somewhat different

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Annual Report 2015

hannover re®

Key figures

Figures in EUR million	2015	+/– previous year	2014	2013	2012[1]	2011
Results						
Gross written premium	17,068.7	+18.8%	14,361.8	13,963.4	13,774.2	12,096.1
Net premium earned	14,593.0	+17.5%	12,423.1	12,226.7	12,279.2	10,751.5
Net underwriting result	93.8		(23.6)	(83.0)	(96.9)	(535.8)
Net investment income	1,665.1	+13.1%	1,471.8	1,411.8	1,655.7	1,384.0
Operating profit (EBIT)	1,755.2	+19.7%	1,466.4	1,229.1	1,393.9	841.4
Group net income	1,150.7	+16.7%	985.6	895.5	849.6	606.0
Balance sheet						
Policyholders´ surplus	10,267.3	+0.3%	10,239.5	8,767.9	8,947.2	7,338.2
Equity attributable to shareholders of Hannover Rück SE	8,068.3	+6.9%	7,550.8	5,888.4	6,032.5	4,970.6
Non-controlling interests	709.1	+1.0%	702.2	641.6	681.7	636.0
Hybrid capital	1,489.9	-25.0%	1,986.5	2,237.8	2,233.0	1,731.6
Investments (excl. funds withheld by ceding companies)	39,346.9	+8.6%	36,228.0	31,875.2	31,874.4	28,341.2
Total assets	63,214.9	+4.6%	60,457.6	53,915.5	54,811.7	49,867.0
Share						
Earnings per share (basic and diluted) in EUR	9.54	+16.7%	8.17	7.43	7.04	5.02
Book value per share in EUR	66.90	+6.9%	62.61	48.83	50.02	41.22
Dividend	572.8[2]	+11.8%	512.5	361.8	361.8	253.3
Dividend per share in EUR	3.25 + 1.50[2, 3]	+11.8%	3.00 + 1.25[3]	3.00	2.60 + 0.40[3]	2.10
Share price at year-end in EUR	105.65	+40.9%	74.97	62.38	58.96	38.325
Market capitalisation at year-end	12,741.1	+40.9%	9,041.2	7,522.8	7,110.4	4,621.9
Ratios						
Combined ratio (property and casualty reinsurance)[4]	94.4%		94.7%	94.9%	95.8%	104.3%
Large losses as percentage of net premium earned (property and casualty reinsurance)[5]	7.1%		6.1%	8.4%	7.0%	16.5%
Retention	87.0%		87.6%	89.0%	89.8%	91.2%
Return on investment (excl. funds withheld by ceding companies)[6]	3.5%		3.3%	3.4%	4.1%	4.1%
EBIT margin[7]	12.0%		11.8%	10.1%	11.4%	7.8%
Return on equity (after tax)	14.7%		14.7%	15.0%	15.4%	12.8%

1 Adjusted pursuant to IAS 8
2 Proposed dividend
3 Dividend of EUR 3.25 plus special dividend of EUR 1.50 for 2015, EUR 3.00 plus special dividend of EUR 1.25 for 2014 and EUR 2.60 plus special dividend of EUR 0.40 for 2012
4 Including expenses on funds withheld and contract deposits
5 Hannover Re Group's net share for natural catastrophes and other major losses in excess of EUR 10 million gross as a percentage of net premium earned (until 31 December 2011: in excess of EUR 5 million gross)
6 Excluding effects from ModCo derivatives and inflation swaps
7 Operating result (EBIT)/net premium earned

The Group worldwide

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A complete list of our shareholdings is provided on page 160 et seq. of the notes. The addresses of the Hannover Re Group's branch offices and subsidiaries abroad are to be found in the section "Further information" on page 242 et seq.

Strategic business groups

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Hannover Re Group

Property & Casualty reinsurance

Target Markets

- North America
- Continental Europe

Specialty Lines Worldwide

- Marine
- Aviation
- Credit, Surety and Political Risks
- United Kingdom, Ireland, London Market and Direct Business
- Facultative Reinsurance

Global Reinsurance

- Worldwide Treaty Reinsurance
- Catastrophe XL (Cat XL)
- Structured Reinsurance and Insurance-Linked Securities

Life & Health reinsurance

Financial Solutions

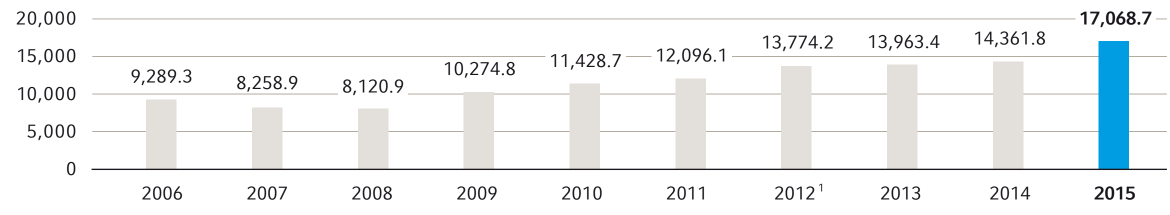
Risk Solutions

- Longevity
- Mortality
- Morbidity

An overview

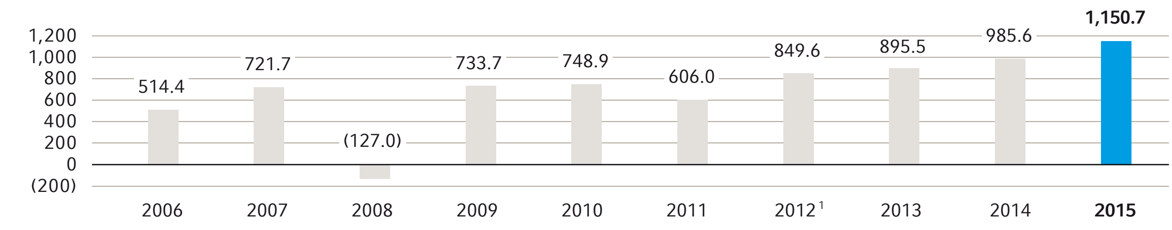
Gross premium
in EUR million

I01*



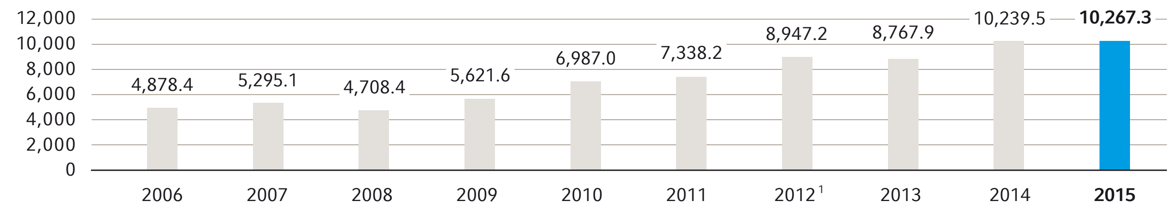
Group net income (loss)
in EUR million

I02*



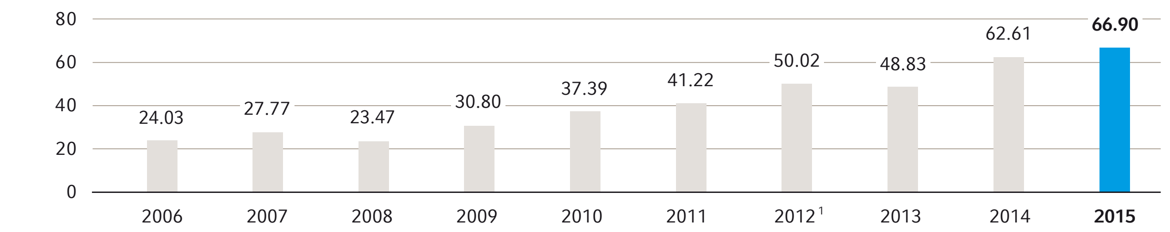
Policyholders' surplus
in EUR million

I03*



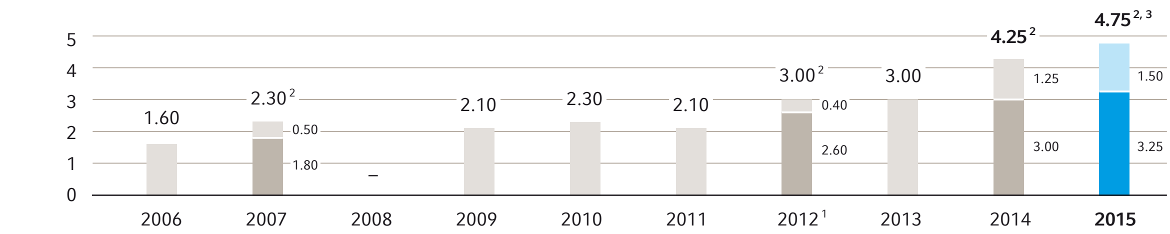
Book value per share
in EUR

I04*



Dividend
in EUR

I05*



[1] Adjusted pursuant to IAS 8

[2] Dividend of EUR 3.25 plus special dividend of EUR 1.50 for 2015; EUR 3.00 plus special dividend of EUR 1.25 for 2014 as well as EUR 2.60 plus special dividend of EUR 0.40 for 2012 and EUR 1.80 plus special dividend of EUR 0.50 for 2007

[3] Proposed dividend

About us

Hannover Re, with gross premium of more than EUR 17 billion, is the third-largest reinsurer in the world.

We transact all lines of property & casualty and life & health reinsurance and are present on all continents with roughly 2,500 staff. Established in 1966, the Hannover Re Group today has a network of more than 100 subsidiaries, branches and representative offices worldwide. The German business of the Hannover Re Group is transacted by our subsidiary E+S Rück.

The rating agencies most relevant to the insurance industry have awarded both Hannover Re and E+S Rück very good financial strength ratings: Standard & Poor's "AA-" (Very Strong) and A.M. Best "A+" (Superior).

Contents

* Graphs, tables and charts are numbered and listed on page 250 et seq.

Ulrich Wallin,
Chairman of the
Executive Board

Dear Shareholders,
Ladies and Gentlemen,

The 2015 financial year was an exceptionally successful one for your company. This is reflected firstly in the record profit that we can report for what is now the fourth consecutive time. Even more significant, however, is the fact that in 2015 we were able to substantially strengthen the platform that we have put in place for achieving our financial goals going forward. In property and casualty reinsurance, for example, we again appreciably increased the confidence level of our loss reserves despite the difficult market environment. This should help us to post continued good underwriting results even in the challenging years to come. In life and health reinsurance we further boosted the value of new business and, what is more, we improved the profitability of the existing portfolio by taking targeted actions. We have thus cemented a robust foundation for further increasing the underlying profitability of our life and health reinsurance business. When it comes to our investments, we took purposeful structural steps that should enable us to keep the return on investment broadly stable in absolute terms. This was supported by further considerable growth in the portfolio of assets under own management, facilitated by a sharply higher operating cash flow compared to the previous year.

As our valued shareholders, you can therefore rest assured that your company has established a very good basis for continued success in the coming years, which will be shaped by a challenging general business climate. Our foundation is the successful implementation of our strategic approach geared to “long-term success in a competitive business”.

As we consider the highly satisfactory figures more closely, I would like to highlight the increase of around 17 percent in Group net income to EUR 1.15 billion. This is the first time that we can report a net profit for the Group in excess of EUR 1 billion. It is also pleasing to note that despite an intensely competitive market we enlarged our gross premium volume to EUR 17 billion. This is equivalent to currency-adjusted growth of some nine percent. Similarly, your company’s shareholders’ equity rose by almost seven percent to EUR 8 billion. The average shareholders’ equity, the basis on which we calculate the return on equity, actually increased by more than 16 percent. The return on equity nevertheless remained stable at a very pleasing 14.7 percent. This shows that we have succeeded in boosting the profitability of your company in step with the growth in shareholders’ equity.

Both on the basis of its capitalisation under the newly implemented solvency regime (Solvency II) and in the assessment of the rating agencies, Hannover Re is comfortably capitalised. With this in mind, we had already distributed a special dividend to you last year with an eye to capital management considerations. In view of the gratifying development of our business, the Executive Board and Supervisory Board intend to propose a further increase in both the basic dividend and the additional special dividend to the Annual General Meeting in May 2016. Consequently, it is envisaged that the total distribution should be raised to EUR 4.75 per share, split into a dividend of EUR 3.25 per share and a special dividend of EUR 1.50 per share. The increase in the basic dividend reflects your company's stronger profitability.

I would also like to mention at this juncture how particularly pleased we were in the context of the new solvency regulations (Solvency II) to receive approval from the Federal Financial Supervisory Authority for the use of our internal capital model to calculate the quantitative solvency for the Hannover Re Group as early as the third quarter of the year under review. In the fourth quarter the same was then also true of the individual companies Hannover Rück SE, E+S Rück and Hannover Re Ireland. We are better able to map the risk structure of our business using our internal model rather than the standard model and hence we can efficiently implement the capital requirements according to Solvency II.

I would now like to explore in greater detail the developments in our business groups of Property & Casualty and Life & Health reinsurance and on the investments side.

The market environment in property and casualty reinsurance remained intensely competitive in the year under review with the associated rate reductions. The key driver here is the fact that natural catastrophe losses were below the expected levels over the past four years, as a consequence of which reinsurers posted generally good results. This prompted an increased inflow of capacity into the markets both from traditional reinsurers as well as in the form of so-called alternative capital from pension funds, hedge funds and other investors. The supply of reinsurance capacity thus rose considerably more sharply than demand.

Thanks to our very good market position Hannover Re nevertheless achieved a business development in the year under review with which we can be thoroughly satisfied. Our long-standing, stable customer relationships and our good ratings were particularly crucial in enabling us to write business selectively and only at conditions that satisfied our margin requirements. Despite this, we boosted the premium volume by eight percent – adjusted for exchange rate effects – to more than EUR 9 billion. What is particularly gratifying is that the rise in premium income was accompanied by an even more significant increase in the underwriting result to EUR 432 million. The combined ratio improved from 94.7 percent to 94.4 percent. The quality of the underwriting result is also borne out by the fact that the growth was not generated at the expense of the confidence level of our loss reserves. Quite the contrary: the confidence level actually showed further improvement.

The major loss expenditure of EUR 573 million was higher than in 2014, when it came in at EUR 426 million. Nevertheless, this figure was still well below our budgeted level of EUR 690 million. The largest single loss was the devastating series of explosions at the port of the Chinese city of Tianjin, costing EUR 111 million. The operating profit (EBIT) in property and casualty reinsurance grew by almost 13 percent to an exceptionally pleasing EUR 1.3 billion.

We improved the operating result (EBIT) in life and health reinsurance by some 54 percent to EUR 405 million. Our financial solutions business, in particular, played a vital part in this gratifying development. The very good underlying profitability here was bolstered by positive non-recurring effects. Our mortality and morbidity business, on the other hand, incurred negative one-off effects, such as those recorded at our branch in France. In terms of the underwriting result, these effects – which each ran into the mid-double-digit million euro range – largely offset one another; the posted underwriting result is therefore a good reflection of the underlying profitability in the year under review. The special effect of roughly EUR 40 million recognised in investment income in relation to an early termination fee for a cancelled contract will not, however, be so readily repeated in the coming years.

US mortality business, and especially a block of business that we had acquired in 2009, again performed unsatisfactorily. Still, it is pleasing to report that we were able to implement measures in this area that should lead to improved profitability. We substantially reduced the annual collateralisation costs while at the same time raising the reinsurance rates for a number of very poorly performing treaties. This should improve the profit outlook for this segment by an amount in the mid-double-digit millions of euros.

We moved forward on our expansionary course in life and health reinsurance in the financial year just ended. Gross premium adjusted for exchange rate effects rose by around ten percent to EUR 7.7 billion. As already mentioned, this growth went hand-in-hand with an even stronger increase in the earnings figures.

Given that the general business environment is by no means straightforward, we are also highly satisfied with the development of our investment income. The portfolio of assets under own management grew to more than EUR 39 billion, thanks not least to a continued positive cash flow. This is all the more remarkable because the valuation reserves fell again – on the back of higher risk premiums on corporate bonds – and we paid a substantially increased dividend of EUR 513 million. Despite the drop in interest rates, we boosted the investment income from assets under own management by a sizeable 16 percent to EUR 1.3 billion. The key contributory factors here are our increased exposure to real estate as well as income from private equity investments. The net return on assets under own management stood at 3.4 percent and thus came in comfortably better than planned. Including interest on funds withheld and contract deposits, net investment income grew to a very pleasing EUR 1.7 billion, equivalent to growth of 13 percent.

As I mentioned at the outset, your company has entered the current year in a very healthy financial state. In view of the intense competition prevailing in both property & casualty and life & health reinsurance, our primary emphasis for 2016 is on achieving a result that meets our financial targets. Growing our premium volume is less of a priority. With this in mind, it is our expectation that gross premium income will remain stable or may contract slightly. On the other hand, despite the fiercely competitive state of the property and casualty reinsurance market, the combined ratio is expected to again come in below our strategic target of 96 percent. This is subject to the proviso that major losses do not significantly exceed our increased budget of EUR 825 million. In life and health reinsurance the underlying trend of improving results is expected to be sustained in the current year. As far as the profit expectation is concerned, it must of course be borne in mind that we cannot anticipate another positive one-off effect. Turning to the investments, we expect to see further growth in our asset holdings. This should enable us to keep the investment income broadly stable in absolute terms, despite a lower expected return of 2.9 percent.

All in all, we are again expecting to post very good business results for your company in 2016. Provided major losses remain within the bounds of expectations and as long as there are no exceptional distortions on the investment side, we anticipate Group net income in the order of EUR 950 million.

I would like to take this opportunity to thank you, our valued shareholders, most sincerely for your trust – also on behalf of my colleagues on the Executive Board. I would also like to express my appreciation to our employees for their very good and reliable work. Going forward, as in the past, you can rest assured that we shall do everything in our power to safeguard Hannover Re's successful development. It is and will remain our goal to increase the value of your company on a sustainable basis.

Yours sincerely,

Ulrich Wallin
Chairman of the Executive Board

Executive Board of Hannover Rück SE

Roland Vogel
Finance and Accounting
Information Technology
Investment and Collateral Management
Facility Management

Ulrich Wallin
Chairman
Business Opportunity Management
Compliance
Controlling
Human Resources Management
Internal Auditing
Risk Management
Corporate Development
Corporate Communications

Claude Chèvre
Life & Health Reinsurance
- Africa, Asia, Australia / New Zealand, Latin America, Western and Southern Europe
- Longevity Solutions

Dr. Klaus Miller
Life & Health Reinsurance
- United Kingdom / Ireland, North America, Northern, Eastern and Central Europe

From left to right: Roland Vogel, Ulrich Wallin, Claude Chèvre, Dr. Klaus Miller, Sven Althoff, Dr. Michael Pickel, Jürgen Gräber

Sven Althoff
Specialty Lines Worldwide
- Marine
- Aviation
- Credit, Surety and Political Risks
- United Kingdom, Ireland, London Market and Direct Business
- Facultative Reinsurance

Dr. Michael Pickel
Group Legal Services
Run-Off Solutions
Target Markets in Property & Casualty Reinsurance:
- North America
- Continental Europe

Jürgen Gräber
Global Reinsurance
- Worldwide Treaty Reinsurance
- Catastrophe XL (Cat XL)
- Structured Reinsurance and Insurance-Linked Securities

Coordination of Property & Casualty Business Group
Quotations
Retrocessions

South bank of the Main River, Frankfurt/Main, Germany

Always …

… efficient

Capital allocation – efficiently managed

In the early years after its founding Hannover Re operated with scarce capital resources. This led, in the first place, to systematic strengthening of the reserves from organic growth in times of high interest income, while at the same time it resulted in a sophisticated risk-based capital model that enabled the company to write the most profitable business possible with its limited capital resources. Thanks to this capital model, we are able to identify attractive business, optimally deploy our capital in business groups, regions and lines and leverage potential scope for diversification. In 2015 this was the first internal model of any reinsurance company to be approved by the financial supervisory authority.

The Hannover Re share

- Share price listed at new all-time high of EUR 111.50
- Share performance of +47.8% incl. reinvested dividends
- Proposed dividend of EUR 3.25 plus special dividend of EUR 1.50 per share above the strategic payout ratio

Turbulent year in business leads to volatile stock markets

After investors had seen rather meagre returns on the German stock market in 2014, German blue chips enjoyed a spectacular upswing right out of the gate as 2015 got underway. Driven by the European Central Bank's easing of monetary policy – the extent of which came as a surprise to markets – the German DAX bellwether index had already broken through 12,000 points by March. This trend was supported by the weaker euro, which came as a boon to the heavily export-dependent German economy. The terrorist attacks in Paris, the possibility of Greece leaving the Eurozone, the flashpoints in the Middle East, the sustained drop in the price of oil, the rise in interest rates in the United States and softer economic data coming out of China – all these factors exacerbated the nervous mood on stock markets, giving rise to sometimes marked price volatility.

The German DAX index had entered 2015 at 9,806 points. After its early rally the index surpassed the magic 12,000 mark for the first time in its history on 16 March 2015. It was not, however, a level that could be sustained over the longer term. By the end of August Germany's leading index had slipped back below its level at the start of the year at 9,648 points, finally closing the year after some ups and downs at 10,743 with a gain of 9.6%. The performance of the MDAX was similarly volatile: standing at 16,935 as the year got underway, it had surged to an impressive 21,114 by mid-March. The ensuing rollercoaster ride left the index at 20,775 points after twelve months with a gain of 22.7%. The Dow Jones, by contrast, moved in the opposite direction to end 2015 2.2% lower at 17,425 points.

Hannover Re share reaches new all-time high of EUR 111.50

The Hannover Re share had started 2015 at a price of EUR 74.97 and was to slip to its lowest point of the year after just five days at EUR 73.81. In the spring, supported by broadly positive market sentiment and the unveiling of another record result for the financial year just ended, the share posted steady price gains and passed the EUR 100 mark for the first time on 10 April 2015. In the course of the following summer months until autumn the share was unable to divorce itself from the general sense of uncertainty prevailing on the markets, leading to a volatile performance with a number of setbacks. The sustained competitive intensity on reinsurance markets and the associated news on the renewals in property and casualty reinsurance – with corresponding rate erosion – had a detrimental impact on the share valuation. At the same time, a major loss experience that remained well below expectations and pleasing Group net income for the first half-year generated positive demand on the stock market. In times of low capital market rates investors increasingly looked at the Hannover Re share – and especially its attractive dividend yield – in 2015. In the fourth quarter the share moved higher, touching its highest point of the year – and new all-time high – of EUR 111.50 on 2 December 2015. This performance was supported primarily by the expectation that Hannover Re would post another very favourable Group result for 2015. This assumption was based on the insight that thanks to its comfortable capital resources, prudently calculated loss reserves and very good market position as a broadly diversified reinsurer, Hannover Re should be able to deliver good results even in the prevailing competitive market climate and hence again set a higher payout ratio for

Highs and lows of the Hannover Re share
in EUR

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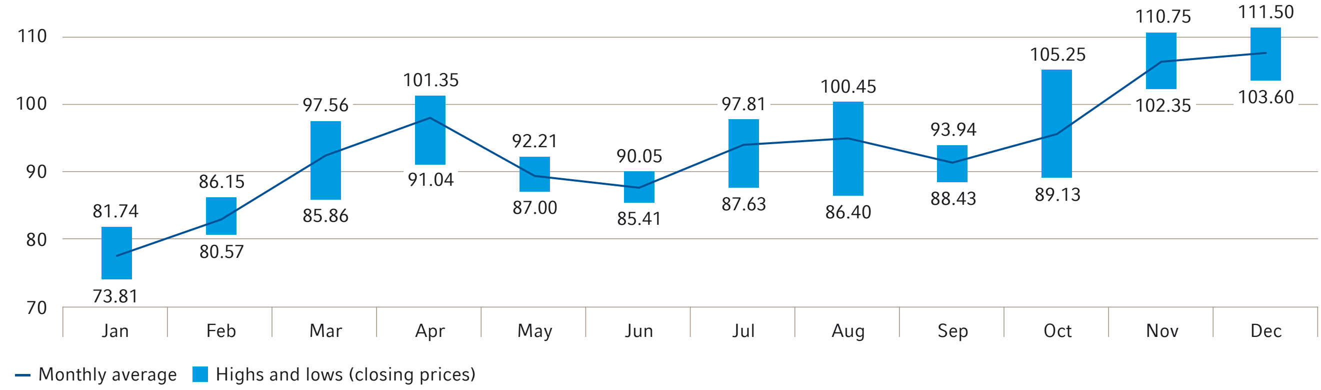
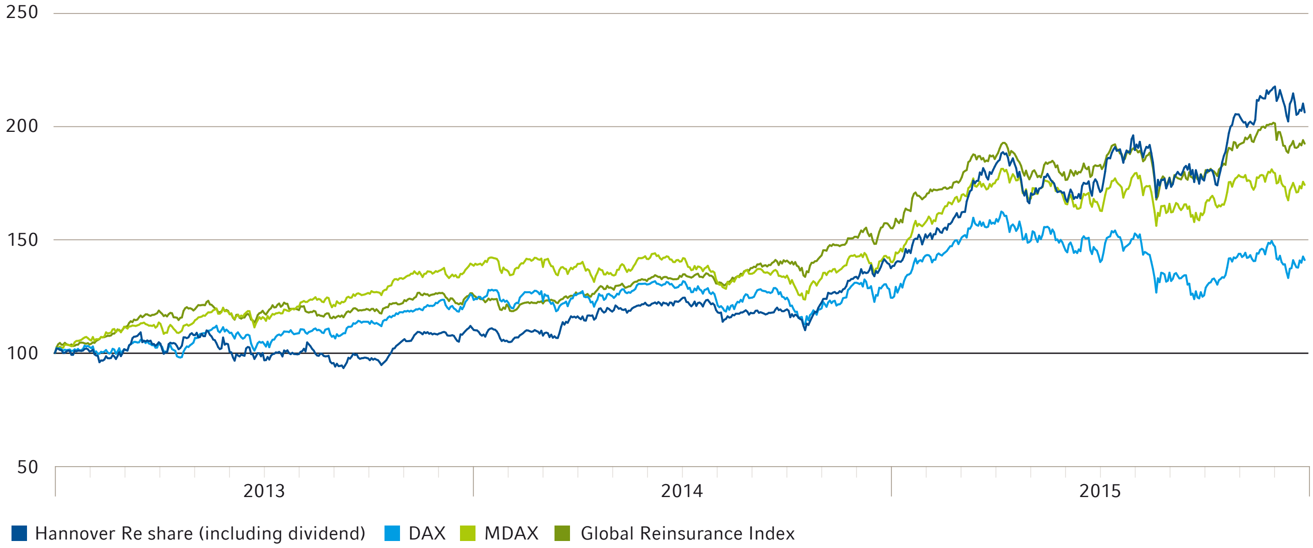


Relative performance of the Hannover Re share I 10
in %



the dividend distribution in the year under review. The Hannover Re share closed the financial year with a gain of 40.9% at EUR 105.65 and thus recorded a performance of 47.8% including reinvested dividends. Over the year the Hannover Re share comfortably outperformed its benchmark indices, namely the DAX (+9.6%), MDAX (+22.7%) and the Global Reinsurance (Performance) Index (+22.5%). The Global Reinsurance Index tracks the share performance and dividend payments of the world's 20 largest reinsurers. Hannover Re measures its performance by this benchmark index.

In a three-year comparison the Hannover Re share delivered a performance (including reinvested dividends) of 106.4%. It therefore once again clearly outperformed the DAX (41.1%) and MDAX (74.4%) and the Global Reinsurance Index (92.6%) benchmark indices.

Based on the year-end closing price of EUR 105.65, the market capitalisation of the Hannover Re Group totalled EUR 12.7 billion at the end of the 2015 financial year, an increase of EUR 3.7 billion or 40.9% compared to the previous year's figure of EUR 9.0 billion. According to the rankings drawn up by Deutsche Börse AG, the company placed seventh in the MDAX at the end of December with a free float market capitalisation of EUR 6,484.2 million and a trading volume of EUR 4,748.7 million over the past twelve months. All in all, the Hannover Re Group thus continues to rank among the 40 largest listed companies in Germany.

With a book value per share of EUR 66.90 the Hannover Re share showed a price-to-book (P/B) ratio of 1.58 at the end of the year under review; compared to the average MDAX P/B ratio of 2.44 as at year-end the share thus continues to be very moderately valued.

Proposed dividend again exceeds the strategic payout ratio

The Executive Board and Supervisory Board intend to propose to the Annual General Meeting on 10 May 2016 that a dividend of EUR 3.25 plus a special dividend of EUR 1.50 per share should be distributed. In keeping with the previous year, the special dividend will be paid as a capital management measure because the company's capitalisation continues to be comfortably in excess of the required capital. Based on the year-end closing price of EUR 105.65, this produces a dividend yield of 4.5%.

Annual General Meeting looks back on a record financial year

The Annual General Meeting of Hannover Rück SE was held on 6 May 2015 in Hannover. Altogether, including postal ballots around 73% of the share capital was represented.

In his address to shareholders Chief Executive Officer Ulrich Wallin took the opportunity to look back once more on the record year of 2014, in which Hannover Re had again surpassed the previous year's result with an after-tax profit of EUR 985.6 million. The two business groups of Property & Casualty and Life & Health reinsurance as well as the investment income all contributed to this successful performance. In light of this good result and the company's very healthy capitalisation, the shareholders accepted the proposal of the Executive Board and Supervisory Board that a gross dividend of EUR 4.25 per share should be paid. The payout took the form of a dividend of EUR 3.00 per share and a special dividend of EUR 1.25 per share, with the special dividend to be considered a capital management measure. This proposal, together with all other proposed resolutions put to the vote, was approved by the Annual General Meeting by a large majority.

All voting results and the attendance were published on the company's website following the Annual General Meeting. The next Annual General Meeting will be held on 10 May 2016 in Hannover.

