+S Rückversicherung AG, Hannover**

Chairman of the Board of Directors Hannover Life Reassurance Bermuda Ltd., Hamilton, Bermuda

Chairman of the Board of Directors Hannover Life Reassurance Company of America (Bermuda) Ltd., Hamilton, Bermuda

Vice Chairman of the Board of Directors Hannover Life Reassurance Company of America, Orlando, USA

Chairman of the Supervisory Board Hannover Life Re AG, Hannover<sup>1</sup>

Member of the Board of Directors Hannover Re (Ireland) Limited, Dublin, Ireland

**Dr. Michael Pickel****Member of the Executive Board Hannover Rück SE, Hannover****Member of the Executive Board E+S Rückversicherung AG, Hannover**

Chairman of the Board of Directors Glencar Underwriting Managers, Inc., Chicago, USA

Chairman of the Board of Directors Hannover Re Services Italy S.r.l., Milan, Italy

Chairman of the Board of Directors Hannover Re Services USA, Inc., Illinois, USA

Chairman of the Board of Directors Mediterranean Reinsurance Services Ltd., Hong Kong, China

**Roland Vogel****Member of the Executive Board Hannover Rück SE, Hannover****Member of the Executive Board E+S Rückversicherung AG, Hannover**

Chairman of the Board of Directors Hannover Finance, Inc., Wilmington, USA

Chairman of the Board of Directors Hannover Finance (Luxembourg) S.A., Luxembourg

Chairman of the Board of Directors Hannover Finance (UK) Limited, London, United Kingdom

Deputy Chairman of the Board of Directors Hannover Life Reassurance Bermuda Ltd., Hamilton, Bermuda

Deputy Chairman of the Supervisory Board Hannover Life Re AG, Hannover<sup>1</sup>Deputy Chairman of the Supervisory Board Talanx Asset Management GmbH, Cologne<sup>1</sup>

Member of the Board of Directors Hannover Life Reassurance Company of America, Orlando, USA

Member of the Board of Directors Hannover Re (Bermuda) Ltd., Hamilton, Bermuda

Member of the Board of Directors Hannover Re (Ireland) Limited, Dublin, Ireland

Member of the Board of Directors Meribel Midco Limited, St. Helier, Jersey

Member of the Board of Directors Meribel Topco Limited, St. Helier, Jersey

Member of the Supervisory Board International Insurance Company of Hannover SE, Hannover<sup>1</sup>

Member of the Advisory Board Commerzbank AG, Frankfurt am Main

Member of the Advisory Board Hannover Finanz GmbH, Hannover

Member of the Advisory Board WeHaCo Unternehmensbeteiligungs-GmbH, Hannover

<sup>1</sup> Details of supervisory board memberships within the meaning of § 125 (1) Sentence 5, first half-sentence of the Stock Corporation Act (AktG).

The other details are those on comparable control boards at other domestic and foreign business enterprises pursuant to § 125 (1) Sentence 5, second half-sentence of the Stock Corporation Act (AktG).

# Supervisory Board

## **Herbert K. Haas**<sup>1, 2, 4</sup>

Burgwedel

**Chairman**

**Chairman of the Board of Management Talanx AG**

**Chairman of the Board of Management HDI Haftpflichtverband der Deutschen Industrie V.a.G.**

Chairman of the Supervisory Board E+S Rückversicherung AG, Hannover

Chairman of the Supervisory Board HDI-Gerling Industrie Versicherung AG, Hannover

Chairman of the Supervisory Board HDI Kundenservice AG, Cologne

Chairman of the Supervisory Board Talanx Deutschland AG, Hannover

Chairman of the Supervisory Board Talanx International AG, Hannover

Chairman of the Supervisory Board Talanx Systeme AG, Hannover

Member of the Advisory Board Norddeutsche Landesbank Girozentrale, Hannover<sup>5</sup>

## **Dr. Klaus Sturany**<sup>1</sup>

Ascona, Switzerland

**Deputy Chairman**

**Former member of the Executive Board of RWE AG**

Member of the Supervisory Board Bayer AG, Leverkusen

Member of the Administrative Board Sulzer AG, Winterthur, Switzerland<sup>5</sup>

## **Wolf-Dieter Baumgartl**<sup>1, 2, 4</sup>

Berg

**Former Chief Executive Officer of Talanx AG and HDI Haftpflichtverband der Deutschen Industrie V.a.G.**

Chairman of the Supervisory Board Talanx AG, Hannover

Chairman of the Supervisory Board HDI Haftpflichtverband der Deutschen Industrie V.a.G., Hannover

Member of the Advisory Board E+S Rückversicherung AG, Hannover<sup>5</sup>

Member of the Administrative Board HDI Assicurazioni S.p.A., Rome, Italy<sup>5</sup>

## **Frauke Heitmüller**<sup>6</sup>

Hannover

**Employee**

## **Otto Müller**<sup>6</sup>

Hannover

**Employee**

Member of the Supervisory Board Talanx AG, Hannover

## **Dr. Andrea Pollak**<sup>4</sup>

Vienna, Austria

**Independent Management Consultant**

Chairwoman of the Advisory Board Kuchen-Peter Backwaren GmbH, Hagenbrunn, Austria<sup>5</sup>

Member of the Advisory Board Industrie Holding GmbH, Vienna, Austria<sup>5</sup>

**Dr. Immo Querner**

Celle

**Member of the Board of Management Talanx AG****Member of the Board of Management HDI Haftpflichtverband der Deutschen Industrie V.a.G.**Chairman of the Supervisory Board Talanx Asset Management GmbH, Cologne<sup>5</sup>Chairman of the Administrative Board Talanx Finanz (Luxembourg) S.A., Luxembourg<sup>5</sup>Deputy Chairman of the Supervisory Board AmpegaGerling Investment GmbH, Cologne<sup>5</sup>Deputy Chairman of the Supervisory Board Talanx Immobilien Management GmbH, Cologne<sup>5</sup>Deputy Chairman of the Supervisory Board Talanx Reinsurance Broker AG, Hannover<sup>5</sup>

Deputy Chairman of the Supervisory Board Talanx Service AG, Hannover

Member of the Supervisory Board BÖAG Börsen AG, Hannover

Member of the Supervisory Board Caplantic GmbH, Hannover<sup>5</sup>

Member of the Supervisory Board E+S Rückversicherung AG, Hannover

Member of the Supervisory Board Talanx International AG, Hannover

Member of the Supervisory Board Talanx Systeme AG, Hannover

Member of the Supervisory Board Tertia Handelsbeteiligungsgesellschaft mbH, Cologne<sup>5</sup>Member of the Stock Exchange Council Frankfurter Wertpapierbörse (Deutsche Börse AG), Frankfurt am Main<sup>5</sup>Member of the Board of Directors Talanx Re (Ireland) Limited, Dublin, Ireland<sup>5</sup>**Dr. Erhard Schipporeit<sup>2,3</sup>**

Hannover

**Member of various Supervisory Boards**

Member of the Supervisory Board BDO AG, Hamburg

Member of the Supervisory Board Deutsche Börse AG, Frankfurt am Main

Member of the Supervisory Board Fuchs Petrolub SE, Mannheim

Member of the Supervisory Board HDI Haftpflichtverband der Deutschen Industrie V.a.G., Hannover

Member of the Supervisory Board SAP SE, Walldorf

Member of the Supervisory Board Talanx AG, Hannover

Member of the Board of Directors Fidelity Funds SICAV, Luxembourg<sup>5</sup>**Maike Sielaff<sup>6</sup>**

Burgwedel

**Employee**<sup>1</sup> Member of the Standing Committee<sup>2</sup> Member of the Finance and Audit Committee<sup>3</sup> Independent financial expert on the Finance and Audit Committee<sup>4</sup> Member of the Nomination Committee<sup>5</sup> Memberships of supervisory boards and comparable control boards required by law at other companies in Germany and abroad<sup>6</sup> Staff representative

# Combined management report

The management report of Hannover Rück SE and the Group management report have been combined in accordance with § 315 (3) of the German Commercial Code (HGB) and published in the Group Annual Report 2015.

The annual financial statement and the management report of Hannover Rück SE – combined with the Group management report – for the 2015 financial year have been submitted to the operator of the electronic Federal Gazette and published in the electronic Federal Gazette.



