

**somewhat  
different**

Hannover Rück SE  
Annual Report 2016

*hannover* **re**<sup>®</sup>

## Key figures

in EUR million	2016	+/- previous year	2015	2014	2013	2012
<b>Results</b>						
Gross written premium	11,917.1	-15.7%	14,139.3	10,864.9	11,047.9	10,457.3
Net premium earned	8,534.8	-16.1%	10,178.6	8,481.3	8,209.5	7,808.2
Underwriting result	336.8		158.4	(15.0)	(4.7)	93.2
Allocation to the equalisation reserve and similar provisions	(8.7)	-106.4%	136.1	277.6	267.7	340.7
Investment result	1,287.0	-24.1%	1,695.9	1,580.8	1,116.6	1,233.9
Pre-tax profit	1,241.8	+16.7%	1,064.0	597.8	380.1	546.0
Profit for the financial year	949.2	+4.8%	905.8	421.2	367.2	410.3
Investments	35,646.3	-13.8%	41,338.2	41,912.3	33,203.3	30,452.0
Capital and reserves <sup>1</sup>	1,631.7		1,631.7	1,381.7	1,381.7	1,381.7
Subordinated liabilities	1,500.0		1,500.0	1,500.0	1,800.0	1,800.0
Equalisation reserve and similar provisions	3,058.0	-0.3%	3,066.7	2,930.6	2,653.0	2,385.3
Net technical provisions	27,822.1	+2.2%	27,218.3	29,594.4	25,031.3	22,891.3
<b>Total capital, reserves and technical provisions</b>	<b>34,011.8</b>	<b>+1.8%</b>	<b>33,416.7</b>	<b>35,406.7</b>	<b>30,866.0</b>	<b>28,458.3</b>
Number of employees	1,267	+1.8%	1,245	1,200	1,101	1,074
Retention	72.4%		73.0%	79.3%	75.2%	76.0%
Loss ratio <sup>2</sup>	69.0%		71.9%	71.0%	71.6%	72.8%
Expense ratio <sup>2</sup>	25.9%		27.6%	28.3%	26.8%	26.7%
Combined ratio <sup>2</sup>	94.9%		99.5%	99.3%	98.4%	99.5%

<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, Germany**

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

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

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) Designated Activity Company, Dublin, Ireland

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

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

Member of the Advisory Board Barmenia Allgemeine Versicherungs-AG, Wuppertal, Germany

Member of the Advisory Board Barmenia Krankenversicherung a.G., Wuppertal, Germany

Member of the Advisory Board Barmenia Lebensversicherung a.G., Wuppertal, Germany

### Sven Althoff

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

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

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

### Claude Chèvre

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

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) Ltd., 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, Germany<sup>1</sup>

### Jürgen Gräber

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

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

Chairman of the Board of Directors Hannover Reinsurance Group Africa (Pty) Ltd., 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) Designated Activity Company, Dublin, Ireland

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

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

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

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, Germany<sup>1</sup>

Member of the Board of Directors Hannover Re (Ireland) Designated Activity Company, Dublin, Ireland

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

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

Member of the Supervisory Board Delvag Luftversicherungs-AG, Cologne, Germany<sup>1</sup>**Roland Vogel****Member of the Executive Board Hannover Rück SE, Hannover, Germany****Member of the Executive Board E+S Rückversicherung AG, Hannover, Germany**

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, Germany<sup>1</sup>Deputy Chairman of the Supervisory Board Talanx Asset Management GmbH, Cologne, Germany<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) Designated Activity Company, 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, Germany<sup>1</sup>

Member of the Advisory Board Commerzbank AG, Frankfurt am Main, Germany

Member of the Advisory Board Hannover Finanz GmbH, Hannover, Germany

Member of the Advisory Board WeHaCo Unternehmensbeteiligungs-GmbH, Hannover, Germany

<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, Germany

**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, Germany

Chairman of the Supervisory Board HDI Global SE, Hannover, Germany

Chairman of the Supervisory Board HDI Kundenservice AG, Cologne, Germany

Chairman of the Supervisory Board Talanx Deutschland AG, Hannover, Germany

Chairman of the Supervisory Board Talanx International AG, Hannover, Germany

Chairman of the Supervisory Board Talanx Systeme AG, Hannover, Germany

Member of the Advisory Board Norddeutsche Landesbank Girozentrale, Hannover, Germany<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, Germany

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

Berg, Germany

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

Chairman of the Supervisory Board Talanx AG, Hannover, Germany

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

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

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

## **Frauke Heitmüller**<sup>6</sup>

Hannover, Germany

**Employee**

## **Otto Müller**<sup>6</sup>

Hannover, Germany

**Employee**

Member of the Supervisory Board Talanx AG, Hannover, Germany

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

Vienna, Austria

**Independent Management Consultant**

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

Deputy Chairwoman of the Supervisory Board Fronius International GmbH, Pettenbach, Austria<sup>5</sup>

**Dr. Immo Querner**

Celle, Germany

**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, Germany<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, Germany<sup>5</sup>

Deputy Chairman of the Supervisory Board Talanx Immobilien Management GmbH, Cologne, Germany<sup>5</sup>

Deputy Chairman of the Supervisory Board Talanx Reinsurance Broker GmbH, Hannover, Germany<sup>5</sup>

Deputy Chairman of the Supervisory Board Talanx Service AG, Hannover, Germany

Member of the Supervisory Board BÖAG Börsen AG, Hannover, Germany

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

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

Member of the Supervisory Board Talanx International AG, Hannover, Germany

Member of the Supervisory Board Talanx Systeme AG, Hannover, Germany

Member of the Supervisory Board Tertia Handelsbeteiligungsgesellschaft mbH, Cologne, Germany<sup>5</sup>

Member of the Stock Exchange Council Frankfurter Wertpapierbörse (Deutsche Börse AG), Frankfurt am Main, Germany<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, Germany

**Member of various Supervisory Boards**

Member of the Supervisory Board BDO AG, Hamburg, Germany

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

Member of the Supervisory Board Fuchs Petrolub SE, Mannheim, Germany

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

Member of the Supervisory Board RWE AG, Essen, Germany

Member of the Supervisory Board SAP SE, Walldorf, Germany

Member of the Supervisory Board Talanx AG, Hannover, Germany

**Maike Sielaff<sup>6</sup>**

Burgwedel, Germany

**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 2016.

The annual financial statement and the management report of Hannover Rück SE – combined with the Group management report – for the 2016 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 2016