Strong presence maintained on the capital market

Against the backdrop of a sustained competitive reinsurance environment and volatile capital markets, Hannover Re experienced continued strong demand for information on the part of its investors in 2015. Our event activities consequently remained on a high level. Altogether, members of the Executive Board and representatives of the Investor Relations department attended 16 international capital market conferences (previous year: 15) and 19 roadshows (21). We retained our focus on the financial centres of Frankfurt and London, which we visited at least once a quarter. The cities of Amsterdam, Dublin, Geneva, Copenhagen, Lugano, Lyon, Milan, Munich, New York, Paris, Tokyo, Vienna and Zurich were further destinations that we revisited. Berlin, Boston, Brussels, Hong Kong, Madrid, Naples, Nice, Rome and Toronto featured on our agenda for the first time.

Hannover Re's 18th Investors' Day was held on 14 October 2015 in Frankfurt/Main. Around 40 analysts and institutional investors made the most of the opportunity to engage in an intensive exchange of views with members of the Executive Board. The focus this time was on a discussion of new business opportunities in reinsurance, such as the insurance of cyber and agricultural risks as well as microinsurance products for developing countries or integrated lifestyle insurance concepts intended to promote healthy living on the part of insureds. The Executive Board also used the occasion to explain in detail the establishment of claims equalisation reserves at insurance undertakings in accordance with the German accounting principles of the Commercial Code (HGB) as well as their implications for earnings performance, as illustrated by Hannover Re. The latter topic was met with considerable interest among the participants in view of its relevance to the company's ability to pay a dividend. As in the previous years, all interested parties were able to follow the event in full via a live webcast on the company's website.

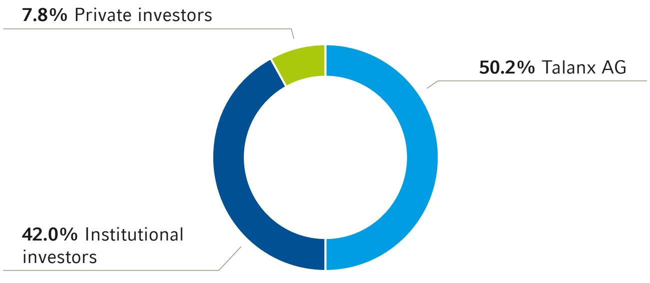
Sustainability reporting

In the year just ended Hannover Re again provided information about its achievements as a responsible enterprise in the form of a stand-alone sustainability report drawn up in accordance with the internationally recognised reporting standards of the Global Reporting Initiative (GRI). Based on this structured reporting format, which was presented for the fourth year in succession, the company's sustainability performance was also assessed by the rating agency Oekom Research; its above-average fulfilment of industry-specific requirements was confirmed with the award of "prime" status. Hannover Re also retained its place in the worldwide FTSE4Good Index Series in the financial year just ended.

Shareholding structure

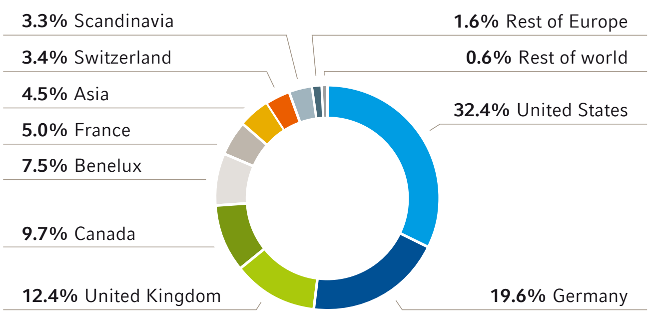
The shareholding of Talanx AG in Hannover Re was unchanged at 50.2% as at 30 November 2015. The breakdown of the free float remained unchanged year-on-year.

Shareholding structure as at 30 November 2015 I 11



At the end of November 2015 a shareholder identification analysis was carried out, i. e. an analysis of the company's shareholding structure that goes beyond the entries in the share register. It determined that the geographical breakdown of the shares held by institutional investors is as follows:

Geographical breakdown of the shares held by institutional investors I 12



Analysts sharply increase price target

In total, around 200 analyst recommendations were published for Hannover Re and the insurance sector in the 2015 financial year. By the end of the year 32 analysts had handed down opinions on Hannover Re: three analysts (6) recommended the Hannover Re share as "buy" or "overweight". Altogether eight opinions (20) were a "hold". "Underweight" or "sell" recommendations were issued a total of 21 (7) times, making this the most common. According to analysts, the marked shift in recommendations away from "hold" towards "sell" within the year was motivated by the significantly more favourable performance – looked at in relative terms – of the Hannover Re share measured against comparable stocks and hence the supposedly limited scope for growth on the valuation side. Parallel to this, the analysts raised the average price target substantially from EUR 67.49 at the start of the year to EUR 91.88 at year-end (+36.1%).

Basic information I 13

Securities identification number	840 221
International Securities Identification Number (ISIN)	DE 000 840 221 5
Ticker symbols	
Bloomberg	HNR1
Thomson Reuters	HNRGn
ADR	HVRRY
Exchange listings	
Germany	Xetra, Frankfurt, Munich, Stuttgart, Hamburg, Berlin, Düsseldorf, Hannover (official trading: Xetra, Frankfurt and Hannover)
United States	American Depositary Receipts (Level 1 ADR program; 2 ADR = 1 share)
Market segment	Prime Standard
Index inclusion	MDAX
First listed	30 November 1994
Number of issued shares (as at 31 December 2015)	120,597,134
Common shares (as at 31 December 2015)	EUR 120,597,134.00
Share class	No-par-value registered shares

Key figures I 14

in EUR	2015	2014	2013	2012 [1]	2011
Number of shares in million	120.6	120.6	120.6	120.6	120.6
Annual low [2]	73.81	58.88	52.42	37.355	29.31
Annual high [2]	111.50	75.92	64.34	59.81	43.29
Year-opening price [2]	74.97	62.38	58.96	38.325	40.135
Year-ending price [2]	105.65	74.97	62.38	58.96	38.325
Market capitalisation at year-end in EUR million	12,741.1	9,041.2	7,522.8	7,110.4	4,621.9
Equity attributable to shareholders of Hannover Rück SE in EUR million	8,068.3	7,550.8	5,888.4	6,032.5	4,970.6
Book value per share	66.90	62.61	48.83	50.02	41.22
Earnings per share (basic and diluted)	9.54	8.17	7.43	7.04	5.02
Dividend per share	3.25+1.50 [3,4]	3.00+1.25 [4]	3.00	2.60+0.40 [4]	2.10
Cash flow per share	25.75	16.01	18.45	21.87	20.92
Return on equity (after tax) [5]	14.7%	14.7%	15.0%	15.4%	12.8%
Dividend yield [6]	4.5%	5.7%	4.8%	5.1%	5.5%
Price-to-book (P/B) ratio [7]	1.6	1.2	1.3	1.2	0.9
Price/earnings (P/E) ratio [8]	11.1	9.2	8.4	8.4	7.6
Price-to-cash flow (P/CF) ratio [9]	4.1	4.7	3.4	2.7	1.8

1 Adjusted pursuant to IAS 8
2 Xetra daily closing prices from Bloomberg
3 Proposed dividend
4 Dividend of EUR 3.25 plus special dividend of EUR 1.50 for 2015, EUR 3.00 plus special dividend of EUR 1.25 for 2014 and EUR 2.60 plus special dividend of EUR 0.40 for 2012
5 Earnings per share/average of book value per share at start and end of year
6 Dividend per share/year-end closing price
7 Year-end closing price/book value per share
8 Year-end closing price/earnings per share
9 Year-end closing price/cash flow (from operating activities) per share

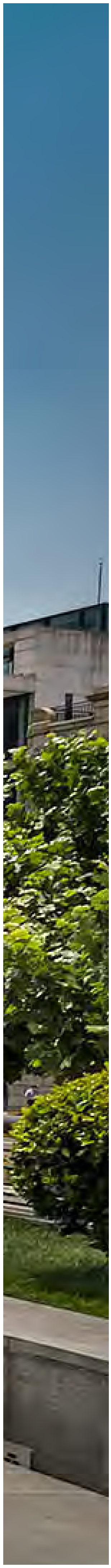
Huangpu Riverside promenade, Shanghai, China

Always …

… persistent

Persevering in the Chinese market

创业容易，守业更难 – “Chuàng yè róng yì, shǒu yè gèng nán.”
A Chinese proverb says: “To open a shop is easy; to keep it open is an art”. Rightly so: regulatory hurdles and intense competition have long made China a challenging target market. Yet Hannover Re has been involved in this market for more than forty years, with its oldest treaty dating back to 1971. It has had a local presence for some 25 years: in Hong Kong since 1990 with a service office and since 1999 with a branch, and also in Shanghai since 2008 with another branch. Today, our staying power is paying off: Hannover Re has expanded vigorously in China over the past ten years.



Our vision: Long-term success in a competitive business

Excellent solutions for our business partners constitute the basis for strengthening and further expanding our position as a leading, globally operating reinsurance group. They enable us to deliver long-term sustainable profitability and assert our position as one of the most profitable reinsurers worldwide.

We are passionate about reinsurance and chart our own course. We are quick, flexible and independent and we strive for excellence in our actions. By generating innovative business opportunities from newly emerging risks we consistently expand the scope of our business. With our organisation geared to efficiency, we offer our business partners an attractive value proposition.

1 We have ambitious profit and growth targets

- Generate an IFRS return on equity of at least 900 basis points above the risk-free interest rate
- Achieve profitability targets and generate a profit clearly in excess of the cost of capital
- Grow the premium volume (by more than the market average)
- Outperform the Global Reinsurance Index (GloRe) over a three-year period
- Consistently pay an attractive dividend

2 We are a preferred business partner

- Offer an attractive value proposition that makes us the preferred business partner for our clients
- Foster customer relationships to both parties' mutual benefit irrespective of the size of the account

3 We aim for successful employees

- Offer attractive workplaces
- Foster the qualifications, experience and commitment of our staff

4 We strive for an optimal balance between stability and yield of our investments

- Achieve the target return – risk-free interest rate plus cost of capital

5 We manage risks actively

- Ensure protection of capital through quantitative risk management
- Ensure protection of capital through qualitative risk management

6 We maintain an adequate level of capitalisation

- Ensure that requirements for equity resources (economic capital model, solvency regulations, etc.) are met
- Optimise the overall cost of capital

7 We ensure low costs through an efficient organisational set-up

- Ensure a lower expense ratio than our competitors

8 We use information technology to achieve a competitive advantage

- Information and communication systems assure optimal support for business processes in light of cost/benefit considerations

9 We are committed to sustainability, integrity and compliance

- Ensure conformity with all legal requirements
- Encourage sustainable actions with respect to all stakeholders
- Support considered and pragmatic principles of corporate governance and recognise their central role in guiding our activities

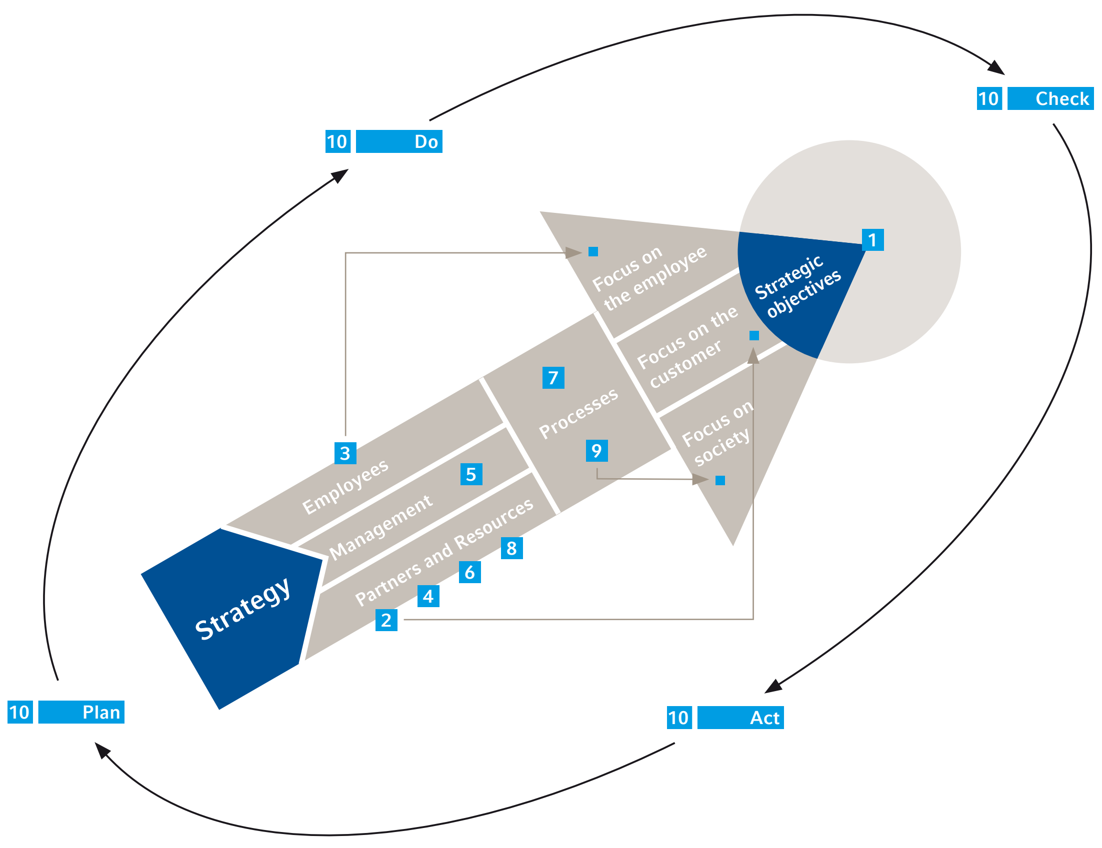
10 We strive for Performance Excellence and continuous improvement

- Ensure the rigorous derivation of strategic objectives across all areas of the company

Our strategy in practice

Our strategy encompasses ten strategic principles for ensuring the realisation of our vision "Long-term success in a competitive business" across business units. We implement the strategy in accordance with our holistic management system Performance Excellence 2.0. This forward-looking management system is based on the Excellence Model of the EFQM (European Foundation for Quality Management) and has a clear strategic focus: each organisational unit of the Hannover Re Group defines its own contribution to the Group strategy with the aid of the internal Strategy Guide and our Strategy Cockpit tool. In this way, we ensure that all initiatives and activities within Hannover Re are rigorously linked to the corporate strategy.

Performance Excellence I 15



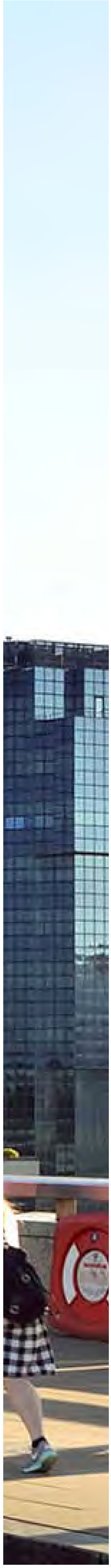
London Bridge,
London, United
Kingdom

Always …

… undogmatic

Life and health reinsurance – moving up in the industry through a wealth of ideas

People's life expectancy depends on numerous factors – spanning lifestyle just as much as state of health. Individual underwriting makes it possible to optimise the regular annuity income received by policyholders according to their risk predisposition. Since the mid-1990s we have played a pioneering role in revolutionising the UK market through the launch of such enhanced annuities. Today, our detailed understanding of the enhanced annuities market helps us to offer optimal solutions in the form of sophisticated health analyses that meet the needs of our customers. Even though the premium volume for enhanced annuities in the United Kingdom is contracting due to legislative changes, the enhanced annuities market will remain an attractive segment.



Combined management report

Foundations of the Group

Business model

- Worldwide reinsurance, transacting all lines of property & casualty and life & health reinsurance with the goal of achieving the most balanced possible regional and line-based diversification
- Competitive advantages due to our low cost of capital and administrative expense ratio
- Financial strength secured through rigorous risk management

With a gross premium volume of around EUR 17.0 billion, Hannover Re is the third-largest reinsurer in the world. We transact reinsurance in our Property & Casualty and Life & Health business groups.

The strategy pursued in both property & casualty and life & health reinsurance supports our Group's paramount mission, namely: "Long-term success in a competitive business". Our entire business operations are geared to our goal of being the best option for our business partners when they come to choose their reinsurance provider. It is for this reason that our clients and their concerns form the focus of our activities.

We generate competitive advantages to the benefit of our clients and shareholders by conducting our insurance business with lower administrative expenses than our rivals. In this way we deliver above-average profitability while at the same time being able to offer our customers reinsurance protection on competitive terms.

Through the acceptance of reinsurance risks with little or no correlation in our Property & Casualty and Life & Health business groups across all lines of business and based on our global presence, we are able to achieve efficient risk diversification. In conjunction with our capital management, this is the key to our comparatively low cost of capital.

Guided by a clearly defined risk appetite, our risk management steers the company so as to be able to act on business opportunities while securing our financial strength on a lasting basis.

We transact primary insurance in selected market niches as a complement to our core reinsurance activities. In this context, we always work together with partners from the primary insurance sector.

Our subsidiary E+S Rückversicherung AG (E+S Rück) , as the "dedicated reinsurer for the German market", offers a range of products and services tailored to the specific features of the German market. Of special importance here are the mutual insurers with whom we maintain a strategic partnership that is underscored through their participation in E+S Rück.

In the Property & Casualty reinsurance business group we consider ourselves to be a reliable, flexible and innovative market player that ranks among the best in any given market. Cost leadership, effective cycle management and superlative risk management are the key elements of our competitive position.

In the Life & Health reinsurance business group we are recognised – as customer surveys confirm – as one of the top players and the leading provider of innovative solutions. We achieve this standing by opening up new markets for our company and by identifying trends in order to anticipate the future needs of our customers.

Management system

Value-based management

Our integrated system of enterprise management constitutes the basis for accomplishment of our strategic objectives. Located at its core are, first and foremost, our profit and growth targets, which are summarised for the Group and its business groups in the so-called target matrix. In addition to traditional performance indicators geared to the IFRS balance sheet, our system of strategic targets also includes economic targets derived from our certified internal capital model. The targets are regularly analysed and adjusted in the context of the strategy review conducted at periodic intervals. Our focus is on long-term strategic target attainment.

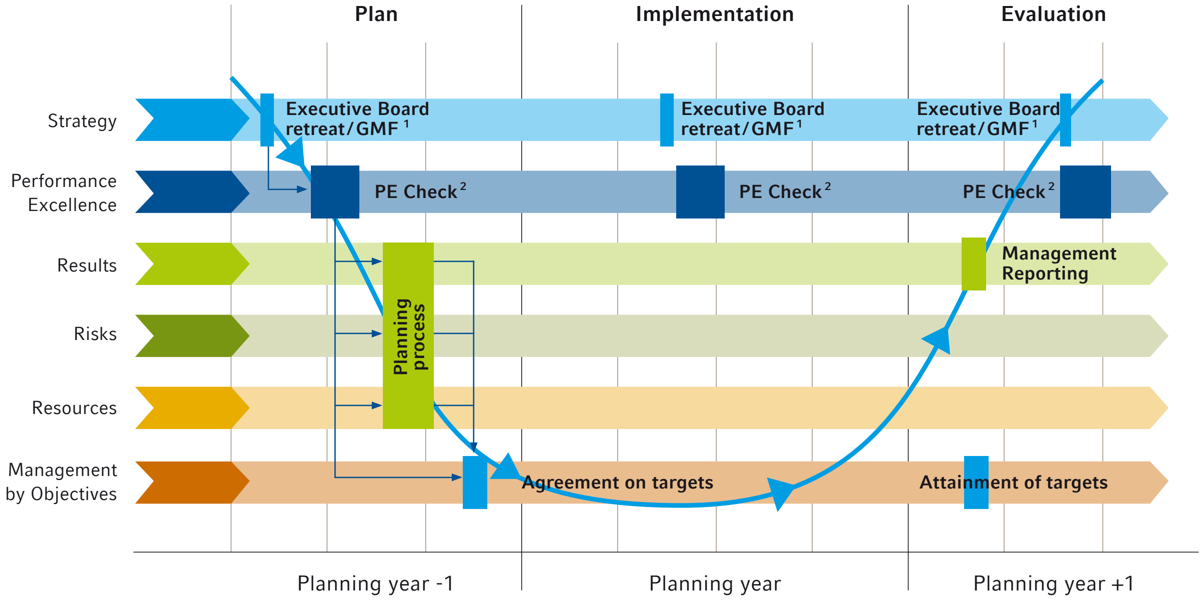
Target attainment M 01

Business group	Key data	Targets for 2015	Target attainment 2015	2014	2013	Ø 2013–2015[1]
Group	Investment return[2]	≥ 3.0%	3.5%	3.3%	3.4%	3.4%
	Return on equity[3]	≥ 10.2%	14.7%	14.7%	15.0%	14.8%
	Growth in earnings per share (year-on-year comparison)	≥ 6.5%	16.7%	10.1%	5.4%	10.6%
	Value creation per share[4]	≥ 7.5%	13.6%	34.4%	3.6%	15.5%
Property & Casualty reinsurance	Gross premium growth	3–5%[5]	8.1%	1.2%	3.5%	4.2%
	Combined ratio	≤ 96%[6]	94.4%	94.7%	94.9%	94.7%
	EBIT margin[7]	≥ 10%	16.6%	17.0%	15.5%	16.3%
	xRoCA[8]	≥ 2%	7.4%	10.7%	4.7%	7.6%
Life & Health reinsurance	Gross premium growth	5–7%[9]	9.5%	4.9%	5.1%	6.5%
	Value of New Business (VNB)[10]	≥ EUR 180 million	EUR 543 million	EUR 448 million	EUR 309 million	EUR 433 million
	EBIT margin[7] Financial Solutions/Longevity	≥ 2%	11.0%	5.0%	5.2%	7.2%
	EBIT margin[7] Mortality/Morbidity	≥ 6%	3.6%	4.8%	1.2%	3.3%
	xRoCA[8]	≥ 3%	8.9%	7.3%	8.4%	8.3%

1 Average annual growth, otherwise weighted averages
2 Excluding effects from ModCo derivatives and inflation swaps
3 After tax; target value: 900 basis points above the 5-year average return on 10-year German government bonds
4 Growth in book value per share including dividend paid
5 Average over the reinsurance cycle; at constant exchange rates
6 Including major loss budget of EUR 690 million
7 EBIT/net premium earned
8 Excess return on allocated economic capital
9 Organic growth only; annual average growth (5 years); at constant exchange rates
10 Based on a cost of capital of 6% (until 2014: 4.5%)

In Performance Excellence (PE) we have at our disposal a consistent method Group-wide that enables us to steer the development of the company and measure the extent to which we have achieved our strategic objectives. The decentralised approach used by PE is of special importance in this context: every single organisational unit defines and continuously examines its contributions to execution of the Hannover Re Group strategy and develops improvement initiatives.

System of value-based management:
Performance Excellence (PE) combines the strategic and operational levels **M 02**



1 The Global Management Forum (GMF) brings together senior managers of the Hannover Re Group from around the world for the purpose of defining strategic orientations. The parameters developed here serve as the basis for the subsequent planning process.
2 Verification and elaboration of contributions to the Group strategy

Management by Objectives

Some of the targets that emerge out of the target matrix are integrated into the individual agreements on objectives with managers. When it comes to the definition of objectives, the participants take into account not only standardised financial indicators but also non-financial variables derived from the strategic parameters.

Management Reporting

The annual Management Reporting presents in detail the respective degree of target attainment – also in comparison with our planning – for each individual treaty / regional department and service unit as well as for the two business groups of Property & Casualty and Life & Health and for the Group as a whole. On this basis appropriate performance controlling is carried out, potential scope for improvement and refinement is identified and performance-oriented remuneration components defined in the context of Management by Objectives are established.

Capital allocation

The basis of value-based management is the risk-appropriate allocation of capital to the individual business activities. This enables us to evaluate the acceptance of underwriting risks and investment risks both in light of individual risk/return aspects and against the backdrop of our overall risk appetite. Our internal capital model supplies the key parameters for this purpose. In addition, along with considerations of business policy, outside influencing factors such as the requirements of regulatory authorities and rating agencies also play a major role in the allocation of capital. Allowance is therefore made for them in the form of collateral conditions on the various allocation levels. Starting out from the Group's overall risk situation, capital is first allocated to the functional areas of underwriting and investments. We then further divide the capital within the underwriting sector, first between the business segments of property & casualty reinsurance and life & health reinsurance and then between the various reinsurance products and according to risk categories/treaty types and lines. In this way, we ensure that our profit targets including risk, cost and return considerations are consistently factored into the evaluation and pricing of our various reinsurance products.

IVC – the strategic management ratio

In order to fine-tune the portfolios and individual treaties we apply underwriting-year-oriented measurement principles based on expected cash flows that appropriately accommodate the specific characteristics of property & casualty and life & health reinsurance. The accomplishment of targets in a particular financial year is also of interest – especially from the standpoint of shareholders. Based on our internal capital model, the foundation of our enterprise management, we strive to generate a profit in excess of the cost of capital. This return – which is the decisive ratio for the management of our business activities – is referred to as Intrinsic Value Creation (IVC).

With the aid of the IVC ratio it is possible to compare the value contributions of the Group as a whole, its two business groups and the individual operational units. This enables us to reliably identify value creators and value destroyers. In this way, we can

- optimise the allocation of capital and resources,
- identify opportunities and risks and
- measure strategy contributions with an eye to our demanding profit and growth targets.

The IVC (Intrinsic Value Creation) is calculated according to the following formula:
Adjusted operating profit (EBIT) – (capital allocated × weighted cost of capital) = IVC

The adjusted operating profit (EBIT) is comprised of two factors: the IFRS Group net income recognised after tax and the change in the balancing items for differences between economic valuations and amounts stated in the IFRS balance sheet. By way of the latter we make allowance for changes in the fair values of assets not recognised in income under IFRS as well as the change in the discount effects of the reserves in property and casualty reinsurance and in the Embedded Value Not Recognised (EVNR) in life and health reinsurance. In addition, interest on hybrid capital already recognised in the IFRS Group net income and the non-controlling interest in profit and loss are included back in the calculation.

Intrinsic Value Creation and excess return on capital allocated **M 03**

	2015		2014			
in EUR million	IVC	xRoCA	Reported IVC	Adjustment [1]	Final IVC	xRoCA
Property and casualty reinsurance	454.9	7.4%	616.2	0.0	616.2	10.7%
Life and health reinsurance	251.8	8.9%	175.7	(3.8)	171.9	7.3%
Investments [2]	(16.4)	-0.6%	615.5	0.0	615.5	26.2%
Group	**688.7**	**5.4%**	**1,401.5**	**(4.0)**	**1,397.5**	**12.0%**

1 Adjustment based on final MCEV calculation (life and health reinsurance)
2 Income above risk-free interest after deduction of risk-appropriate cost of capital

The allocated capital consists of three components: the shareholders' equity including non-controlling interests, the balancing items for differences between economic valuations and amounts stated in the IFRS balance sheet and the hybrid capital. In this context, capital that is not at risk (excess capital) is disregarded, i. e. it is not broken down into business activities. Capital is allocated to the profit centres as described above according to the risk content of the business in question. A systematic distinction is made here between the assumption of underwriting risks, on the one hand, and investment risks, on the other. Under the IVC calculation, therefore, only risk-free interest income on the generated cash flows is allocated to the business segments of property & casualty and life & health reinsurance. The investment income above and beyond risk-free is allocated in its entirety to the functional area of investments and included in the IVC after deduction of the risk-appropriate cost of capital and the administrative expenses.

In calculating the cost of capital, our assumption – based on a Capital Asset Pricing Model (CAPM) approach – is that the investor's opportunity costs are 450 basis points above the risk-free interest rate, meaning that value is created above this threshold. Our strategic return on equity target of 900 basis points above risk-free thus already contains a substantial target value creation. We allocate equity sparingly and use equity substitutes to optimise our average cost of capital. At 5.4%, our average cost of capital is comparatively low.

Since comparison of absolute amounts is not always meaningful, we have introduced the xRoCA (excess return on capital allocated) in addition to the IVC. This describes the IVC in relation to the allocated capital and shows us the relative excess return generated above and beyond the weighted cost of capital.

Operational management system

A number of IFRS-based financial performance indicators are also embedded in our strategic system of targets and coordinated with our parameters for value creation derived from the internal capital model. We use these indicators for operational management within the year, in part because they are available promptly and also because they already provide initial pointers as to whether we are likely to achieve our higher-order strategic objectives. These are for both business groups the growth in gross premium, for property and casualty reinsurance the combined ratio, for life and health reinsurance the EBIT margin and for the Group as a whole the return on investment. Non-financial performance indicators, on the other hand, are not used for operational management within the year.

Research and development

Every market unit at Hannover Re is tasked with exploring market trends and developing innovative products. In addition, opportunities and innovations that cut across markets and segments are coordinated by the specially created "Business Opportunity Management" team and pursued by means of interdisciplinary projects in which various market and service units play key roles. In this way, we develop products and solutions that deliver value added both for Hannover Re and for our clients. By way of example, our move to give capital market players direct access to insurance risks as far back as the mid-1990s through our "K" transactions puts us among the industry pioneers. The intervening years have seen the evolution of a market for so-called insurance-linked securities, which is one of the fastest growing markets in the insurance sector. Another example of Hannover Re's development activities is the creation of its own internal model for risk management under Solvency II that caters to the requirements of various stakeholders (regulators, rating agencies, capital providers) and was one of the first to be approved in Europe. Not only that, through our active involvement and the provision of financial assistance we support scientific initiatives geared to developing products, solutions or markets that will be crucial success factors going forward in the viability of any reinsurance undertaking.

Reinsurance business is founded on the comprehensive understanding and active management of risks. Our specialists therefore continuously analyse known risks with an eye to changes in their structure and probability of occurrence, while at the same time focusing on the early detection of newly emerging risks and working to provide our clients with appropriate solutions tailored to their needs (cf. here also the Opportunity report on page 95 et seq.).

Above and beyond this, Hannover Re makes systematic efforts to identify new business opportunities in order to achieve sustainable growth and strengthen the profitable development of the company. At our Global Executive Forum in 2015 we expressly explored how to leverage emerging business opportunities, including those associated with innovative products and risk covers as well as new sales channels and capabilities, and we mapped out a course for future growth. The goal is to generate new business and thereby support Hannover Re's profitable growth on a lasting basis. For further details please see the Opportunity report on page 95 et seq.