# Accounts



## Balance sheet as at 31 December 2015

Assets in EUR thousand	2015				2014
<b>A. Intangible assets</b>					
I. Purchased franchises, trademarks, patents, licences and similar rights and assets			67,745		70,686
II. Goodwill			1,133		1,700
III. Prepayments on intangible assets			9,082		3,345
				<b>77,960</b>	<b>75,731</b>
<b>B. Investments</b>					
I. Land and buildings, rights to land and buildings, leasehold			33,265		34,528
II. Investments in affiliated companies and participating interests					
1. Shares in affiliated companies		6,237,511			5,530,222
2. Loans to affiliated companies		412,530			194,190
3. Participating interests		62,053			63,383
4. Loans to enterprises in which the company has a participating interest		0			0
			6,712,094		5,787,795
III. Other financial investments					
1. Shares, units or shares in investment funds and other variable-yield securities		2,087,133			1,338,282
2. Bearer debt securities and other fixed-income securities		15,310,969			14,382,567
3. Other loans					
a) Registered debt securities	425,631				430,843
b) Debentures and loans	540,371				579,704
		966,002			1,010,547
4. Deposits with banks		570,232			381,936
5. Other investments		21,599			44,247
			18,955,935		17,157,579
IV. Deposits with ceding companies			15,636,934		18,932,400
				<b>41,338,228</b>	<b>41,912,302</b>

Liabilities	2015				2014
in EUR thousand					
<b>A. Capital and reserves</b>					
I. Subscribed capital			120,597		120,597
II. Capital reserve			880,608		880,608
III. Retained earnings					
1. Statutory reserve		511			511
2. Other retained earnings		630,000			380,000
			630,511		380,511
IV. Disposable profit			658,000		515,000
				<b>2,289,716</b>	<b>1,896,716</b>
<b>B. Subordinated liabilities</b>				<b>1,500,000</b>	<b>1,500,000</b>
<b>C. Technical provisions</b>					
I. Provision for unearned premiums					
1. Gross		2,141,877			1,776,038
2. Less: reinsurance ceded		403,406			247,378
			1,738,471		1,528,660
II. Life assurance provision					
1. Gross		16,519,121			19,326,946
2. Less: reinsurance ceded		8,157,086			6,739,505
			8,362,035		12,587,441
III. Provisions for outstanding claims					
1. Gross		20,938,878			18,734,070
2. Less: reinsurance ceded		4,127,463			3,510,466
			16,811,415		15,223,604
IV. Provision for bonuses and rebates					
1. Gross		680			716
2. Less: reinsurance ceded		479			448
			201		268
V. Equalisation reserve and similar provisions			3,066,746		2,930,617
VI. Other technical provisions					
1. Gross		324,092			299,300
2. Less: reinsurance ceded		17,936			44,891
			306,156		254,409
				<b>30,285,024</b>	<b>32,524,999</b>

<b>Assets</b>	<b>2015</b>				2014
in EUR thousand					
<b>C. Receivables</b>					
I. Accounts receivable arising out of reinsurance operations			2,161,772		1,835,042
from affiliated companies:					
435,581 (2014: 603,775)					
II. Other receivables			797,552		570,355
from affiliated companies:				<b>2,959,324</b>	<b>2,405,397</b>
696,012 (2014: 477,411)					
<b>D. Other assets</b>					
I. Tangible assets and stocks			19,273		21,462
II. Current accounts with banks, cheques and cash in hand			277,499		315,876
III. Sundry assets			34,425		24,757
				<b>331,197</b>	<b>362,095</b>
<b>E. Prepayments and accrued income</b>					
I. Accrued interest and rent			162,304		194,020
II. Other accrued income			5,937		6,697
				<b>168,241</b>	<b>200,717</b>
<b>Total assets</b>				<b>44,874,950</b>	<b>44,956,242</b>

Liabilities in EUR thousand	2015				2014
<b>D. Provisions for other risks and charges</b>					
I. Provisions for pensions and similar obligations			83,246		77,890
II. Provisions for taxation			190,537		206,214
III. Other provisions			134,943		168,610
				<b>408,726</b>	<b>452,714</b>
<b>E. Deposits received from retrocessionaires</b>				<b>8,795,263</b>	<b>7,308,422</b>
<b>F. Other liabilities</b>					
I. Accounts payable arising out of reinsurance operations			1,200,571		898,846
to affiliated companies:					
239,884 (2014: 270,225)					
II. Liabilities due to banks			395,642		374,545
thereof				<b>1,596,213</b>	<b>1,273,391</b>
from taxes:					
2,816 (2014: 2,791)					
for social security:					
205 (2014: 380)					
to affiliated companies:					
339,369 (2014: 350,360)					
<b>G. Accruals and deferred income</b>				<b>8</b>	<b>-</b>
<b>Total liabilities</b>				<b>44,874,950</b>	<b>44,956,242</b>

## Profit and loss account for the 2015 financial year

in EUR thousand	2015 1.1.–31.12.			2014 1.1.–31.12.
I. Technical account				
<b>1. Earned premiums, net of retrocession</b>				
a) Gross written premiums	14,139,332			10,864,912
b) Retrocession premiums	3,814,312			2,252,587
		10,325,020		8,612,325
c) Change in the gross provisions for unearned premiums	(284,910)			(49,735)
d) Change in the provisions for unearned premiums, retrocessionaires' share	138,492			(81,294)
		(146,418)		(131,029)
			<b>10,178,602</b>	<b>8,481,296</b>
<b>2. Allocated investment return transferred from the non-technical account, net of retrocession</b>			<b>328,840</b>	<b>442,194</b>
<b>3. Other technical income, net of retrocession</b>			<b>15</b>	<b>23</b>
<b>4. Claims incurred, net of retrocession</b>				
a) Claims paid				
aa) Gross	10,565,168			8,081,758
bb) Retrocessionaires' share	4,070,416			2,081,233
		6,494,752		6,000,525
b) Change in provisions for outstanding claims				
aa) Gross	(1,108,181)			(692,355)
bb) Retrocessionaires' share	380,917			(108,426)
		(727,264)		(800,781)
			<b>7,222,016</b>	<b>6,801,306</b>
<b>5. Changes in other technical provisions, net of retrocession</b>				
a) Net life assurance provision		(1,017,833)		165,658
b) Other net technical provisions		(2,414)		458
			<b>(1,020,247)</b>	<b>166,116</b>
<b>6. Bonuses and rebates, net of retrocession</b>			<b>(12)</b>	<b>48</b>
<b>7. Operating expenses, net of retrocession</b>				
a) Gross acquisition expenses		2,929,318		2,647,158
b) Less: commissions and profit commissions received on retrocession		823,519		345,399
			<b>2,105,799</b>	<b>2,301,759</b>
<b>8. Other technical charges, net of retrocession</b>			<b>1,056</b>	<b>1,533</b>
<b>9. Subtotal</b>			<b>158,351</b>	<b>(15,017)</b>
<b>10. Change in the equalisation reserve and similar provisions</b>			<b>(136,129)</b>	<b>(277,646)</b>
<b>11. Net technical result</b>			<b>22,222</b>	<b>(292,663)</b>

in EUR thousand	2015 1.1.–31.12.			2014 1.1.–31.12.
Balance brought forward			22,222	(292,663)
<b>II. Non-technical account</b>				
<b>1. Investment income</b>				
a) Income from participating interests		41,783		126,908
thereof affiliated companies:				
37,948 (2014: 122,926)				
b) Income from other investments				
thereof affiliated companies:				
30,449 (2014: 13,052)				
aa) Income from land and buildings, rights to land and buildings, leasehold	4,257			4,190
bb) Income from other investments	1,016,642			1,064,040
		1,020,899		1,068,230
c) Appreciation on investments		5,104		30,511
d) Gains on the realisation of investments		119,732		119,500
e) Income from profit pools, profit and loss transfer agreements or partial profit and loss transfer agreements		675,075		394,414
			<b>1,862,593</b>	<b>1,739,563</b>
<b>2. Investment charges</b>				
a) Expenditure for the management of investments, interest expenditure and other investment expenditure		51,717		50,318
b) Depreciation		83,216		92,884
thereof impairments in accordance with § 253 (3) sentence 3 of the Commercial Code (HGB):				
463 (2014: 18,520)				
c) Losses on the realisation of investments		25,742		15,520
d) Expenses from loss transfer		6,000		–
			<b>166,675</b>	<b>158,722</b>
			<b>1,695,918</b>	<b>1,580,841</b>
<b>3. Allocated investment return transferred to the technical account</b>				
			<b>(532,949)</b>	<b>(567,810)</b>
			<b>1,162,969</b>	<b>1,013,031</b>
<b>4. Other income</b>			<b>160,761</b>	<b>161,566</b>
<b>5. Other charges</b>			<b>281,979</b>	<b>284,151</b>
			<b>(121,218)</b>	<b>(122,585)</b>
<b>6. Profit or loss on ordinary activities before tax</b>			<b>1,063,973</b>	<b>597,783</b>
<b>7. Taxes on profit and income</b>			<b>155,681</b>	<b>175,990</b>
<b>8. Other taxes</b>			<b>2,491</b>	<b>556</b>
			<b>158,172</b>	<b>176,546</b>
<b>9. Profit for the financial year</b>			<b>905,801</b>	<b>421,237</b>
<b>10. Profit brought forward from previous year</b>			<b>2,462</b>	<b>94,208</b>
<b>11. Allocations to other retained earnings</b>			<b>250,263</b>	<b>445</b>
<b>12. Disposable profit</b>			<b>658,000</b>	<b>515,000</b>

# Notes

## Valuation of assets

Valuation is carried out in accordance with the provisions of §§ 341 et seq. of the Commercial Code (HGB).

Other intangible assets and goodwill acquired for a consideration are valued at acquisition cost less scheduled amortisation in accordance with the normal operational useful life.

Property is valued at the purchase or construction cost less scheduled depreciation and, as appropriate, impairments in accordance with § 253 (3) of the Commercial Code (HGB).

Shares in affiliated companies and participations are valued on a purchase cost basis at the lower of amortised cost or fair value allowing for write-downs. Interests in funds that invest in private equity are valued at the lower of amortised cost or fair value allowing for time effects.

Loans to affiliated companies and loans to enterprises in which the company has a participating interest are valued at the lower of amortised cost or fair value.

The portfolio of securities is allocated to fixed assets or current assets depending on the intended use and valued at purchase cost less write-downs to the lower fair value in accordance with the provisions of § 341 b of the Commercial Code (HGB).

Shares, units or shares in investment funds and other variable-yield securities as well as bearer debt securities and other fixed-income securities are valued according to the strict or modified lower-of-cost-or-market principle depending on the intended use.

Derivative instruments are valued on a mark-to-market basis.

Registered debt securities, debentures and loans as well as other loans are carried at acquisition cost – taking into account amortisation – or at the lower fair value.