Assets in EUR thousand	2016				2015
<b>A. Intangible assets</b>					
I. Purchased franchises, trademarks, patents, licences and similar rights and assets			66,914		67,745
II. Goodwill			567		1,133
III. Prepayments on intangible assets			8,878		9,082
				<b>76,359</b>	<b>77,960</b>
<b>B. Investments</b>					
I. Land and buildings, rights to land and buildings, leasehold			32,910		33,265
II. Investments in affiliated companies and participating interests					
1. Shares in affiliated companies		6,014,234			6,237,511
2. Loans to affiliated companies		756,493			412,530
3. Participating interests		72,059			62,053
4. Loans to enterprises in which the company has a participating interest		0			0
			6,842,786		6,712,094
III. Other financial investments					
1. Shares, units or shares in investment funds and other variable-yield securities		2,112,533			2,087,133
2. Bearer debt securities and other fixed-income securities		16,908,885			15,310,969
3. Other loans					
a) Registered debt securities	317,633				425,631
b) Debentures and loans	559,663				540,371
		877,296			966,002
4. Deposits with banks		548,674			570,232
5. Other investments		11,005			21,599
			20,458,393		18,955,935
IV. Deposits with ceding companies			8,312,224		15,636,934
				<b>35,646,313</b>	<b>41,338,228</b>

Liabilities	2016				2015
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			630,000
			630,511		630,511
IV. Disposable profit			1,034,000		658,000
				<b>2,665,716</b>	<b>2,289,716</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		2,238,851			2,141,877
2. Less: reinsurance ceded		383,212			403,406
			1,855,639		1,738,471
II. Life assurance provision					
1. Gross		9,122,399			16,519,121
2. Less: reinsurance ceded		1,412,627			8,157,086
			7,709,772		8,362,035
III. Provisions for outstanding claims					
1. Gross		22,361,955			20,938,878
2. Less: reinsurance ceded		4,384,645			4,127,463
			17,977,310		16,811,415
IV. Provision for bonuses and rebates					
1. Gross		737			680
2. Less: reinsurance ceded		544			479
			193		201
V. Equalisation reserve and similar provisions			3,058,021		3,066,746
VI. Other technical provisions					
1. Gross		284,529			324,092
2. Less: reinsurance ceded		5,346			17,936
			279,183		306,156
				<b>30,880,118</b>	<b>30,285,024</b>

Assets in EUR thousand	2016				2015
<b>C. Receivables</b>					
I. Accounts receivable arising out of reinsurance operations			2,221,988		2,161,772
from affiliated companies:					
413,537 (2015: 435,581)					
II. Other receivables			531,166		797,552
from affiliated companies:				2,753,154	2,959,324
439,337 (2015: 696,012)					
<b>D. Other assets</b>					
I. Tangible assets and stocks			15,902		19,273
II. Current accounts with banks, cheques and cash in hand			352,354		277,499
III. Sundry assets			16,473		34,425
				<b>384,729</b>	<b>331,197</b>
<b>E. Prepayments and accrued income</b>					
I. Accrued interest and rent			156,447		162,304
II. Other accrued income			5,994		5,937
				<b>162,441</b>	<b>168,241</b>
<b>Total assets</b>				<b>39,022,996</b>	<b>44,874,950</b>

Liabilities in EUR thousand	2016				2015
<b>D. Provisions for other risks and charges</b>					
I. Provisions for pensions and similar obligations			83,619		83,246
II. Provisions for taxation			322,403		190,537
III. Other provisions			125,345		134,943
				<b>531,367</b>	<b>408,726</b>
<b>E. Deposits received from retrocessionaires</b>				<b>2,286,675</b>	<b>8,795,263</b>
<b>F. Other liabilities</b>					
I. Accounts payable arising out of reinsurance operations			1,037,084		1,200,571
to affiliated companies:					
278,778 (2015: 239,884)					
II. Miscellaneous liabilities			122,032		395,642
thereof				<b>1,159,116</b>	<b>1,596,213</b>
from taxes:					
3,113 (2015: 2,816)					
for social security:					
161 (2015: 393)					
to affiliated companies:					
76,500 (2015: 339,369)					
<b>G. Accruals and deferred income</b>				<b>4</b>	<b>8</b>
<b>Total liabilities</b>				<b>39,022,996</b>	<b>44,874,950</b>

## Profit and loss account for the 2016 financial year

in EUR thousand	2016 1.1.–31.12.			2015 1.1.–31.12.
I. Technical account				
<b>1. Earned premiums, net of retrocession</b>				
a) Gross written premiums	11,917,076			14,139,332
b) Retrocession premiums	3,291,555			3,814,312
		8,625,521		10,325,020
c) Change in the gross provisions for unearned premiums	(67,606)			(284,910)
d) Change in the provisions for unearned premiums, retrocessionaires' share	(23,147)			138,492
		(90,753)		(146,418)
			<b>8,534,768</b>	<b>10,178,602</b>
<b>2. Allocated investment return transferred from the non-technical account, net of retrocession</b>			<b>237,271</b>	<b>328,840</b>
<b>3. Other technical income, net of retrocession</b>			–	<b>15</b>
<b>4. Claims incurred, net of retrocession</b>				
a) Claims paid				
aa) Gross	8,481,897			10,565,168
bb) Retrocessionaires' share	2,459,556			4,070,416
		6,022,341		6,494,752
b) Change in provisions for outstanding claims				
aa) Gross	(1,074,527)			(1,108,181)
bb) Retrocessionaires' share	190,962			380,917
		(883,565)		(727,264)
			<b>6,905,906</b>	<b>7,222,016</b>
<b>5. Changes in other technical provisions, net of retrocession</b>				
a) Net life assurance provision		334,497		(1,017,833)
b) Other net technical provisions		(2,702)		(2,414)
			<b>331,795</b>	<b>(1,020,247)</b>
<b>6. Bonuses and rebates, net of retrocession</b>			<b>30</b>	<b>(12)</b>
<b>7. Operating expenses, net of retrocession</b>				
a) Gross acquisition expenses		2,525,380		2,929,318
b) Less: commissions and profit commissions received on retrocession		665,183		823,519
			<b>1,860,197</b>	<b>2,105,799</b>
<b>8. Other technical charges, net of retrocession</b>			<b>902</b>	<b>1,056</b>
<b>9. Subtotal</b>			<b>336,799</b>	<b>158,351</b>
<b>10. Change in the equalisation reserve and similar provisions</b>			<b>8,724</b>	<b>(136,129)</b>
<b>11. Net technical result</b>			<b>345,523</b>	<b>22,222</b>