**Fifth Avenue,
New York City, USA**

Always ...

... bold

Operating against the cycle – US casualty business
We dare to write business that others find too risky – because we take a systematic approach to cycle management. US casualty business is just one example. When major events heighten the risk exposure, sharp market corrections normally ensue – prices for reinsurance protection go up. As a consequence of the financial and banking crisis that peaked in 2008 liability risks for executive officers in the financial sector rose, and we made increased capacities available for the D&O line. Our courage was rewarded with profitable growth.

Report on economic position

Macroeconomic climate and industry-specific environment

- Global economy posts slightly weaker growth
- Insurance industry still influenced by low interest rate environment
- Implementation of risk-based solvency systems in Europe, China and South Africa
- Losses from natural disasters again lower in 2015

Macroeconomic climate

The expansion of the global economy slowed somewhat in the course of 2015 and came in slightly below the level of the previous year at 3.1% (3.4%). Even though the anticipated slump in the world economy therefore failed to materialise, this is the weakest growth figure since the crisis year of 2009.

The advanced economies continued to record moderate growth on the whole, although economic activity varied widely between countries and regions. As had already been the case in the previous year, the pace of growth in the United States remained strong. In the United Kingdom, too, cyclical momentum remained intact despite a slight slowing in the expansionary trend. The economy in the Eurozone also developed favourably, although the pace of growth here remained minimal overall. While certain framework conditions such as the employment situation improved slightly, this was not sufficient to deliver a fundamentally positive upward stimulus. Business activity weakened markedly in Japan.

Economic growth in emerging markets was softer in 2015, although initial signs of stabilisation could be discerned towards year-end. The first six months, above all, were overshadowed by some particularly dark economic clouds: Russia and Brazil slipped deeper into recession. Drastic price declines on stock markets in China prompted concerns towards the middle of the year that the Chinese economy, too, might be drawn into a crisis-driven process of adjustment. Even though such a scenario did not materialise in the second half of the year, the pace of growth in the emerging economies was on the moderate side. In Russia indications have recently emerged of a stabilisation in output. In Latin America, on the other hand, the situation remained difficult.

United States

The positive momentum of the US economy continued to stabilise in the past year. Gross domestic product (GDP) added another 0.3 percentage points in 2015 (previous year: 2.2%). This was despite the fact that the economy had entered the year with softer growth. The upward revaluation of the dollar hampered US foreign trade, capital investment contracted and consumption also slowed somewhat initially. Viewed over the full year, however, the economy showed a further clear trend towards stabilisation. Private consumption continued to pick up and government spending also increased. The development of the labour market, where the unemployment rate has now fallen to 5.0%, points to a sustained cyclical upturn.

Europe

The economic climate in the Eurozone showed a modest recovery: growth increased by 0.6 percentage points to 1.5%. The improved performance of countries that had still been experiencing discernible growth problems in 2014 was a factor here. Italy, for example, put the difficult previous year behind it to deliver positive growth of 0.7%, while France boosted the pace of its expansion to more than one percent again. The Spanish economy picked up sharply with growth of 3.1%. Ireland, the peak growth performer, put on another 6.5%. After securing a hard-fought agreement with the countries giving it financial backing, Greece is struggling to implement austerity plans and will likely achieve at best zero growth in 2015.

The state of the jobs market continued to improve. Average unemployment in the Eurozone decreased to 11.0%, although the picture still varies widely from country to country. Spain, along with Greece, continues to battle particularly high jobless numbers: the unemployment rate for both countries is in excess of 20%. The rise in consumer prices, on the other hand, slowed again year-on-year to 0.1%.

Germany

The German economy experienced a modest uptick in 2015. In the first half of the year it expanded at rates that reflected the potential output. In the third quarter the pace of growth then flagged for a while. Over the year as a whole the economy grew by 1.8%. Expansion continued to be driven by private consumption. The latter benefited from an appreciable rise in employment, increasing real wages and the falling price of crude oil. Additional factors boosting consumption were the unchanged very low level of interest rates, the introduction of the minimum wage and expanded transfer payments. Investment activity was rather slow to pick up, albeit with a rising tendency towards the end of the year. Exports surged irrespective of the mediocre pace of global economic growth. The recovery in the Eurozone and depreciation of the euro were major factors here. The German labour market continued to improve: on an annual average the working population rose to a record high of 43 million (+0.8%). The number of unemployed dropped below two million in 2015, a decrease of 6.7% compared to the previous year.

Asia

Heavily influenced by economic weakness in China and declining commodity prices, Asia's emerging markets delivered a moderate pace of expansion overall in 2015. In China growth in the first quarter fell to the lowest level since 2008, triggering significant uncertainties on capital markets over the summer. Industrial output nevertheless stabilised over the year as a whole, and the Purchasing Managers' Index also signalled a stable development. China consequently registered growth of 6.8% for 2015. In recent months, however, there have been increasing indications that the economic data does not fully capture the slowing economy. The deflation in producer prices, for example, points to substantial surplus capacities in industry and in the construction sector. The high indebtedness of the private sector continues to pose a further problem. Corporate debt also rose sharply. The sudden slump in share prices at the start of the current year would appear to confirm this assessment.

India further improved its growth rate year-on-year to 7.2%. This was driven principally by the real estate, financial and insurance sectors. Nevertheless, the manufacturing sector, government spending and private consumption also played a part in this positive trend.

The Japanese economy continued to struggle under soft demand from emerging markets in 2015 and its performance was correspondingly weak. The country's economy recorded modest growth of 0.7% over the year as a whole.

Capital markets

The lingering effects of the Euro debt crisis on capital markets were merely indirect in 2015. A considerably more important influencing factor was a high degree of uncertainty surrounding a possible turnaround in US interest rates and a further expansion of monetary policy in Europe. The slowing growth of the Chinese economy led to a general sense of disquiet on equity markets. Falling commodity prices due to changing supply-side structures in an ambiguously evolving global economy were an additional factor. Uncertainty also permeated the assessment of markets for corporate bonds – especially in emerging markets – and led to increased risk premiums. The expansionary interest rate policy pursued by central banks in our main currency areas – namely the euro and US dollar – was consequently maintained. Having cut the prime rate for the Eurozone to 0.05% in the previous year, the European Central Bank (ECB) kept it at this level throughout the entire period under review. Even though the US Federal Reserve made its first move to raise interest rates, as had been anticipated by many market players, US interest rate policy can still be characterised as expansionary from a historical perspective. Nevertheless, the Fed had already ended its supportive purchases on the US bond market in the fourth quarter of 2014, whereas the ECB launched just such a programme in March 2015 for the European government bond market.

Further modest declines in yields were observed for German government bonds with shorter maturities, which therefore continued to deliver negative returns in net terms that extended into the medium-term maturity bands. The yield on three-year government bonds, for example, retreated over the course of the year from -0.1% to -0.3%. These declines were facilitated by the anticipation of further active market intervention by the ECB as well as by considerable liquidity in the markets and the search for safe investment opportunities. In the case of US Treasuries, modest yield increases were observed in the short- to medium-term maturity segments; longer maturities tended to remain stable year-on-year. The return on one-year US Treasuries, for example, rose from 0.2% to 0.6% over the course of the year. This increase can be attributed primarily to the expectation among market players that the Fed will make further moves on interest rates. UK gilts saw virtually no changes throughout the period under review. As for the European nations with higher risk premiums that have been the focus of so much attention in recent years, the picture was again largely one of recovery. Risk premiums on corporate bonds in our main currency areas increased – in some instances markedly – as the year progressed owing to developments in emerging markets combined with commodity price movements.

Stock markets, to which we devoted closer attention again due to our decision to start limited rebuilding of an equity portfolio in the third quarter of the period under review, once again soared during the year, in some cases registering new all-time highs; the German market was especially successful in booking substantial price gains throughout the year. US indices, on the other hand, were if anything left treading water year-on-year. European markets, in particular, were influenced by the ECB's continued expansionary monetary policy and by the quest among investors for high-return investments. Ultimately, though, the elevated price levels could only partially be explained by the underlying fundamentals. Overall, stock markets proved broadly robust in the face of diverse crisis warnings. It was only growing concerns about diminishing economic strength in China combined with slumping commodity prices that triggered a marked downturn on equity markets in August. We were able to turn this to our advantage since we seized the moment to start our already planned rebuilding of an equity portfolio. The development of the world's economy continues to be subject to a broad range of uncertainties and risks. Most notably, the global patchwork of differing economic developments and local flashpoints such as in the Middle East and Ukraine may be mentioned here as causal factors. These disparities are being further exacerbated by the precipitous fall in the price of oil, which has a beneficial effect on countries with a large appetite for energy but jeopardises the budgets of oil-producing nations. The elevated threat of terrorism is another factor that cannot be ignored, even though the response to it from capital markets has hitherto been rather robust.

The euro again dropped sharply against the US dollar in the course of the year, slipping from USD 1.22 to USD 1.09. Against the pound, however, the euro softened at most only slightly over the full twelve months despite marked volatility within the year. To some extent it was even able to make up ground lost against the Australian and Canadian dollar in the previous year. This performance can certainly be attributed in part to the protracted weakness in commodities and the share of exports that they account for in the balance of trade of these countries.

For more detailed remarks on the development of Hannover Re's investments please see the "Investments" section on page 51 et seq.

Industry-specific parameters

The environment facing the international insurance industry remained challenging in 2015: with the general level of interest rates still being extremely low, insurers devoted particularly close attention to preserving the value of their investments and the stability of returns.

One response to the more demanding market conditions in the insurance sector has been an appreciable increase in the number of companies joining forces – whether through mergers, acquisitions or equity investments. According to industry analysts, M&A activities among both insurers and reinsurers were more intensive last year than they had been in a long time. Within the first nine months alone 15 transactions were documented worldwide. They estimate that this trend will continue in 2016.

The insurance industry was again heavily preoccupied in 2015 with preparations for the new requirements governing financial risk protection. In Europe this takes the form of Solvency II: the reform of insurance supervision law initiated by the European Commission entered into force on 1 January 2016 and compels P&C and L&H insurers, most significantly, to maintain a higher minimum level of own funds. Regulators are allowing a transitional period for gradual adoption of the revised methodology that must be used to measure the provisions in order to enable them to progressively build up the required own funds. In this connection a number of large reinsurers have received approval from the Federal Financial Supervisory Authority (BaFin) to use their own internal capital models and are already showing comparatively high capital ratios.

Risk-based solvency systems are currently the focus of attention worldwide: in China, for example, the Risk Oriented Solvency System (C-ROSS) has been adopted and in South Africa the Solvency Assessment and Management (SAM) framework is being implemented.

In the area of property and casualty reinsurance the prevailing intense competition was sustained in 2015: in the absence of market-changing large losses insurers continued to enjoy strong capital resources, hence further supporting the trend towards increased retentions. At the same time the market for collateralised reinsurance products continued to build substantial capacities and thereby absorbed additional risks that had hitherto been covered on the reinsurance market. For the reinsurance sector this was accompanied by further pressure on prices and conditions. To some extent it was possible to offset this decline through stronger demand resulting from preparations for the requirements of Solvency II.

On the product side 2015 once again opened up some intriguing possibilities: increasing digitalisation, for example, stimulated demand for protection against cyber risks.

The life and health reinsurance market is still going through a process of adjustment: in Germany the appeal of traditional life insurance policies has continued to diminish in tandem with the protracted low interest rate environment. In the United Kingdom the reform of the Pensions Act in April led to a shake-up of the pensions market: for those (re)insurance industry players covering the longevity risk the reform means that existing insurance solutions must be modified to fit the new conditions.

Demographic changes around the world are generating increased demand for reinsurance protection in the area of longevity solutions. So-called "lifestyle products" are also enjoying a surge in demand: these primarily involve life insurance policies under which the premium is linked to the insured's healthy lifestyle (e.g. fitness, nutrition). These products are especially popular in Australia, South Africa and the United States.

The Chinese insurance market continues to grow at an above-average pace. The new solvency requirements (C-ROSS) implemented on 1 January 2016 had already been applied by insurers on a "trial basis" in 2015. This had an effect on demand patterns for reinsurance solutions.

Business development

- Highest Group net income in Hannover Re's history
- Very good result in property and casualty reinsurance
- Major loss expenditure below the expected level
- Further improvement in the profitability of life and health reinsurance delivers pleasing contribution to Group net income
- Good investment income despite challenging conditions
- Further strengthening of capital base
- Return on equity unchanged year-on-year at 14.7%

We are highly satisfied with the development of our business in the 2015 financial year. Once again, we succeeded in beating the previous year's record profit: we booked the highest-ever Group net income in company history – at EUR 1,150.7 million (previous year: EUR 985.6 million) – and surpassed the one billion euro threshold for the first time. All business groups played a part in this result, which is all the more gratifying in view of the fact that market conditions for reinsurers remain challenging and the protracted low level of interest rates is also limiting our scope to generate returns on the investment side. While Group net income was assisted by major loss expenditure below the planned budget and a positive special effect in life and health reinsurance, the strength of the result is also borne out by the sustained very good confidence level of our loss reserves.

Please find below a brief summary of the development of our two business groups – Property & Casualty and Life & Health reinsurance – and our investments. More detailed information is to be found on pages 35 to 52.

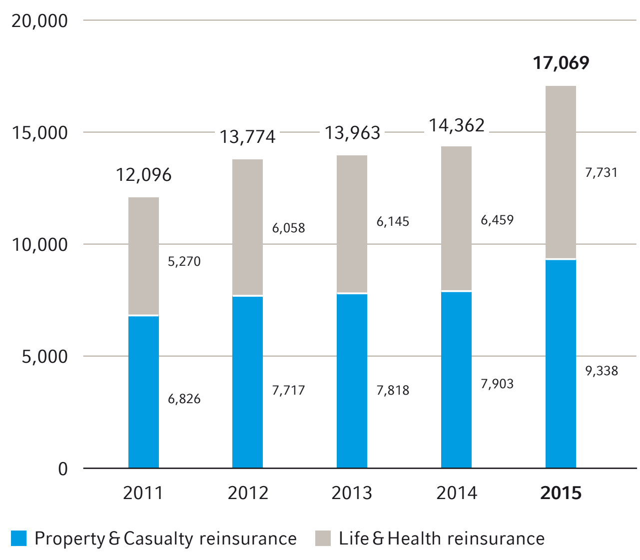
Property & Casualty reinsurance

Despite the fiercely competitive state of the market we are satisfied with the development of our business in property and casualty reinsurance. Even though rates in most markets continued to decline, our positioning as a financially robust reinsurer enabled us to act on opportunities for profitable growth, as a consequence of which premium income in the year under review grew more strongly than had been anticipated. Gross premium increased by 18.2% as at 31 December 2015 to EUR 9.3 billion (EUR 7.9 billion). At constant exchange rates the increase would still have been as much as 8.1%.

Investment income from assets under own management rose by 12.3% year-on-year to EUR 924.8 million (EUR 823.2 million). It is particularly gratifying to note that ordinary income was higher than in the previous year despite the protracted low interest rate environment. This can be attributed in part to increased income from real estate and fixed-income securities, although special effects associated with our private equity investments were also a factor here.

The underwriting result, which improved by 23.0% to EUR 432.2 million (EUR 351.5 million), was also thoroughly positive. While expenditure on large losses was higher than in the previous year, it remained within the budgeted amount of EUR 690 million at EUR 572.9 million (EUR 425.7 million). The combined ratio stood at 94.4% and was thus better than our targeted level of below 96%. The operating profit (EBIT) as at 31 December 2015 surged by 12.6% to EUR 1,341.3 million (EUR 1,190.8 million). The EBIT margin amounted to 16.6% (17.0%), thereby again comfortably beating our minimum target of at least 10%. This is a reflection of the very good performance in property and casualty reinsurance. Group net income increased by 10.3% to EUR 914.7 million (EUR 829.1 million).

Gross premium by business group **M 04**
in EUR million



Life & Health reinsurance

Life and health reinsurance business delivered another solid contribution to the successful result posted by the Group in the year just ended. The general business climate remained competitive, especially in mature life insurance markets. We were nevertheless able to identify potential new business opportunities for our long-standing clients based on our proven, partnership-based approach and we additionally acquired new customers through active marketing efforts, attractive conditions and comprehensive service support. This had favourable implications for our gross premium income: gross premium increased in the reporting period just ended to EUR 7.7 billion (EUR 6.5 billion), equivalent to growth of 19.7%. Adjusted for exchange rate effects, the growth of 9.5% exceeded our target growth range for gross premium of between 5% and 7%. Similarly, at EUR 542,6 million we also beat our planned target of more than EUR 180 million for the Value of New Business in the year under review.

Our investment income grew by 15.5% in the year under review to EUR 709.2 million (EUR 614.2 million). Of this, EUR 334.3 million (EUR 258.5 million) was attributable to assets under own management; the remaining EUR 374.9 million (EUR 355.7 million) derived from securities deposited with ceding companies.

The operating profit (EBIT) reached an extremely satisfactory level of EUR 405.1 million (EUR 263.8 million). The EBIT margins within the individual reporting categories developed as follows: for mortality and morbidity business we fell short of the 6% target with an EBIT margin of 3.6%. Longevity business reached its targeted EBIT margin of 2.0% at 4.5%. In the financial solutions reporting category we booked another exceptionally good result. The generated EBIT margin of 18.1% clearly exceeded the target margin of 2%. The life and health reinsurance segment thus posted very good Group net income of altogether EUR 289.6 million (EUR 205.0 million) in the financial year just ended. This represents an increase of 41.3%.

Investments

Bearing in mind the protracted low interest rate environment, we are highly satisfied with the development of our total investments as at 31 December 2015. The portfolio of investments under own management stood at EUR 39.3 billion and was thus higher than the comparable level at the end of the previous year (31 December 2014: EUR 36.2 billion). This increase derived in large measure from positive exchange rate effects, especially associated with the strong US dollar, but was also due to a pleasing positive operating cash flow. The decline in valuation reserves, which resulted primarily from the flattening of the US yield curve and higher credit spreads on corporate bonds, served as a restraining factor in this development.

Even though interest rates remained low, ordinary investment income excluding interest on funds withheld and contract deposits came in 17.3% higher than the level of the previous year at EUR 1,253.4 million (EUR 1,068.4 million). Interest on funds withheld and contract deposits improved from EUR 376.1 million to EUR 395.0 million.

Net realised gains on investments as at 31 December 2015 remained below the previous year's rather high figure at EUR 135.8 million (EUR 182.5 million). Write-downs were once again taken in only a minimal volume in the year under review, the vast bulk of them being due to scheduled depreciation on real estate. Income from assets under own management showed pleasing growth to reach EUR 1,270.1 million (EUR 1,095.8 million). The resulting annual return (excluding ModCo derivatives and inflation swaps) amounted to 3.5% (3.3%). It thus clearly beats our anticipated figure of 3.0%. Along with increased earnings from fixed-income securities, this was due to higher income from alternative investments such as real estate and private equity as well as a special effect in life and health reinsurance. We also benefited from movements in exchange rates. Investment income including interest on funds withheld and contract deposits consequently increased to EUR 1,665.1 million (EUR 1,471.8 million), a rise of 13.1% relative to 2014.

Total result

The gross premium in our total business increased substantially by 18.8% as at 31 December 2015 to EUR 17.1 billion (EUR 14.4 billion). At constant exchange rates the increase would have been 8.7%. This puts us at the upper end of our guidance – which we had raised after the second quarter – for currency-adjusted growth in the range of five to ten percent for 2015. The level of retained premium edged lower to 87.0% (87.6%). Net premium earned rose 17.5% to EUR 14.6 billion (EUR 12.4 billion). At unchanged exchange rates growth would have come in at 7.9%.

We are highly satisfied not only with the pleasing premium growth but also with the business results in the year under review. The operating profit (EBIT) climbed a further 19.7% compared to the already very good previous year to reach EUR 1,755.2 million (EUR 1,466.4 million). Group net income surged by 16.7% to EUR 1,150.7 million (EUR 985.6 million). We thus beat both our original guidance of EUR 875 million and the revised guidance of around EUR 950 million released mid-year. Earnings per share for the Hannover Re Group amounted to EUR 9.54 (EUR 8.17).

The development of our shareholders' equity was also once again highly satisfactory: driven by the increase in retained earnings, the equity attributable to shareholders of Hannover Re rose by 6.9% relative to the position at year-end 2014 to reach EUR 8.1 billion (EUR 7.6 billion) despite a reduction of 9.2% in other comprehensive income. This decrease was due to declines in valuation reserves owing to higher interest rates and increased risk premiums on corporate bonds, which were not entirely offset by positive exchange rate effects. The change in the average shareholders' equity – calculated on the basis of the respective average shareholders' equity for the 2014 and 2015 financial years – showed an increase of as much as 16.2%. The return on equity nevertheless remained unchanged at 14.7% (14.7%). This shows that the increase in Group net income was able to keep pace with the growth in shareholders' equity. The book value per share was also sharply higher, reaching its highest-ever level to date at EUR 66.90 (EUR 62.61). All in all, Hannover Re achieved and in some cases clearly exceeded the forecasts provided for the 2015 financial year as shown in the following table "Business development in the year under review".

The total policyholders' surplus, consisting of shareholders' equity, non-controlling interests and hybrid capital, amounted to EUR 10.3 billion (EUR 10.2 billion) as at 31 December 2015.

Business development in the year under review M 05

	Forecast 2015	Target attainment 2015
Gross premium growth (Group)	stable to slightly higher gross premium volume/growth of 5–10% [1, 5]	+8.7% at constant exchange rates +18.8% not adjusted for currency effects
Gross premium growth for Property & Casualty reinsurance	stable [1]	+8.1% at constant exchange rates +18.2% not adjusted for currency effects
Gross premium growth for Life & Health reinsurance	slight increase [1, 2]	+9.5% at constant exchange rates +19.7% not adjusted for currency effects
Return on investment [3]	≈ 3.0%	3.5%
Group net income	≈ EUR 875 Mio./EUR 950 million [4, 5]	EUR 1,150.7 million

1 At constant exchange rates
2 Organic growth only
3 Excluding ModCo derivatives and inflation swaps
4 Assuming stable capital markets and/or major loss expenditure in 2015 that does not exceed EUR 690 million
5 In the context of publication of the half-year results for 2015 the forecast Group net income was raised to EUR 950 million and the forecast gross premium growth (Group) was specified more closely at 5–10% at constant exchange rates

Overall assessment of the business position

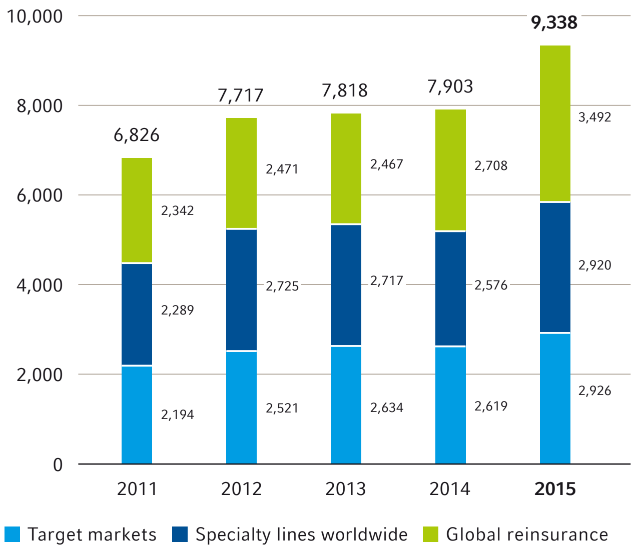
The Executive Board of the Hannover Re Group is very satisfied with the development of business in 2015. Not only did the company achieve its targets for important key indicators such as the operating profit (EBIT) and Group net income, return on equity and combined ratio, in some cases it also clearly surpassed them. This is all the more gratifying given that the business environment for reinsurers remains intensely competitive. The investment income and the generated return on investment developed successfully despite the continued low level of interest rates. Group net income rose to the highest level ever recorded in the company's history at more than EUR 1 billion. The company's shareholders' equity also showed a very pleasing increase, as a consequence of which the total policyholders' surplus surpassed the previous year's record figure to reach a new all-time high. At the time of preparing the management report, the business position of the Hannover Re Group remains highly favourable and its financial strength has been further reinforced.

Results of operations

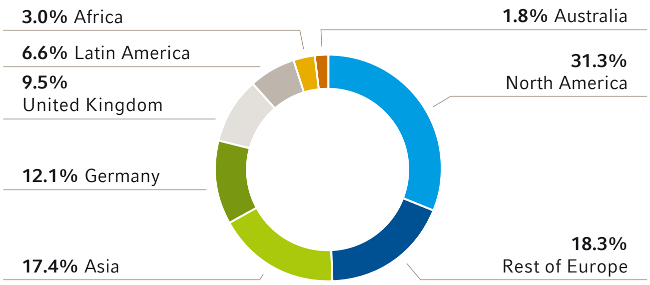
In the following sections we discuss the development of the financial year in our two strategic business groups, namely Property & Casualty reinsurance and Life & Health reinsurance, as well as the performance of our investments and the financial position and assets of our Group. Supplementary to the information provided here, the segment reporting in Section 5 of the notes to this Annual Report shows the key balance sheet items and profit components of the two business groups.

Property & Casualty reinsurance at a glance

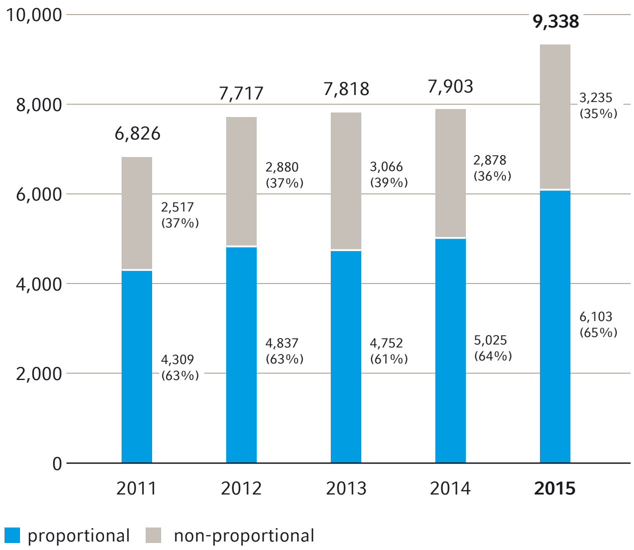
Gross written premium in P&C reinsurance **M06**
in EUR million



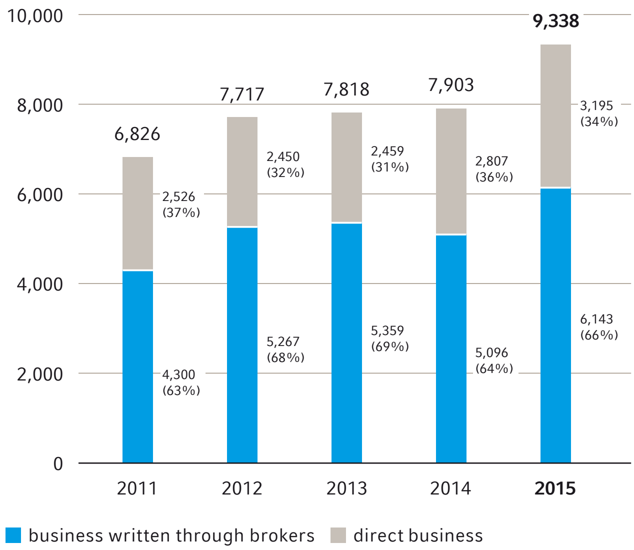
Geographical breakdown of gross written premium in 2015 **M07**



Breakdown of proportional and non-proportional treaties by volume **M08**
in % and in EUR million



Breakdown into business written through brokers and direct business **M09**
in % and in EUR million



Property & Casualty reinsurance

- Highest-ever Group net income of EUR 914.7 million
- Major loss expenditure lower than expected at EUR 572.9 million
- Pleasing combined ratio of 94.4%
- Growth of 18.2% in gross premium; currency-adjusted premium growth of 8.1% above the medium-term target corridor of 3–5%

Accounting for 55% of our premium volume, Property & Casualty reinsurance is Hannover Re's largest business group. It is structured according to our Board areas of responsibility, namely "Target markets", "Specialty lines worldwide" and "Global reinsurance".

Property and casualty reinsurance once again proved to be intensely competitive in the 2015 financial year. In the absence of market-changing losses, ceding companies continue to enjoy strong capital resources, prompting some of our clients to pass on fewer risks to the reinsurance market. On the other hand, we noted increased demand for additional reinsurance coverage. As a further factor, the inflow of capital from the market for catastrophe bonds (ILS) – especially in US natural catastrophe business – added to the premium erosion. As the year progressed, however, a reduction in the oversupply of reinsurance capacity could be discerned relative to the previous year. Most significantly, the resurgent US economy sent out positive signals for the premium trend in mature markets.

Based on our profit-oriented underwriting policy, we are well placed to handle the challenging market conditions. It remains the case that we expand our portfolio only in areas where margins are commensurate with the risks. In regions and lines where prices fail to satisfy our profitability requirements, however, we systematically reduce our shares. This strategy of active cycle management enables us – despite soft market conditions – to largely preserve the high rate quality of our portfolio.

We are broadly satisfied with the outcome of the various rounds of treaty renewals during the year under review. The largest business volume is traditionally renewed on 1 January, the date in 2015 when almost two-thirds of our treaties were renegotiated. While rate reductions and in some instances deteriorations in conditions were observed in many markets, it was also possible to obtain rate increases under treaties that had been impacted by losses in 2014. This was especially true of our domestic German market. Rates in the aviation line developed less favourably despite significant losses. Rate movements were still limited on account of the continued abundant availability of insurance capacity, prompting us to scale back our premium volume in this line. All in all, our portfolio remained stable.

By and large, this trend was sustained in the treaty renewals during the year, although isolated indications of a stabilisation in reinsurance prices could be detected. With this in mind, we were also satisfied with the renewals as at 1 June and 1 July 2015 – the dates when, most notably, parts of our North American portfolio, agricultural risks and business from Latin America come up for renewal. Hannover Re successfully grew its business at adequate rates. This was also the main renewal season for business in Australia, which passed off highly successfully for Hannover Re thanks to the enlarged market share secured with long-standing customers.