Other investments are allocated to fixed assets or current assets and valued at purchase cost less write-downs to the lower fair value in accordance with the requirements of § 341 b of the Commercial Code (HGB). Valuation is made according to the strict or modified lower-of-cost-or-market principle depending on the intended use. Deposits and cash at banks in current accounts, cash in hand, other assets, deposits and accounts receivable arising out of reinsurance operations and other receivables are valued at the nominal amounts. Valuation adjustments are set up for default risks.

Various models are used for the valuation of alternative investments allocated to fixed assets. In the case of leveraged loan funds and high-yield funds, actually incurred defaults on individual investments in the various funds are used as a corrective factor. The valuation of credit opportunity funds and CLO equity positions makes allowance for collateral tests of the higher tranche as the basis for fair value calculation.

Fixed assets are valued at purchase cost less straight-line or declining-balance depreciation. Low-value items are written off in the year of acquisition.

Write-ups are effected in accordance with § 253 (5) of the Commercial Code (HGB).



## Valuation of liabilities

The provision for unearned premiums, life assurance provision, provisions for outstanding claims, provisions for bonuses and rebates and other technical provisions are entered as liabilities according to the information provided by the ceding companies.

The basis for the valuation of the provision for unearned premiums is the reinsurance premium less 92.5% of the reinsurance commission in accordance with the order of the Minister of Finance of the State of North Rhine-Westphalia dated 29 May 1974. In marine insurance the provision for unearned premiums and the provisions for outstanding claims are regarded as one unit and shown as provisions for outstanding claims.

Where the provisions indicated by the ceding companies are not expected to be adequate, they are increased by appropriate additional amounts. Where no information is available from cedants, the provisions are estimated in the light of the business experience to date. The results of new treaties are at least neutralised. In some cases, provisions are determined on an actuarial basis. If necessary, additional or complete estimates of the corresponding portfolio or profit elements including relevant retrocessions are carried out where ceding company accounts with substantial premium income are missing. Missing ceding company accounts with a low premium income are included in the following year. The estimated gross premium income for treaties of the 2015 underwriting year is 29.2% of the total volume.

In all major lines IBNR claims reserves have been set up. The calculation is largely carried out in accordance with statistical mathematical methods.

From 2010 onwards the run-off result of the previous year's provision for outstanding claims is calculated by Hannover Re on an accident-year basis and hence appropriately allocated.

The shares of retrocessionaires in the technical reserves are determined on the basis of the reinsurance contracts. Provision is made for bad debts.

The equalisation reserve is set up in accordance with the notes to § 29 of the Regulation on the Presentation of Insurance Company Accounts (RechVersV); the similar provisions are constituted in accordance with § 30 of the Regulation on the Presentation of Insurance Company Accounts (RechVersV). With respect to insurance lines 28 Other property insurance and 29 Other indemnity insurance, separate profit and loss accounts are drawn up only for the fidelity line.

The provision for nuclear plants is calculated in accordance with § 30 (2) of the Regulation on the Presentation of Insurance Company Accounts (RechVersV).

The catastrophe risk provision for pharmaceutical product liability is calculated in accordance with § 30 (1) of the Regulation on the Presentation of Insurance Company Accounts (RechVersV).

The catastrophe risk provision for terrorism is calculated in accordance with § 30 (2a) of the Regulation on the Presentation of Insurance Company Accounts (RechVersV).

The pension commitments are carried in the settlement amount required according to reasonable and prudent business judgement. They are discounted at 3.89% using the average interest rate for the last seven years published by the German Bundesbank pursuant to the Regulation on the Discounting of Provisions (RückAbzinsVO) with an assumed maturity of 15 years. The provision for pensions is calculated according to the projected unit credit method. A rate of compensation increase of 2.50% and pension indexation of 1.86% are assumed. Fluctuation probabilities are determined separately according to age and gender. The benefit adjustment based on surplus participations from insured pension commitments is recognised in an amount of 0.50%. The 2005G standard tables of Dr. Klaus Heubeck are used as a basis for the calculations.

With respect to employee-funded pension commitments, the amount of which is determined solely according to the fair value of a claim under a pension insurance policy, valuation is carried out in accordance with § 253 (1) Sentence 3 of the Commercial Code (HGB). For these commitments the settlement amount corresponds to the fair value of the actuarial reserve plus surplus participation.

The provisions for taxation and other provisions take into account all identifiable risks and uncertain liabilities.

Deferred tax liabilities, which refer largely to the balance sheet items shares in affiliated companies, receivables from affiliated companies and participating interests (owing to diverging recognition of shares in partnerships and booking of income from participating interests in a different accounting period), are netted in particular with deferred tax assets from the balance sheet item provisions for outstanding claims. Deferred taxes are calculated using a tax rate of 32.63%.

The other provisions are established in the settlement amount required according to reasonable and prudent business judgement, in some cases on the basis of actuarial opinions. Provisions with a maturity of more than one year are discounted using the average market rate published by the German Bundesbank for the last seven years in accordance with their maturity.

A provision is constituted for virtual stock options in accordance with actuarial principles on the basis of a recognised financial option pricing model (Black-Scholes Model with the aid of a trinomial tree method). Discounting is carried out pursuant to § 253 (2) of the Commercial Code (HGB) not using risk-free interest rates but with the average interest rates for the last seven years published by the German Bundesbank.

The other liabilities are valued at the settlement amounts.

## Currency conversion

Transactions booked in foreign currencies are converted to the reporting currency at the applicable monthly exchange rate at the date of entry in the accounts. Assets and liabilities entered in the balance sheet are converted to euros at the average exchange rates on the balance sheet date.

In order to reduce currency risks as far as possible, matching cover is extensively established for liability elements by setting up corresponding asset elements in the different currencies. In relation to specific currencies, foreign currency liabilities are combined with matching foreign currency assets into valuation

units on the basis of offsetting opposing changes in value pursuant to § 254 of the Commercial Code (HGB) (portfolio hedges) and the result of currency conversion of these foreign currency items is recognised without regard to the purchase cost method or the imparity principle.

The remaining assets and liabilities outside the aforementioned valuation units have a maturity of less than one year and are measured in accordance with § 256 a of the Commercial Code (HGB). In addition, the provisions for currency risks from past balance sheet dates are written back on a year-by-year basis.

## Miscellaneous

The technical interest results in the main from the interest income earned on the basis of the life assurance provision. Standard methods are used for the calculation.

The declaration of conformity required pursuant to § 161 of the Stock Corporation Act (AktG) regarding compliance with the German Corporate Governance Code has been submitted and made permanently available to the stockholders.

## Notes on assets

### Change in asset items A, B. I. to B. III.

in EUR thousand		2014	2015						2014
		Book values 31.12.	Additions	Reclassifi- cation	Disposals	Write-ups	Deprecia- tion	Currency effects	Book values 31.12.
<b>A.</b>	<b>Intangible assets</b>								
	1. Purchased franchises, trademarks, patents, licences and similar rights and assets	70,686	12,338	2,407	317	–	17,468	99	67,745
	2. Goodwill	1,700	–	–	–	–	567	–	1,133
	3. Prepayments on intangible assets	3,345	8,144	(2,407)	–	–	–	–	9,082
	4. Total A.	<b>75,731</b>	<b>20,482</b>	<b>–</b>	<b>317</b>	<b>–</b>	<b>18,035</b>	<b>99</b>	<b>77,960</b>
<b>B. I.</b>	<b>Land and buildings, rights to land and buildings, leasehold</b>	<b>34,528</b>	<b>525</b>	<b>–</b>	<b>781</b>	<b>42</b>	<b>1,049</b>	<b>–</b>	<b>33,265</b>
<b>B. II.</b>	<b>Investments in affiliated companies and partici- pating interests</b>								
	1. Shares in affiliated companies	5,530,222	720,419	–	61,855	–	463	49,188	6,237,511
	2. Loans to affiliated companies	194,190	353,597	–	147,118	–	–	11,861	412,530
	3. Participating interests	63,383	–	–	1,330	–	–	–	62,053
	4. Loans to enterprises in which the company has a participating interest	0	–	–	–	–	–	–	0
	5. Total B. II.	<b>5,787,795</b>	<b>1,074,016</b>	<b>–</b>	<b>210,303</b>	<b>–</b>	<b>463</b>	<b>61,049</b>	<b>6,712,094</b>
<b>B. III.</b>	<b>Other financial investments</b>								
	1. Shares, units or shares in investment funds and other variable-yield securities	1,338,282	923,547	–	205,808	–	404	31,516	2,087,133
	2. Bearer debt securities and other fixed-income securities	14,382,567	5,981,238	–	5,768,035	5,061	81,299	791,437	15,310,969
	3. Other loans								
	a) Registered debt securities	430,843	42,055	–	69,056	–	–	21,789	425,631
	b) Debentures and loans	579,704	64,416	–	139,947	–	–	36,198	540,371
	4. Deposits with banks	381,936	176,415	–	12,233	–	–	24,114	570,232
	5. Other investments	44,247	–	–	22,684	–	–	36	21,599
	6. Total B. III.	<b>17,157,579</b>	<b>7,187,671</b>	<b>–</b>	<b>6,217,763</b>	<b>5,061</b>	<b>81,703</b>	<b>905,090</b>	<b>18,955,935</b>
<b>Total</b>		<b>23,055,633</b>	<b>8,282,694</b>	<b>–</b>	<b>6,429,164</b>	<b>5,103</b>	<b>101,250</b>	<b>966,238</b>	<b>25,779,254</b>

## Land and buildings and rights to land and buildings

On 31 December 2015 the company had at its disposal eight developed properties with business and other buildings in Hannover, Bremen and near Paris as well as one floor of offices in Madrid. The book value of the floor of offices in

Madrid amounted to EUR 738 thousand as at 31 December 2015. Four buildings in Hannover are for own use (book value: EUR 29,714 thousand).