in EUR thousand	2016 1.1.–31.12.			2015 1.1.–31.12.
Balance brought forward			345,523	22,222
<b>II. Non-technical account</b>				
<b>1. Investment income</b>				
a) Income from participating interests		37,192		41,783
thereof affiliated companies:				
32,034 (2015: 37,948)				
b) Income from other investments				
thereof affiliated companies:				
40,658 (2015: 30,449)				
aa) Income from land and buildings, rights to land and buildings, leasehold	3,348			4,257
bb) Income from other investments	741,067			1,016,642
		744,415		1,020,899
c) Appreciation on investments		25,875		5,104
d) Gains on the realisation of investments		161,229		119,732
e) Income from profit pools, profit and loss transfer agreements or partial profit and loss transfer agreements		416,290		675,075
			1,385,001	1,862,593
<b>2. Investment charges</b>				
a) Expenditure for the management of investments, interest expenditure and other investment expenditure		34,805		51,717
b) Depreciation		34,942		83,216
thereof impairments in accordance with § 253 (3) sentence 3 of the Commercial Code (HGB):				
4,264 (2015: 858)				
c) Losses on the realisation of investments		28,302		25,742
d) Expenses from loss transfer		–		6,000
			98,049	166,675
			1,286,952	1,695,918
<b>3. Allocated investment return transferred to the technical account</b>			(277,463)	(532,949)
			1,009,489	1,162,969
<b>4. Other income</b>			171,464	160,761
<b>5. Other charges</b>			284,704	281,979
			(113,240)	(121,218)
<b>6. Profit or loss on ordinary activities before tax</b>			1,241,772	1,063,973
<b>7. Taxes on profit and income</b>			288,027	155,681
<b>8. Other taxes</b>			4,513	2,491
			292,540	158,172
<b>9. Profit for the financial year</b>			949,232	905,801
<b>10. Profit brought forward from previous year</b>			85,163	2,462
<b>11. Allocations to other retained earnings</b>			395	250,263
<b>12. Disposable profit</b>			1,034,000	658,000

# Notes

Hannover Rück SE has its registered office in Hannover, Germany, at Karl-Wiechert-Allee 50 and is entered with the registry court of Hannover under HRB 6778.

## 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 in accordance with the normal operational useful life. Impairments are taken only if the reduction in value will probably be permanent (§ 253 (3) Sentence 5 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. Securities intended for use on a continuing basis in the normal course of business activities are valued according to the modified lower-of-cost-or-market principle (§ 341 b (2) of the Commercial Code (HGB) in conjunction with § 253 (3) of the Commercial Code (HGB)). Permanent impairments are recognised through profit or loss.

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 non-current assets. Individual and fund investments are valued at purchase cost. A write-down to lower fair value is made on individual investments if certain applicability criteria are met. In addition, for CLO positions compliance with collateral tests of the respective higher tranche is verified. In the case of yield enhancement funds, actually incurred defaults as well as instruments at high risk of default in the respective funds are taken as an indication of impairment. Subsequent valuation of shares in private equity funds is based on net asset value (NAV).



Derivative instruments are valued on a mark-to-market basis. Forward exchange transactions are subject to a reporting prohibition based on the principle of not recognising pending transactions. Provisions for anticipated losses from pending business are established in the event of negative fair values as at the balance sheet date.

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 figures are 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 2016 underwriting year is 37.2% 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 Rück 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 4.00% using the average interest rate for the last ten 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 0.00%. 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.

## Further accounting policies

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.

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.

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.

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		2015	2016						
	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	67,745	6,820	7,633	1	–	15,059	(224)	66,914
	2. Goodwill	1,133	–	–	–	–	566	–	567
	3. Prepayments on intangible assets	9,082	7,429	(7,633)	–	–	–	–	8,878
	4. Total A.	<b>77,960</b>	<b>14,249</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>15,625</b>	<b>(224)</b>	<b>76,359</b>
<b>B. I.</b>	<b>Land and buildings, rights to land and buildings, leasehold</b>	<b>33,265</b>	<b>313</b>	<b>–</b>	<b>–</b>	<b>359</b>	<b>1,027</b>	<b>–</b>	<b>32,910</b>
<b>B. II.</b>	<b>Investments in affiliated companies and partici- pating interests</b>								
	1. Shares in affiliated companies	6,237,511	106,443	–	349,420	–	231	19,931	6,014,234
	2. Loans to affiliated companies	412,530	365,154	–	32,198	–	–	11,007	756,493
	3. Participating interests	62,053	10,185	–	179	–	–	–	72,059
	4. Loans to enterprises in which the company has a participating interest	0	–	–	–	–	–	–	0
	5. Total B. II.	<b>6,712,094</b>	<b>481,782</b>	<b>–</b>	<b>381,797</b>	<b>–</b>	<b>231</b>	<b>30,938</b>	<b>6,842,786</b>
<b>B. III.</b>	<b>Other financial investments</b>								
	1. Shares, units or shares in investment funds and other variable-yield securities	2,087,133	820,778	–	791,907	251	4,033	311	2,112,533
	2. Bearer debt securities and other fixed-income securities	15,310,969	6,603,998	–	5,120,972	25,264	29,651	119,277	16,908,885
	3. Other loans								
	a) Registered debt securities	425,631	42,439	–	146,241	–	–	(4,196)	317,633
	b) Debentures and loans	540,371	97,856	–	88,164	–	–	9,600	559,663
	4. Deposits with banks	570,232	234,048	–	253,788	–	–	(1,818)	548,674
	5. Other investments	21,599	10,555	–	21,149	–	–	–	11,005
	6. Total B. III.	<b>18,955,935</b>	<b>7,809,674</b>	<b>–</b>	<b>6,422,221</b>	<b>25,515</b>	<b>33,684</b>	<b>123,174</b>	<b>20,458,393</b>
<b>Total</b>	<b>25,779,254</b>	<b>8,306,018</b>	<b>–</b>	<b>6,804,019</b>	<b>25,874</b>	<b>50,567</b>	<b>153,888</b>	<b>27,410,448</b>	

Goodwill acquired for a consideration is amortised over five years. The amortisation period was established according to the estimated average term of the underlying insurance contracts.

## Land and buildings and rights to land and buildings

On 31 December 2016 the company had at its disposal six 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 721 thousand as at 31 December 2016. Four buildings in Hannover are for own use (book value: EUR 29,421 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 net assets, financial position or results of operations.

### List of shareholdings in 2016

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				
<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	–
holds 64.79% of the shares in: E+S Rückversicherung AG, Hannover/Germany		EUR	696,413	125,000
holds 20.00% of the shares in: WeHaCo Unternehmensbeteiligungs-GmbH <sup>1</sup> , Hannover/Germany		EUR	83,207	11,857
holds 100.00% of the shares in: HR Verwaltungs-GmbH, Hannover/Germany		EUR	12	(1)
holds 100.00% of the shares in: Hannover Re (Bermuda) Ltd., Hamilton/Bermuda		USD	1,237,845	201,363
holds 95.00% of the shares in: Hannover ReTakaful B.S.C. (c), Manama/Bahrain		BHD	65,810	4,080
Hannover Life Re AG, Hannover/Germany	100.00	EUR	1,873,188	–
holds 100.00% of the shares in: Hannover Re (Ireland) Designated Activity Company, Dublin/Ireland		USD	1,709,897	105,225
holds 100.00% of the shares in: Hannover Life Reassurance Company of America, Orlando/USA		USD	333,442	25,033
holds 100.00% of the shares in: Hannover Life Reassurance Bermuda Ltd., Hamilton/Bermuda		USD	391,271	34,588
holds 100.00% of the shares in: Hannover Life Re of Australasia Ltd., Sydney/Australia		AUD	480,863	2,466