Key figures for Property & Casualty reinsurance — M 10

in EUR million	2015	+/– previous year	2014	2013	2012[1]	2011
Gross written premium	9,338.0	+18.2%	7,903.4	7,817.9	7,717.5	6,825.5
Net premium earned	8,099.7	+15.5%	7,011.3	6,866.3	6,854.0	5,960.8
Underwriting result	432.2	+23.0%	351.5	335.5	272.2	(268.7)
Net investment income	945.0	+12.0%	843.6	781.2	944.5	845.4
Operating result (EBIT)	1,341.3	+12.6%	1,190.8	1,061.0	1,091.4	599.3
Group net income	914.7	+10.3%	829.1	807.7	685.6	455.6
Earnings per share in EUR	7.58	+10.3%	6.88	6.70	5.68	3.78
EBIT margin[2]	16.6%		17.0%	15.5%	15.9%	10.1%
Retention	89.3%		90.6%	89.9%	90.2%	91.3%
Combined ratio[3]	94.4%		94.7%	94.9%	95.8%	104.3%

1 Adjusted pursuant to IAS 8
2 Operating result (EBIT)/net premium earned
3 Including expenses on funds withheld and contract deposits

All in all, Hannover Re once again benefited in the year under review from its enduring customer relationships as well as its position as one of the leading and most financially robust reinsurance groups in the world.

Against this backdrop, the total gross premium in the year under review climbed by a substantial 18.2% to EUR 9.3 billion (previous year: EUR 7.9 billion); at constant exchange rates growth would have reached 8.1%. We thus beat our guidance, which had anticipated a stable currency-adjusted premium volume. The level of retained premium decreased to 89.3% (90.6%). Net premium earned increased by 15.5% to EUR 8.1 billion (EUR 7.0 billion); growth would have been 6.4% at constant exchange rates.

As in the previous years, the burden of major losses that we incurred remained moderate: the hurricane season in North America and the Caribbean once again passed off thoroughly unremarkably in 2015. However, an increased number of natural disasters was recorded, including for example flooding in the UK and the storm "Niklas" in Europe. There was also a spate of man-made losses. The largest single loss for the insurance industry and hence also for our company was the devastating series of explosions at the port of the Chinese city of Tianjin in August 2015. This gave rise to loss expenditure of EUR 111.1 million for our net account.

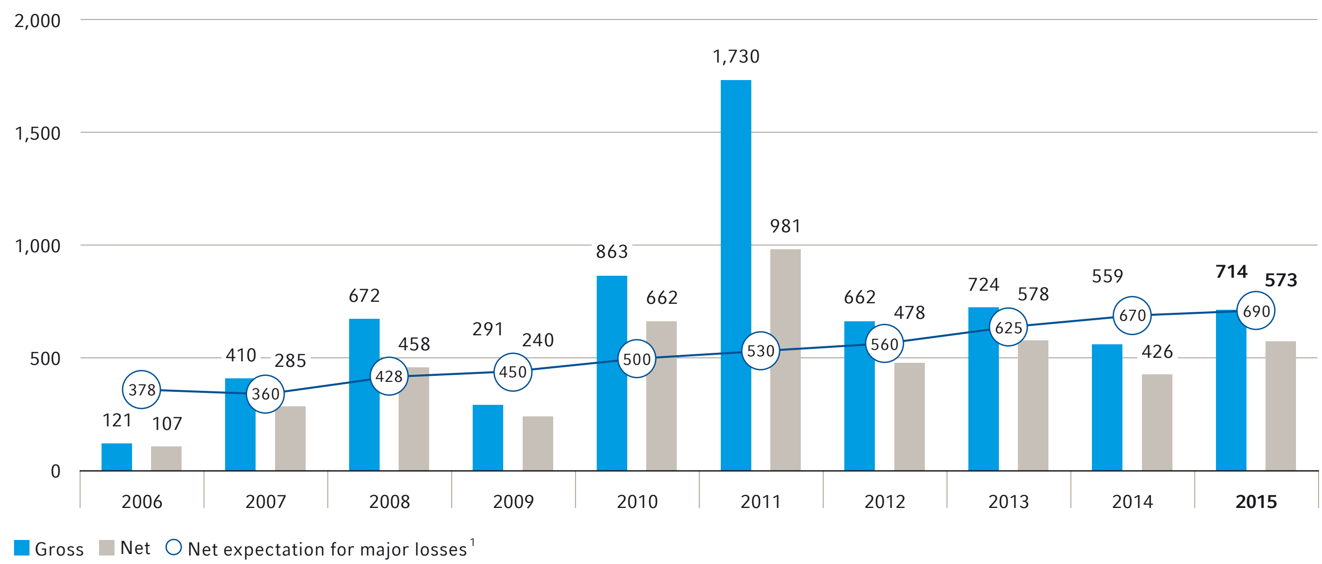
These and other large losses resulted in net major loss expenditure for our company totalling EUR 572.9 million (EUR 425.7 million). While this figure is well above that of the previous year, it still came in below our budgeted level of EUR 690 million. For a detailed list of our catastrophe and large losses please see page 85.

The combined ratio of 94.4% (94.7%) in the year under review was better than the target mark of 96%. The underwriting result (including expenses on funds withheld and contract deposits) improved again on the previous year to reach EUR 452.4 million (EUR 371.9 million).

Investment income in property and casualty reinsurance climbed by a pleasing 12.0% to EUR 945.0 million (EUR 843.6 million). The operating profit (EBIT) reached a new record level in the year under review of EUR 1,341.3 million (EUR 1,190.8 million), equivalent to growth of 12.6%. The EBIT margin stood at 16.6% (17.0%) and thus comfortably surpassed our minimum target of 10%. Group net income improved by 10.3% to EUR 914.7 million (EUR 829.1 million). Earnings per share stood at EUR 7.58 (EUR 6.88) for this business group.

On the following pages we report in detail on developments in the individual markets and lines of our Property & Casualty reinsurance group, split into the three areas of Board responsibility referred to at the beginning of this section.

Property & Casualty reinsurance: Major loss trend [1] **M 11**
in EUR million



[1] Natural catastrophes and other major losses in excess of EUR 10 million gross (until 31 December 2011: in excess of EUR 5 million gross)

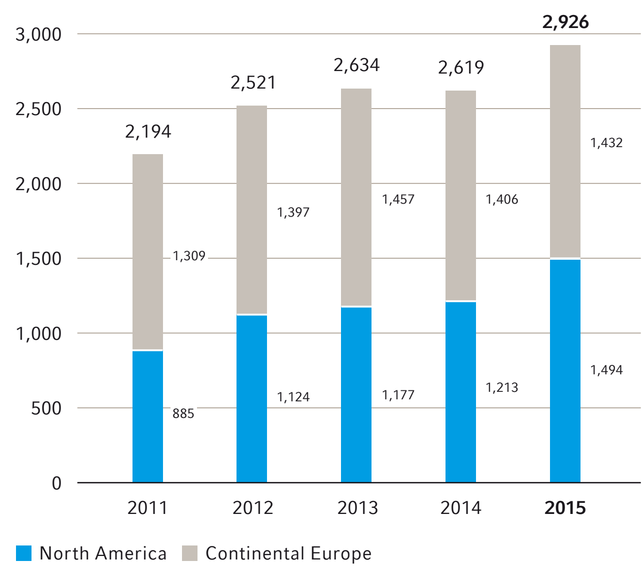
Property & Casualty reinsurance: Key figures for individual markets and lines in 2015 M 12

	Gross premium 2015 in EUR million	Change in gross premium relative to previous year	Gross premium 2014 in EUR million	EBIT in EUR million	Combined ratio	Maximum tolerable combined ratio (MtCR)
Target markets	**2,925.5**	**+11.7%**	**2,619.4**	**445.2**	**99.0%**	**96.5%**
North America	1,493.8	+23.1%	1,213.4	242.0	99.6%	99.2%
Continental Europe	1,431.7	+1.8%	1,406.1	203.2	98.4%	94.4%
Specialty lines worldwide	**2,920.4**	**+13.4%**	**2,575.6**	**518.5**	**90.9%**	**97.5%**
Marine	297.1	+5.9%	280.6	112.3	60.0%	91.3%
Aviation	377.3	+3.7%	364.0	70.5	93.6%	99.3%
Credit, surety and political risks	605.6	+14.0%	531.4	63.7	98.9%	96.9%
UK, Ireland, London market and direct business	519.7	+17.6%	442.0	153.7	86.6%	98.7%
Facultative reinsurance	1,120.7	+17.0%	957.6	118.3	94.1%	96.9%
Global reinsurance	**3,492.1**	**+28.9%**	**2,708.4**	**377.7**	**93.1%**	**94.8%**
Worldwide treaty reinsurance	1,810.4	+22.3%	1,480.7	165.7	95.7%	94.7%
Catastrophe XL (Cat XL)	374.9	+20.9%	310.0	154.6	50.2%	82.2%
Structured reinsurance and Insurance-linked securities	1,306.8	+42.4%	917.7	57.4	98.4%	98.9%

Target markets

Hannover Re classifies North America and Continental Europe as target markets. The premium volume increased by 11.7% to EUR 2,925.5 million (EUR 2,619.4 million). Growth thus came in stronger than originally forecast. The combined ratio slipped from 92.5% to 99.0%, as a consequence of which the operating profit (EBIT) retreated accordingly to EUR 445.2 million (EUR 507.6 million).

Property & Casualty reinsurance: Breakdown of gross written premium in target markets M 13
in EUR million



North America

The North American (re)insurance market is the largest single market both worldwide and for Hannover Re. Our business here is written almost exclusively through brokers.

The continued moderate growth of the US economy in 2015 served to boost the premium volume in the primary insurance market; the rate level, which had been rising since 2011, stabilised on the level of the previous year. Given the continued absence of significant natural catastrophe events in the United States and with low inflation rates offering room to write back reserves, both insurance and reinsurance companies were able to show healthy profits.

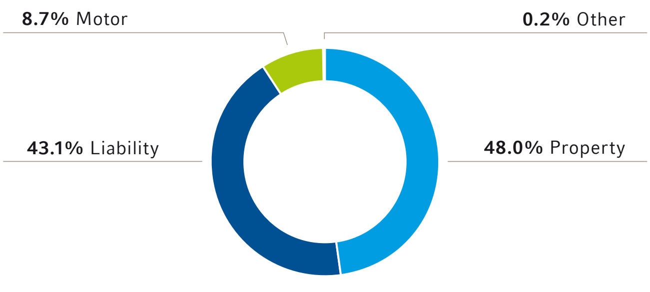
The more comfortable capital resources available to market players and the additional risk-carrying capacity offered by alternative capital led to renewed pressure on reinsurance rates, albeit to a lesser extent than had originally been anticipated. Proportional property business was broadly stable, although conditions deteriorated in some areas. Rates in non-proportional US catastrophe business fell in response to the inflow of capacity from alternative markets and on account of higher retentions carried by ceding companies, although the pace of erosion slowed.

Loss-impacted programmes saw positive price adjustments. Although general liability business came under heavier rate pressure, as reflected in coverage extensions and more generous limits of liability as well as increased cost reimbursements, rate increases were booked in some instances in the professional indemnity lines. Greater awareness of cyber risks led to stronger demand. Opportunities also opened up in the reinsurance of M&A activities. In addition, we were able to further enlarge our business relationship with a long-standing customer in the context of a large-volume treaty.

Hannover Re is very well positioned in the North American market and thanks to its excellent rating, its financial standing and its experience the company is a valued partner for its clients. Especially in long-tail liability business, this is of the utmost importance. Thanks to our access to the entire market spectrum, we were particularly successful in further diversifying our portfolio and writing additional profitable business in the financial year just ended.

On the claims side North America experienced a number of smaller natural catastrophe events, which resulted in merely moderate losses for reinsurers. This was particularly the case with the hurricane season, which again passed off thoroughly benignly in the year under review. Hannover Re incurred sizeable losses in the United States from, inter alia, the winter storm in February (EUR 12.8 million), forest fires (EUR 9.3 million) as well as a storm and flooding in May/June (EUR 7.3 million).

Property & Casualty reinsurance: Breakdown of gross written premium in North America by line of business M 14

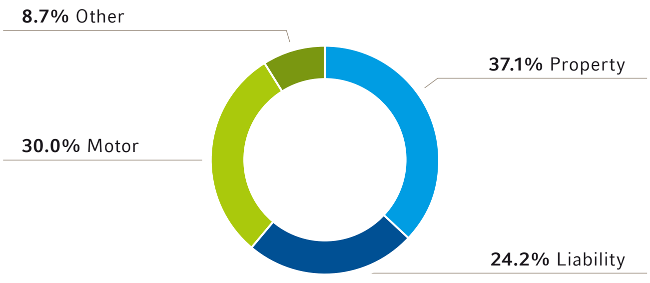


Despite the competitive climate and our margin-oriented underwriting policy, the gross premium for our business in North America rose by 23.1% to EUR 1,493.8 million (EUR 1,213.4 million). Adjusted for exchange rate effects, North American business booked growth in the mid-single-digit percentage range. The combined ratio deteriorated in the year under review to 99.6% (91.8%). The operating profit (EBIT) fell to EUR 242.0 million (EUR 258.2 million).

Continental Europe

We group together the markets of Northern, Eastern and Central Europe as Continental Europe. The largest single market here is Germany. The premium volume for our business in Continental Europe in the year under review came in at EUR 1,431.7 million (EUR 1,406.1 million). The combined ratio stood at 98.4% (93.1%). The operating profit (EBIT) amounted to EUR 203.2 million and thus fell short of the previous year's good performance (EUR 249.4 million).

Property & Casualty reinsurance: Breakdown of gross written premium in Continental Europe by line of business M 15



Germany

The German market – the second-largest in the world for property and casualty reinsurance – is served within the Hannover Re Group by our subsidiary E+S Rück. As the "dedicated reinsurer for Germany", the company is a sought-after partner thanks to its very good rating and the continuity of its business relationships. E+S Rück is superbly positioned in its domestic market and a market leader in property and casualty reinsurance.

The German market was similarly shaped by oversupply on the reinsurance market, putting pressure on conditions – especially in short-tail business. Furthermore, ceding companies are raising their retentions in order to meet internal cost pressure – especially associated with regulatory requirements such as Solvency II.

Loss expenditure caused by natural disasters was slightly higher than in the previous year, driven above all by winter storm "Niklas" in late March/early April. The German Insurance Association (GDV) estimates that losses from natural catastrophe events cost the insurance industry around EUR 2.1 billion. Roughly one third of the total loss burden can be attributed to winter storm "Niklas", which – with damage to insured buildings put at EUR 750 million – ranks among the five most severe winter storms since 1997.

The diverging developments in property and casualty insurance in Germany became even more marked in the year under review: while the premium quality in retail lines improved, especially in motor and homeowners business, industrial lines – above all fire insurance – remained fiercely competitive. A further factor is that loss ratios here have been rising steadily since the beginning of the decade and no further underwriting profits have been generated market-wide. Not only were very large individual losses (in some cases more than EUR 250 million) recorded in 2015, the number of claims also increased sharply.

Claims expenditure in motor own damage insurance was in line market-wide with the multi-year average. Despite tariff improvements in the primary market, the increased loss burden compared to the previous year caused the combined ratio to deteriorate slightly. Using highly specialised analysis tools, we assist our customers with the individual exposure mapping of their own damage portfolios and draw on these insights to develop bespoke reinsurance solutions.

Premium income from motor liability insurance rose again in 2015 – on the back of modest tariff increases in the previous years. Allowing for the run-off from previous years, the combined ratio for the year as a whole is likely to reach a level of roughly 100% market-wide. General liability business in Germany will similarly see the technical income statement close in positive territory. Growing demand could be observed here for cyber covers, although the associated premium volume is still very minimal. All in all, we are satisfied with the premium contribution from our German business.

Rest of Continental Europe

European markets are still intensely competitive; this is true not only of countries in Central and Eastern Europe but also of most mature markets such as France and Northern Europe. Along with difficult economic conditions, surplus capacities put the insurance industry under strain; rate reductions and poorer conditions were therefore once again a feature of the Northern European and French markets, especially in the industrial lines. We nevertheless succeeded in maintaining our market share, in part by increasing our shares with selected cedants and also by writing additional business in less competitive lines. In long-tail liability business, especially on the motor side, we are still seeing a challenging climate and participate only selectively.

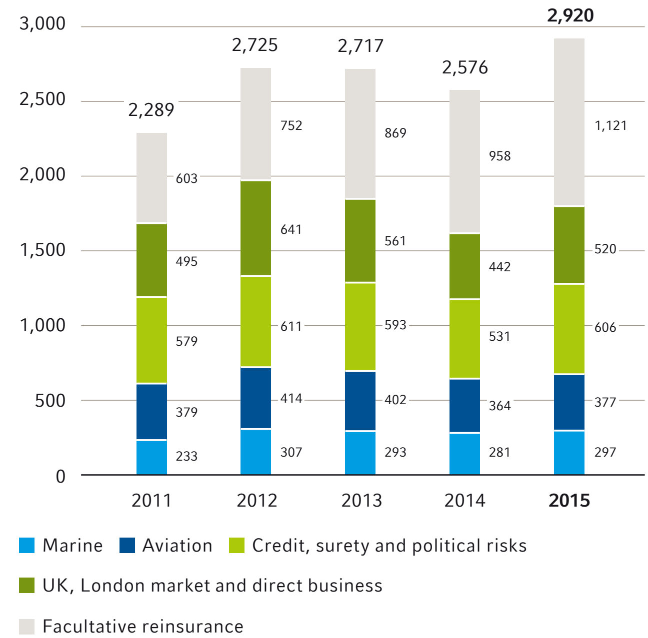
Developments in Central and Eastern Europe were overshadowed by political tensions and the associated economic impacts. The primary insurance market consequently saw a contraction in premium income, with corresponding implications – exacerbated by the competition – for the reinsurance market. In the year under review, however, it was largely possible to obtain risk-appropriate rates and conditions and hence we were able to generate satisfactory results with a somewhat smaller premium volume. On the claims side the region was impacted by numerous small and mid-sized events.

Specialty lines worldwide

Under specialty lines we include marine and aviation reinsurance, credit and surety reinsurance, business written on the London Market as well as direct business and facultative reinsurance.

The premium volume for specialty lines amounted to EUR 2,920.4 million (EUR 2,575.6 million) in the year under review. The combined ratio improved from 100.2% to 90.9%. The operating profit (EBIT) for specialty lines surged to EUR 518.5 million (EUR 169.4 million).

Property & Casualty reinsurance: Breakdown of gross written premium in worldwide specialty lines **M 16**
in EUR million



Marine

After years of satisfactory rates, the marine reinsurance market is currently experiencing a soft market phase. In the treaty renewals at the beginning of 2015 price declines running into double-digit percentages were recorded as a consequence of the relatively low expenditure on marine losses. The insurance market for offshore energy risks has been facing substantial surplus capacities for around 18 months now. The drop in oil prices has also cut into demand. Despite some strains from man-made losses, reinsurance prices for coverage of such risks therefore continued to decline.

In 2015 the series of explosions in the Chinese port city of Tianjin caused a market loss in the range of USD 2 to 3 billion, a not inconsiderable part of which impacted marine reinsurance. The net loss for our share across all lines amounted to EUR 111.1 million. Further large losses incurred in the market were attributable principally to damaged oil rigs in the Gulf of Mexico. We therefore adjusted our underwriting policy along more conservative lines and relinquished business that offered little prospect of profitability.

Driven in part by positive exchange rate effects, gross premium for our marine portfolio increased by 5.9% to EUR 297.1 million (EUR 280.6 million). Despite the aforementioned loss expenditure the combined ratio improved to 60.0% (67.2%) and the underwriting result moved correspondingly higher. The operating profit (EBIT) climbed to EUR 112.3 million (EUR 85.7 million).

Aviation

Results in international aviation (re)insurance were once again impacted in the year under review by a number of losses, including what investigations currently indicate was the deliberate crash of a German aircraft. At the same time, the space market was faced with the largest single loss in its history.

The significant major losses recorded in 2014 had only a very limited positive effect on the rate trend in 2015. This can be attributed above all to the unchanged abundant supply of insurance capacity. Rate increases in the market for war covers similarly fell short of expectations. We adhered to our disciplined underwriting strategy in this soft market phase and kept a clear focus on non-proportional business. In this segment we operate as one of the market leaders, in contrast to our selective stance on writing proportional acceptances.

The premium volume for our total aviation portfolio rose slightly from EUR 364.0 million in the previous year to EUR 377.3 million. Total expenditure on large losses was lower than in the previous year at EUR 51.3 million; the combined ratio consequently improved to 93.6% (112.1%) and came in below the target level for the maximum tolerable combined ratio (99.3%). The operating result (EBIT) improved to EUR 70.5 million (-EUR 2.4 million).

Credit, surety and political risks

Hannover Re ranks among the market leaders in worldwide credit and surety reinsurance.

While the development of the worldwide economy in 2015 can be described as robust overall, economic conditions in certain regions – including for example in Southern Europe, emerging markets and especially China – were difficult. Global growth in the primary insurance market therefore remained minimal. The increased risk-carrying capacity of ceding companies has led to a drop in reinsurance cessions in some areas. We write a large share of our business with credit, surety and political risks in the form of proportional treaties, under which cost reimbursements in the year under review increased only moderately.

Gross premium income in these lines grew by 14.0% in 2015 to EUR 605.6 million (EUR 531.4 million). The premium growth was boosted by exchange rate effects, the acquisition of new customers and the expansion of existing client relationships.

The claims frequency in credit and surety business increased considerably in the year under review, most strikingly in emerging markets. A few sizeable insolvency losses were also recorded, including for example a Spanish engineering and energy group. The loss ratio in political risk insurance also rose slightly from a low level. The combined ratio of 98.9% for the entire segment was thus significantly higher than in the previous year (92.2%) and exceeded our maximum tolerable target ratio of 96.9%. The operating profit (EBIT) contracted by 26.9% to EUR 63.7 million (EUR 87.2 million).

United Kingdom, London market and direct business

United Kingdom, Ireland and the London Market

The property and casualty business that we reinsure for companies in the United Kingdom and on the London market developed largely satisfactorily in 2015. The intense competition in the primary sector was sustained and led to rate reductions. Exceptions here were UK motor business and parts of the Irish primary insurance portfolio. On the reinsurance side a similar picture emerged. While rates in non-proportional UK business remained stable or rose slightly at the beginning of 2015 – after sometimes appreciable increases in the years from 2011 to 2014 –, they came under more pronounced pressure in the other property and casualty lines. We managed our portfolio in keeping with our cycle management and scaled back our shares in programmes under which the prices or conditions were not considered attractive. Major losses were incurred in the form of severe flooding in the United Kingdom, for which we reserved an amount of EUR 28.3 million, as well as fire losses in a number of markets including France and Northern Europe.

Direct business

We also write direct business through our subsidiary International Insurance Company of Hannover SE (Inter Hannover). This essentially involves tightly defined portfolios of niche or other non-standard business that complements our principal commercial activity as a reinsurer.

We transformed the company into a Societas Europaea (SE) in 2014 and moved its registered office to Hannover at the beginning of 2015. The purpose was to interlink more closely the business management units and to leverage potential synergies and economies of scale in the administration of the business. We write a large portion of our direct business in the London Market and through our Swedish branch. The result of our direct business was significantly improved in the financial year just ended. This is a respectable achievement, especially bearing in mind the intensive competition among the insurers and reinsurers operating in this sector.

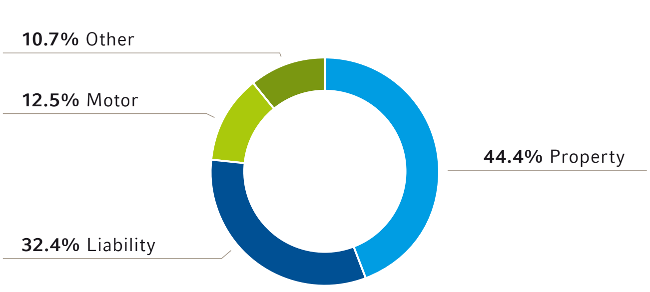
The gross premium booked from the United Kingdom, London market and direct business climbed – as indicated in the renewals as at 1 January 2015 – by 17.6% from EUR 442.0 million to EUR 519.7 million. A good portion of the growth was driven by positive exchange rate effects. The combined ratio stood at 86.6% (110.3%). The operating result (EBIT) improved accordingly to EUR 153.7 million (-EUR 12.8 million).

Facultative reinsurance

In contrast to obligatory reinsurance, a reinsurer underwrites primarily individual risks in facultative business. The general environment for both types of reinsurance in the various markets is, however, for the most part comparable.

Heavy rate erosion and diminished demand for coverage of offshore and onshore risks were all but offset by increased acceptances in the areas of renewables, cyber risks and personal accident/sports covers. Yet even in these segments the effects of the soft market could be felt. Rate movements therefore varied across regions and markets, although the overall trend was still downwards.

Property & Casualty reinsurance: Breakdown of gross written premium in facultative reinsurance **M 17**



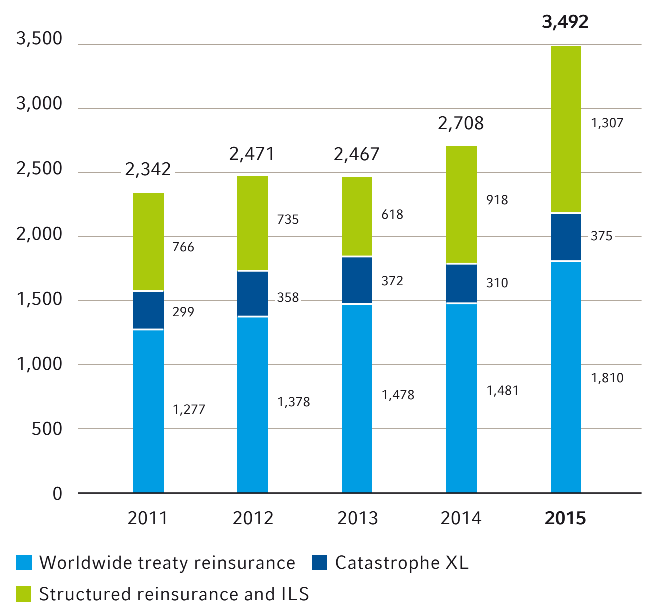
We are largely satisfied with the development of our overall facultative portfolio in the year under review, despite the protracted soft market environment: we grew our business and further diversified the portfolio. The premium volume increased to EUR 1,120.7 million (EUR 957.6 million). The organic growth was favourably influenced by a strong US dollar and a non-recurring special effect associated with a modified method for calculating and deferring premiums from reinsurance treaties that have still to be brought to account. An unusually high frequency of mid-sized losses was incurred from various regions and lines in the 2015 financial year. The combined ratio was particularly heavily impacted by damage to oil exploration equipment in the Gulf of Mexico and refineries, although fire losses at industrial facilities and some isolated liability claims were also contributory factors. Major losses nevertheless did not reach the level of the previous year. The combined ratio of 94.1% was below that of the previous year (103.9%). The operating profit (EBIT) improved accordingly to EUR 118.3 million (EUR 11.8 million).

Global reinsurance

We combine all markets worldwide under global reinsurance with the exception of our target markets and specialty lines. This segment also encompasses global catastrophe business, the reinsurance of agricultural risks, Sharia-compliant retakaful business as well as structured reinsurance and insurance-linked securities.

The premium volume increased by 28.9% in the year under review to EUR 3,492.1 million (EUR 2,708.4 million). The combined ratio deteriorated slightly from 91.6% to 93.1%. The operating profit (EBIT) declined from EUR 513.8 million to EUR 377.7 million.

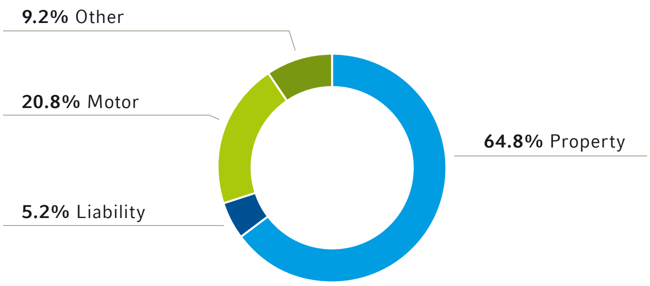
Property & Casualty reinsurance: Breakdown of gross written premium in global reinsurance **M 18**
in EUR million



Worldwide treaty reinsurance

We are satisfied with the development of our worldwide treaty reinsurance portfolio. The gross premium volume grew in line with our expectations to EUR 1,810.4 million (EUR 1,480.7 million). The combined ratio improved from 98.5% to 95.7%. The operating profit (EBIT) retreated to EUR 165.7 million (EUR 225.6 million).

Property & Casualty reinsurance: Breakdown of gross written premium in worldwide treaty reinsurance M 19



Asia-Pacific region

The Asia-Pacific countries continue to be a growth region for Hannover Re, and with this in mind we further expanded our position in the year under review. Developments in the individual markets varied widely; the region was the scene of increasing competition on account of the available growth opportunities. Although the loss expenditure incurred in certain markets was striking, it can still be assessed as satisfactory overall.

Japan remains one of the most important regional markets in the Asia-Pacific for the Hannover Re Group. The year under review was notable for a very active typhoon season. Storm "Etau" caused a major loss for Hannover Re that we reserved in the amount of EUR 27.3 million. The other lines written here closed the period under review with mostly positive results.

Thanks to our historically broad positioning with the major Japanese insurance groups in the Asia-Pacific region and worldwide, the Hannover Re Group was also able to hold its premium income stable despite sustained pressure on reinsurance conditions in the last April renewals.

In China Hannover Re once again booked double-digit growth in the year under review. We are present in the country with a locally licensed branch and have systematically pursued the successful strategy of the previous years – namely consolidating our business relationships with selected clients. Our business already benefited in the year under review from the upcoming implementation of the risk-based solvency system C-ROSS effective 1 January 2016, which favours local reinsurance placements. Results were, however, hard hit by the extraordinary series of explosions at the Port of Tianjin; the insured market loss from this accident is estimated to be in the range of EUR 2 to 3 billion.