## Shares in affiliated companies and participations

Our major shares in affiliated companies and participations are listed below.

We have omitted companies of subordinate economic importance with no material influence on the assets, financial position or results of operations.

### List of shareholdings in 2015

Name and registered office of the company	Participation (in %)	Currency	Capital and reserves (\$ 266 (3) Com- mercial Code)	Result for the last financial year
Figures in currency units of 1,000				
<b>Shares in affiliated companies</b>				
<b>Companies resident in Germany</b>				
Hannover Rück Beteiligung Verwaltungs-GmbH, Hannover/Germany	100.00	EUR	2,341,925	0
holds 31.43% of the shares in: E+S Rückversicherung AG, Hannover/Germany		EUR	681,413	110,000
holds 20.00% of the shares in: WeHaCo Unternehmensbeteiligungs-GmbH <sup>1</sup> , Hannover/Germany		EUR	81,351	4,533
holds 100.00% of the shares in: HR Verwaltungs-GmbH, Hannover/Germany		EUR	12	0
holds 100.00% of the shares in: Hannover Re (Bermuda) Ltd., Hamilton/Bermuda		USD	1,236,561	226,765
holds 99.99% of the shares in: Erste HRBV GmbH & Co. KG, Hannover/Germany		EUR	152,865	0
holds 99.99% of the shares in: Zweite HRBV GmbH & Co. KG, Hannover/Germany		EUR	152,865	0
holds 99.99% of the shares in: Dritte HRBV GmbH & Co. KG, Hannover/Germany		EUR	152,865	0
holds 99.99% of the shares in: Vierte HRBV GmbH & Co. KG, Hannover/Germany		EUR	152,865	0
holds 95.00% of the shares in: Hannover ReTakaful B.S.C. (c), Manama/Bahrain		BHD	60,631	2,859
Hannover Life Re AG, Hannover/Germany	100.00	EUR	1,873,188	0
holds 100.00% of the shares in: Hannover Re (Ireland) Limited, Dublin/Ireland		EUR	1,549,326	105,470
holds 100.00% of the shares in: Hannover Life Reassurance Company of America, Orlando/USA		USD	229,495	16,662
holds 100.00% of the shares in: Hannover Life Reassurance Bermuda Ltd., Hamilton/Bermuda		USD	392,068	57,216
holds 100.00% of the shares in: Hannover Life Re of Australasia Ltd., Sydney/Australia		AUD	476,201	3,552
Hannover Euro Private Equity Partners II GmbH & Co. KG, Cologne/Germany	35.13	EUR	6,918	1,826
holds 100.00% of the shares in: HEPEP II Holding GmbH, Cologne/Germany		EUR	4,727	1,445
Hannover Euro Private Equity Partners III GmbH & Co. KG, Cologne/Germany	40.98	EUR	32,139	9,248

Name and registered office of the company	Participation (in %)	Currency	Capital and reserves (\$ 266 (3) Com- mercial Code)	Result for the last financial year
Figures in currency units of 1,000				
holds 100.00% of the shares in: HEPEPIII Holding GmbH, Cologne/Germany		EUR	11,423	5,067
Hannover America Private Equity Partners II GmbH & Co. KG, Hannover/Germany	87.00	EUR	222,380	37,760
holds 100.00% of the shares in: HAPEPII Holding GmbH, Hannover/Germany		EUR	19,878	9,277
Hannover Euro Private Equity Partners IV GmbH & Co. KG, Cologne/Germany	36.76	EUR	46,160	16,892
Hannover Re Euro PE Holdings GmbH & Co. KG, Hannover/Germany	74.99	EUR	210,787	2,787
HILSP Komplementär GmbH <sup>2</sup> , Hannover/Germany	100.00	EUR	30	3
Hannover Insurance-Linked Securities GmbH & Co. KG <sup>2</sup> , Hannover/Germany	100.00	EUR	20,348	124
FUNIS GmbH & Co. KG, Hannover/Germany	100.00	EUR	59,749	3,477
holds 88.20% of the shares in: Glencar Underwriting Managers, Inc. <sup>1</sup> , Chicago/USA		USD	5,778	1,875
holds 74.99% of the shares in: Integra Insurance Solutions Limited <sup>1</sup> , Bradford/United Kingdom		GBP	2,841	2,622
holds 55.00% of the shares in: HMIA Pty Ltd <sup>1</sup> , Sydney/Australia		AUD	(128)	(128)
holds 53.00% of the shares in: Svedea AB <sup>1</sup> , Stockholm/Sweden		SEK	5,494	(8,482)
Leine Investment General Partner S.à.r.l., Luxembourg/Luxembourg	100.00	EUR	38	530
holds 100.00% of the shares in: LI RE, Hamilton/Bermuda		USD	0	0
Leine Investment SICAV-SIF, Luxembourg/Luxembourg	99.99	USD	112,717	(5,616)
Hannover Re Global Alternatives GmbH & Co KG, Hannover/Germany	85.00	EUR	34,370	(498)
Oval Office Grundstücks GmbH, Hannover/Germany	50.00	EUR	2,061	16,008
Hannover Re Euro RE Holdings GmbH, Hannover/Germany	65.00	EUR	854,859	12,400
holds 99.99% of the shares in: HR GLL Central Europe GmbH & Co. KG, Munich/Germany		EUR	335,844	2,569
HAPEPII Komplementär GmbH, Hannover/Germany	50.00	EUR	36	5
<b>Affiliated companies resident abroad</b>				
Hannover Finance (Luxembourg) S.A., Luxembourg/Luxembourg	100.00	EUR	34,359	(4,994)
International Insurance Company of Hannover SE, Hannover/Germany	100.00	EUR	166,571	0
Hannover Finance (UK) Limited, London/United Kingdom	100.00	GBP	2,718	(16)
holds 100.00% of the shares in: Hannover Services (UK) Limited, London/United Kingdom		GBP	860	148
Hannover Reinsurance Group Africa (Pty) Ltd., Johannesburg/South Africa	100.00	ZAR	209,905	206,410
holds 100.00% of the shares in: Hannover Life Reassurance Africa Limited, Johannesburg/South Africa		ZAR	576,793	122,119
holds 100.00% of the shares in: Hannover Reinsurance Africa Limited, Johannesburg/South Africa		ZAR	723,659	109,105

Name and registered office of the company	Participation (in %)	Currency	Capital and reserves (\$ 266 (3) Commercial Code)	Result for the last financial year
Figures in currency units of 1,000				
holds 100.00% of the shares in: Compass Insurance Company Limited, Johannesburg/South Africa		ZAR	161,473	29,252
holds 70.00% of the shares in: Lireas Holdings (Pty) Ltd., Johannesburg/South Africa		ZAR	192,524	17,375
Hannover Re Real Estate Holdings, Inc., Orlando/USA	86.50	USD	588,536	26,199
holds 99.90% of the shares in: GLL HRE CORE Properties L.P., Wilmington/USA		USD	422,384	7,362
Hannover Finance, Inc., Wilmington/USA	100.00	USD	438,123	8,194
Kaith Re Ltd., Hamilton/Bermuda	88.00	USD	241	(176)
U FOR LIFE SDN. BHD. <sup>1</sup> , Kuala Lumpur/Malaysia	60.00	MYR	(1,140)	(1,190)
Hannover ReTakaful B.S.C. (c), Manama/Bahrain	5.00	BHD	60,631	2,859
<b>Participations</b>				
ITAS Vita S.p.A. <sup>1</sup> , Trento/Italy	34.88	EUR	94,147	8,353
HANNOVER Finanz GmbH <sup>1</sup> , Hannover/Germany	27.78	EUR	69,477	6,032
WeHaCo Unternehmensbeteiligungs-GmbH <sup>1</sup> , Hannover/Germany	20.00	EUR	81,351	4,533

<sup>1</sup> Financial year ending 31 December 2014

<sup>2</sup> Financial year ending 30 September 2015

#### Key exchange rates

1 EUR corresponds to:	Exchange rates on 31.12.2015
AUD	1.49808
BHD	0.41220
GBP	0.73811
USD	1.09270
ZAR	16.84470

## Other notes on investments

Assets with a balance sheet value of EUR 6,058,369 thousand (EUR 5,689,522 thousand) were blocked as security for ceding companies. Securities deposits were sometimes made

available to banks for securities loan transactions in favour of third parties.

## Fair values pursuant to § 54 of the Regulation on the Presentation of Insurance Company Accounts (RechVersV)

The fair values of land and buildings are determined annually using the gross rental method. Income values or net asset values are determined for shares in affiliated companies and participating interests. In individual cases the amortised cost is taken as the fair value.

Shares, units or shares in investment funds, bearer debt securities and other securities are carried at market values. These are obtained from publically available prices and bid prices as at the balance sheet date. In the case of special investments for which there are no publically available prices, valuation is made at cost of acquisition or net asset value (NAV).

The fair values of securities traded in illiquid markets as well as those of the sundry loans and loans to affiliated companies and participating interests are calculated on the basis of yield curves, taking into account the creditworthiness of the specific debtor and the currency of the loan.

Deposits with banks and other investments are carried at nominal values and in individual cases at book value.