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				
Hannover Euro Private Equity Partners II GmbH & Co. KG, Cologne/Germany	35.13	EUR	1,226	1,044
holds 100.00% of the shares in: HEPEP II Holding GmbH, Cologne/Germany		EUR	22	(1,760)
Hannover Euro Private Equity Partners III GmbH & Co. KG, Cologne/Germany	40.98	EUR	633	11,738
holds 100.00% of the shares in: HEPEP III Holding GmbH, Cologne/Germany		EUR	2,627	1,618
Hannover America Private Equity Partners II GmbH & Co. KG, Hannover/Germany	87.00	EUR	237,381	40,194
holds 100.00% of the shares in: HAPEP II Holding GmbH, Hannover/Germany		EUR	6,010	909
Hannover Euro Private Equity Partners IV GmbH & Co. KG, Cologne/Germany	36.76	EUR	5,434	10,848
Hannover Re Euro PE Holdings GmbH & Co. KG, Hannover/Germany	74.99	EUR	251,203	20,291
HILSP Komplementär GmbH <sup>2</sup> , Hannover/Germany	100.00	EUR	33	3
Hannover Insurance-Linked Securities GmbH & Co. KG <sup>2</sup> , Hannover/Germany	100.00	EUR	20,388	53
FUNIS GmbH & Co. KG, Hannover/Germany	100.00	EUR	75,123	3,875
holds 100.00% of the shares in: Glencar Underwriting Managers, Inc. <sup>1</sup> , Chicago/USA		USD	5,985	757
holds 100.00% of the shares in: Integra Insurance Solutions Limited <sup>1</sup> , Bradford/United Kingdom		GBP	2,789	2,748
holds 55.00% of the shares in: HMIA Pty Ltd <sup>1</sup> , Sydney/Australia		AUD	(313)	(185)
holds 53.00% of the shares in: Svedea AB <sup>1</sup> , Stockholm/Sweden		SEK	6,119	626
holds 48.98% of the shares in: b2b protect GmbH <sup>1</sup> , Hannover/Germany		EUR	378	(361)
holds 30.00% of the shares in: Reaseguradora del Ecuador S.A. <sup>1</sup> , Guayaquil/Ecuador		USD	10,433	1,092
holds 28.50% of the shares in: Energi, Inc. <sup>1</sup> , Peabody/USA		USD	20,168	(1,437)
Leine Investment General Partner S.à.r.l., Luxembourg/Luxembourg	100.00	EUR	550	509
holds 100.00% of the shares in: LI RE, Hamilton/Bermuda		USD	–	–
International Insurance Company of Hannover SE, Hannover/Germany	100.00	EUR	165,845	–
holds 100.00% of the shares in: The Congregational & General Insurance Public Limited Company, Bradford/United Kingdom		GBP	11,920	2,891
holds 100.00% of the shares in: International Hannover Holding AG <sup>3</sup> , Hannover/Germany		EUR	39	(2)
holds 100.00% of the shares in: Inter Hannover (No.1) Limited, London/United Kingdom		GBP	(35)	–
holds 100.00% of the shares in: International Mining Industry Underwriters Limited, London/United Kingdom		GBP	131	23
holds 100.00% of the shares in: L&E Holdings Limited, London/United Kingdom		GBP	5	–
Leine Investment SICAV-SIF, Luxembourg/Luxembourg	99.99	USD	65,509	3,095
Hannover Re Global Alternatives GmbH & Co KG, Hannover/Germany	85.00	EUR	41,628	2,852

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				
Oval Office Grundstücks GmbH, Hannover/Germany	50.00	EUR	1,589	(21)
Hannover Re Euro RE Holdings GmbH, Hannover/Germany	65.00	EUR	886,721	21,602
holds 99.99% of the shares in: HR GLL Central Europe GmbH & Co. KG, Munich/Germany		EUR	326,930	4,334
HAPEP II Komplementär GmbH, Hannover/Germany	50.00	EUR	39	3
<b>Affiliated companies resident abroad</b>				
Hannover Finance (Luxembourg) S.A., Luxembourg/Luxembourg	100.00	EUR	34,647	288
Hannover Finance (UK) Limited, London/United Kingdom	100.00	GBP	2,703	(18)
holds 100.00% of the shares in: Hannover Services (UK) Limited, London/United Kingdom		GBP	794	(66)
Hannover Reinsurance Group Africa (Pty) Ltd., Johannesburg/South Africa	100.00	ZAR	219,820	209,916
holds 100.00% of the shares in: Hannover Life Reassurance Africa Limited, Johannesburg/South Africa		ZAR	555,797	31,770
holds 100.00% of the shares in: Hannover Reinsurance Africa Limited, Johannesburg/South Africa		ZAR	728,000	59,243
holds 100.00% of the shares in: Compass Insurance Company Limited, Johannesburg/South Africa		ZAR	195,883	33,692
holds 70.00% of the shares in: Lireas Holdings (Pty) Ltd., Johannesburg/South Africa		ZAR	199,372	34,180
Hannover Re Real Estate Holdings, Inc., Orlando/USA	86.50	USD	654,438	8,864
holds 99.90% of the shares in: GLL HRE CORE Properties L.P., Wilmington/USA		USD	557,316	(310)
Hannover Finance, Inc., Wilmington/USA	100.00	USD	163,451	7,617
Kaith Re Ltd., Hamilton/Bermuda	88.00	USD	915	(327)
U FOR LIFE SDN.BHD. <sup>1</sup> , Petaling Jaya/Malaysia	60.00	MYR	(6,177)	(5,487)
Hannover ReTakaful B.S.C. (c), Manama/Bahrain	5.00	BHD	65,810	4,080
<b>Participations</b>				
ITAS Vita S.p.A. <sup>1</sup> , Trento/Italy	34.88	EUR	98,161	4,014
HANNOVER Finanz GmbH <sup>1</sup> , Hannover/Germany	27.78	EUR	74,801	11,324
WeHaCo Unternehmensbeteiligungs-GmbH <sup>1</sup> , Hannover/Germany	20.00	EUR	83,207	11,857

<sup>1</sup> Financial year ending 31 December 2015

<sup>2</sup> Financial year ending 30 September 2016

<sup>3</sup> Abbreviated financial year 1 January to 30 June 2015

#### Key exchange rates

1 EUR corresponds to:	Exchange rates on 31.12.2016
AUD	1.45905
BHD	0.39720
GBP	0.85527
USD	1.05400
ZAR	14.46320

## Investments in affiliated companies and participating interests

As at 31 December 2016 the company held shares in affiliated companies with a book value of EUR 6,014,234 thousand (EUR 6,237,511 thousand). Write-downs of EUR 55 thousand (EUR 2,779 thousand) were not taken on shares in affiliated companies with a book value of EUR 1,390 thousand (EUR 60,164 thousand) because the impairments in question

are purely temporary. Based on the assumption that impairments on loans to affiliated companies will not be permanent and are attributable to the underlying measurement parameters, write-downs of EUR 2,470 thousand (EUR 36,261 thousand) were not taken on a portfolio with a book value of EUR 63,489 thousand (EUR 373,411 thousand).