Almost all primary insurance markets in South and Southeast Asia are growing disproportionately strongly compared to the more mature Asian markets. In this region Hannover Re is represented by a branch in Kuala Lumpur. We further improved our market penetration and generated strong growth in the year under review. In keeping with our strategy, the prevailing conditions – which were shaped by the intense competitive forces – prompted us to successfully expand new, less hard-fought business segments and optimise our risk balance.

After the Indian government had opened the way in 2015 for foreign reinsurers to set up branches, we embarked on intensive preparations for the licensing process. In so doing, we are aiming to strengthen our market presence and boost our growth prospects.

In Australia and New Zealand, contrary to expectations, Hannover Re achieved vigorous growth by realising sizeable transactions with a number of target customers. In the first half of 2015 the region was impacted by an unusual frequency of mid-sized and smaller natural catastrophe losses. Given that the Hannover Re Group is the third-largest provider of reinsurance protection in the Australian market, our results were initially adversely affected by these events. As the financial year drew to a close, however, the overall result posted by the Australian permanent establishment proved to be encouragingly positive. This was facilitated by the high retentions carried by local ceding companies, the selective underwriting policy practised by our underwriters and a favourable run-off result.

South Africa

Our property and casualty reinsurance business in South Africa is generated by three companies. Hannover Reinsurance Africa Limited writes reinsurance in all lines – including specialty lines, which are written in close consultation with departments in Hannover. Compass Insurance writes direct business through so-called underwriting management agencies (UMAs). The third company, Lireas Holdings, holds interests in several of these UMAs. This enables us to comprehensively steer and control the business. Agency business forms the pillar of our activities in South Africa, although reinsurance business is also written on the open market in South Africa and other African countries.

This market continues to be characterised by its relatively low insurance density; most vehicles on public roads, for example, are uninsured. Despite this, the insurance market showed only marginal growth in the year under review, although the results posted by insurers were significantly better than in the previous year. This can be attributed above all to a lower frequency of large and catastrophe losses.

Against this backdrop, both Compass Insurance and Hannover Reinsurance Africa performed appreciably better in the 2015 financial year and delivered pleasing results. The premium volume contracted owing to negative exchange rate effects and expected shifts into large-volume, structured reinsurance arrangements.

Latin America

Hannover Re is very well positioned in Latin America and a market leader in some countries. The most important markets for our company are Brazil, where we are present with a representative office, as well as Mexico, Argentina, Colombia and Ecuador.

Most Latin American markets have enjoyed very vigorous growth in recent years and are still showing solid gains. Primary insurance premiums are increasing by between 5% and 15% a year depending on the market. With natural catastrophe risks highly exposed, the strong demand for reinsurance covers remains undiminished. In Latin America, too, the reinsurance market finds itself experiencing a soft phase. Premium income on the reinsurance side contracted in 2015 owing to the devaluation of some Latin American currencies and due to the higher retentions carried by primary insurers.

A survey of cedants conducted by the trade magazine "Intelligent Insurer" confirmed our excellent position. Our clients named us as a preferred partner in all categories. In Argentina, despite the restrictions placed on foreign reinsurers, we succeeded in preserving our market leadership. We wrote our business increasingly selectively in order to generate our required margins. In Brazil we maintained our position in the face of ongoing market concentration on the primary insurance side.

Losses from natural disasters were again on the moderate side for the (re)insurance industry in the year under review. The earthquake in Chile gave rise to net loss expenditure of EUR 25.5 million for Hannover Re. Overall, we are satisfied with the development of our business in Latin America.

Agricultural risks

The insurance of agricultural risks was one of Hannover Re's fastest growing segments in 2015. We further expanded our market position and rank among the preferred partners for agricultural covers. In addition, we have been taking an increasingly active role in product development. We entered into cooperative ventures with governments and international organisations in the year under review with a view to expanding the protection of agricultural risks.

Rates and conditions remained broadly stable on the primary insurance side. Conditions in reinsurance business came under pressure in the established markets due to new market players.

We were successful in our efforts to further diversify our portfolio mix in terms of both countries and lines of business; a contributory factor here, for example, was an enlarged share of business involving insurance products for small farmers, predominantly in emerging and developing countries. Growth was also driven by the expansion of a long-standing customer relationship in the United States.

We are satisfied with the development of our agricultural risks business. The major loss situation was comparatively moderate in 2015. Hail events, droughts and floods had little or no impact on our portfolio. To this extent, a healthy profit contribution was generated on the back of the further improvement in our diversification in this segment.

Retakaful business

We write retakaful business, i. e. reinsurance transacted in accordance with Islamic law, worldwide. Our focus is currently on the Middle East, North Africa and Southeast Asia. This business is written by our subsidiary in Bahrain. We also maintain a branch that is responsible for writing traditional reinsurance in the Middle East and North Africa. Our retakaful business has been growing very vigorously for a number of years and we are satisfied overall with its development.

Bearing in mind that takaful and retakaful markets have now become fiercely competitive – in part due to the entry of new market players –, rates remain under sustained pressure. Hannover Re has been active in retakaful business since 2006 and the company is strongly positioned. We were particularly successful in growing our motor portfolio in the year under review; the largest single line is industrial fire business.

Natural catastrophe business

We write the bulk of our catastrophe business out of Bermuda, which has established itself as a worldwide centre of competence. In the interest of diversifying the portfolio our subsidiary Hannover Re (Bermuda) Ltd. has also written some of the specialty lines since 2013.

With major losses again lower than expected and hence the associated good results posted by insurers and reinsurers, and in view of the increasing capacities made available by so-called alternative capital markets, competition was intense. Reflecting this situation, rates in US property catastrophe business fell further – albeit at a slowing pace. After the appreciable increases that we had booked in 2012 and 2013, rates in Japan softened as anticipated. Only in isolated cases, most notably under loss-impacted programmes, were improvements recorded. All in all, declining rates are the dominant feature of natural catastrophe business worldwide.

As in the previous years, losses were very much on the moderate side for both insurers and reinsurers and those losses that were incurred came in within the modelled claims expectations. The largest single losses under our natural catastrophe covers were the earthquake in Chile and the floods in the United Kingdom.

The gross premium volume for our global catastrophe business developed favourably in the year under review, assisted in part by exchange rate movements: it rose from EUR 310.0 million to EUR 374.9 million. The combined ratio deteriorated to 50.2% (39.3%). The operating profit (EBIT) came in at EUR 154.6 million (EUR 185.6 million).

Structured reinsurance and Insurance-Linked Securities

Structured reinsurance

Hannover Re is one of the largest providers in the world for advanced solutions or structured reinsurance solutions, the purpose of which – among other things – is to optimise the cost of capital for our ceding companies. In this area we offer bespoke alternative reinsurance solutions that provide solvency relief or protect our clients against basic losses in lower layers. The 2015 financial year was notable for growing demand, particularly with an eye to the implementation of Solvency II in Europe and other risk-based solvency regimes in various countries.

In keeping with our objective we continued to expand our customer base and further improved the regional diversification of our portfolio in the year under review. The premium volume in structured reinsurance increased again – in part driven by unchanged brisk demand for quota share arrangements in the motor line.

Insurance-Linked Securities (ILS)

Our activities in relation to the transfer of reinsurance risks to the capital market were highly successful in the financial year just ended. By way of example, we were able to renew the protection cover for Hannover Re known as the "K cession" – a modelled quota share cession consisting of non-proportional reinsurance treaties in the property, catastrophe, aviation and marine (including offshore) lines that has been placed inter alia on the ILS market for more than 20 years now – at an increased level of roughly USD 400 million for 2015.

In addition, we enable investors to participate in insurance and reinsurance risks. Our role can be that of initiator, arranger, structurer and/or fronter. The principal instruments are collateralised reinsurance and catastrophe bonds. Our business partners on the investment side include specialised ILS funds, pension funds and hedge funds as well as primary insurers, captives and other portfolio managers seeking risks that promote diversification. The exposure volume that we transferred to the capital market in 2015 in the form of catastrophe bonds was in excess of USD 1.5 billion, including more than USD 700 million for the Texas Windstorm Insurance Association (TWIA), over USD 300 million for the Massachusetts Property Insurance Underwriting Association (MPIUA) and another bond for California earthquake risks with a volume of USD 300 million. We also acted as co-manager in UnipolSai's Azzurro transaction with a volume of more than EUR 200 million.

The currently available capital exceeds by far the opportunities for new investments in catastrophe bonds. This has prompted investors to look for other means of investing in the reinsurance sector. So-called collateralised reinsurance again enjoyed particularly strong growth in the year under review and exceeds market-wide the volume of funds invested in catastrophe bonds. Under collateralised reinsurance programmes the investor assumes reinsurance risks that are normally collateralised in the amount of the limit of liability. Hannover Re further stepped up its cooperation with selected fund managers in the area of collateralised reinsurance in the year under review and generated attractive margins on this business.

The gross premium volume in structured reinsurance and from ILS activities climbed from EUR 917.7 million to EUR 1,306.8 million. The combined ratio stood at 98.4% (94.1%). The operating profit (EBIT) amounted to EUR 57.4 million (EUR 102.6 million).

Life & Health reinsurance

- Gross premium growth of 19.7% – currency-adjusted 9.5% – clearly above the target corridor of 5% to 7%
- Targeted improvement in profitability achieved with higher Group net income
- Strengthening of our international network through establishment of a branch in Toronto, Canada
- Creation of a stand-alone online sales platform for direct selling of life insurance products in Malaysia

Life and health reinsurance accounted for 45% of Group gross premium in the financial year just ended. It has evolved into a core strategic business group of the Hannover Re Group and thus plays a key part in the company's success. On the basis of our long-standing, partnership-based business relationships with our customers, our expertise and our worldwide presence, we operate directly in the international arena – not only identifying but also actively helping to shape trends and new markets. In so doing, we never lose our focus on profitability.

Total business

The performance of life and health reinsurance was at times volatile in the individual quarters of the financial year just ended. This was due to, among other things, differing developments in the various markets.

Preparations for the implementation of Solvency II at the beginning of the 2016 financial year dominated the insurance industry in Europe. Insurance companies were heavily preoccupied with the future capital and reporting requirements. In this connection, working together with our primary insurance customers, we have already identified various means of bringing about an optimal capital and solvency situation. Another significant move in the reporting period just ended was the entry into the Canadian life reinsurance market with the establishment of a branch in that country. Along with opening up new business opportunities, this will help to further diversify our portfolio. Asian as well as Central and Eastern European markets are exhibiting stronger interest in automated underwriting systems and innovative life insurance concepts.

Overall, the development of the year under review was thoroughly satisfactory. We booked gross premium income for the financial year just ended of EUR 7,730.9 million (previous year: EUR 6,458.7 million). This represents an increase of 19.7%. Adjusted for exchange rate fluctuations, growth came in at 9.5%. We thus comfortably beat the comparable growth target for gross premium of 5% to 7%. The level of retained premium also developed as planned and amounted to 84.2% (83.9%). Net premium totalled EUR 6,492.4 million (EUR 5,411.4 million). Adjusted for exchange rate effects, growth would have reached 10.0%.

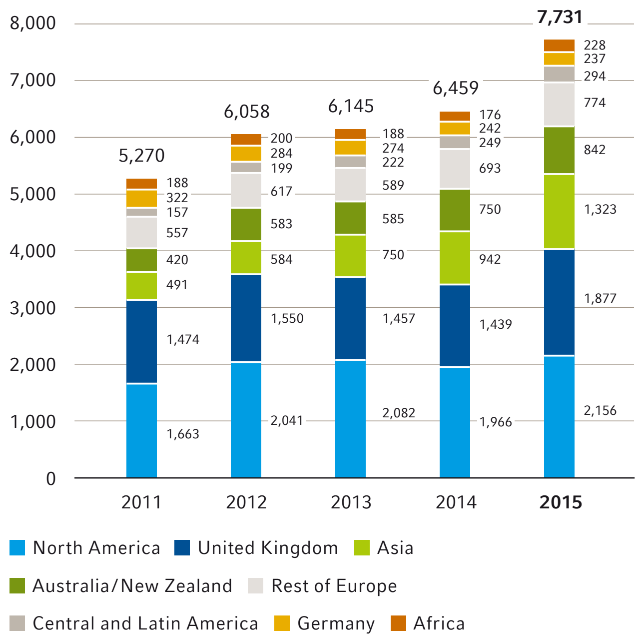
Key figures for Life & Health reinsurance M 20

in EUR million	2015	+/− previous year	2014	2013	2012[1]	2011
Gross written premium	7,730.9	+19.7%	6,458.7	6,145.4	6,057.9	5,270.1
Net premium earned	6,492.4	+20.0%	5,411.4	5,359.8	5,425.6	4,788.9
Investment income	709.2	+15.5%	614.2	611.5	685.1	512.6
Claims and claims expenses	5,459.0	+17.7%	4,636.2	4,305.7	4,023.5	3,328.6
Change in benefit reserve	101.1		28.6	146.5	529.4	619.7
Commissions	1,075.1	+13.6%	946.4	1,169.0	1,098.0	985.8
Own administrative expenses	197.3	+12.3%	175.7	156.7	144.1	130.6
Other income/expenses	35.9	+43.1%	25.1	(42.9)	(36.7)	(19.2)
Operating result (EBIT)	405.1	+53.6%	263.8	150.5	279.0	217.6
Net income after tax	289.6	+41.3%	205.0	164.2	222.5	182.3
Earnings per share in EUR	2.40	+41.3%	1.70	1.36	1.84	1.51
Retention	84.2%		83.9%	87.7%	89.3%	91.0%
EBIT margin[2]	6.2%		4.9%	2.8%	5.1%	4.5%

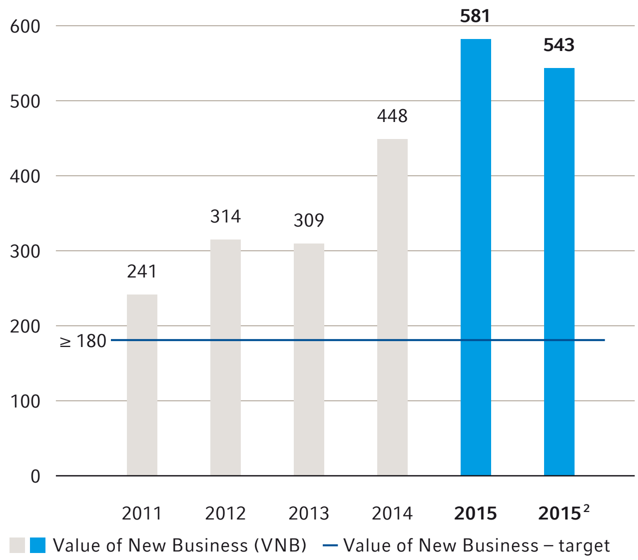
[1] Adjusted pursuant to IAS 8
[2] Operating result (EBIT)/net premium earned

Life & Health reinsurance at a glance

Breakdown of gross premium by markets M21
in EUR million

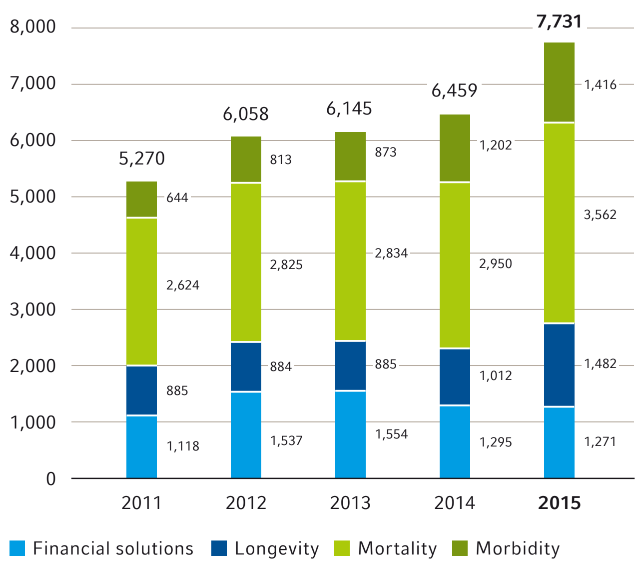


Value of New Business (VNB) growth [1] M22
in EUR million

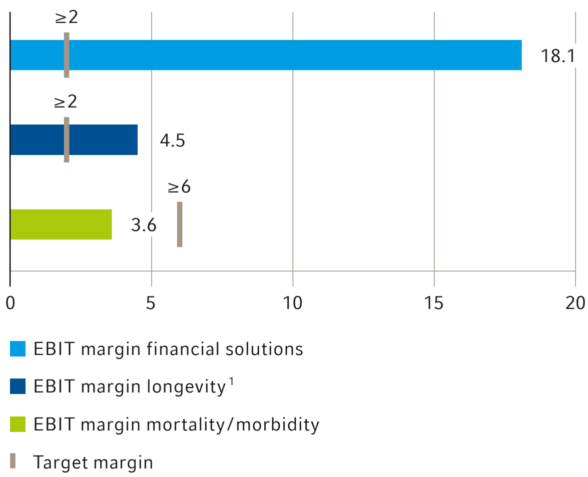


[1] Based on the MCEV Principles of the CFO Forum
[2] Increase in the cost of capital from 4.5% to 6.0% (in conformity with Solvency II)

Breakdown of gross written premium by reporting categories M23
in EUR million



EBIT-margin per reporting category vs. target margins 2015 M24
in %



[1] Including a longevity treaty that was previously classified under financial solutions

Investment income in life and health reinsurance amounted to EUR 709.2 million (EUR 614.2 million). The investment income derives, on the one hand, from our assets under own management and, secondly, from securities deposited with ceding companies. In the financial year just ended income of EUR 334.3 million (EUR 258.5 million) was generated from the assets under own management, while income from securities deposited with ceding companies came in at EUR 374.9 million (EUR 355.7 million). The modest increase in the investment income should be viewed particularly favourably in light of the unchanged low level of interest rates and is a testament to a solid investment strategy.

The operating result (EBIT) in life and health reinsurance reached a very pleasing level of EUR 405.1 million (EUR 263.8 million). The increased result was boosted by the gratifying development of financial solutions business. Overall, the very good underlying profitability was influenced on the one hand by positive special effects, including for example the early termination of a contract in the first quarter of 2015 in an amount of EUR 39.0 million. Negative one-off effects also played a part, however, as was the case at our branch in France. Against this backdrop, Group net income for life and health reinsurance increased by 41.3% to EUR 289.6 million (EUR 205.0 million).

In the following sections we discuss developments in life and health reinsurance in greater detail on the basis of our reporting categories. We split our business and the associated reporting into the categories of financial solutions and risk solutions. For the purposes of differentiation by biometric risks, the category of risk solutions is further divided into longevity, mortality and morbidity. This also corresponds to the breakdown used within our internal risk management system.

Financial solutions

Our financial solutions reporting category encompasses reinsurance solutions that focus on the management of our clients' balance sheets and thereby support them in – among other things – financing new business and optimising their capital or solvency structure. A crucial criterion for allocation to this category is that there is less emphasis on biometric risks with this form of reinsurance, even though they are always present.

Financial solutions business has been a central pillar of our activities for many years. We are equipped with long-standing expertise and current surveys rank us as the leading provider in a number of markets, including for example the United States. A special hallmark of our business philosophy is that we do not fall back on standardised reinsurance solutions. We offer our clients financing solutions and customised concepts designed to provide relief for capital and reserves that are individually tailored to their needs. This approach has stood the test of time and resulted in another exceptionally pleasing profit contribution in the year under review.

US financial solutions business, in particular, again fared thoroughly profitably in the financial year just ended and delivered a positive profit contribution. Along with solutions for capital relief and optimising the solvency situation of our customers in the life insurance market, we extended our business activities in the year under review to the emergent longevity and health reinsurance market and have already completed the first transactions. The underlying profitability of the financial solutions business generated in the United States developed superbly. As a further factor, the investment income was positively influenced on a one-off basis by the cancellation of a financial solutions contract in an amount running into the mid-double-digit millions of US dollars. Australia similarly developed well in the financial year just ended, especially in the area of new business financing, and thereby laid the foundation for the future.

In China the new supervisory regime C-ROSS (China Risk Oriented Solvency System), which was officially adopted on 1 January 2016, left its mark on the (re)insurance market in the financial year just ended. This was because companies were already applying the regulations on a test basis in 2015, hence generating stronger demand for reinsurance concepts to fit the new framework conditions.

In South Africa, too, new supervisory requirements for the (re)insurance industry are on the verge of implementation. Generally speaking, financial solutions business in South Africa and Asia developed positively overall with a pleasing share of new business.

Our activities in the area of financial solutions produced gross premium of EUR 1,271.3 million (EUR 1,295.2 million). This is equivalent to 16.4% of the total gross premium income booked in life and health reinsurance. The operating result (EBIT) amounted to EUR 203.2 million (EUR 74.6 million), a gratifying performance after the comparatively low EBIT reported in 2014. The EBIT margin stood at 18.1% (6.5%).

Longevity

The longevity reporting category encompasses our entire annuity and pension reinsurance business, insofar as the material risk here is the longevity risk. The policies in our portfolio are for the most part already in the pay-out phase.

Our portfolio consists to a large extent of enhanced annuities. These guarantee individuals with a reduced life expectancy a higher regular income for the remainder of their shorter lifespan. The United Kingdom continued to be our largest longevity market by premium volume in the year under review. Although the reform of the UK Pensions Act in April 2015 had a particularly adverse effect on enhanced annuities business, the implications for our premium volume have proven to be considerably less marked than previously anticipated.

The longevity sector throughout the rest of the European market saw unusually brisk activity prompted by the impending implementation of Solvency II. This opened up a broad array of attractive business opportunities for our company, and in volume terms the financial year just ended proved to be the most successful in Hannover Re's history. This positive development was also crucially reinforced by stronger worldwide demand for longevity solutions. The global demographic trend played a part here, generating further demand around the world for the transfer of longevity portfolios.

The gross premium for worldwide longevity business totalled EUR 1,482.1 million (EUR 1,012.0 million) in the year under review. The operating result (EBIT) amounted to EUR 54.0 million (EUR 23.7 million), while the EBIT margin stood at 4.5% (2.9%).

Mortality and morbidity

In the following section we report on our mortality and morbidity business. In the international (re)insurance markets these two risk types frequently occur together in business relationships and sometimes they are even covered under the same reinsurance treaties. It therefore makes sense to consider the results of both reporting categories on a consolidated basis and merely to give a separate account of the business development.

Mortality

Mortality-exposed business traditionally constitutes the core business of life and health reinsurance. The mortality reporting category accounts for the largest share of our total life and health reinsurance portfolio. The risk that we assume as a reinsurer is that the actually observed mortality may diverge negatively from the expected mortality.

With our subsidiary Hannover Life Reassurance Company of America we have grown into an established and sought-after business partner in our important US mortality market. Business there fell short of our expectations in the year under review. This can be attributed principally to the one-time payout of a very lucrative life insurance policy. In view of the risk experiences observed in a partial portfolio, we stepped up our portfolio maintenance activities with a view to further optimising the development of business going forward. In addition, by restructuring our collateral instruments in September of 2015 we were able to achieve a future annual saving – starting in 2016 – in the low double-digit million euros for this business. The effects of this restructuring were felt pro rata in the year under review. Moreover, working in cooperation with a primary insurance partner, we launched a holistic lifestyle concept in the US market that combines traditional life insurance policies with benefits and rewards in the area of health and wellness.

Looking at the year under review as a whole, our mortality-exposed business in Europe experienced volatility. In Continental Europe stronger demand could be discerned for unit-linked and risk-oriented products. The difficult situation on capital markets, especially when it comes to the protracted low level of interest rates, is driving this trend. In Central European markets and some parts of Northern Europe we similarly observed increased interest in risk-oriented insurance products as well as stronger demand for automated underwriting systems and alternative sales channels in general. This demand was also evident in Asia. In Russia we were able to successfully roll out our proprietary automated underwriting system for the first time on a joint basis with one of our customers. Not only that, in Malaysia we established a sales company for the exclusive online selling of insurance policies.

We were able to further increase the gross premium in the mortality reporting category to EUR 3,561.6 million (EUR 2,949.5 million) in the year under review. At 46.1%, mortality business therefore once again contributed the lion's share of our total gross premium income from life and health reinsurance (EUR 7.7 billion).

Morbidity

Morbidity business encompasses all business relating to the risk of deterioration in a person's state of health due to disease, injury or infirmity. The morbidity reporting category is notable for extensive product diversity, ranging from strict (any occupation) disability and occupational disability to numerous varieties of long-term care insurance. We are active in this area as a robust business partner, supporting our customers with our know-how and through risk transfer.

The development of group and health business in the Middle East gave grounds for satisfaction in the year under review. In the United Kingdom, too, our business fared well despite an extremely competitive environment. In Asian markets we noted stronger demand for critical illness covers.

The Australian market recovered appreciably in the financial year just ended, enabling us to slightly enlarge our portfolio in this area. The run-off of Australian disability business was in line with our expectations. Results in the US market were slightly poorer than we had anticipated owing to increased losses. The reform of the health sector there is nevertheless injecting fresh impetus into the market. We expect this to have positive implications for the development of business going forward.

From a global perspective, however, we observed lively demand in the financial year just ended – above all with respect to products for long-term care insurance. Particularly in mature insurance markets with progressively ageing demographics, demand for protection in retirement and in case of illness is growing. Consequently, we were able to boost our premium for worldwide morbidity business by 17.8% to EUR 1,415.9 million (EUR 1,202.1 million).

Taken together, we generated an operating result (EBIT) of EUR 147.8 million (EUR 165.5 million) for the reporting categories of mortality and morbidity in the financial year just ended. This is equivalent to an EBIT margin of 3.6% (4.8%).

Our goal in life and health reinsurance is to offer our customers a broad and individually tailored range of solutions and – in addition to pure risk assumption – to successfully support them in the service sector. In the field of medical underwriting, we strive to highlight – inter alia through our "ReCent" newsletter – current and relevant topics in health and medicine. When it comes to our electronic underwriting manual "Ascent" – which provides our customers with integrated support for individual risk assessment –, we similarly focus on continuous updating and enhancement of the contents in order to adequately reflect the latest market developments and trends at all times. Furthermore, thanks to our international network we are able to quickly and directly transfer novel and innovative reinsurance solutions to other markets.

Investments

- Pleasing return on investment (excluding effects from ModCo derivatives and inflation swaps) better than our forecast at 3.5%
- Ordinary income higher despite low interest rates
- High-quality investment portfolio even more diversified through equity exposure

Bearing in mind the persistently low level of interest rates, ordinary investment income excluding interest on funds withheld and contract deposits delivered a highly gratifying performance to reach EUR 1,253.4 million (previous year: EUR 1,068.4 million). This can be attributed to sharply higher income from fixed-income investments, real estate and private equity, the measurement of which was additionally supported by effects associated with the appreciation of various currencies against the euro. Our exposure to high-yield investment funds as well as special income from life reinsurance business also played a very pleasing part here. Interest on funds withheld and contract deposits improved slightly on the previous year to EUR 395.0 million (EUR 376.1 million). Net realised gains on disposals came in below the previous year's figure at EUR 135.8 million (EUR 182.5 million) despite the liquidity made available for dividend payments and preparations made for the changeover in our Irish subsidiary's functional currency to USD as well as regrouping moves to expand the asset classes of fixed income enhancements and emerging markets and the rebuilding of an equity portfolio.

We recognise a derivative for the credit risk associated with special life reinsurance treaties (ModCo) under which securities deposits are held by cedants for our account; the performance of this derivative in the year under review gave rise to negative fair value changes recognised in income of EUR 26.1 million (loss of EUR 6.8 million). The inflation swaps taken out in 2010 to hedge part of the inflation risks associated with the loss reserves in our technical account no longer gave rise to any fair value changes recognised in income because these contracts matured or were terminated in the course of the second quarter. In future, we shall ensure this protection through the inflation-linked bonds already contained in our portfolio. Altogether, the positive changes in the fair values of our financial assets recognised at fair value through profit or loss amounted to EUR 0.9 million (loss of EUR 33.3 million).

Investment income M 25

in EUR million	2015	+/– previous year	2014	2013	2012	2011
Ordinary investment income[1]	1,253.4	+17.3%	1,068.4	1,041.3	1,088.4	966.2
Result from participations in associated companies	19.2		1.0	12.5	10.4	3.1
Realised gains/losses	135.8	-25.5%	182.5	144.2	227.5	179.6
Appreciation	0.6		0.1	0.3	2.7	36.8
Depreciation, amortisation, impairments[2]	38.7	+39.8%	27.7	19.4	21.7	31.0
Change in fair value of financial instruments[3]	0.9		(33.3)	(27.1)	89.3	(38.8)
Investment expenses	101.2	+6.2%	95.3	97.3	96.4	70.3
Net investment income from assets under own management	1,270.1	+15.9%	1,095.8	1,054.5	1,300.2	1,045.5
Net investment income from funds withheld and contract deposits	395.0	+5.0%	376.1	357.3	355.5	338.5
Total investment income	**1,665.1**	**+13.1%**	**1,471.8**	**1,411.8**	**1,655.7**	**1,384.0**

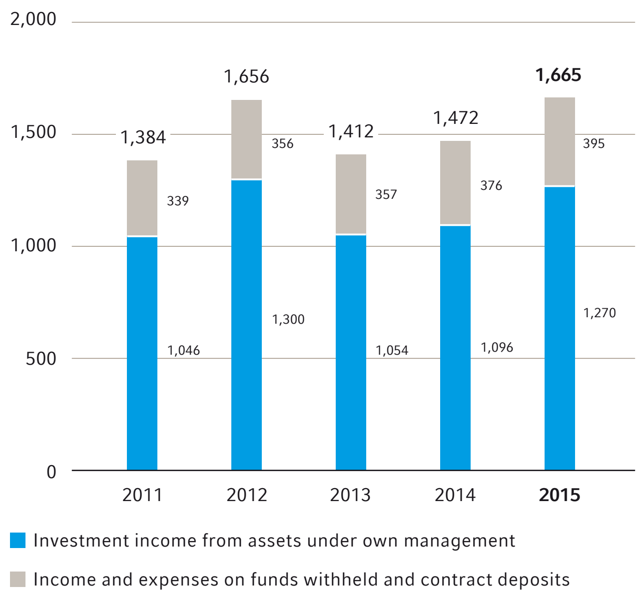
[1] Excluding income and expenses on funds withheld and contract deposits
[2] Including depreciation/impairments on real estate
[3] Portfolio at fair value through profit or loss and trading

Impairments and depreciation totalling just EUR 38.7 million (EUR 27.7 million) were taken. Scheduled depreciation on directly held real estate amounted to EUR 23.7 million (EUR 18.5 million), a reflection of the further increase in our involvement in this sector. The vast bulk of impairments – totalling EUR 5.9 million – were attributable to alternative investments (EUR 5.8 million). In addition, impairments were recognised on real estate in an amount of EUR 4.5 million (EUR 1.4 million) as well as on fixed-income securities in an amount of EUR 2.8 million (EUR 2.0 million) and on equities in an amount of EUR 1.9 million (EUR 0.0 million). These write-downs contrasted with write-ups of altogether EUR 0.6 million (EUR 0.1 million).