## Fair values pursuant to §54 RechVersV of asset items B.I. to B.III.

in EUR thousand		2015		
		Book values 31.12.	Fair values 31.12.	Difference 31.12.
<b>B. I.</b>	<b>Land and buildings, rights to land and buildings, leasehold</b>	<b>33,265</b>	<b>50,868</b>	<b>17,603</b>
<b>B. II.</b>	<b>Investments in affiliated companies and participating interests</b>			
	1. Shares in affiliated companies	6,237,511	8,699,016	2,461,505
	2. Loans to affiliated companies	412,530	378,107	(34,423)
	3. Participating interests	62,053	68,556	6,503
	4. Loans to enterprises in which the company has a participating interest	0	0	0
	5. Total B. II.	<b>6,712,094</b>	<b>9,145,679</b>	<b>2,433,585</b>
<b>B. III.</b>	<b>Other investments</b>			
	1. Shares, units or shares in investment funds and other variable-yield securities	2,087,133	2,421,762	334,629
	2. Bearer debt securities and other fixed-income securities	15,310,969	15,681,880	370,911
	3. Other loans			
	a) Registered debt securities	425,631	465,160	39,529
	b) Debentures and loans	540,371	587,439	47,068
	4. Deposits with banks	570,232	571,876	1,644
	5. Other investments	21,599	21,599	–
	6. Total B. III.	<b>18,955,935</b>	<b>19,749,716</b>	<b>793,781</b>
<b>Total</b>		<b>25,701,294</b>	<b>28,946,263</b>	<b>3,244,969</b>

## Other receivables

in EUR thousand	2015	2014
Receivables from affiliated companies	696,012	477,411
Receivables from reinsured pension schemes	56,720	52,993
Claims from settlement of the purchase price of a participation	–	24,586
Receivables from the revenue authorities	39,348	10,815
Receivables from representative offices	1,428	1,936
Interest and rent due	1,323	702
Other receivables	2,721	1,912
<b>Total</b>	<b>797,552</b>	<b>570,355</b>

## Sundry assets

The sundry assets relate to tax refund claims in an amount of EUR 34,425 thousand (EUR 24,757 thousand).

## Prepayments and accrued income

in EUR thousand	2015	2014
Accrued interest and rent	162,304	194,020
Accrued administrative expenses	5,527	6,208
Other	410	489
<b>Total</b>	<b>168,241</b>	<b>200,717</b>

# Notes on liabilities

## Subscribed capital

The company's subscribed capital remained unchanged as at 31 December 2015 in the amount of EUR 120,597 thousand. It is divided into 120,597,134 no-par-value registered shares.

Contingent capital of EUR 60,299 thousand is available. It can be used to grant shares to holders of convertible bonds and bonds with warrants as well as to convert participating bonds or profit-sharing rights. This contingent capital has a term until 2 May 2016.

## Treasury shares

By a resolution of the Annual General Meeting of Hannover Rück SE adopted on 6 May 2015, the company was authorised until 5 May 2020 to acquire treasury shares of up to 10% of the capital stock existing on the date of the resolution. The

company did not hold fully paid, no-par-value treasury shares as at 31 December 2015. Within the financial year just ended the company acquired shares for employees, which it subsequently sold to them.

	2015				
	Date of acquisition	Date of sale	Date of sale	Date of acquisition	Date of sale
	8 May	8 May	8 May	5 June	24 June
Number of shares	12,814	12,524	290	108	108
Amount of capital stock attributable to the shares (EUR)	12,814.00	12,524.00	290.00	108.00	108.00
Proportion of capital stock	0.01%	0.01%	0.0002%	0.0001%	0.0001%
Price (EUR)	87.22	66.39	87.22	88.29	66.39

## Capital reserve

The company's capital reserve remained unchanged as at 31 December 2015 in the amount of EUR 880,608 thousand. The capital reserve refers solely to the amount generated upon

the issue of shares in excess of the par value of the subscribed capital.

## Retained earnings

The retained earnings were reduced on balance by EUR 263 thousand due to the issue of employee shares. An amount of EUR 250,263 thousand was allocated to retained earnings from the 2015 profit for the year. Pursuant to § 268 (8) Sentence 3 in conjunction with Sentence 1 of the Commercial Code

(HGB) there is a restriction on distribution and profit transfer of EUR 15 thousand for the fair value of the assets designed to cover retirement benefit obligations less corresponding deferred tax liabilities that is in excess of original cost.

## Disposable profit

The disposable profit for the financial year includes a profit carried forward from the previous year of EUR 2,462 thousand.



## Subordinated liabilities

Under a loan agreement dated 15 September 2010 Hannover Finance (Luxembourg) S.A. granted Hannover Re a junior loan of EUR 500,000 thousand at a coupon of 5.85% and with a maturity date of 11 September 2040 as well as a first call option as at 11 September 2020.

Under a loan agreement dated 19 November 2012 Hannover Finance (Luxembourg) S.A. granted Hannover Re a junior loan of EUR 500,000 thousand at a coupon of 5.131% and with a

maturity date of 20 November 2042 as well as a first call option as at 20 June 2023.

On 15 September 2014 Hannover Rück SE placed another subordinated bond with a volume of EUR 500,000 thousand on the capital market at a coupon of 3.375% and with a perpetual maturity as well as a first scheduled call option as at 26 June 2025.

## Provision for unearned premiums

in EUR thousand	2015		2014	
	gross	net	gross	net
Insurance line				
Fire	374,356	288,491	299,441	254,417
Casualty	445,709	364,016	370,432	310,222
Accident	65,375	61,586	54,462	50,811
Motor	372,880	262,433	250,951	222,587
Aviation	128,571	100,113	132,775	102,124
Life	196,349	182,534	169,998	159,497
Other lines	558,637	479,298	497,979	429,002
<b>Total</b>	<b>2,141,877</b>	<b>1,738,471</b>	<b>1,776,038</b>	<b>1,528,660</b>

## Life assurance provisions

in EUR thousand	2015		2014	
	gross	net	gross	net
Insurance line				
Accident	6,776	(8,081)	671	671
Life	16,489,039	8,348,339	19,306,618	12,567,113
Other lines	23,306	21,777	19,657	19,657
<b>Total</b>	<b>16,519,121</b>	<b>8,362,035</b>	<b>19,326,946</b>	<b>12,587,441</b>

## Provisions for outstanding claims

in EUR thousand	2015		2014	
	gross	net	gross	net
Insurance line				
Provision for reimbursements and surrenders (except annuities)				
Fire	1,951,759	1,440,765	1,774,489	1,351,338
Casualty	8,668,127	7,076,932	7,773,117	6,365,582
Accident	329,726	289,200	312,129	275,714
Motor	2,697,581	2,150,413	2,295,459	1,936,113
Aviation	1,550,025	1,145,004	1,425,335	1,035,866
Marine	1,464,949	1,025,996	1,273,621	924,883
Life	1,309,904	1,252,393	1,252,569	1,196,320
Other lines	2,924,355	2,390,338	2,596,281	2,107,553
	<b>20,896,426</b>	<b>16,771,041</b>	<b>18,703,000</b>	<b>15,193,369</b>
Separate value adjustment on retrocessions		147	–	143
	<b>20,896,426</b>	<b>16,771,188</b>	<b>18,703,000</b>	<b>15,193,512</b>
Provision for annuities				
Casualty	1,501	1,454	1,163	1,116
Accident	24,344	24,339	14,334	14,329
Motor	16,607	14,434	15,573	14,647
	<b>42,452</b>	<b>40,227</b>	<b>31,070</b>	<b>30,092</b>
<b>Total</b>	<b>20,938,878</b>	<b>16,811,415</b>	<b>18,734,070</b>	<b>15,223,604</b>

The net run-off result in property and casualty insurance is positive overall and amounts to 2.8% (0.7%) relative to the original provision.

## Equalisation reserve and similar provisions

in EUR thousand	2015			
	Position at 1.1.	Addition	Withdrawal and release	Position at 31.12.
Insurance line				
Equalisation reserve				
Fire	1,012,661	227	91,113	921,775
Casualty	244,095	139,116	–	383,211
Accident	69,264	–	23,740	45,524
Motor	318,137	–	13,323	304,814
Aviation	148,169	15,450	–	163,619
Marine	390,783	48,189	–	438,972
Other lines	628,960	50,512	1,265	678,207
	<b>2,812,069</b>	<b>253,494</b>	<b>129,441</b>	<b>2,936,122</b>
Provisions which are similar to the equalisation reserve – major risks –				
Fire	32,865	7,238	–	40,103
Casualty	34,430	3,607	3,148	34,889
Accident	–	–	–	–
Motor	410	235	–	645
Aviation	–	–	–	–
Marine	2,596	–	–	2,596
Other lines	48,247	4,144	–	52,391
<b>Total</b>	<b>2,930,617</b>	<b>268,718</b>	<b>132,589</b>	<b>3,066,746</b>

## Other technical provisions

in EUR thousand	2015		2014	
	gross	net	gross	net
Type of provision				
Profit commission	315,250	297,307	293,545	248,655
Commissions	6,890	6,890	6,195	6,194
Road accident victims' assistance, premium cancellation	1,952	1,959	(440)	(440)
<b>Total</b>	<b>324,092</b>	<b>306,156</b>	<b>299,300</b>	<b>254,409</b>

## Technical provisions – total

in EUR thousand	2015		2014	
	gross	net	gross	net
Insurance line				
Fire	3,307,538	2,720,999	3,139,220	2,667,011
Casualty	9,577,154	7,899,681	8,485,273	7,006,398
Accident	488,001	427,566	459,166	415,236
Motor	3,374,172	2,737,767	2,873,093	2,484,415
Aviation	1,855,743	1,419,299	1,718,043	1,296,167
Marine	1,914,263	1,473,312	1,674,023	1,323,652
Life	18,188,684	9,942,884	20,875,129	14,052,603
Other lines	4,285,839	3,663,369	3,843,740	3,279,374
	<b>42,991,394</b>	<b>30,284,877</b>	<b>43,067,687</b>	<b>32,524,856</b>
Separate value adjustment on retrocessions	–	147	–	143
<b>Total</b>	<b>42,991,394</b>	<b>30,285,024</b>	<b>43,067,687</b>	<b>32,524,999</b>