## Other investments

Of the securities totalling EUR 2,112,533 thousand (EUR 2,087,133 thousand) shown under the “Other financial investments” in the item “Shares, units or shares in investment funds and other variable-yield securities”, an amount of EUR 2,045,308 thousand (EUR 1,629,761 thousand) was allocated to fixed assets. The fair value of these holdings amounted to EUR 2,477,842 thousand (EUR 1,958,039 thousand). Based on the assumption that the impairments will not be permanent, write-downs of EUR 9,341 thousand (EUR 10,935 thousand) were not taken on a portfolio with a book value of EUR 220,180 thousand (EUR 177,262 thousand). In the case of shares and investment fund certificates, a separate and standardised method is used to check the permanence of the impairment. For bond funds the permanence of the impairment is checked on the basis of the difference between the cost price and fair value. 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 12,440,645 thousand (EUR 10,143,229 thousand) and a fair value of EUR 12,758,369 thousand (EUR 10,391,004 thousand) were allocated to fixed assets. Write-downs of EUR 124,673 thousand (EUR 62,884 thousand) were not taken on bearer debt securities with a book value of EUR 4,704,394 thousand (EUR 3,850,849 thousand). Given that there were no indications of issuer default, it is expected that the nominal value will be repaid in full upon maturity and hence a permanent impairment is not anticipated. The holdings that were not written down to fair value relate inter alia to CDO/CLO investments. Model-based fair value measurement, making allowance for applicability criteria and verification of compliance with collateral tests of the respective higher tranches, is used to determine the sustainability of the book values.

Write-downs of EUR 3,557 thousand (EUR 832 thousand) were not taken on debentures with a book value of EUR 93,000 thousand (EUR 14,161 thousand) based on the premise that the nominal value will be repaid in full on maturity.

Based on determination of the fair value as at 31 December 2016, no need for write-downs on registered debt securities (EUR 32,582 thousand) was identified, as a consequence of which – unlike in the previous year (EUR 2,571 thousand) – no hidden charges were recognised.

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 18,396 thousand (EUR 23,079 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 1,218,557 thousand (EUR 1,130,062 thousand) and a book value of EUR 1,058,557 thousand (EUR 985,789 thousand), producing unrealised gains of EUR 160,000 thousand (EUR 144,273 thousand).

Assets with a balance sheet value of EUR 6,594,756 thousand (EUR 6,058,369 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 in accordance with the Decree on the Principles for Determining the Market Value of Property (ImmoWertV) and the supplementary valuation guidelines. 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 or stock exchange prices. 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 model-based using risk premiums, default rates, prepayment speed and recovery rates or at 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		2016		
		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>32,910</b>	<b>51,099</b>	<b>18,189</b>
<b>B. II.</b>	<b>Investments in affiliated companies and participating interests</b>			
	1. Shares in affiliated companies	6,014,234	9,814,665	3,800,431
	2. Loans to affiliated companies	756,493	785,304	28,811
	3. Participating interests	72,059	80,860	8,801
	4. Loans to enterprises in which the company has a participating interest	0	0	0
	5. Total B. II.	<b>6,842,786</b>	<b>10,680,829</b>	<b>3,838,043</b>
<b>B. III.</b>	<b>Other investments</b>			
	1. Shares, units or shares in investment funds and other variable-yield securities	2,112,533	2,545,233	432,700
	2. Bearer debt securities and other fixed-income securities	16,908,885	17,346,209	437,324
	3. Other loans			
	a) Registered debt securities	317,633	356,293	38,660
	b) Debentures and loans	559,663	593,355	33,692
	4. Deposits with banks	548,674	548,683	9
	5. Other investments	11,005	11,005	–
	6. Total B. III.	<b>20,458,393</b>	<b>21,400,778</b>	<b>942,385</b>
<b>Total</b>		<b>27,334,089</b>	<b>32,132,706</b>	<b>4,798,617</b>



## Other receivables

in EUR thousand	2016	2015
Receivables from affiliated companies	439,337	696,012
Receivables from reinsured pension schemes	60,528	56,720
Receivables from the revenue authorities	27,064	39,348
Receivables from representative offices	1,500	1,428
Interest and rent due	562	1,323
Other receivables	2,175	2,721
<b>Total</b>	<b>531,166</b>	<b>797,552</b>

## Sundry assets

The sundry assets relate to tax refund claims in an amount of EUR 16,473 thousand (EUR 34,425 thousand).

## Prepayments and accrued income

in EUR thousand	2016	2015
Accrued interest and rent	156,447	162,304
Accrued administrative expenses	5,588	5,527
Other	406	410
<b>Total</b>	<b>162,441</b>	<b>168,241</b>

## Notes on liabilities

### Subscribed capital

The company's subscribed capital remained unchanged as at 31 December 2016 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 9 May 2021.

Authorised capital is also available in an amount of up to EUR 60,299 thousand with a time limit of 9 May 2021. Of this, an amount of up to EUR 1,000 thousand may be used to issue employee shares.

## 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 2016. Within the financial year just ended the company acquired shares for employees, which it subsequently sold to them.

	2016	
	Date of acquisition	Date of sale
	13 May	13 May
Number of shares	16,413	16,413
Amount of capital stock attributable to the shares (EUR)	16,413.00	16,413.00
Proportion of capital stock	0.01%	0.01%
Price (EUR)	97.13	72.30

## Capital reserve

The company's capital reserve remained unchanged as at 31 December 2016 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 unchanged as at 31 December 2016 in an amount of EUR 630,511 thousand. They were reduced by EUR 395 thousand due to the issue of employee shares and an amount of EUR 395 thousand was allocated to retained earnings from the 2016 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 of EUR 17 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. Based on the discounting of pension obligations with the average market interest rate of the last ten years compared to discounting with the average market interest rate of the last seven years, there is an additional restriction on distribution for the first time in the financial year in an amount of EUR 7.0 million after allowance for deferred taxes.