Our investment income (including interest and expenses on funds withheld and contract deposits) consequently came in comfortably above the previous year's level at EUR 1,665.1 million (EUR 1,471.8 million). This can be attributed principally to the aforementioned sharp rise in ordinary income. Of this amount, income from assets under own management accounted for EUR 1,270.1 million (EUR 1,095.8 million). This produces an average return (excluding effects from ModCo derivatives and inflation swaps) of 3.5%; it is pleasing to note that this figure is higher than our forecast of 3.0%, a reflection not only of stronger income from private equity, real estate and fixed income enhancements but also of the effects associated with the appreciation of various currencies against the euro.

Investment income M 26

in EUR million



Financial position and net assets

- High-quality investment portfolio diversified even further through equity holding
- Asset allocation adjusted to safeguard the return
- Shareholders' equity sharply higher thanks to excellent Group net income despite lower valuation reserves

Investment policy

Hannover Re's investment policy continues to be guided by the following core principles:

- generation of stable and risk-commensurate returns while at the same time maintaining the high quality standard of the portfolio;
- ensuring the liquidity and solvency of Hannover Re at all times;
- high diversification of risks;
- limitation of currency exposures and maturity risks through matching currencies and maturities.

With these goals in mind we engage in active risk management based on balanced risk/return analyses. To this end we make allowance for insights gained from dynamic financial analysis and have implemented detailed investment guidelines on a centralised basis. We are thus able to take into account the prevailing state of the market and the basis is established for the current structuring of the liabilities side, which must be factored into operational management of the portfolio. These measures are intended to safeguard the generation of an appropriate level of return. In so doing, we pay strict attention to compliance with our clearly defined risk appetite, which is reflected in the risk capital allocated to the investments and constitutes the foundation for the asset allocation of the entire Hannover Re Group. In addition, our ability to meet our payment obligations at all times is thereby ensured. Within the scope of our asset/liability management (ALM) the allocation of investments by currencies and maturities is determined by the technical liabilities. With this in mind the modified duration of our bond portfolio is geared largely to the technical liabilities.

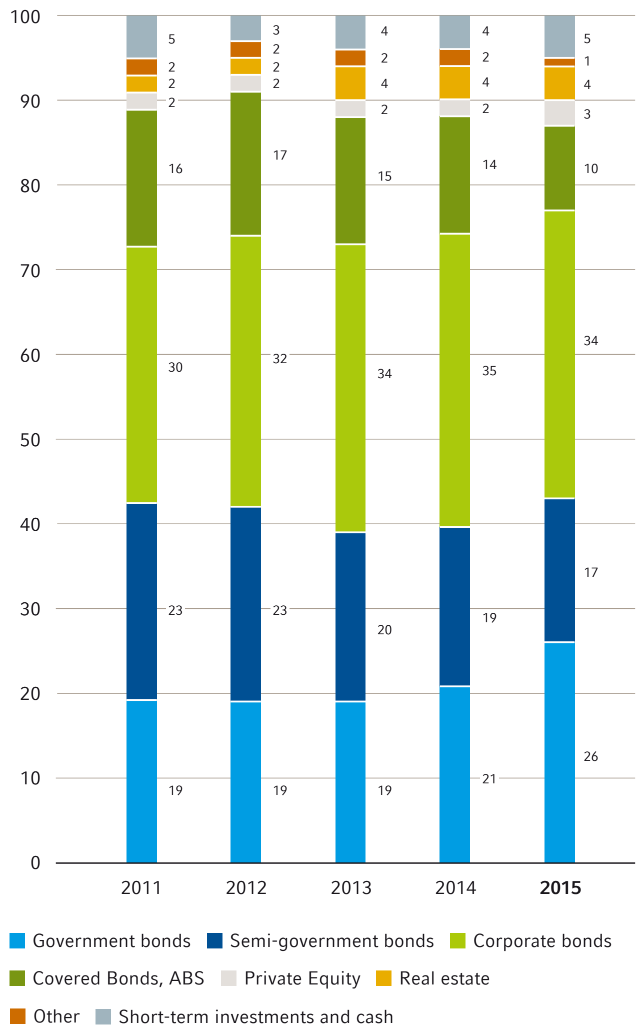
By adjusting the maturity pattern of our fixed-income securities to the expected payment patterns of our liabilities we reduce the economic exposure to the interest rate risk. In the current reporting period we kept the modified duration of our fixed-income portfolio broadly neutral, as a result of which it stood at 4.4 (previous year: 4.6) as at 31 December 2015.

Furthermore, through active and regular management of the currency spread in our fixed-income portfolio we bring about extensive matching of currencies on the assets and liabilities sides of the balance sheet, as a consequence of which fluctuations in exchange rates have only a limited effect on our result. At year-end 2015 we held 30.8% (36.9%) of our investments in euro, 46.7% (41.4%) in US dollars, 8.3% (8.5%) in pound sterling and 5.1% (5.2%) in Australian dollars.

Investment portfolio **M 27**

in EUR million	2015	2014	2013	2012	2011
Funds withheld	13,990	15,919	14,343	14,751	13,342
Investments under own management	39,347	36,228	31,875	31,874	28,341
Total	**53,337**	**52,147**	**46,219**	**46,625**	**41,683**

Breakdown of investments under own management M28
in %



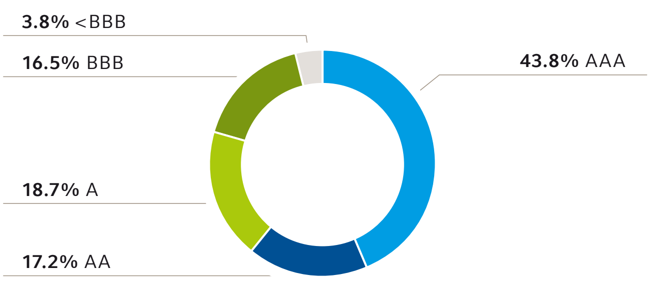
Investments

Our portfolio of assets under own management grew substantially in the course of 2015 to EUR 39.3 billion (EUR 36.2 billion). This was due in large measure to exchange rate effects – primarily associated with the US dollar – and in particular to our gratifyingly positive operating cash flow. The only inhibiting factors in this growth were the decline in valuation reserves in connection with the observed yield increases on US Treasuries and higher credit spreads.

Along with the rebuilding of an equity portfolio, we adjusted the allocation of our investments to the individual classes of securities in other asset categories as well in response to the challenging interest rate environment. For example, we continued to expand the asset classes of fixed income enhancements and emerging markets while at the same time enlarging our holding of government bonds. On the other hand, the proportion of mid-rated covered bonds and corporate bonds was reduced. In this way we can achieve increased liquidity of the portfolio with stable return expectations, while extensively maintaining the overall risk level of our fixed-income portfolio unchanged. We also moved to further slightly increase the share attributable to real estate as part of the strategic expansion of this asset category. In all other asset classes we made only minimal changes in the context of regular portfolio maintenance.

The portfolio of fixed-income securities excluding short-term assets rose to EUR 33.6 billion (EUR 32.0 billion). Hidden reserves for available-for-sale fixed-income securities, which are allocable to shareholders' equity, totalled EUR 635.6 million (EUR 1,246.4 million). This reflects the yield increases observed in the course of the reporting period, especially in the area of US Treasuries, and above all higher risk premiums on corporate bonds and semi-government bonds. As to the quality of the bonds – measured in terms of rating categories –, the proportion of securities rated "A" or better remained on a virtually unchanged high level as at year-end at 79.8% (82.9%).

Rating of fixed-income securities M29



Holdings of alternative investment funds increased appreciably. As at 31 December 2015 an amount of EUR 781.5 million (EUR 684.9 million) was invested in private equity funds; a further EUR 678.8 million (EUR 551.5 million) was attributable predominantly to investments in high-yield bonds and loans. In addition, altogether EUR 371.3 million (EUR 373.7 million) was invested in structured real estate investments. The uncalled capital with respect to these asset classes totalled EUR 837.1 million (EUR 716.3 million).

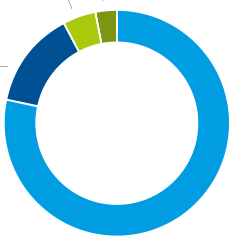
We again slightly increased our real estate allocation in the course of the year. Two properties were acquired in the United States for this purpose; further projects are under review, and the real estate allocation will therefore keep rising steadily as planned. Despite selective sales in the course of the reporting period, it rose to 4.4% (3.9%). By moving back into listed equities – accounting for 1% of the asset portfolio – we further improved the diversification of our investment portfolio.

At the end of the year under review we held a total amount of EUR 1.9 billion (EUR 1.3 billion) in short-term investments and cash. Funds withheld amounted to EUR 14.0 billion (EUR 15.9 billion).

Analysis of the capital structure

The capital structure and the composition of the liabilities of Hannover Re are shaped by our activity as a reinsurer. By far the largest share is attributable to technical provisions and liabilities. Further elements are equity and equity substitutes, which help to substantially strengthen our financial base and optimise our cost of capital. The following chart shows our capital structure as at 31 December 2015, broken down into percentages of the balance sheet total.

Capital structure as at 31 December 2015 M 30



The technical provisions and liabilities shown above, which include funds withheld / contract deposits and reinsurance payable, make up 78.5% (77.6%) of the balance sheet total and are more than covered by our investments, (assets-side) funds withheld / contract deposits, accounts receivable and reinsurance recoverables.

The equity including non-controlling interests at 13.9% (13.7%) of the balance sheet total as well as the loans and – especially – subordinated capital at altogether 2.8% (3.8%) of the balance sheet total represent our most important sources of funds.

We ensure that our business is sufficiently capitalised at all times through continuous monitoring and by taking appropriate steering actions as necessary. For further information please see the following section "Management of policyholders' surplus".

Management of policyholders' surplus

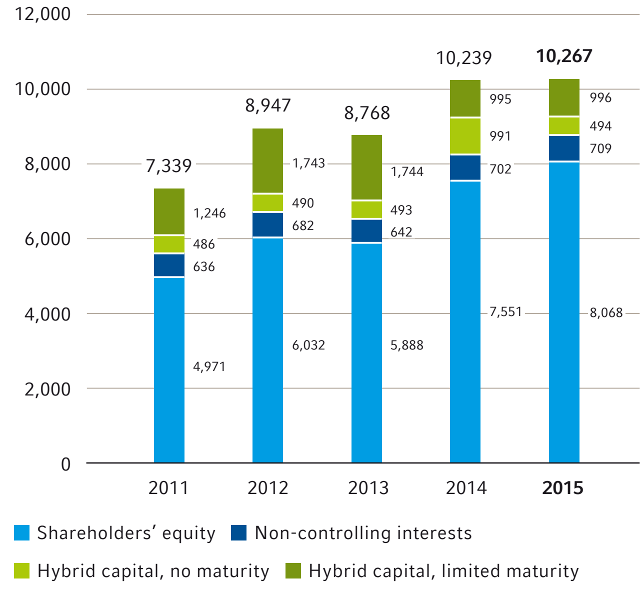
A key strategic objective of Hannover Re is long-term capital preservation. Just as in previous years, we issued hybrid capital as an equity substitute in order to keep the cost of capital on a low level. The policyholders' surplus is an important management ratio in the context of Hannover Re's comprehensive capital management. The total policyholders' surplus is defined as follows:

- shareholders' equity excluding non-controlling interests, composed of the common shares, additional paid-in capital, other comprehensive income and retained earnings,
- non-controlling interests and
- hybrid capital used as an equity substitute, which takes the form of subordinated bonds.

The policyholders' surplus totalled EUR 10,267.3 million (EUR 10,239.5 million) as at the balance sheet date. The rise in retained earnings and in the foreign currency gains and losses recognised in equity were opposed in the year under review by the redemption of subordinated debt with a nominal volume of EUR 500 million and a decline in the unrealised gains and losses recognised in equity. Overall, therefore, the policyholders' surplus remained almost unchanged with an increase of 0.3%.

Hannover Re uses "Intrinsic Value Creation" (IVC) as its central value-based management tool. As part of this methodology, we apply the principles of economic allocation of equity and efficient use of debt as an equity substitute in order to achieve the lowest possible weighted cost of capital. This concept as well as the objectives and principles in accordance with which we conduct our enterprise management and capital management are described in greater detail in our remarks on value-based management on page 23 et seq. of this report.

Development of policyholders' surplus M31
in EUR million



In its capital management Hannover Re is guided by the requirements and expectations of the rating agencies that assess the Group with an eye to its targeted rating. Furthermore, while making appropriate allowance for business policy considerations and factors that influence market presence, the allocation of capital to the Group's operational companies is based upon the economic risk content of the business group in question. The Group companies are also subject to national capital and solvency requirements. All Group companies met the applicable local minimum capital requirements in the year under review. Adherence to these capital requirements is continuously monitored by the responsible organisational units on the basis of the latest actual figures as well as the corresponding planned and forecast figures. If, despite the capital allocation mechanisms described above, a scenario occurs in which there is a danger of minimum capital requirements being undershot, suitable options are immediately discussed and measures set in motion to counteract such an eventuality. From the Group perspective we manage Hannover Re's solvency using our internal capital model (cf. "Opportunity and risk report", page 74 et seq.).

Group shareholders' equity

In view of the very positive result, the development of the shareholders' equity of the Hannover Re Group was pleasing. Compared to the position as at 31 December 2014, it surged by EUR 524.5 million – or 6.4% – in the year under review to EUR 8,777.5 million. After adjustment for non-controlling interests, it rose by EUR 517.6 million to EUR 8,068.3 million. The book value per share increased accordingly by 6.9% to EUR 66.90. The changes in shareholders' equity were shaped chiefly by the following developments:

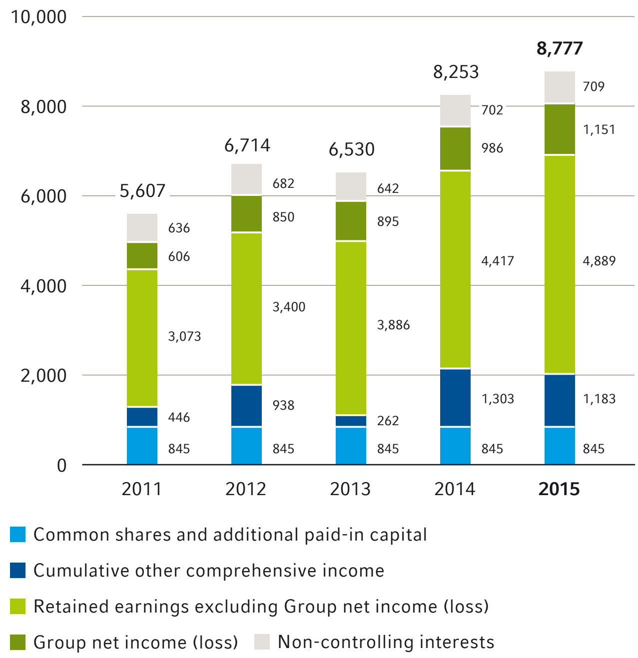
Net unrealised gains on investments stood at EUR 712.0 million, a drop of EUR 457.3 million compared to the beginning of the year under review. This decrease was mainly due to higher risk premiums for corporate bonds held in our portfolio as well as to the rise in the short- and medium-term US dollar interest rate level.

The foreign currency gains and losses climbed significantly by EUR 318.7 million from EUR 190.5 million to EUR 509.2 million as a consequence of exchange rate movements of foreign currencies against the euro in the financial year. The rise in the reserve for currency translation adjustment resulted principally from the marked depreciation of the euro against the US dollar.

Non-controlling interests in shareholders' equity increased marginally by EUR 6.9 million to EUR 709.1 million as at 31 December 2015. The bulk of this – in an amount of EUR 667.1 million – is attributable to the non-controlling interests in E+S Rückversicherung AG.

The Group net income for 2015 attributable to the shareholders of the Hannover Re Group climbed to EUR 1,150.7 million (EUR 985.6 million). The non-controlling interest in the profit generated in the year under review totalled EUR 64.0 million (EUR 79.5 million).

Development of Group shareholders' equity M32
in EUR million



Financing and Group debt

In addition to the financing effect of the changes in shareholders' equity described above, debt financing on the capital market is a significant component of Hannover Re's financing. It was essentially composed of subordinated bonds issued to ensure lasting protection of our capital base – in part also in observance of rating requirements. The total volume of debt and subordinated capital stood at EUR 1,798.3 million (EUR 2,270.3 million) as at the balance sheet date.

Our subordinated bonds supplement our equity with the aim of reducing the cost of capital and also help to ensure liquidity at all times. In the year under review we cancelled and repaid at the first scheduled call date the subordinated debt of EUR 500.0 million issued in 2005 by Hannover Finance (Luxembourg) S.A. As at the balance sheet date altogether three subordinated bonds had been placed on the European capital market through Hannover Rück SE and Hannover Finance (Luxembourg) S.A.

The following table presents an overview of the amortised cost of the issued bonds.

Amortised cost of our subordinated bonds M 33

in EUR million	Issue date	Coupon in %	2015	2014
Hannover Finance (Luxembourg) S.A., subordinated debt, EUR 500 million; 2005/undated	1.6.2005	5.00	–	497.7
Hannover Finance (Luxembourg) S.A., subordinated debt, EUR 500 million; 2010/2040	14.9.2010	5.75	498.7	498.4
Hannover Finance (Luxembourg) S.A., subordinated debt, EUR 500 million; 2012/2043	20.11.2012	5.00	497.2	496.9
Hannover Rück SE, subordinated debt, EUR 500 million; 2014/undated	15.9.2014	3.375	494.0	493.5
Total			**1,489.9**	**1,986.5**

Several Group companies have also taken up long-term debt – principally in the form of mortgage loans – amounting to EUR 308.5 million (EUR 283.9 million).

For further explanatory information please see our remarks in the notes to this report, Section 6.12 "Debt and subordinated capital", page 208 et seq., and Section 6.13 "Shareholders' equity and treasury shares", page 212.

Various financial institutions have provided us with letters of credit for the collateralisation of technical liabilities. Both bilateral agreements and an unsecured syndicated guarantee facility existed as at the balance sheet date with a number of financial institutions for this purpose. The guarantee facility was terminated in January 2016 and partially refinanced through bilateral credit facilities. We report in detail on existing contingent liabilities in the notes, Section 6.12 "Debt and subordinated capital" in our remarks on other financial facilities, page 211, and Section 8.7 "Contingent liabilities and commitments", page 232 et seq.

Analysis of the consolidated cash flow statement

Liquidity

We generate liquidity primarily from our operational reinsurance business, investments and financing measures. Regular liquidity planning and a liquid investment structure ensure that Hannover Re is able to make the necessary payments at all times. Hannover Re's cash flow is shown in the consolidated cash flow statement on page 142 et seq.

Hannover Re does not conduct any automated internal cash pooling within the Group. Liquidity surpluses are managed and created by the Group companies. Various loan relationships exist within the Hannover Re Group for the optimal structuring and flexible management of the short- or long-term allocation of liquidity and capital.

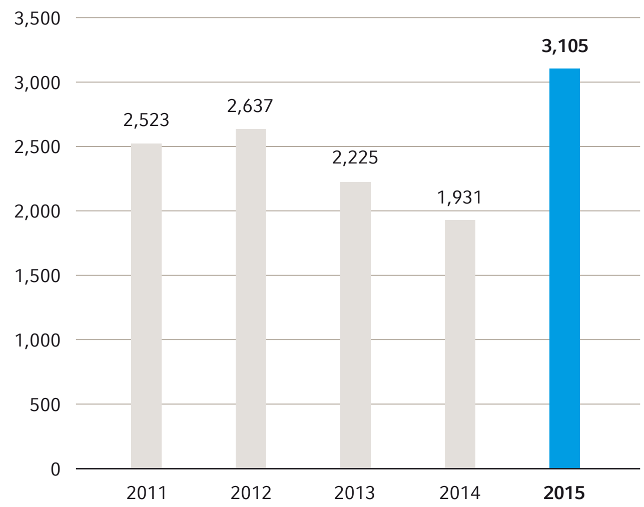
Consolidated cash flow statement M34

in EUR million	2015	2014
Cash flow from operating activities	3,104.9	1,930.9
Cash flow from investing activities	(2,048.1)	(1,195.3)
Cash flow from financing activities	(1,054.8)	(647.6)
Exchange rate differences on cash	17.7	46.0
Change in cash and cash equivalents	**19.7**	**134.0**
Cash and cash equivalents at the beginning of the period	772.9	642.9
Change in cash and cash equivalents according to cash flow statement	19.7	134.0
Changes in the consolidated group	–	(4.0)
Cash and cash equivalents at the end of the period	**792.6**	**772.9**

Cash flow from operating activities

The cash flow from operating activities, which also includes inflows from interest received and dividend receipts, amounted to EUR 3,104.9 million in the year under review as opposed to EUR 1,930.9 million in the previous year. The sharp increase of EUR 1,174.0 million in the net inflow year-on-year was essentially attributable to the generally higher premium volumes and, in particular, to certain financial solutions contracts in the area of life and health reinsurance under which the premiums had already been received by the balance sheet date but the corresponding retrocession premiums were not scheduled to be paid until the beginning of 2016.

Cash flow from operating activities M35
in EUR million



Cash flow from investing activities

After allowance for dividend payments and financing measures, the substantially higher cash flow from operating activities was for the most part invested in an amount of EUR 2,048.1 million (EUR 1,195.3 million) while preserving the existing asset structure.

Regarding the development of the investment portfolio please see also our remarks at the beginning of this section.

Cash flow from financing activities

The cash flow from financing activities decreased from -EUR 647.6 million to -EUR 1,054.8 million in the year under review. This was mainly due to redemption of the EUR 500.0 million subordinated debt issued by Hannover Finanz (Luxemburg) S.A. at the first scheduled call date as well as the higher dividend payments of EUR 557.4 million (EUR 403.4 million).

Overall, allowing for the changes in the consolidated group, the cash and cash equivalents therefore increased year-on-year by EUR 19.7 million to EUR 792.6 million.

For further information on our liquidity management please see page 95 of the risk report.

Financial strength ratings

A.M. Best and Standard & Poor's, the rating agencies of particular relevance to the insurance industry, assess the financial strength of Hannover Re on the basis of an interactive rating process and have awarded it very good ratings. The rating agencies highlight in particular the strength of the Hannover Re Group's competitive position, its capitalisation and its risk management.

Financial strength ratings of the Hannover Re Group M36

	Standard & Poor's	A.M. Best
Rating	AA- (Very Strong)	A+ (Superior)
Outlook	stable	stable

Financial strength ratings of subsidiaries M 37

	Standard & Poor's	A.M. Best
E+S Rückversicherung AG	AA-	A+
Hannover Life Reassurance Africa Ltd.	BBB+	–
Hannover Life Reassurance Bermuda Ltd.	AA-	A+
Hannover Life Reassurance Company of America	AA-	A+
Hannover Life Re of Australasia Ltd.	AA-	–
Hannover Reinsurance Africa Ltd.	BBB+	–
Hannover Re (Ireland) Ltd.	AA-	A+
Hannover Re (Bermuda) Ltd.	AA-	A+
Hannover ReTakaful B.S.C. (c)	A+	–
International Insurance Company of Hannover SE	AA-	A+

Issue ratings of issued debt

As part of the process of rating Hannover Re the rating agencies also assess the debt issued by the Hannover Re Group.

Issue ratings of issued debt M 38

	Standard & Poor's	A.M. Best
Hannover Rück SE, subordinated debt, EUR 500 million; 2014/undated	A	a
Hannover Finance (Luxembourg) S.A., subordinated debt, EUR 500 million; 2012/2043	A	a+
Hannover Finance (Luxembourg) S.A., subordinated debt, EUR 500 million; 2010/2040	A	a+

Information pursuant to § 315 Para. 4 German Commercial Code (HGB)

The common shares (share capital) of Hannover Rück SE amount to EUR 120,597,134.00. They are divided into 120,597,134 registered no-par shares.

The Executive Board of the company is not aware of any restrictions relating to voting rights or the transfer of shares, including cases where these may arise out of agreements between shareholders.

The following companies hold direct or indirect capital participations that exceed 10% of the voting rights:

Talanx AG, Hannover, directly holds 50.2% (rounded) of the company's voting rights. HDI-Haftpflichtverband der Deutschen Industrie Versicherungsverein auf Gegenseitigkeit, Hannover, which holds a stake of 79.0% in Talanx AG, therefore indirectly holds 39.7% (rounded) of the voting rights in the company.

There are no shares with special rights granting their holders powers of control, nor is there any specially structured voting control for employees who have capital participations and do not directly exercise their rights of control.

The appointment and recall of members of the Executive Board are determined by §§ 84 et seq. Stock Corporation Act. Amendment of the Articles of Association is governed by §§ 179 et seq. Stock Corporation Act in conjunction with § 18 Para. 2 of the Articles of Association of Hannover Rück SE.

The powers of the Executive Board with respect to the issue and repurchase of shares are defined in the Articles of Association of Hannover Rück SE as well as in §§ 71 et seq. Stock Corporation Act. In this connection the Annual General Meeting authorised the Executive Board on 6 May 2015 pursuant to § 71 Para. 1 Number 8 Stock Corporation Act to acquire treasury shares on certain conditions for a period of five years, ending on 5 May 2020.

The following paragraphs explain major agreements concluded by the company that are subject to reservation in the event of a change of control, inter alia following a takeover bid, and describe the resulting effects. Some letter of credit lines extended to Hannover Rück SE contain standard market change-of-control clauses that entitle the banks to early termination of a credit facility if Talanx AG loses its majority interest or drops below the threshold of a 25% participation or if a third party acquires the majority interest in Hannover Rück SE. For details of the letter of credit lines please see our explanatory remarks on other financial facilities in the notes, Section 6.12 "Debt and subordinated capital", page 211.

In addition, retrocession covers in property & casualty and life & health business contain standard market change-of-control clauses which in each case grant the other contracting party a right of termination if a significant change occurs in the ownership structure and participation ratios of the affected contracting party.

The company has not concluded any compensation agreements with the members of the Executive Board or with employees in the event of a takeover bid being made.

Information on Hannover Rück SE

(condensed version in accordance with the Commercial Code (HGB))

Since the 2013 financial year Hannover Re has availed itself of the option to present a combined Group and company management report pursuant to § 315 Para. 3 of the Commercial Code (HGB) in conjunction with § 298 Para. 3 of the Commercial Code (HGB). Supplementary to the reporting on the Hannover Re Group, we discuss below the development of Hannover Rück SE.

The annual financial statement of Hannover Rück SE is drawn up in accordance with German accounting principles (HGB). The consolidated financial statement, on the other hand, conforms to International Financial Reporting Standards (IFRS). This gives rise to various divergences in accounting policies affecting, above all, intangible assets, investments, technical assets and liabilities, financial instruments and deferred taxes.

The annual financial statement of Hannover Rück SE – from which the balance sheet and profit and loss account in particular are reproduced here in condensed form – has been submitted to the operator of the electronic Federal Gazette and can be accessed via the webpage of the Companies Register. This annual financial statement may be requested from Hannover Rück SE, Karl-Wiechert-Allee 50, 30625 Hannover, Germany.

Hannover Rück SE transacts reinsurance business in the business groups of Property & Casualty and Life & Health reinsurance. Through its global presence and activities in all lines of reinsurance the company achieves optimal risk diversification.

Since 1 January 1997 Hannover Rück SE has written active reinsurance for the Group – with few exceptions – solely in foreign markets. Responsibility within the Hannover Re Group for German business rests with the subsidiary E+S Rückversicherung AG.

Results of operations

The 2015 financial year passed off highly satisfactorily for Hannover Rück SE. The gross premium of Hannover Rück SE in total business increased by 30.1% to EUR 14.1 billion (previous year: EUR 10.9 billion). The level of retained premium contracted from 79.3% to 73.0%. Net premium earned grew by 20.0% to EUR 10.2 billion (EUR 8.5 billion).

Condensed profit and loss account of Hannover Rück SE M 39

in EUR thousand	2015	2014
Earned premiums, net of retrocession	10,178,602	8,481,296
Allocated investment return transferred from the non-technical account, net of retrocession	328,840	442,194
Other technical income, net of retrocession	15	23
Claims incurred, net of retrocession	7,222,016	6,801,306
Changes in other technical provisions, net of retrocession	(1,020,247)	166,116
Bonuses and rebates, net of retrocession	(12)	48
Operating expenses, net of retrocession	2,105,799	2,301,759
Other technical charges, net of retrocession	1,056	1,533
Subtotal	**158,351**	**(15,017)**
Change in the equalisation reserve and similar provisions	(136,129)	(277,646)
Net technical result	**22,222**	**(292,663)**
Investment income	1,862,593	1,739,563
Investment charges	166,675	158,722
Allocated investment return transferred to the technical account	(532,949)	(567,810)
Other income	160,761	161,566
Other charges	281,979	284,151
Profit or loss on ordinary activities before tax	**1,063,973**	**597,783**
Taxes on profit and income and other taxes	158,172	176,546
Profit for the financial year	**905,801**	**421,237**
Profit brought forward from previous year	2,462	94,208
Allocations to other retained earnings	250,263	445
Disposable profit	**658,000**	**515,000**

The underwriting result for total business (before changes in the equalisation reserve) improved in the year under review from -EUR 15.0 million to EUR 158.4 million. An amount of EUR 136.1 million (EUR 277.6 million) was allocated to the equalisation reserve and similar provisions.