## Provisions for other risks and charges

in EUR thousand	2015	2014
Provisions for pensions and similar liabilities	83,246	77,890
Provisions for taxation	190,537	206,214
Sundry provisions		
Provisions for interest pursuant to § 233 a AO (Fiscal Code)	45,836	28,317
Provisions for outstanding remuneration payments	42,499	38,840
Provisions for currency risks	14,020	28,623
Provisions for annual accounts costs	3,835	3,836
Provisions for suppliers' invoices	2,489	2,050
Provisions for partial retirement	2,260	2,367
Provisions for costs of legal action	915	823
Provisions for hedges	–	45,776
Other provisions	23,089	17,978
<b>Total</b>	<b>408,726</b>	<b>452,714</b>

Assets and the corresponding expenses and income were offset pursuant to § 246 (2) Sentence 2 of the Commercial Code (HGB) with respect to the provisions for pensions and the provisions for partial retirement. Pension liabilities and pension insurance policies were netted in an amount of EUR 740 thousand (EUR 725 thousand). The provisions for partial retirement of EUR 3,848 thousand (EUR 3,952 thousand) were netted with plan assets with a fair value of EUR 1,587 thousand

(EUR 1,586 thousand). In this connection income of EUR 36 thousand (EUR 66 thousand) was offset against total expenses of EUR 0 thousand (EUR 4 thousand).

The plan assets for partial retirement were measured on the basis of fair values pursuant to § 253 (2) Sentence 3 of the Commercial Code (HGB). The acquisition cost of the plan assets amounted to EUR 1,572 thousand (EUR 1,504 thousand).

## Miscellaneous liabilities

in EUR thousand	2015	2014
Accounts due to affiliated companies	339,369	350,360
Liabilities from securities transactions	24,405	–
Liabilities from hedge accounting	9,591	1,217
Liabilities from interest and LOC	8,501	5,185
Liabilities from cash collateral received	5,081	12,140
Liabilities from hedges	3,524	–
Liabilities in respect of the revenue authorities	2,815	2,790
Liabilities from deliveries and services	659	626
Liabilities from leases	507	16
Liabilities from outstanding commitments to old-age pension scheme	483	–
Liabilities in respect of permanent establishments	135	405
Liabilities from investments	–	1,240
Other liabilities	572	566
<b>Total</b>	<b>395,642</b>	<b>374,545</b>

## Accruals and deferred income

in EUR thousand	2015	2014
Other accruals and deferred income	8	–
<b>Total</b>	<b>8</b>	<b>–</b>

## Notes on the profit and loss account

in EUR thousand	2015	2014	2015	2014	2015	2014	2015	2014
Insurance line	Gross written premium		Gross premium earned		Net premium earned		Technical result for own account	
Fire	1,590,283	1,298,179	1,531,919	1,322,341	751,177	1,053,248	233,067	(46,302)
Casualty	1,400,923	1,174,755	1,352,398	1,136,597	1,069,988	930,983	(209,035)	(187,262)
Accident	329,823	316,024	318,727	332,508	265,852	265,089	33,600	29,253
Motor	1,423,592	941,665	1,307,904	850,072	712,419	617,660	(146,330)	68,898
Aviation	349,740	343,653	367,188	355,766	258,266	236,455	(12,989)	(26,302)
Marine	436,914	433,768	436,914	433,768	280,847	297,421	(40,005)	(51,979)
Other lines	2,609,350	2,274,864	2,566,586	2,291,856	1,976,581	1,831,567	617	(59,518)
<b>Total property and casualty</b>	<b>8,140,625</b>	<b>6,782,908</b>	<b>7,881,636</b>	<b>6,722,908</b>	<b>5,315,130</b>	<b>5,232,423</b>	<b>(141,075)</b>	<b>(273,212)</b>
Life	5,998,707	4,082,004	5,972,786	4,092,269	4,863,472	3,248,873	163,297	(19,451)
<b>Total insurance business</b>	<b>14,139,332</b>	<b>10,864,912</b>	<b>13,854,422</b>	<b>10,815,177</b>	<b>10,178,602</b>	<b>8,481,296</b>	<b>22,222</b>	<b>(292,663)</b>

## Total insurance business

in EUR thousand	2015	2014
Gross claims incurred	11,673,349	8,774,113
Gross operating expenses	2,929,318	2,647,158
Reinsurance balance	(1,599,032)	15,675

## Expenses for personnel

in EUR thousand	2015	2014
1. Wages and salaries	122,575	118,465
2. Social security payments and expenses for welfare	18,122	17,688
3. Expenses for old-age pension scheme	9,094	6,303
<b>Total</b>	<b>149,791</b>	<b>142,456</b>

## Expenses for investments

in EUR thousand	2015	2014
Fixed-income securities	106,941	84,714
Administrative expenses	33,424	24,862
Inflation swaps	11,706	21,406
Loss transfer	6,000	–
Land and buildings	5,187	3,181
Futures and options contracts, technical derivatives	1,486	3,214
Deposit and bank fees	941	770
Shares in affiliated companies and participations as well as loans to affiliated companies and enterprises in which the company has a participating interest	561	18,520
Shares and investment fund certificates	407	55
Interest charges	22	–
Registered debt securities and sundry loans	–	2,000
<b>Total</b>	<b>166,675</b>	<b>158,722</b>

## Other income

in EUR thousand	2015	2014
Exchange rate gains	73,458	99,521
Reimbursement of expenses	18,977	26,134
Interest pursuant to § 233 a AO (Fiscal Code)	14,571	1,237
Profit from services	11,351	14,659
Separate value adjustments on accounts receivable and retrocessions	10,880	4,451
Income from reinsurance contracts	9,307	3,970
Income from tax refunds	5,356	–
Profit from clearing transactions	4,948	672
Allocated investment return	1,708	2,587
Release of non-technical provisions	898	934
Income from discounting pursuant to § 277 (5) HGB (Commercial Code)	54	96
Amounts realised	28	16
Other income	9,225	7,289
<b>Total</b>	<b>160,761</b>	<b>161,566</b>

## Other expenses

in EUR thousand	2015	2014
Deposit interest	235,592	151,479
Financing interest	72,312	116,764
Exchange rate losses	52,472	28,474
Expenses for the company as a whole	41,762	43,873
Separate value adjustments on accounts receivable and retrocessions	20,681	17,474
Costs paid in advance	15,418	15,977
Expenses from services	12,288	15,515
Interest pursuant to § 233 a AO (Fiscal Code)	11,250	517
Compounding of interest on provisions/expense from compounding pursuant to § 277 (5) HGB (Commercial Code)	6,718	741
Expenses for letters of credit	3,675	3,301
Interest charges on old-age pension scheme	3,259	3,512
Expenses from reinsurance contracts	1,256	710
Write-downs on accounts receivable	990	540
Interest charges from reinsurance transactions	127	129
Other interest and expenses	8,288	10,761
	<b>486,088</b>	<b>409,767</b>
Less: Technical interest	204,109	125,616
<b>Total</b>	<b>281,979</b>	<b>284,151</b>

## Other information

### Notes on § 285 and § 341 b of the Commercial Code (HGB)

The taxes relate solely to the profit or loss on ordinary activities.

The average size of the workforce was 1,235 in the year under review, of whom 114 were executive staff and 1,121 employees.

The remuneration report is provided in the combined management report of the company on pages 103 to 123 of the Group Annual Report. The total remuneration of the Executive Board of Hannover Re amounted to EUR 6.6 million (EUR 6.7 million). In the year under review 7,703 share awards with a fair value of EUR 0.8 million were granted to active members of the Executive Board. Pension payments to former members of the Executive Board and their surviving dependants amounted to EUR 1,057 thousand. A liability of EUR 14,146 thousand was recognised for current pensions of former members of the Executive Board. The remuneration of the Supervisory Board amounted to EUR 735 thousand (EUR 734 thousand).

The particulars for the Executive Board and Supervisory Board are provided on pages 2 to 5.

The list of shareholdings is provided on pages 18 to 20.

Talanx AG, Hannover, holds a majority interest in our company.

Talanx AG, Hannover, and HDI Haftpflichtverband der Deutschen Industrie V.a.G., Hannover, include our financial statements in their consolidated financial statements, which are published in the electronic federal gazette.

On 3 November 2015 the Executive Board and Supervisory Board of Hannover Rück SE submitted an updated Declaration of Conformity pursuant to § 161 of the Stock Corporation Act (AktG) regarding compliance with the German Corporate Governance Code and made it permanently accessible on the company's website ([www.hannover-re.com/200801/declaration-of-conformity](http://www.hannover-re.com/200801/declaration-of-conformity)).

With respect to the fees paid to the auditor, we availed ourselves of the exemption afforded by § 285 No. 17 of the Commercial Code (HGB); the required information is included in the consolidated financial statement of Hannover Rück SE.

Write-downs of EUR 2,779 thousand (EUR 2,305 thousand) were not taken on shares in affiliated companies with a book value of EUR 60,164 thousand (EUR 31,401 thousand) because the impairments in question are purely temporary. Of the securities totalling EUR 2,087,133 thousand (EUR 1,338,282 thousand) shown under the "Other investments" in the item "Shares, units or shares in investment funds and other variable-yield securities", an amount of EUR 1,629,761 thousand (EUR 1,205,689 thousand) was allocated to fixed assets. The fair value of these holdings amounted to EUR 1,958,039 thousand (EUR 1,550,124 thousand).