## Disposable profit

The disposable profit for the financial year includes a profit carried forward from the previous year of EUR 85,164 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	2016		2015	
	gross	net	gross	net
Insurance line				
Fire	404,188	314,272	374,356	288,491
Casualty	493,557	411,896	445,709	364,016
Accident	65,146	61,946	65,375	61,586
Motor	202,183	148,320	372,880	262,433
Aviation	105,886	79,640	128,571	100,113
Life	251,561	233,399	196,349	182,534
Other lines	716,330	606,166	558,637	479,298
<b>Total</b>	<b>2,238,851</b>	<b>1,855,639</b>	<b>2,141,877</b>	<b>1,738,471</b>

## Life assurance provisions

in EUR thousand	2016		2015	
	gross	net	gross	net
Insurance line				
Accident	9,229	(13,245)	6,776	(8,081)
Life	9,086,597	7,697,639	16,489,039	8,348,339
Other lines	26,573	25,378	23,306	21,777
<b>Total</b>	<b>9,122,399</b>	<b>7,709,772</b>	<b>16,519,121</b>	<b>8,362,035</b>

## Provisions for outstanding claims

in EUR thousand	2016		2015	
	gross	net	gross	net
Insurance line				
Provision for reimbursements and surrenders (except annuities)				
Fire	2,329,918	1,730,827	1,951,759	1,440,765
Casualty	9,107,505	7,483,634	8,668,127	7,076,932
Accident	337,321	301,923	329,726	289,200
Motor	2,689,205	2,187,506	2,697,581	2,150,413
Aviation	1,496,467	1,116,760	1,550,025	1,145,004
Marine	1,489,094	1,014,100	1,464,949	1,025,996
Life	1,586,739	1,525,447	1,309,904	1,252,393
Other lines	3,277,073	2,568,469	2,924,355	2,390,338
	<b>22,313,322</b>	<b>17,928,666</b>	<b>20,896,426</b>	<b>16,771,041</b>
Separate value adjustment on retrocessions	–	1,394	–	147
	<b>22,313,322</b>	<b>17,930,060</b>	<b>20,896,426</b>	<b>16,771,188</b>
Provision for annuities				
Casualty	1,504	1,463	1,501	1,454
Accident	29,398	29,392	24,344	24,339
Motor	17,731	16,395	16,607	14,434
	<b>48,633</b>	<b>47,250</b>	<b>42,452</b>	<b>40,227</b>
<b>Total</b>	<b>22,361,955</b>	<b>17,977,310</b>	<b>20,938,878</b>	<b>16,811,415</b>

The net run-off result in property and casualty insurance is positive overall and amounts to 4.4% (2.8%) relative to the original provision.

## Equalisation reserve and similar provisions

in EUR thousand	2016			
	Position at 1.1.	Addition	Withdrawal and release	Position at 31.12.
Insurance line				
Equalisation reserve				
Fire	921,775	558	205,188	717,145
Casualty	383,211	188,257	–	571,468
Accident	45,524	–	20,617	24,907
Motor	304,814	106,353	–	411,167
Aviation	163,619	59,779	36,509	186,889
Marine	438,972	–	86,707	352,265
Other lines	678,207	56,439	68,310	666,336
	<b>2,936,122</b>	<b>411,386</b>	<b>417,331</b>	<b>2,930,177</b>
Provisions which are similar to the equalisation reserve – major risks –				
Fire	40,103	–	7,007	33,096
Casualty	34,889	3,406	1,340	36,955
Accident	–	–	–	–
Motor	645	109	–	754
Aviation	–	–	–	–
Marine	2,596	–	–	2,596
Other lines	52,391	2,052	–	54,443
<b>Total</b>	<b>3,066,746</b>	<b>416,953</b>	<b>425,678</b>	<b>3,058,021</b>

## Other technical provisions

in EUR thousand	2016		2015	
	brutto	netto	brutto	netto
Type of provision				
Profit commission	279,082	273,706	315,250	297,307
Commissions	794	816	6,890	6,890
Road accident victims' assistance, premium cancellation	4,653	4,661	1,952	1,959
<b>Total</b>	<b>284,529</b>	<b>279,183</b>	<b>324,092</b>	<b>306,156</b>

## Technical provisions – total

in EUR thousand	2016		2015	
	gross	net	gross	net
Insurance line				
Fire	3,506,937	2,830,722	3,307,538	2,720,999
Casualty	10,234,044	8,527,685	9,577,154	7,899,681
Accident	490,107	426,967	488,001	427,566
Motor	3,312,196	2,767,466	3,374,172	2,737,767
Aviation	1,800,510	1,392,428	1,855,743	1,419,299
Marine	1,848,777	1,373,232	1,914,263	1,473,312
Life	11,091,240	9,602,579	18,188,684	9,942,884
Other lines	4,782,681	3,957,645	4,285,839	3,663,369
	<b>37,066,492</b>	<b>30,878,724</b>	<b>42,991,394</b>	<b>30,284,877</b>
Separate value adjustment on retrocessions	–	1,394	–	147
<b>Total</b>	<b>37,066,492</b>	<b>30,880,118</b>	<b>42,991,394</b>	<b>30,285,024</b>

## Provisions for other risks and charges

in EUR thousand	2016	2015
Provisions for pensions and similar liabilities	83,619	83,246
Provisions for taxation	322,403	190,537
Sundry provisions		
Provisions for outstanding remuneration payments	45,952	45,836
Provisions for interest pursuant to § 233a AO (Fiscal Code)	38,812	42,499
Provisions for currency risks	9,101	14,020
Provisions for annual accounts costs	4,200	3,835
Provisions for partial retirement	1,642	2,260
Provisions for costs of legal action	1,056	915
Provisions for suppliers' invoices	801	2,489
Other provisions	23,781	23,089
<b>Total</b>	<b>531,367</b>	<b>408,726</b>

The difference between the discounting of the pension obligations with the average market interest rate of the last ten years compared to discounting with the average market interest rate of the last seven years was EUR 10.3 million.

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 486 thousand (EUR 740 thousand). The provisions for partial retirement

of EUR 3,543 thousand (EUR 3,848 thousand) were netted with plan assets with a fair value of EUR 1,901 thousand (EUR 1,587 thousand) pursuant to § 246 (2) of the Commercial Code (HGB). In this connection income of EUR 16 thousand (EUR 36 thousand) was offset against total expenses of EUR 48 thousand (EUR 0 thousand).

The plan assets for partial retirement were measured on the basis of fair values pursuant to § 253 (1) Sentence 3 of the Commercial Code (HGB). The acquisition cost of the plan assets amounted to EUR 1,861 thousand (EUR 1,572 thousand).

## Miscellaneous liabilities

in EUR thousand	2016	2015
Accounts due to affiliated companies	76,500	339,369
Liabilities from cash collateral received	17,242	5,081
Liabilities from hedge accounting	10,153	9,591
Liabilities from interest and LOC	8,316	8,501
Liabilities from securities transactions	4,191	24,405
Liabilities in respect of the revenue authorities	3,113	2,815
Liabilities from deliveries and services	1,916	659
Liabilities in respect of permanent establishments	135	135
Liabilities from hedges	–	3,524
Liabilities from leases	–	507
Liabilities from outstanding commitments to old-age pension scheme	–	483
Other liabilities	466	572
<b>Total</b>	<b>122,032</b>	<b>395,642</b>

## Accruals and deferred income

in EUR thousand	2016	2015
Other accruals and deferred income	4	8
<b>Total</b>	<b>4</b>	<b>8</b>