Major loss expenditure in the year under review was higher than in 2014. Although the hurricane season once again passed off unremarkably, a number of natural catastrophe events and other large losses were recorded. The explosion in the port of the Chinese city of Tianjin was the largest single loss for Hannover Rück SE, resulting in net loss expenditure of EUR 43.1 million. In addition, damage to an oil rig in the Gulf of Mexico and a storm in Japan led to losses of EUR 29.6 million and EUR 23.2 million respectively. The total net expenditure incurred by Hannover Rück SE from large losses was EUR 330.6 million (EUR 257.0 million).

Ordinary investment income including deposit interest clearly exceeded the previous year's level to reach EUR 1,737.8 million (EUR 1,589.6 million). This was due principally to higher distributions from our investment holding companies. Our exposure to high-yield fund investments was also a very pleasing factor here. Net gains of EUR 94.0 million (EUR 104.0 million) were realised on disposals. Write-downs of EUR 83.2 million (EUR 92.9 million) were taken on investments. They were attributable almost exclusively to bearer debt securities held as current assets. The write-downs contrasted with write-ups of EUR 5.1 million (EUR 30.5 million) that were made on assets written down in previous periods in order to reflect increased fair values.

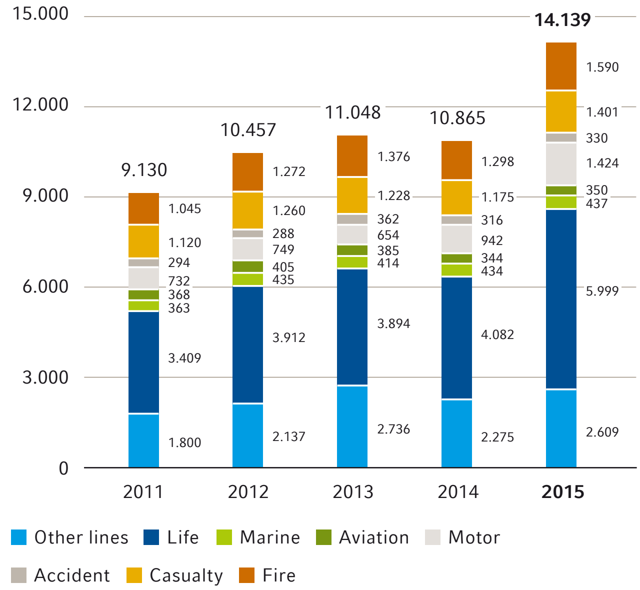
All in all, our net investment result improved to EUR 1,695.9 million (EUR 1,580.8 million).

The profit on ordinary activities increased to EUR 1,064.0 million (EUR 597.8 million). The year under review closed with a profit for the year of EUR 905.8 million (EUR 421.2 million).

Development of the individual lines of business

The following section describes the development of the various lines of business. We would like to point out that with effect from the beginning of the 2014 financial year the exchange of business under joint underwriting arrangements between Hannover Rück SE and E+S Rückversicherung AG was reorganised. In property and casualty reinsurance, however, a retrocession from Hannover Rück SE to E+S Rückversicherung AG has been maintained. The proportion of Hannover Rück SE's gross written premium attributable to business accepted from E+S Rückversicherung AG stood at 0.1% (-0.1%) in the year under review and relates to the run-off of the 2013 and prior underwriting years.

Hannover Rück SE: Breakdown of gross premium by individual lines of business **M 40**
in EUR million



Fire

Total gross premium income for the fire line climbed by 22.5% in the 2015 financial year to EUR 1,590.3 million (EUR 1,298.2 million). The net loss ratio improved in the year under review from 61.4% to 53.9%. The underwriting profit climbed to EUR 149.4 million (EUR 140.3 million). An amount of EUR 83.6 million was withdrawn from the equalisation reserve and similar provisions in the year under review, after an allocation of EUR 186.6 million in the previous year.

Casualty
Gross premium in casualty business climbed by 19.3% to EUR 1,400.9 million (EUR 1,174.7 million). The loss ratio decreased from 104.5% to 82.6%. The underwriting result consequently improved to -EUR 69.5 million (-EUR 276.0 million). An amount of EUR 139.6 million was allocated to the equalisation reserve and similar provisions in the year under review; the withdrawal in the previous year had totalled EUR 88.7 million.

Accident
Gross premium increased by 4.4% to EUR 329.8 million (EUR 316.0 million). The loss ratio rose from 57.4% to 70.3%. The underwriting result came in at EUR 9.9 million, after EUR 32.2 million in the previous year. An amount of EUR 23.7 million was withdrawn from the equalisation reserve and similar provisions, following an allocation of EUR 2.9 million in the previous year.

Motor
Gross premium income for the motor line surged by a very substantial 51.2% to EUR 1,423.6 million (EUR 941.7 million). The loss ratio deteriorated to 85.5% (39.1%). The underwriting result closed at -EUR 159.4 million (EUR 138.2 million). An amount of EUR 13.1 million was withdrawn from the equalisation reserve and similar provisions in the year under review, after an allocation of EUR 69.3 million in the previous year.

Aviation
The gross premium volume rose by a modest 1.8% from EUR 343.6 million to EUR 349.7 million. The loss ratio improved markedly from 102.1% to 77.8%. The underwriting result came in at EUR 2.5 million (-EUR 60.7 million). Following a withdrawal of EUR 34.4 million in the previous year, an amount of EUR 15.5 million was allocated to the equalisation reserve and similar provisions in the year under review.

Marine
Gross written premium nudged slightly higher by 0.7% to EUR 436.9 million (EUR 433.8 million). The net loss ratio rose from 62.2% to 74.3%. The underwriting result consequently contracted from EUR 39.4 million to EUR 8.2 million. An amount of EUR 48.2 million (EUR 91.3 million) was allocated to the equalisation reserve and similar provisions.

Life
Gross premium income in the life line grew by 47.0% in the financial year just ended to EUR 5,998.7 million (EUR 4,082.0 million). Business in the year under review was still heavily shaped by the generally very challenging market climate in Europe. Particularly in the markets of Northern and Western Europe, conditions continued to be competitive in the area of traditional life insurance covers. Asian markets as well as those of Central and Eastern Europe are exhibiting stronger interest in automated underwriting systems and innovative life insurance concepts. Generally speaking, it was noticeable that demand for long-term care and longevity insurance solutions increased in all markets. Innovative concepts such as lifestyle products also enjoyed stronger demand. Our international orientation is vital to our success in writing new business worldwide. We are thereby able to ensure sustainable earnings growth.

The underwriting result improved to EUR 163.3 million (-EUR 19.5 million) in the year under review. Our life and health reinsurance portfolio thus developed in line with our expectations. Financial solutions business comfortably outperformed its target.

Other lines
The lines of health, credit and surety, other indemnity insurance and other property insurance are reported together under other lines. Other property insurance consists of the extended coverage, comprehensive householder's (contents), comprehensive householder's (buildings), burglary and robbery, water damage, plate glass, engineering, loss of profits, hail, livestock and windstorm lines. Other indemnity insurance encompasses legal protection, fidelity as well as other pure financial losses and property damage.

The total premium volume in the other lines climbed by 14.7% to EUR 2,609.4 million (EUR 2,274.9 million). The loss ratio improved to 68.4% (74.1%). The underwriting result closed at EUR 54.0 million, after -EUR 8.9 million in the previous year. An amount of EUR 53.4 million (EUR 50.6 million) was allocated to the equalisation reserve and similar provisions.

Assets and financial position

Balance sheet structure of Hannover Rück SE **M 41**

in EUR thousand	2015	2014
Assets		
Intangible assets	77,960	75,731
Investments	41,338,228	41,912,302
Receivables	2,959,324	2,405,397
Other assets	331,197	362,095
Prepayments and accrued income	168,241	200,717
Total assets	**44,874,950**	**44,956,242**
Liabilities		
Subscribed capital	120,597	120,597
Capital reserve	880,608	880,608
Retained earnings	630,511	380,511
Disposable profit	658,000	515,000
Capital and reserves	**2,289,716**	**1,896,716**
Subordinated liabilities	1,500,000	1,500,000
Technical provisions	30,285,024	32,524,999
Provisions for other risks and charges	408,726	452,714
Deposits received from retrocessionaires	8,795,263	7,308,422
Other liabilities	1,596,213	1,273,391
Accruals and deferred income	8	–
Total liabilities	**44,874,950**	**44,956,242**

Our portfolio of assets under own management grew in the year under review to EUR 25.7 billion (EUR 23.0 billion). This corresponds to an increase of 11.8% and can be attributed above all to the very positive operating cash flow and the appreciation of various currencies against the euro. The balance of unrealised gains on fixed-income securities and bond funds contracted to EUR 610.3 million (EUR 891.3 million). This reflected the yield increases observed in the course of the year under review – especially on US Treasuries – as well as higher risk premiums for corporate bonds.

Deposits with ceding companies, which are shown under the investments, totalled EUR 15.6 billion (EUR 18.9 billion) in the year under review.

Our capital and reserves – excluding the disposable profit – stood at EUR 1,631.7 million (EUR 1,381.7 million). The total capital, reserves and technical provisions – comprised of the capital and reserves excluding disposable profit, the subordinated liabilities, the equalisation reserve and similar provisions as well as the net technical provisions – fell during the year under review to EUR 33,416.7 million (EUR 35,406.7 million). The balance sheet total of Hannover Rück SE consequently decreased to EUR 44.9 billion (EUR 45.0 billion).

A dividend of EUR 3.00 plus a special dividend of EUR 1.25 per share, equivalent to EUR 512,5 million (EUR 361.8 million), was paid in the year under review for the 2014 financial year.

It will be proposed to the Annual General Meeting on 10 May 2016 that a dividend of EUR 3.25 plus a special dividend of EUR 1.50 per share should be paid for the 2015 financial year. This corresponds to a total distribution of EUR 572.8 million. The dividend proposal does not form part of this consolidated financial statement.

Risks and opportunities

The business development of Hannover Rück SE is essentially subject to the same risks and opportunities as that of the Hannover Re Group. As a general principle, Hannover Rück SE shares in the risks of participating interests and subsidiaries according to the amount of its respective holding. The risks are set out in the risk report. The relations with participating interests of Hannover Rück SE may also give rise to losses from legal or contractual contingent liabilities (particularly novation clauses and guarantees). Please see our explanatory remarks in the notes to this report.

Other information

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 Para. 1 Stock Corporation Act (AktG).

Hannover Rück SE maintains branches in Australia, Bahrain, Canada, China, France, Korea, Malaysia, Sweden and the United Kingdom.

Outlook

In view of the interrelations between the parent company and the Group companies and the former's large share of business within the Group, we would refer here to our remarks contained in the section entitled "Outlook for 2016" on page 132 et seq., which also reflect in particular the expectations for Hannover Rück SE. In terms of the dividend for the current financial year, we envisage a payout ratio in the range of 35% to 40% of the IFRS Group net income. This ratio may increase in light of capital management considerations if the present comfortable level of capitalisation remains unchanged.

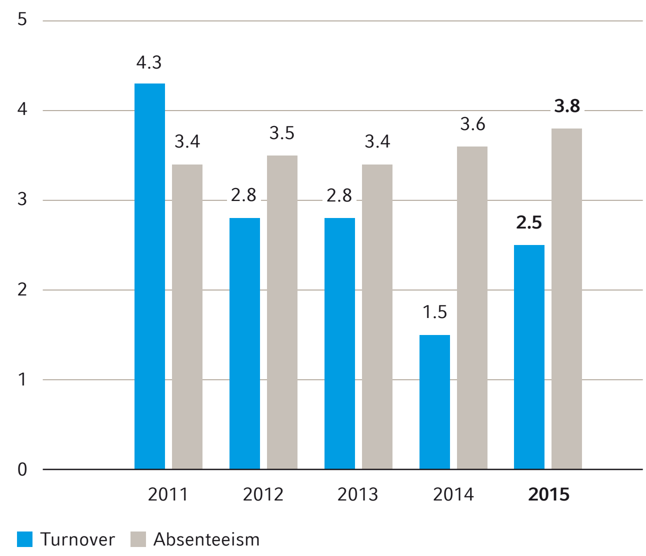
Other success factors

Our staff

Key personnel ratios

The Hannover Re Group employed 2,568 staff as at 31 December 2015 (previous year: 2,534). The turnover ratio at Home Office in Hannover of 2.5% (1.5%) was higher than the level of the previous year. The rate of absenteeism – at 3.8% – was slightly higher than in the previous year (3.6%). The turnover ratio and rate of absenteeism continue to be below the average expected across the industry as a whole.

Staff turnover/absenteeism Hannover Home Office M 42
in %



First international employee survey conducted

In the financial year just ended we carried out an international, Group-wide employee survey for the first time. The purpose of this survey was, in the first place, to continue the dialogue initiated in recent years on a consistent understanding of values and leadership. For this reason, the questions centred above all on the extent to which our Values and Management Principles – which have been defined as mandatory Group-wide – are known and embodied in practice. Secondly, we inquired into our employees' connection and dedication to the company and explored the status of (international) cooperation.

The survey was conducted in October 2015 with the support of an external opinion research and management consulting firm. Overall participation came in at a solid level of just under 70% of all surveyed staff. A very high degree of overall satisfaction among our staff can be identified as a central finding. This is true both of the average evaluation across all questions and for virtually all individual questions. The considerable motivation and dedication expressed by our staff is especially gratifying. As far as potential scope for improvement is concerned, they identified a more broad-based system of remuneration and further optimisation of the support provided for their ongoing individual training.

On the basis of these insights we shall evaluate the findings in detail in the current financial year and initiate measures. The goals will be to leverage higher-order potential scope for improvement and to support the individual units as they explore the findings of relevance to them.

Learning management system successfully implemented

Another focus of our activities in the financial year just ended was the implementation of a state-of-the-art learning management system – the HannoverReAcademy. This process was launched in 2014 by means of an evaluation project, followed in 2015 by the roll-out of the selected program. Since then, we have been able to offer our staff a clear overview of all internal seminar opportunities from the areas of HR and IT in the form of a training catalogue. Similarly, all booking, approval and administration processes are run using this application.

HannoverReAcademy additionally serves as the platform for operating our e-learning programmes. We have been successfully using these for a number of years in a blended learning format, i. e. in combination with face-to-face tutorials, as part of the international basic training provided to our new members of staff.

It is also pleasing to note that the launch of HannoverReAcademy has enabled us to streamline what used to be more of a patchwork of administrative processes. Henceforth, for example, a package of entry-level seminars is automatically booked for every new employee based on the experience that we have gained over the years. This is all done on a worldwide basis because our international units also have access to HannoverReAcademy. In this way we ensure that the standard of training given to our workforce is of a consistently high standard.

Recruiting activities stepped up

We went to special lengths to refresh our efforts to recruit new personnel. In recent years we had already enjoyed consistent success in attracting new staff in a timely manner who fulfil our quality requirements. Nevertheless, in the financial year just ended – working in conjunction with the other areas of our company that play an active part in our external profile – we revamped our online presence. Along similar lines to our entire corporate website, the careers section now features a fresh contemporary design. At the same time we improved the information provided on our webpages as well as the ability to search the content systematically.

We attached special emphasis to expanding our efforts to address the applicant groups most relevant to our company in a targeted manner through short film clips. The centrepiece in this regard is a new personnel marketing video that highlights aspects of particular importance to our target applicant groups – specifically, the challenging nature of the work, the pleasant working atmosphere and the international dimension. This image video is flanked by four newly produced testimonials, in which members of staff describe their roles and the associated appeal of their work from their own individual perspectives. The goal is to offer potential recruits a straightforward and engaging insight into the diversity and fascination of our tasks and to encourage them to apply. The range of video materials is rounded off with some recordings of public appearances or interviews featuring our personnel advisers, who offer practical tips on the application process and choosing the right employer.

Breakdown of employees by country M 43

	2015	2014
Germany	1,337	1,289
USA	283	285
South Africa	156	164
United Kingdom	156	200
Australia	103	100
Sweden	92	89
China	72	70
France	54	52
Malaysia	53	53
Ireland	51	48
Bahrain	46	45
Bermuda	45	43
Colombia	27	26
India	27	8
Canada	16	11
Italy	11	11
Korea	10	10
Mexico	7	6
Spain	7	7
Japan	7	9
Taiwan	4	4
Brazil	4	4
Total	**2,568**	**2,534**

Word of thanks to our staff

The Executive Board would like to thank all employees for their dedication in the past year. At all times the workforce identified with the company's objectives and successfully pursued them. We would also like to express our appreciation to the representatives of staff and senior management who participated in our co-determination bodies for their critical yet always constructive cooperation.

Sustainability at Hannover Re

The Sustainability Strategy of the Hannover Re Group

For Hannover Re, sustainability means a commitment to responsible and transparent enterprise management that is geared to lasting corporate success. With this in mind, in 2011 we drew up a Sustainability Strategy for Hannover Re that reflects in concrete terms the higher-order corporate strategy of the Group and in which we explicitly commit to our strategic objective of sustainable value creation.

In 2014 we reviewed our Group Strategy and Sustainability Strategy in keeping with our three-year strategy cycle. In conformity with the Group Strategy, the sustainability goals that had been set for the strategy cycle just ended were therefore similarly revisited and modified to reflect the changing general business conditions. Sustainability goals that had still to be achieved were carried over to the new strategy cycle. Our current Sustainability Strategy for the years 2015 to 2017 defines the following four action fields and specifies 14 concrete goals and 42 measures:

- Governance and dialogue
- Product responsibility
- Employees
- Environment and society

For details of Hannover Re's current Sustainability Strategy please see www.hannover-re.com/60729/sustainability

Governance and dialogue

As an internationally operating company, Hannover Re bears responsibility in various senses. This is true of its compliance with relevant laws and regulations, but also applies to its relationship with staff, shareholders, the public at large and the cultures within which the company operates. As a European company (Societas Europaea – SE) based in Germany, the formal framework that shapes Hannover Re's corporate governance is determined by national (German) law. The fundamental hallmarks of this corporate governance are a two-tier system with its transparent and effective split into management (Executive Board) and its oversight (Supervisory Board), the appointment of shareholder and employee representatives to the Supervisory Board and the rights of co-administration and supervision exercised by shareholders at the Annual General Meeting. The interplay between these bodies is regulated by German stock corporation law and by the company's Articles of Association. Furthermore, our Group Strategy, the Corporate Governance principles and our Code of Conduct form the basis of our enterprise management.

In addition to our continuous engagement with the changing legal framework conditions, since 2003 we have provided an annual Declaration of Conformity with the German Corporate Governance Code (DCKG); this is published on our corporate website and can also be found on page 99 et seq. of the present Annual Report. The Corporate Governance principles of Hannover Rück SE are also subject to regular review and fulfil the recommendations of the currently valid version of the German Corporate Governance Code.

Given that the trust of our stakeholder groups and an immaculate reputation are vital to the success of our company, we also make every effort to cultivate an active dialogue with representatives of the capital market and society as a whole as well as with our clients and staff. In the year just ended we again reported on our achievements as a responsible enterprise in the form of a stand-alone Sustainability Report. In this regard we follow the currently applicable and internationally recognised guidelines of the Global Reporting Initiative (GRI); we fulfil Application Level B – the intermediate level of transparency – as defined by the GRI.

In 2015 Hannover Re's sustainability performance was again evaluated by the rating agency Oekom Research; our company was awarded "Prime" status in recognition of its above-average fulfilment of industry-specific requirements. In addition, in June 2015 Hannover Re received confirmation of its inclusion in the worldwide FTSE4Good Index Series from the FTSE Environmental, Social and Governance Advisory Committee.

Product responsibility

Our range of reinsurance products and services is geared to the needs of the market and our clients. Hannover Re is active in virtually all lines of reinsurance business. Our products range from traditional reinsurance to complex individual solutions for risk transfer and the optimisation of our clients' capital requirements. As a leading player in the reinsurance industry, the commercial success of Hannover Re is crucially dependent on the correct assessment of present and emerging risks. In the process of evaluating risks we are faced today with growing complexity as a consequence of the increasing importance attached to various aspects of sustainability. These emerging risks have recently included not only the rising prevalence of geopolitical and economic uncertainties but also developments such as demographic change, shifting mobility patterns in populations, increasing digitalisation and the resulting cyber risks as well as climate changes and the associated discussions centred on food and water security. By organising topically specific conferences, visiting clients and attending trade fairs and expert gatherings we enable our customers to share our knowledge and we use the internally and externally acquired insights in order to be able to offer them better or innovative (re)insurance solutions and to strengthen our customer relationships.

When it comes to the management of our investment portfolio, we aim to generate a commensurate market return in the interests of our clients and shareholders. This is done in accordance with our Sustainability Strategy by incorporating ESG (environmental, social and governance) criteria into our investment policy. Specifically, since 2012 we have been guided by the ten principles of the United Nations Global Compact and thus also recognise the aspects of human rights, working conditions, the environment and anti-corruption. Since 2013 our investments have been reviewed half-yearly to verify compliance with these ESG standards. If a breach of the criteria is identified, we part with the instrument in question and exclude it from our investment universe. As we develop and continuously review our investment strategy, we work together with an established service provider that specialises in sustainability. In the context of our Sustainability Strategy we have set ourselves the goal of expanding our ESG guidelines for investment management. We intend to refine our ESG Investment Policy, including the development of positive screening.

Employees

Employing successful members of staff on a long-term basis is one of the ten key points of our Group Strategy. In order to ensure that we are always perceived as an attractive employer by our existing staff and potential new junior recruits, we pay special attention to their skills and further growth. The health and well-being of our staff are also vital to the sustainable development of our business. The focus of our efforts is therefore on the prevention of disease, e. g. through medical check-ups by the company physician, workplace inspections, advice and treatment relating to matters of general medicine as well as a range of sporting opportunities designed to promote a healthy lifestyle.

We also stress the importance of enabling our employees to strike the right balance between their career and private life. Consequently, we offer individually customisable part-time and telecommuting models as well as flexitime working arrangements with no core hours. By offering such flexibility we want to help our employees organise their daily routine in various stages of life such as starting a family or preparing for retirement, e. g. through partial retirement opportunities for older staff. One of the cornerstones of our successful business activities, along with skills and commitment, is the high degree of diversity in our workforce – since this is vital to safeguarding our high global quality standard. The workforce at Hannover Home Office alone is comprised of 39 different nations, reflecting the international dimension of our business activities. Fostering this diversity is similarly enshrined in our Sustainability Strategy.

Environment and society

Hannover Re does its utmost to keep negative environmental impacts of its business operations as low as possible. The focus of our efforts to conserve the environment is on reducing carbon dioxide (CO_2) emissions associated with the supply of electricity and heating to our premises as well as with our business travel. Having already converted our power supply at the German location to renewables, we now want to extend this progressively to our international offices as well. With the implementation of our Environmental Management System, which was certified according to DIN EN ISO 14001 in 2012, we have put in place standard processes for dealing with environmental protection and defined concrete measures in the environmental programme. Our Environmental Management System was successfully recertified in November 2015.

Hannover Re's carbon dioxide emissions at its German location in 2015 amounted to 8,581 (previous year: 7,798) tonnes, some 10.0% more than in the previous year. This is equivalent to per capita CO_2 emissions of 6.4 tonnes (+6.7% compared to the previous year).

In 2015, as in previous years, we compensated for our unavoidable CO_2 emissions of 8,306 (7,514) tonnes caused by business travel by making voluntary offsetting payments to the international organisation "atmosfair" and thereby supported selected climate protection projects in developing and emerging countries. This is equivalent to an offset of around 97% of our total CO_2 emissions resulting from business travel and the consumption of electricity, district heating and paper.

In the financial year just ended, as in prior years, we reported on our measures to reduce carbon dioxide emissions as part of the international initiative overseen by the Carbon Disclosure Project (CDP); in this context we achieved a disclosure score of 91 out of a possible 100 points.

The table below breaks down Hannover Re's consumption and emissions over the past five years.

Resources consumed at Hannover Home Office **M 44**

	2015[2]	2014[2]	2013[2]	2012[2]	2011[1]
Number of staff	1,337	1,289	1,219	1,164	1,110
Electricity (in kWh)	8,868,345	8,969,975	9,114,482	8,802,262	8,214,917
Heat (in kWh)	2,746,698	2,748,014	3,359,694	2,319,854	1,859,119
Water (in l)	17,088,000	15,176,000	15,778,000	14,961,000	14,464,500
Paper (in sheets)	6,600,810	7,551,200	8,502,060	8,766,000	9,172,180
Waste (in kg)	156,880	193,760	214,250	205,790	257,400
Business trips (in km)	20,530,043	20,447,867	18,185,062	16,654,504	17,658,598
CO_2 emissions (in kg)[3]	8,581,000	7,798,000	7,203,000	4,984,000	8,123,000

1 Karl-Wiechert-Allee 50, Roderbruchstrasse 21 and 26 as well as infant daycare centre, Hannover
2 Karl-Wiechert-Allee 50, Roderbruchstrasse 21 and 26 as well as infant daycare centre, Karl-Wiechert-Allee 57 (pro rata), Hannover
3 Radiative Forcing Index: 2.7

Our commitment to society has a long tradition. Hannover Re has been active as a sponsor of culture and social projects for several decades. Our activities extend beyond our location in Germany to our subsidiaries with their specific projects catering to social concerns in their own country. Content-wise, we concentrate our non-profit activities today on the areas of research, learning, art and music as well as on assisting our employees with their voluntary contributions to society. Our involvement encompasses not only projects in Germany but also activities at our international locations.

Detailed explanatory remarks on our consumption of resources as well as extensive information on our social commitment can be found at www.hannover-re.com/60729/sustainability

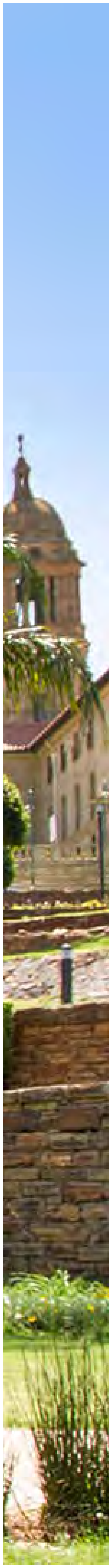
Nelson Mandela statue, Union Buildings, Pretoria, South Africa

Always …

… innovative

Innovative in lifestyle matters

People with a healthy lifestyle are – at least statistically speaking – less susceptible to disease and disability. Lifestyle programmes are designed to motivate people to live a healthy life. This means that insurers can grant premium discounts, extend the scope of coverage or offer attractive rewards – while at the same time having to make lower claims payments. Hannover Re participates in such lifestyle programmes, contributing its know-how and helping its customers to carry the risk. The concepts developed for the South African market have the potential to grow into the largest incentive-based scientific wellness programme in the world; they have already been successfully adopted in other countries.



Opportunity and risk report

Risk report

- We are well capitalised. Our available capital comfortably exceeds the required capital.
- We are convinced that our Group-wide risk management system gives us a transparent overview of the current risk situation at all times and that we fulfil the requirements placed on the risk management system by Solvency II.

Strategy implementation

Our current corporate strategy encompasses ten guiding principles that safeguard the realisation of our vision "Long-term success in a competitive business" across the various divisions. For further information on the corporate strategy and the strategic principles in detail please see the section entitled "Our strategy" on page 16 et seq. The following principles of the corporate strategy constitute the key strategic points of departure for our Group-wide risk management:

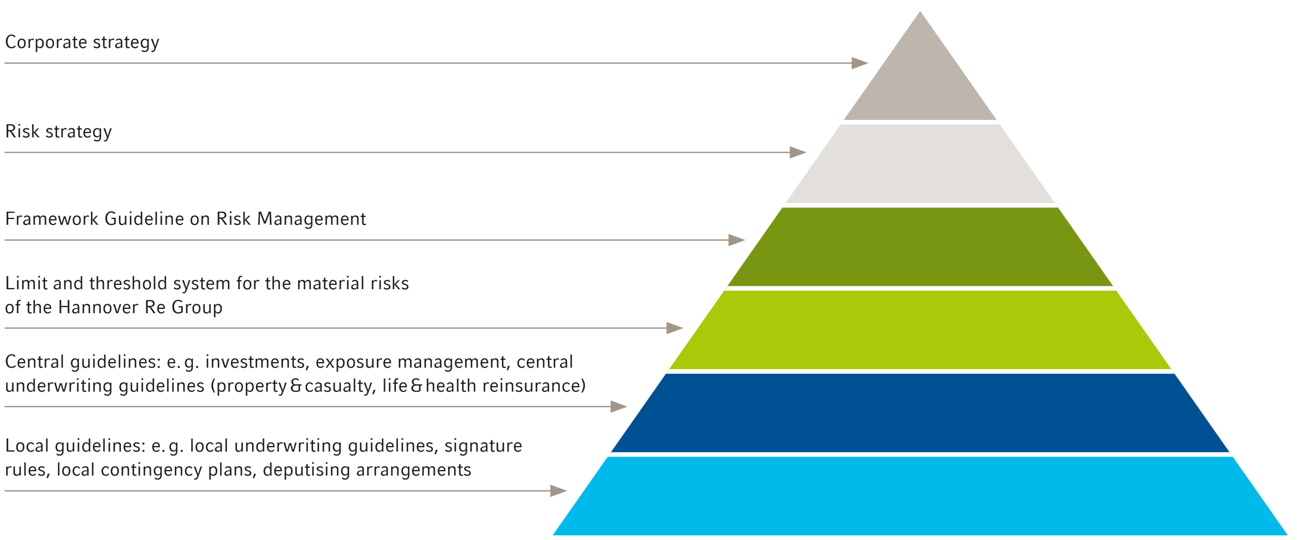
- We manage risks actively.
- We maintain an adequate level of capitalisation.
- We are committed to sustainability, integrity and compliance.