Based on the assumption that the impairments will not be permanent, write-downs of EUR 10,935 thousand (EUR 2,214 thousand) were not taken on a portfolio with a book value of EUR 177,262 thousand (EUR 44,870 thousand). In the case of shares and investment fund certificates, a separate and standardised method is used to check the permanence of the impairment. The permanence of the impairment for high-yield and emerging market funds is established on the basis of the difference between the cost price and fair value and depending on the ratings of the assets held within the funds.

Altogether, bearer debt securities and other fixed-income securities with a book value of EUR 10,143,229 thousand (EUR 9,070,798 thousand) and a fair value of EUR 10,391,004 thousand (EUR 9,479,965 thousand) were allocated to fixed assets. Write-downs of EUR 62,884 thousand (EUR 15,013 thousand) were not taken on bearer debt securities with a book value of EUR 3,850,849 thousand (EUR 1,540,648 thousand) because it is expected that the nominal value will be repaid in full upon maturity and hence a permanent impairment is not anticipated. The same is true of loans to affiliated companies with a book value of EUR 373,411 thousand (EUR 86,960 thousand) and write-downs that were not taken in an amount of EUR 36,261 thousand (EUR 3,025 thousand). Similarly, full repayment of the nominal amounts is expected with respect to registered debt securities and debentures with a book value of EUR 46,743 thousand (EUR 27,743 thousand) and write-downs of EUR 3,403 thousand (EUR 405 thousand) that were not taken.

The holdings that were not written down to fair value relate inter alia to hybrid CDO/CLO investments (mezzanine tranches). Model-based fair value measurement is used to determine the sustainability of the book values.

On the valuation of alternative investments please see page 14.

The company combined opposing forward exchange transactions in notional amounts of ZAR 967.6 million (EUR 55.6 million), USD 653.3 million (EUR 593.5 million), CAD 65.1 million (EUR 45.9 million), AUD 180.1 million (USD 127.5 million), CNH 300.0 million (USD 47.2 million) as well as ZAR 918.6 million (USD 55.4 million) into valuation units as at the balance sheet date pursuant to § 254 of the Commercial Code (HGB). The risk entered into vis-à-vis the counterparty is passed on in full – including the default risk – to five affiliated companies. In this context, the transactions with the affiliated companies constitute the underlying transactions and those with the counterparties outside the Group constitute the hedge instruments that make up the valuation unit. Both the interest rate risks and the currency risks of the underlying transactions are hedged by means of micro-hedging. The opposing effects from the valuation units are fully correlated and recognised in the balance sheet using the net hedge presentation (or so-called “freezing”) method. The effectiveness of the micro-hedges is assessed using the critical term method. As at 31 December 2015 the underlying transactions show positive fair values of altogether EUR 3.1 million and negative fair values totalling EUR 14.8 million. The forward exchange transactions, which were concluded in several tranches, have various maturity dates; the last transaction expires in 2022.

Hannover Re hedges against currency risks by matching foreign currency liabilities with foreign currency assets. The intention is that changes in the value of foreign currency liabilities (underlying) caused by movements in exchange rates will be offset by opposing changes in the value of the foreign currency assets (hedge instrument). Matched liabilities are combined with their matching assets per currency into a valuation unit which is recognised in the balance sheet in the context of portfolio hedges. The volume amounts to EUR 15,028.7 million. The valuation units are recognised using the gross hedge presentation method.

The portfolio contains derivatives associated with the technical account in a nominal volume of EUR 19.8 million which relate to earthquake risks in Japan. The risks are offset by counter-trade transactions.

The portfolio includes a special fund launched for Hannover Re by an external manager. The company’s share of the fund is 100.0%. The fund in question is a high yield fund investing principally in European fixed-income securities. An index composed of the iBoxx universe is used as the benchmark. For Hannover Re a total amount of EUR 23,079 thousand (EUR 26,312 thousand) was distributed in the year under review. The units can be returned at any time within at most five days. The fund units have a fair value of EUR 1,130,062 thousand (EUR 1,137,721 thousand) and a book value of EUR 985,789 thousand (EUR 970,312 thousand), producing unrealised gains of EUR 144,273 thousand (EUR 167,409 thousand).

We received an adequate consideration for all transactions with affiliated companies according to the circumstances of which we were aware at the time when the transactions were effected. We incurred no losses requiring compensation as defined by § 311 (1) of the Stock Corporation Act (AktG).

Hannover Re has placed two subordinated debts on the European capital market through its subsidiary Hannover Finance (Luxembourg) S.A. Hannover Rück has secured by subordinated guarantee the debts issued in 2010 and 2012, each of which has a volume of EUR 500.0 million. In addition, Hannover Rück has placed subordinated debt of EUR 500.0 million on the European capital market.

As security for 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, which also provide security for subsidiaries, was EUR 3,027.0 million (EUR 2,860.4 million) as at the balance sheet date.

Outstanding capital commitments with respect to special investments and shares in affiliated companies exist in the amount of EUR 756.5 million (EUR 681.2 million).

Under novation clauses in reinsurance contracts written by the subsidiaries with outside third parties we shall – in certain constellations – assume the rights and duties of the subsidiaries under the contracts. In the event of the contracts being transferred to Hannover Re, assets shall be transferred from the relevant subsidiary in the amount of the reserves. As at 31 December 2015 reserves equivalent to EUR 902,627 thousand (EUR 810,482 thousand) existed at the subsidiaries. No soft letters of comfort were provided in the financial year.

Hannover Re has provided guarantees of altogether USD 4,972.6 million to third parties for affiliated companies. The term of the guarantees is determined in each case by the secured liabilities of the affiliated company. Hannover Re receives guarantee commissions. In addition, financial commitments to affiliated companies exist in an amount of USD 300.0 million. A long-term compensation obligation in an amount of EUR 1,517 thousand exists with respect to HDI Unterstützungskasse.

There were no further contingent liabilities or other financial commitments that were not evident from the annual balance sheet.

The stock participation rights granted in the form of virtual shares (share awards) in an amount of EUR 18.5 million were hedged by equity swaps in the financial year. The hedge is effected at the level of tranches and on a rolling basis with a maturity of three months prior to payment of the share awards after five years. The hedged risk amounts to EUR 7.0 million. The underlying and the hedge were combined in a single valuation unit pursuant to § 254 of the Commercial Code (HGB). The offsetting changes in value are not recognised in the profit and



loss account (net hedge presentation method). The effectiveness derives from the parallelism between the payments from the equity swaps and the change in value of the Hannover Re share. Effectiveness is measured retrospectively through the change in value of equity swaps and share awards.

## Information on § 27 (3) and (4) of the Regulation on the Presentation of Insurance Company Accounts (RechVersV)

Insurance contracts with the HDI-Gerling property/casualty group are booked with a time delay of four months (four months). The premium volume for 2015 amounts to altogether EUR 110.0 million, of which EUR 9.2 million relates to the fourth quarter of 2014.

## Lawsuits

No significant court cases were pending during the year under review or as at the balance sheet date – with the exception of proceedings within the scope of ordinary insurance and reinsurance business activities.

## Long-term commitments

Membership of the association for the reinsurance of pharmaceutical risks and the association for the insurance of German nuclear reactors gives rise to an additional call in accordance

with the quota participation if one of the other pool members should fail to meet its liabilities. There are no further commitments with a remaining duration of more than five years.

Hannover, 8 March 2016

Executive Board



Wallin



Althoff



Chèvre



Gräber



Dr. Miller



Dr. Pickel



Vogel

# Auditors' report

We have audited the annual financial statements – comprising the balance sheet, the profit and loss account and the notes to the financial statements – together with the bookkeeping system of Hannover Rück SE, Hannover, and the combined management report of the company and the Group for the business year from 1 January to 31 December 2015. The maintenance of the books and records and the preparation of the annual financial statements and combined management report in accordance with German commercial law and supplementary provisions of the articles of association are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the combined management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the

Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary provisions of the articles of association and give a true and fair view of the net assets, financial position and results of operations of Hannover Rück SE in accordance with German principles of proper accounting. The combined management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Hannover, 8 March 2016

KPMG AG  
Wirtschaftsprüfungsgesellschaft

Jungsthöfel  
Wirtschaftsprüfer

Möller  
Wirtschaftsprüfer

# Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position and results of operations of Hannover Rück SE, and the combined management report includes a fair review of the

development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of Hannover Rück SE.