# Notes on the profit and loss account

## Total insurance business

in EUR thousand	2016	2015	2016	2015	2016	2015	2016	2015
Insurance line	Gross written premium		Gross premium earned		Net premium earned		Technical result for own account	
Fire	1,625,486	1,590,283	1,619,216	1,531,919	572,286	751,177	269,169	233,067
Casualty	1,443,732	1,400,923	1,404,440	1,352,398	1,108,893	1,069,988	(207,772)	(209,035)
Accident	333,757	329,823	330,997	318,727	296,514	265,852	42,626	33,600
Motor	913,071	1,423,592	1,074,836	1,307,904	700,525	712,419	(53,234)	(146,330)
Aviation	273,026	349,740	298,544	367,188	202,511	258,266	16,065	(12,989)
Marine	378,650	436,914	378,650	436,914	222,446	280,847	192,426	(40,005)
Other lines	2,841,602	2,609,350	2,688,845	2,566,586	2,029,912	1,976,581	(10,717)	617
<b>Total property and casualty</b>	<b>7,809,324</b>	<b>8,140,625</b>	<b>7,795,528</b>	<b>7,881,636</b>	<b>5,133,087</b>	<b>5,315,130</b>	<b>248,563</b>	<b>(141,075)</b>
Life	4,107,752	5,998,707	4,053,942	5,972,786	3,401,681	4,863,472	96,960	163,297
<b>Total insurance business</b>	<b>11,917,076</b>	<b>14,139,332</b>	<b>11,849,470</b>	<b>13,854,422</b>	<b>8,534,768</b>	<b>10,178,602</b>	<b>345,523</b>	<b>22,222</b>

in EUR thousand	2016	2015
Gross claims incurred	9,556,424	11,673,349
Gross operating expenses	2,525,380	2,929,318
Reinsurance balance	(999)	(1,599,032)

In accordance with the disclosure required pursuant to § 27 (3) and (4) of the Regulation on the Presentation of Insurance Company Accounts (RechVersV), insurance contracts with the HDI property/casualty group are booked with a time delay of one month. The premium volume for 2016 amounts to altogether EUR 376.4 million.

## Expenses for investments

in EUR thousand	2016	2015
Fixed-income securities	47,753	106,941
Administrative expenses	29,954	33,424
Shares and investment fund certificates	14,232	407
Land and buildings	2,495	5,187
Futures and options contracts, technical derivatives	2,059	1,486
Deposit and bank fees	1,059	941
Shares in affiliated companies and participations as well as loans to affiliated companies and enterprises in which the company has a participating interest	231	561
Interest charges	200	22
Forward exchange transactions	66	-
Inflation swaps	-	11,706
Loss transfer	-	6,000
<b>Total</b>	<b>98,049</b>	<b>166,675</b>

## Other income

in EUR thousand	2016	2015
Exchange rate gains	84,893	73,458
Profit from services	24,546	11,351
Release of non-technical provisions	14,446	898
Separate value adjustments on accounts receivable and retrocessions	14,148	10,880
Income from reinsurance contracts	10,851	9,307
Allocated investment return	3,251	1,708
Profit from clearing transactions	3,250	4,948
Income from tax refunds	3,161	5,356
Reimbursement of expenses	2,569	18,977
Interest pursuant to § 233a AO (Fiscal Code)	1,272	14,571
Amounts realised	47	28
Income from discounting pursuant to § 277 (5) HGB (Commercial Code)	14	54
Other income	9,016	9,225
<b>Total</b>	<b>171,464</b>	<b>160,761</b>

## Other expenses

in EUR thousand	2016	2015
Deposit interest	81,380	235,592
Financing interest	72,294	72,312
Exchange rate losses	63,397	52,472
Expenses for the company as a whole	47,357	41,762
Expenses from services	25,082	12,288
Separate value adjustments on accounts receivable and retrocessions	19,695	20,681
Expenses from reinsurance contracts	6,048	1,256
Interest charges on old-age pension scheme	3,319	3,259
Expenses for letters of credit	2,978	3,675
Write-downs on accounts receivable	1,258	990
Interest charges from reinsurance transactions	326	127
Compounding of interest on provisions/expense from compounding pursuant to § 277 (5) HGB (Commercial Code)	85	6,718
Interest pursuant to § 233a AO (Fiscal Code)	57	11,250
Costs paid in advance	–	15,418
Other interest and expenses	1,620	8,288
	<b>324,896</b>	<b>486,088</b>
Less: Technical interest	40,192	204,109
<b>Total</b>	<b>284,704</b>	<b>281,979</b>

With respect to the fees paid to the independent auditor, we made use of the exemption afforded by § 285 No. 17 of the Commercial Code (HGB); the required disclosures are included in the consolidated financial statement of Hannover Re.

## Expenses for personnel

in EUR thousand	2016	2015
1. Wages and salaries	127,165	122,575
2. Social security payments and expenses for welfare	18,844	18,122
3. Expenses for old-age pension scheme	1,442	9,094
<b>Total</b>	<b>147,451</b>	<b>149,791</b>

## Proposal for the distribution of profits

The Executive Board and Supervisory Board intend to propose to the Annual General Meeting that the disposable profit should be distributed as follows:

### Proposal for the distribution of profits

in EUR	2016
Payment of a dividend of EUR 3.50 on each eligible no-par value share	422,089,969.00
Payment of a special dividend of EUR 1.50 on each eligible no-par value share	180,895,701.00
Profit carried forward to new account	431,014,330.00
<b>Disposable profit</b>	<b>1,034,000,000.00</b>

## Other notes

Hannover Re has placed two subordinated debts on the European capital market through its subsidiary Hannover Finance (Luxembourg) S.A. Hannover Re 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 Re 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 2,301.8 million (EUR 3,027.0 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 823.8 million (EUR 756.5 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 2016 reserves equivalent to EUR 869,586 thousand (EUR 902,627 thousand) existed at the subsidiaries. No soft letters of comfort were provided in the financial year. Hannover Re has provided guarantees of altogether USD 5,251.0 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 for this. In addition, guarantees of GBP 10.0 million and MYR 10.0 million were furnished. Furthermore, financial commitments to affiliated companies exist in an amount of USD 300.0 million. A long-term compensation obligation in an amount of EUR 1,995 thousand exists with respect to HDI Unterstützungskasse.



There are no other obligations with a remaining maturity of more than five years.

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.

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

The average size of the workforce was 1,258 in the year under review, of whom 112 were executive staff and 1,146 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 7.3 million (EUR 6.7 million). In the year under review 8,825 share awards with a fair value of EUR 0.9 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 13,505 thousand was recognised for current pensions of former members of the Executive Board. The remuneration of the Supervisory Board amounted to EUR 772 thousand (EUR 735 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 9 November 2016 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)).

The company combined opposing forward exchange transactions in notional amounts of ZAR 226.1 million (EUR 10.6 million), ZAR 442.3 (USD 23.3 million), USD 433.1 million (EUR 401.1 million), CAD 65.1 million (USD 46.2 million), AUD 217.4 million (USD 162.9 million), GBP 26.7 million (USD 35.2 million), EUR 52.0 million (USD 58.2 million), USD 11.4 million (CNH 77.4 million) and USD 66.5 million (ZAR 920.5 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 method. The effectiveness of the micro-hedges is assessed using the critical term method. As at 31 December 2016 the underlying transactions show positive fair values of altogether EUR 9.9 million and negative fair values totalling EUR 16.5 million. The forward exchange transactions, which were concluded in several tranches, have various maturity dates; the last transaction expires in 2022.