Hannover, 8 March 2016

Executive Board



Wallin



Althoff



Chèvre



Gräber



Dr. Miller



Dr. Pickel



Vogel

# Report of the Supervisory Board of Hannover Rück SE

In our function as the Supervisory Board we considered at length during the 2015 financial year the position and development of the company and its major subsidiaries. We advised the Executive Board on the direction of the company and monitored the management of business on the basis of written and verbal reports from the Executive Board. The Supervisory Board of Hannover Rück SE held four regular meetings in order to adopt the necessary resolutions after appropriate discussion. All nine Supervisory Board members took part in each of the Supervisory Board meetings held in 2015. In addition, we were informed by the Executive Board in writing and orally about the course of business and the position of the company and the Group on the basis of the quarterly financial statements. The quarterly reports with the quarterly financial statements and key figures for the Hannover Re Group constituted an important source of information for the Supervisory Board. We

## Key points of deliberation

As in every year, we were regularly updated on the work of the Supervisory Board committees and given a description of the major pending legal proceedings. We approved the restructuring of a sizeable life portfolio with a simultaneous expansion of the risk monitoring structures. In addition, we received extensive reports on the recognition, measurement and development of mortality solutions business in the United States and on the status of the Market Consistent Embedded Value in life and health reinsurance relative to competitors. A further key point of deliberation was the adoption of a resolution on the increase in the capital reserve at Hannover Life Re AG. In the annual review of the investment guidelines the granularity of the list of capital market products was revised. The review also centred on an increase in the real estate allocation including updating of the specifications regarding the real estate exposure. A report on the profitability of the use of inflation swaps years was also received and the bilateral letter of credit facilities were discussed. The formation of a

## Committees of the Supervisory Board

Of the committees formed by the Supervisory Board within the meaning of § 107 Para. 3 German Stock Corporation Act, the Finance and Audit Committee met on four occasions and the Standing Committee met twice. The Chairman of the Supervisory Board updated the full Supervisory Board on the major deliberations of the committee meetings at its next meeting and provided an opportunity for further questions.

received an analysis of the 2014 results in property & casualty and life & health reinsurance as well as a presentation from the Executive Board covering the profit expectations for the 2015 financial year and the operational planning for the 2016 financial year. In addition, the Chairman of the Supervisory Board was constantly advised by the Chairman of the Executive Board of major developments and impending decisions as well as of the risk situation within the company and the Group. All in all, we were involved in decisions taken by the Executive Board and assured ourselves of the lawfulness, regularity and efficiency of the company's management as required by our statutory responsibilities and those placed upon us by the company's Articles of Association.

No audit measures pursuant to § 111 Para. 2 Sentence 1 German Stock Corporation Act were required in the 2015 financial year.

control and profit transfer agreement with International Insurance Company of Hannover SE was approved. Implementation of the Act on the Equal Participation of Women and Men in Leadership Positions in the Private Sector and the Public Sector was also discussed and a corresponding resolution adopted. In addition, the strategic approach of acquiring capital participations in Lloyd's syndicates as well as the realisation of a portion of the hidden reserves in the equity participation held in E+S Rückversicherung AG were discussed. With an eye to § 3 Para. 1 Sentence 3 of the Regulation on the Supervisory Law Requirements for Remuneration Schemes in the Insurance Sector (VersVergV) the full Supervisory Board considered the adequacy of the remuneration system for the members of the Executive Board. The variable remuneration of the members of the Executive Board was defined on the basis of the findings with respect to attainment of the respective targets for the 2014 financial year.

The Finance and Audit Committee considered inter alia the consolidated annual and quarterly financial statements drawn up in accordance with IFRS and the corresponding individual financial statements of Hannover Rück SE drawn up in accordance with the German Commercial Code (HGB) and discussed with the independent auditors their reports on these financial statements. As in the previous year, an expert opinion on the

adequacy of the loss reserves in property and casualty reinsurance was noted, the retrocession structure of the Hannover Re Group and the accumulated prefinancing volume in life reinsurance including a comparison of the expected return flows with the repayments actually made, the risk reports, the compliance report and the report on adherence to Corporate Governance principles were discussed and reports on the major subsidiaries were received and considered. In addition, the Committee examined the investment structure and investment income – including the stress tests with regard to the investments and their implications for net income and the equity base – and defined the audit concentrations for the 2015 financial year. The Committee was provided with detailed reports on the current status and probable development of the subsidiary International Insurance Company of Hannover SE as well as on the recognition and measurement of the risk-oriented book of US life reinsurance business acquired in 2009 from Scottish Re. In addition, an audit report was submitted by KPMG AG Wirtschaftsprüfungsgesellschaft on the calculation of the intrinsic value creation (IVC). The Committee prepared

various resolutions to be adopted by the Supervisory Board, including resolutions on the increase in the capital reserve at Hannover Life Re AG and the realisation of a portion of the hidden reserves in the equity participation held in E+S Rückversicherung AG. The Committee also received an explanation of the capital market risks in life and health reinsurance and considered various M&A projects. Furthermore, the options available to the company for capital market measures were explored. As in the previous year, we were again updated on the status of the approval procedure for the internal model.

The Standing Committee dealt among other things with the adequacy of the system of remuneration for the members of the Executive Board and the determination of the variable remuneration of the members of the Executive Board for the 2014 financial year on the basis of the findings with respect to attainment of their respective targets. In all these matters the Committee drew up corresponding recommendations for the full Supervisory Board.

## Corporate Governance

The Supervisory Board once again devoted considerable attention to the topic of corporate governance. It considered the various changes to the German Corporate Governance Code (DCKG) as amended on 5 May 2015 and in this connection specified a regular limit on the length of membership of the Supervisory Board. It also determined the differentiations that are required for the vertical comparison of remuneration pursuant to Item 4.2.2 of the Code. In addition, the Supervisory Board received a report on the design of the remuneration schemes pursuant to § 3 Para. 5 of the Regulation on the Supervisory Law Requirements for Remuneration Schemes in the Insurance Sector (VersVergV) as well as the compliance, internal audit and risk reports. The procedure to evaluate the efficiency of the Supervisory Board's activities on a regular basis was adopted in accordance with Item 5.6 of the Code. Notwithstanding the high importance that the Supervisory Board attaches to the

standards of good and responsible enterprise management defined in the German Corporate Governance Code, the Supervisory Board decided not to comply with the recommendations contained in Code Item 4.2.3 Para. 2 regarding caps on the amount of variable compensation elements in management board contracts, in Code Item 4.2.3 Para. 4 concerning a cap on severance payments in management board contracts, in Code Item 5.2 Para. 2 concerning the Chair of the Audit Committee and in Code Item 5.3.2 concerning the independence of the Chair of the Audit Committee. Justification for these divergences is provided in the Declaration of Conformity pursuant to § 161 German Stock Corporation Act regarding compliance with the German Corporate Governance Code, which is reproduced in this Annual Report as part of the Declaration on Corporate Governance. Further information on the topic of corporate governance is available on Hannover Re's website.

## Audit of the annual financial statements and consolidated financial statements

The accounting, annual financial statements, consolidated financial statements and the combined management report were audited by KPMG AG Wirtschaftsprüfungsgesellschaft. The Supervisory Board selected the auditor and the Chairman of the Supervisory Board awarded the audit mandate. The auditor's independence declaration was received. In addition to the usual tasks performed by the auditors, key points of focus in the audit were the representation of legal disputes and associated litigation risks as well as the provision of consistent and transparent reporting on the most significant financial performance

indicators in the Group management report, together with an examination of the consistent representation of life and health reinsurance treaties in the individual and consolidated financial statements with an emphasis on process and the accounting of non-traditional contracts as well as scrutiny of the recognition and measurement of real estate. Along with the audit concentrations of the German Financial Reporting Enforcement Panel (DPR), the additional audit concentrations defined by the European Securities and Markets Authority (ESMA) also formed part of the scope of the audit. The mandate for the review report by

the independent auditors on the interim financial report as at 30 June 2015 was also awarded again. The special challenges associated with the international aspects of the audits were met without reservation. Since the audits did not give rise to any objections KPMG AG Wirtschaftsprüfungsgesellschaft issued unqualified audit certificates. The Finance and Audit Committee discussed the annual financial statements and the combined management report with the participation of the auditors and in light of the audit reports, and it informed the Supervisory Board of the outcome of its examination. The audit reports were distributed to all members of the Supervisory Board and scrutinised in detail – with the participation of the auditors – at the Supervisory Board meeting held to consider the annual results. The auditors will also be present at the Annual General Meeting.

The report on the company's relations with affiliated companies drawn up by the Executive Board has likewise been examined by KPMG AG Wirtschaftsprüfungsgesellschaft and given the following unqualified audit certificate:

“Having audited the report in accordance with our professional duties, we confirm that

1. its factual details are correct;
2. in the case of the transactions detailed in the report, the expenditure of the company was not unreasonably high.”

## Changes on the Supervisory Board and the Executive Board

The composition of the Supervisory Board and its committees as well as of the Executive Board did not change in the year under review.

## Word of thanks to the Executive Board and members of staff

The very good result once again generated by Hannover Rück SE for the 2015 financial year was made possible by the exceptional performance of the Executive Board and the members of staff working for the company and the Group. The Supervisory Board would like to express its recognition and special appreciation to the Executive Board and all the employees for their efforts.

Hannover, 9 March 2016

For the Supervisory Board

Herbert K. Haas  
Chairman

We have examined

- a) the annual financial statements of the company, the financial statements of the Hannover Re Group and the combined management report prepared by the Executive Board for the company and the Group, and
- b) the report of the Executive Board pursuant to § 312 German Stock Corporation Act (Report on relations with affiliated companies)

– in each case drawn up as at 31 December 2015 – and have no objections. Nor do we have any objections to the statement reproduced in the dependent company report.

The Supervisory Board thus concurred with the opinions of the auditors and approved the annual financial statements and the consolidated financial statements; the annual financial statements are thereby adopted. Our proposal regarding the appropriation of the disposable profit for 2015 is in accordance with that of the Executive Board.

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A printed version of the Annual Report of Hannover Rück SE is also available in German. The report can be downloaded online in PDF format in English and German at

[www.hannover-re.com](http://www.hannover-re.com)

This is a translation of the original German text; the German version shall be authoritative in case of any discrepancies in the translation.

We would also be pleased to send you copies of the Annual Reports of the Hannover Re Group and Hannover Rück SE in English or German. If you wish to receive paper copies of any of these versions please contact Corporate Communications on:

Tel. +49 511 5604-2343  
Fax +49 511 5604-1648 or order them online at [www.hannover-re.com](http://www.hannover-re.com) under "Investors / Results and reports".

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