The company's portfolio includes a USD/HKD forward exchange transaction in a notional amount of HKD 348.4 million (HKD 0.0 million) with a maturity date of 27 January 2017 that is not part of a valuation unit. Risks underlying the transaction are transferred to the Hong Kong branch. The negative fair value of –EUR 0.07 million (EUR 0.0 million) is carried in full on the liabilities side of the balance sheet as a provision for anticipated losses. The calculation is made on the basis of yield curves as well as spot and forward rates using the interest rate parity model.

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 18,105.1 million.

The portfolio contains derivatives associated with the technical account in a nominal volume of EUR 33.3 million which relate to earthquake risks in Japan. The risks are offset by counter-trade transactions.

The stock participation rights granted in the form of virtual shares (share awards) in an amount of EUR 21.7 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 until the share awards are paid out after five years. The hedged risk amounts to EUR 6.3 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. In April 2016 share awards with a value of EUR 1.7 million were paid out. Hedging through equity swaps resulted in a positive earnings effect of EUR 0.8 million.

In the year under review a permanent establishment of Hannover Re invested deposits with ceding companies in an amount of USD 187.6 million from a retrocession contract in a structured security of a large European bank (underlying). In this contract the retrocessionaire furnished a capital and interest guarantee for these invested contract deposits (hedge). The hedged risk amounted to USD 8.8 million as at the balance sheet date. The underlying and hedge are combined into a valuation unit in the balance sheet in a micro-hedge relationship.

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).

No events of special significance occurred after the balance sheet date that had a material impact on the results of operations, financial position or net assets of Hannover Re.

Hannover, 7 March 2017

#### 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 2016. 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, complies with the legal requirements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Hannover, 7 March 2017

KPMG AG  
Wirtschaftsprüfungsgesellschaft

Möller  
Wirtschaftsprüfer

Bock  
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, 7 March 2017

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 2016 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. With the exception of two meetings that one member of the Supervisory Board did not attend, all nine Supervisory Board members took part in each of the Supervisory Board meetings held in 2016. Two representatives of the Federal Financial Supervisory Authority participated in one meeting on a routine basis. 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 components of the financial statements and key figures for the Hannover Re Group constituted an important source of information for the Supervisory Board.

## 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. In addition, we received a report on the status of the Market Consistent Embedded Value in life and health reinsurance. A further key point of deliberation was the examination of the various reports in accordance with Solvency II (including ORSA, Day 1 Report). The Information Policy for the Supervisory Board was also revised against this backdrop. In addition, the Rules of Procedure for the Executive Board were updated. In the annual review of the investment guidelines the table of permitted share indices was revised. The updating of the minimum liquidity limit and the revision of the corresponding guideline also came under

## 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 three times. 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.

We received an analysis of the 2015 results in property & casualty and life & health reinsurance as well as a presentation from the Executive Board covering the profit expectations for the 2016 financial year and the operational planning for the 2017 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 2016 financial year.

scrutiny. Furthermore, a report was received on the return on investment in comparison with competitors. Extensive consideration was also given to the EU Audit Reform and the corresponding resolution (including in relation to the updated Rules of Procedure for the Finance and Audit Committee). In addition, the strategic approach of acquiring capital participations in a Lloyd's syndicate was discussed at length. As in every year, 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 2015 financial year.

The Finance and Audit Committee considered inter alia the consolidated financial statement and the quarterly reports drawn up in accordance with IFRS and the individual financial statement 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 2016 financial year. The Committee was provided with detailed reports on the purchase of The Congregational & General Insurance Public Limited Company (CGI) as well as on the recognition and measurement of the risk-oriented book of US life reinsurance business acquired in 2009 from Scottish Re. The Committee also received an explanation of the capital market risks in life and health reinsurance and considered various M&A projects. Furthermore, the future form of the company's regular financial reporting with an eye to transposition of the EU Transparency Directive into national law was explored. The Committee prepared various resolutions to be adopted by the Supervisory Board, including a resolution on the approach to be taken in connection with the EU audit reform. The reporting on the Auditor Supervision Act and the Audit Reform Act as well as the resulting considerations and measures were a major point

## Corporate Governance

The Government Commission on the German Corporate Governance Code (DCKG) did not make any changes to the German Corporate Governance Code in 2016. The Supervisory Board nevertheless devoted considerable attention to the topic of corporate governance. For example, the results of the efficiency evaluation of the Supervisory Board's activities in accordance with Item 5.6 of the Code as well as the optimisation measures to be adopted on this basis were considered at length. 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 as well as the compliance, internal audit and risk reports.

In connection with the implementation of Solvency II the company offered the Supervisory Board an internal training event in 2016. This enabled the members of the Supervisory Board to improve their knowledge of the new regulatory developments resulting from the laws and policies adopted in the context of Solvency II. Topical concentrations included, among others, the special demands placed on the Supervisory Board,

of emphasis in the work of the Finance and Audit Committee. Once it had been agreed that the independent auditor of the company's individual and consolidated financial statements should be changed early for the 2018 financial year, a project was set in motion to prepare and initiate the tender procedure. At an extraordinary meeting of the Committee on 30 November 2016 three auditing firms presented and enlarged upon the bids that they had submitted in writing. The validation of the report compiled by the company on the conclusions drawn by the Finance and Audit Committee in the selection process as well as the adoption of board resolutions in this connection will take place in the 2017 financial year.

The Standing Committee dealt among other things with the adequacy of the system of remuneration for the members of the Executive Board, the determination of the variable remuneration of the members of the Executive Board for the 2015 financial year on the basis of the findings with respect to attainment of their respective targets and the examination of the remuneration for the Board members who were due for review. In all these matters the Committee drew up corresponding recommendations for the full Supervisory Board. The Committee deliberated at length on the medium- and long-time succession arrangements for the Executive Board and recommended to the full Supervisory Board the reappointment of Mr. Ulrich Wallin, Mr. Sven Althoff, Mr. Jürgen Gräber and Mr. Roland Vogel.

requirements with respect to the business organisation and key functions as well as the company's internal model. 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 the Group 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 chose the auditor and the Chairman of the Supervisory Board awarded the audit mandate. The auditor's independence declaration was received. 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 Half-yearly Financial Report as at 30 June 2016 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.”

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 2016 – 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 2016 is in accordance with that of the Executive Board.

## 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. Mr. Sven Althoff, Mr. Jürgen Gräber, Mr. Roland

Vogel and Mr. Ulrich Wallin were reappointed as members of the Executive Board, with the latter at the same time being appointed as Chairman of the Executive Board.

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

The very good result once again generated by Hannover Rück SE for the 2016 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, 8 March 2017

For the Supervisory Board

Herbert K. Haas  
Chairman

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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:

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