The risk strategy is derived from our corporate strategy. It forms the core element in our handling of opportunities and risks. The risk strategy specifies more closely the goals of risk management and documents our understanding of risk. We have also defined ten overriding principles within our risk strategy:

1. We adhere to the risk appetite set by the Executive Board.
2. We integrate risk management into value-based management.
3. We promote an open risk culture and the transparency of our risk management system.
4. We strive for the highest ERM rating and a comfortable level of capital adequacy under Solvency II.
5. We determine a materiality threshold for our risks.
6. We make use of appropriate quantitative methods.
7. We apply well-suited qualitative methods.
8. We allocate our capital risk-based.
9. We ensure the necessary separation of functions through our organisational structure.
10. We assess the risk contribution from new business areas and new products.

The risk strategy is similarly specified with an increasing degree of detail on the various levels of the company.

Implementation of strategy M 45



The risk strategy and the major guidelines derived from it, such as the Framework Guideline on Risk Management and the central system of limits and thresholds, are reviewed at least once a year. In this way we ensure that our risk management system is kept up-to-date.

We manage our total enterprise risk such that we can expect to generate positive Group net income with a probability of 90% p. a. and the likelihood of the complete loss of our economic capital and shareholders' equity does not exceed 0.03% p. a. These indicators are monitored using our internal capital model and the Executive Board is informed quarterly about adherence to these key parameters as part of regular reporting. The necessary equity resources are determined according to the requirements of our economic capital model, solvency regulations, the expectations of rating agencies with respect to our target rating and the expectations of our clients. Above and beyond that, we maintain a capital cushion in order to be able to act on new business opportunities at any time.

Strategic targets for risk position M 46

	Limit	30.9.2015
Probability of positive net income	>90%	96.9%
Probability of loss of shareholders' equity	<0.03%	0.01%
Probability of loss of economic equity	<0.03%	<0.01%

Major external factors influencing risk management in the financial year just ended

Regulatory developments: Further more concrete aspects of Solvency II were defined in the 2015 financial year, including the decision by lawmakers to adopt a revised version of the Insurance Supervision Act with effect from 1 January 2016 and thereby translate European standards into national law. The Hannover Re Group has systematically implemented all requirements to date. Following intensive preparations the Hannover Re Group received approval to calculate its solvency requirements using its internal model when Solvency II comes into effect. The approved model covers the underwriting, market and counterparty default risks that are most relevant to enterprise management. Our internal model enables us to optimally map the risk structure of our reinsurance business and our investments, which would not be possible using a standard model. Regulatory approval also means that the risks can be better reflected when determining the regulatory capital requirements. Our internal target capitalisation with a confidence level of 99.97% comfortably exceeds the target level of 99.5% under Solvency II, thereby ensuring a comfortable level of capital adequacy under Solvency II if the internal target is achieved.

The core functions of Solvency II – the risk management function, the actuarial function, the compliance function and the internal audit function – have been implemented. In fulfilling the new supervisory requirements for core functions, we were able to build on existing processes and organisational structures. In 2015 we comprehensively fulfilled the supervisory reporting requirements during the preparatory phase for Solvency II, inter alia by compiling a Regular Supervisory Report (RSR) and a report on the Own Risk and Solvency Assessment (ORSA) for Hannover Rück SE and other European insurance companies within the Group.

Parallel to the regulatory developments in Europe, we are seeing adjustments worldwide to the regulation of (re)insurance undertakings. It is often the case that various local supervisory authorities take their lead from the principles of Solvency II or the requirements set out by the International Association of Insurance Supervisors (IAIS).

Solvency II

Pillar 1	Pillar 2	Pillar 3
Quantitative requirements • Capital requirements (SCR/MCR*) • Own funds (solvency balance sheet) • Standard model and internal model	**Qualitative requirements** • Internal controls, risk management and key functions • Internal risk assessment • Supervisory review procedure	**Disclosure requirements** • to the regulator and the public • with the goal of market transparency and market discipline

Hannover Re

Hannover Re has received approval for its partial internal model. Internal and external risk quantification are therefore largely consistent. Supervisory capital requirements can continue to be efficiently implemented.	Hannover Re has long had in place an internal control system, the necessary key functions and extensive risk management. Additional requirements arising out of Solvency II have become established along existing processes.	We help our clients to fulfil the requirements of Solvency II through flexible product design and a regular exchange of experience.

* SCR = Solvency Capital Requirement; MCR = Minimum Capital Requirement

Capital market environment: Another major external influencing factor is the protracted low level of interest rates, especially with an eye to the return on our investments. For further information please see the "Investments" section of the management report on page 51 et seq.

Risk capital

In the interests of our shareholders and clients we strive to ensure that our risks remain commensurate with our capital resources. Our quantitative risk management provides a uniform framework for the evaluation and steering of all risks affecting the company as well as of our capital position. In this context, the internal capital model is our central tool. The internal capital model of the Hannover Re Group is a stochastic enterprise model. It covers all subsidiaries and business groups of the Hannover Re Group. The central variable in risk and enterprise management is the economic capital, which is calculated according to market-consistent measurement principles and also constitutes the basis for calculating the own funds under Solvency II. Hannover Re's internal capital model reflects all risks that influence the development of the economic capital. These are split into underwriting risks, market risks, counterparty default risks and operational risks. For each of these risk classes we have identified a number of risk factors for which we define probability distributions. These risk factors include, for example, economic indicators such as interest rates, exchange rates and inflation indices, but also insurance-specific indicators such as the mortality of a particular age group within our portfolio of insureds in a particular country or the number of natural catastrophes in a certain region and the insured loss amount per catastrophe. The specification of the probability distributions for the risk factors draws upon historical and publicly available data as well as on the internal data resources of the Hannover Re Group. This process is further supplemented by the know-how of internal and external experts. The fit of the probability distributions is regularly checked by our specialist departments, although more importantly it is also verified in the context of the regular, company-wide use of the capital model when assessing risks and allocating the cost of capital. Hannover Re calculates the required risk capital as the Value at Risk (VaR) of the economic change in value over a period of one year with a confidence level of 99.97%. This reflects the goal of not exceeding a one-year ruin probability of 0.03%. The internal target capitalisation of the Hannover Re Group is therefore significantly higher than the minimum confidence level of 99.5% required under Solvency II.

Irrespective of regulatory reporting requirements, the Hannover Re Group regularly calculates its capitalisation in accordance with Solvency II, i.e. in accordance with the approved internal model (partial model). The capital requirements for market risks, underwriting risks and counterparty default risks are determined on this basis. The capital requirement for operational risks, on the other hand, is calculated according to the parameters of the Solvency II standard formula. The own funds are based on the economic capital, with non-controlling interests not fully recognised as required by Solvency II. The capital adequacy ratio of the Hannover Re Group calculated in accordance with the parameters of Solvency II stood at 221% as at 30 September 2015.

All figures on the risk capital provided below are based on the full internal model of the Hannover Re Group: our excess capital coverage at the target confidence level of 99.97% was very comfortable at 131.5% as at 30 September 2015. Hannover Re is well capitalised and our available capital comfortably exceeds the required capital:

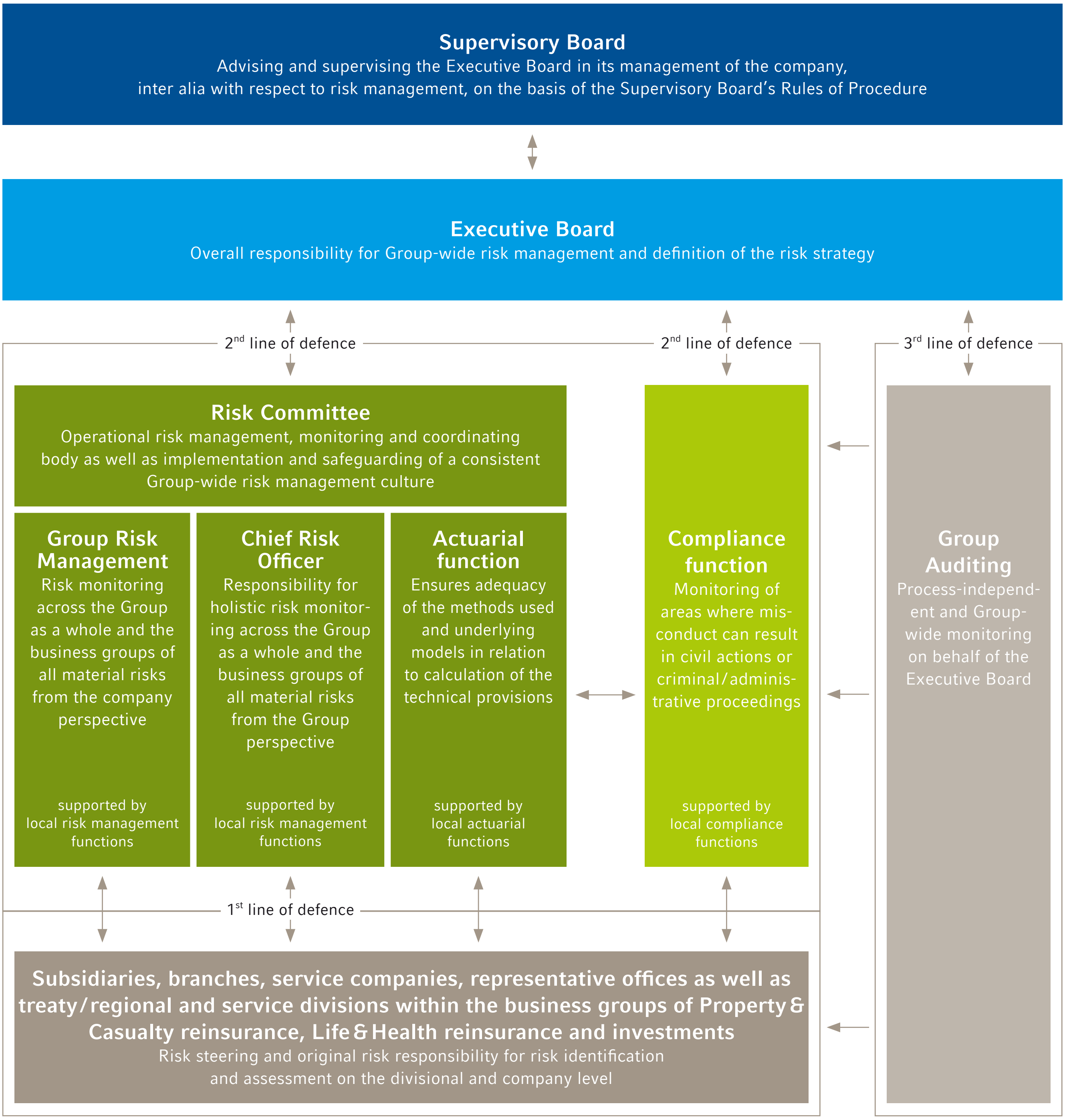
Available capital and required risk capital **M 48**

in EUR million	30.9.2015		31.12.2014	
Available economic capital	12,614.7		12,443.9	
Confidence level	**99.97%**	**99.5%**	**99.97%**	**99.5%**
Required risk capital	9,593.0	5,126.3	7,786.6	4,353.1
Excess capital	3,021.7	7,488.4	4,657.3	8,090.8
Capital adequacy ratio	131.5%	246.1%	159.8%	285.9%

We hold additional capital above all to meet the requirements of the rating agencies for our target rating and to be able to act flexibly on business opportunities. We strive for a rating from the rating agencies most relevant to our industry that facilitates and secures our access to all reinsurance business worldwide. Hannover Re is analysed by the rating agencies Standard & Poor's (S & P) and A. M. Best as part of an interactive rating process. The current financial strength ratings are assessed as "AA-" (Very Strong, stable outlook) by Standard & Poor's and "A+" (Superior, stable outlook) by A. M. Best. Standard & Poor's evaluates Hannover Re's risk management as "Very Strong", the best possible rating. In this regard particular mention was made of the company's very good risk management, the consistent and systematic implementation of corporate strategy by management and its excellent capital resources. Hannover Re's internal capital model was also subjected to expert appraisal. Based on this review, Standard & Poor's factors the results of the Hannover Re Group's internal capital model into the determination of the target capital for the rating.

Organisation and processes of risk management

Hannover Re has set up risk management functions and bodies Group-wide to safeguard an efficient risk management system. The organisation and interplay of the individual functions in risk management are crucial to our internal risk steering and control system. The central functions of risk management are closely interlinked in our system and the roles, tasks and reporting channels are clearly defined and documented in terms of the so-called "3 lines of defence". The first line of defence consists of risk steering and the original risk responsibility on the divisional or company level. Risk management ensures the second line of defence – risk monitoring. It is supported in this regard by the actuarial function and the compliance function. The third line of defence is the process-independent monitoring performed by the internal audit function. The following chart provides an overview of the central functions and bodies within the overall system as well as of their major tasks and powers.



Group-wide risk communication and an open risk culture are important to our risk management. Regular global meetings attended by the actuarial units and risk management functions serve as a central anchor point for strategic considerations in relation to risk communication.

Key elements of our risk management system

Our risk strategy, the Framework Guideline on Risk Management and the system of limits and thresholds for material risks of the Hannover Re Group describe the central elements of our risk management system. The risk management system is subject to a constant cycle of planning, action, control and improvement. Systematic risk identification, analysis, measurement, steering and monitoring as well as risk reporting are especially crucial to the effectiveness of the system as a whole.

The Framework Guideline on Risk Management describes, among other things, the major tasks, rights and responsibilities, the organisational framework conditions and the risk control process. The rules, which are derived from the corporate strategy and the risk strategy, additionally take account of the regulatory minimum requirements for risk management as well as international standards and developments relating to appropriate enterprise management.

Risk-bearing capacity concept

The establishment of the risk-bearing capacity involves determining the total available risk coverage potential and calculating how much of this is to be used for covering all material risks. This is done in conformity with the parameters of the risk strategy and the risk appetite defined by the Executive Board. The quantitatively measurable individual risks and the risk position as a whole are evaluated using our risk model. A central system of limits and thresholds is in place to monitor material risks. This system incorporates – along with other risk-related key figures – in particular the indicators derived and calculated from the risk-bearing capacity. Adherence to the overall risk appetite is verified on an ongoing basis using the results of the risk model.

Risk identification

A key source of information for monitoring risks is the risk identification carried out on a rotating basis. All identified risks are documented in the central register containing all material risks. Risk identification takes the form of, for example, structured assessments, interviews or scenario analyses. External insights such as recognised industry know-how from relevant bodies or working groups are incorporated into the process. Risk identification is important for ensuring that our risk management consistently remains up-to-date.

Risk analysis and assessment

In principle, every risk that is identified and considered material is quantitatively assessed. Only risk types for which quantitative risk measurement is currently impossible or difficult are qualitatively assessed (e. g. strategic risks or reputational risks). Qualitative assessment takes the form of inter alia expert evaluations. Quantitative assessment of material risks and the overall risk position is performed by Group Risk Management using the Hannover Re risk model. The model makes allowance as far as possible for risk accumulations and concentrations.

Risk steering

The steering of all material risks is the task of the operational business units on the divisional and company level. In this context, the identified and analysed risks are either consciously accepted, avoided or minimised. The risk/reward ratio and the required capital are factored into the division's decision. Risk steering is assisted by, among other things, the parameters of the central and local underwriting guidelines and by defined limits and thresholds.

Risk monitoring

The monitoring of all identified material risks is a core task of Group Risk Management. This includes, inter alia, monitoring execution of the risk strategy as well as adherence to the defined limits and thresholds and to risk-related methods and processes. A further major task of risk monitoring is the ascertainment of whether risk steering measures were carried out and whether the planned effect of the measures is sufficient.

Risk communication and risk culture

Risk management is firmly integrated into our operational processes. It is assisted by transparent risk communication and the open handling of risks as part of our risk culture. Risk communication takes the form, for example, of internal and external risk reports, information on current risk complexes in the intranet and training opportunities for staff. The regular sharing of information between risk-steering and risk-monitoring units is also fundamental to the proper functioning of risk management.

Risk reporting

Our risk reporting provides systematic and timely information about all material risks and their potential implications. The central risk reporting system consists primarily of regular risk reports, e. g. on the overall risk situation, adherence to the parameters defined in the risk strategy or on the capacity utilisation of natural catastrophe scenarios. Complementary to the regular risk reporting, immediate internal reporting on material risks that emerge at short notice takes place as necessary. The already existing range of risk reports will be supplemented in the context of Solvency II implementation by further reports, including for example the "Regular Supervisory Report" (RSR) and the "Solvency and Financial Condition Report" (SFCR).

Process-integrated/-independent monitoring and quality assurance

Irrespective of internally assigned competencies, the Executive Board is responsible for the orderly organisation of the company's business. This also encompasses monitoring of the internal risk steering and control system. Process-independent monitoring and quality assurance of risk management is carried out by the internal audit function and external instances (regulators, independent auditors and rating agencies). Most notably, the independent auditors review the trigger mechanism and the internal monitoring system. The entire system is rounded off with process-integrated procedures and rules, such as those of the internal control system.

Internal control system

We organise our business activities in such a way that they are always in conformity with all legal requirements. The internal control system (ICS) is an important subsystem that serves, among other things, to secure and protect existing assets, prevent and reveal errors and irregularities and comply with laws and regulations. The core elements of Hannover Re's ICS are documented in a Framework Guideline that establishes a common understanding of the differentiated execution of the necessary controls. In the final analysis, it is designed to systematically steer and monitor the implementation of our corporate strategy. The Framework Guideline defines concepts, stipulates responsibilities and provides a guide for the description of controls. In addition, it forms the basis for the accomplishment of internal objectives and the fulfilment of external requirements imposed on Hannover Re. The ICS consists of systematically structured organisational and technical measures and controls within the enterprise. This includes, among other things:

- the principle of dual control,
- separation of functions,
- documentation of the controls within processes,
- and technical plausibility checks and access privileges in the IT systems.

The proper functioning of the ICS necessitates the involvement of management, executive staff and employees on all levels.

The financial reporting of the parent company and the Group must satisfy international and national financial reporting standards as well as regulatory requirements. This is safeguarded in the area of accounting and financial reporting by processes with integrated controls which ensure the completeness and accuracy of the annual and consolidated financial statements. A structure made up of differentiated criteria, control points and materiality thresholds assures our ability to identify and minimise the risk of material errors in the annual and consolidated financial statements at an early stage.

We use a central IT solution with standardised accounting and consolidation processes, posting rules and interfaces for data delivery in order to draw up the consolidated financial statement. Access rights for the reporting systems are assigned through an approval process. All components of the accounting-related internal control system, the processes for the organisation and implementation of consolidation tasks and for the preparation of the consolidated financial statement as well as the accompanying controls are consistently documented. In order to safeguard and continuously improve the adequacy of the control system it is subject to regular review and evaluation. In this regard, the internal audit function ensures that the quality of the control system is constantly monitored. All relevant accounting principles are collated in a Group Accounting Manual that sets out uniform Group-wide rules for the recognition, measurement and reporting of items in the consolidated financial statement. The process for updating and, if necessary, adjusting these rules is clearly regulated with respect to information channels, responsibilities and period of validity. Not only that, we provide prompt Group-wide notification of significant developments and modified requirements in Group financial reporting.

Within the scope of our control system the Group companies are responsible for Group-wide adherence to the accounting policies and the internal control guidelines. The managing directors and chief financial officers of the Group companies defined as material in our control system affirm to the Executive Board of Hannover Rück SE at each closing date the completeness, correctness and reliability of the financial data that they pass on to Group Accounting. Data for the preparation of the consolidated financial statement is delivered using a networked IT application. The relevant data for Group financial reporting is collected in a database and processed via automatic interfaces in a consolidation system. As part of the financial reporting process we perform preventive and detective checks on the reported figures in order to minimise the probability and reduce the impacts of a potentially incorrect disclosure. Depending upon the results of our checks, these figures can be corrected if necessary. Given that our Group financial reporting is heavily dependent on IT systems, these systems also need to be subject to controls. Authorisation concepts regulate system access and for each step content-based as well as system-side checks have been implemented, by means of which errors are analysed and promptly eliminated.

Internal risk assessment

In the following section we compare the available economic capital with the required risk capital. Hannover Re calculates the economic equity as the difference between the market-consistent value of the assets and the market-consistent value of the liabilities. While fair values are available for most investments, the market-consistent valuation of reinsurance treaties necessitates a specific valuation model. We establish the market-consistent value of technical items as the present value of projected payments using actuarial methods. This is adjusted by a risk loading that factors in the fluctuation in future payments. Such fluctuations result from risks that cannot be hedged by means of capital market products, such as underwriting risks. For the discounting of future cash flows we use the risk-free basic yield curves without volatility adjustment or matching adjustment calculated in accordance with Solvency II rules. Market prices for options and guarantees embedded in insurance contracts are determined or approximated using option valuation models from the field of financial mathematics. The significance of these options and guarantees in our portfolio is, however, minimal. The valuation reserves for investments shown in the following table indicate the difference between fair value and book value of those investments recognised under IFRS at book values. Other adjustments encompass above all the deferred taxes as well as the deduction of foreseeable dividends as required by Solvency II. The available economic capital, which is available as liable capital for policyholders, is composed of the economic equity and the hybrid capital. Hybrid capital is recognised at market-consistent value as required by Solvency II, with changes in own credit risk not being included in the valuation.

The available economic capital increased to EUR 12,614.7 million as at 30 September 2015 compared to EUR 12,443.9 million as at 31 December 2014. This was due principally to the good business performance in the first three quarters as well as positive effects from the weakening of the euro against our major foreign currencies and from economic adjustments for underwriting reserves. The value adjustments increased primarily as a consequence of the good development of new business in life and health reinsurance and due to a more favourable assessment of future cash flows in property and casualty reinsurance. This is opposed by a decrease in the available capital from subordinated bonds owing to redemption of a hybrid bond.

Reconciliation (economic capital/shareholders' equity) M 50

in EUR million	30.9.2015	31.12.2014
Shareholders' equity	8,428.1	8,253.0
Adjustments for assets under own management	510.6	555.5
Adjustments for technical provisions [1]	3,791.0	3,063.3
Adjustments due to tax effects and other [2]	(1,698.6)	(1,414.4)
Economic equity	**11,031.1**	**10,457.4**
Hybrid capital	1,583.6	1,986.5
Available economic capital	**12,614.7**	**12,443.9**

[1] Adjustments for technical provisions in life & health and property & casualty reinsurance incl. risk margin

[2] Includes the deduction of foreseeable dividends, which in the 2014 Annual Report was still shown as part of adjustments of the technical provisions

The required risk capital of the Hannover Re Group at the target confidence level of 99.97% rose to EUR 9,593.0 million as at 30 September 2015, compared to EUR 7,786.6 million as at 31 December 2014. The bulk of the increase was due to the weaker euro against our major foreign currencies and the associated higher foreign-currency volumes underlying the risks, such as the volume of investments or loss reserves. These increases in volume driven by exchange rate movements caused the risk capital to climb in all risk categories. A further factor was the diminished diversification effect as a consequence of dependencies between, in particular, US-dollar-dominated risks. The decline in the tax effect resulted from the fact that with the currently higher risk capital the loss-minimising effect of taxes is subject to greater limitations.

The elevated risk in relation to market risks was not only volume-driven but also reflected the building of an equity allocation in the investment portfolio.

The underwriting risks in property and casualty reinsurance increased primarily on account of the larger volume of reserves and the higher catastrophe risks, which could be attributed above all to the stronger US dollar. The increase in the underwriting risks in life and health reinsurance was driven not only by exchange rate movements but also by larger business volumes in the area of longevity risks.

Counterparty default risks increased principally as a result of a larger volume of cash and short-term deposits. Operational risks developed in step with the underlying business volumes.

The internal capital model is based on current methods from actuarial science and financial mathematics. In the case of underwriting risks, we are able to draw on a rich internal data history to estimate the probability distributions, e. g. for the reserve risk. For risks from natural perils we use external models, which are adjusted in the context of a detailed internal review process such that they reflect our risk profile as closely as possible. In the area of life and health reinsurance long-term payment flows are modelled under various scenarios. With respect to all the aforementioned risks we use internal data to define scenarios and probability distributions. The internal data is enhanced by way of parameters set by our internal experts. These parameters are especially significant in relation to extreme events that have not previously been observed.

When it comes to aggregating the individual risks, we make allowance for dependencies between risk factors. Dependencies arise, for example, as a consequence of market shocks, such as the financial crisis, which simultaneously impact multiple market segments. What is more, several observation periods may be interrelated on account of market phenomena such as price cycles. In dealing with these dependencies, however, it is our assumption that not all extreme events occur at the same time. The absence of complete dependency is referred to as diversification. Hannover Re's business model is based inter alia on building up the most balanced possible portfolio so as to achieve the greatest possible diversification effects and in order to deploy capital efficiently. Diversification exists between individual reinsurance treaties, lines, business segments and risks. We define the cost of capital to be generated per business unit according to the capital required by our business segments and lines and based on their contribution to diversification.

Required risk capital M 51

in EUR million	30.9.2015 Confidence level 99.97%	30.9.2015 Confidence level 99.5%	31.12.2014 Confidence level 99.97%	31.12.2014 Confidence level 99.5%
Underwriting risk in property and casualty reinsurance	5,377.3	3,408.9	5,023.1	3,101.1
Underwriting risk in life and health reinsurance	3,441.9	2,109.6	3,327.2	1,906.9
Market risk	5,527.9	3,903.1	5,141.9	3,521.6
Counterparty default risk	881.0	279.9	756.3	254.7
Operational risk	684.8	431.1	595.4	382.7
Diversification	(5,070.0)	(3,329.5)	(5,687.1)	(3,299.6)
Tax effects	(1,249.9)	(1,676.8)	(1,370.2)	(1,514.3)
Required risk capital of the Hannover Re Group	**9,593.0**	**5,126.3**	**7,786.6**	**4,353.1**

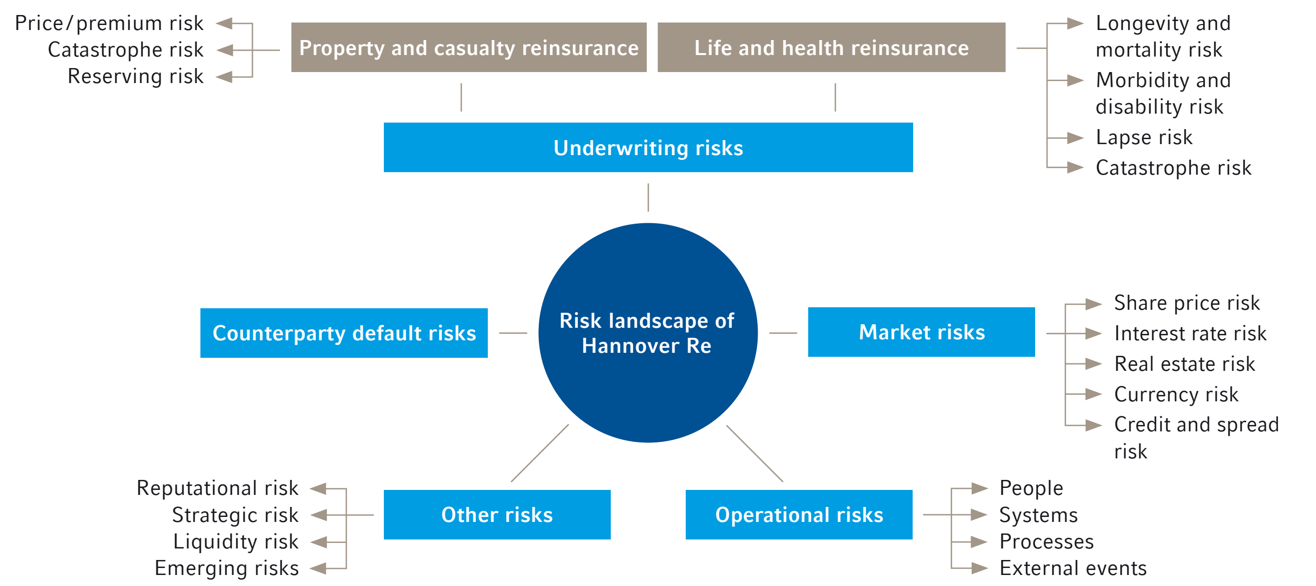
Risk landscape of Hannover Re

In the context of its business operations the Hannover Re Group enters into a broad variety of risks. These risks are deliberately accepted, steered and monitored in order to be able to act on the associated opportunities. The parameters and decisions of the Executive Board with respect to the risk appetite of the Hannover Re Group, which are based on the calculations of risk-bearing capacity, are fundamental to the acceptance of risks. Through our business operations on all continents and the diversification between our Property & Casualty and Life & Health reinsurance business groups we are able to effectively allocate our capital in light of opportunity and risk considerations and generate a higher-than-average return on equity. Along with our principal business operations as a reinsurer of property & casualty and life & health business, we also transact primary insurance in selected niche markets as a complement to our core reinsurance business. With this approach we are well positioned for further profitable growth. In this context crucial importance attaches to our risk management in order to ensure that, among other things, risks to the reinsurance portfolio remain calculable and also exceptional major losses do not have an unduly adverse impact on the result.

The risk landscape of Hannover Re encompasses:

- underwriting risks in property & casualty and life & health reinsurance which originate from our business activities and manifest themselves inter alia in fluctuations in loss estimates as well as in unexpected catastrophes and changes in biometric factors such as mortality,
- market risks which arise in connection with our investments and also as a consequence of the valuation of sometimes long-term payment obligations associated with the technical account,
- counterparty default risks resulting from our diverse business relationships and payment obligations inter alia with clients and retrocessionaires,
- operational risks which may derive, for example, from deficient processes or systems and
- other risks, such as reputational and liquidity risks.

Risk landscape of Hannover Re M 52



At the present time our most significant risks are the credit and spread risks within the market risks, the reserving and catastrophe risks within the underwriting risks of property and casualty reinsurance and the risk of changes in mortality within the underwriting risks of life and health reinsurance. With regard to mortality risks, as a general principle annuity portfolios are impacted by improvements in mortality while death benefit portfolios are adversely affected by deteriorations in mortality. The specific risk characteristics and the principal monitoring and steering mechanisms are described in the following sections.

Underwriting risks in property and casualty reinsurance

Risk management in property and casualty reinsurance has defined various overall guidelines for efficient risk steering. These include, among other things, the limited use of retrocessions to reduce volatility and conserve capital. It is also crucially important to consistently maximise the available risk capacities on the basis of the risk management parameters of the Hannover Re Group and to steer the acceptance of risks systematically through the existing central and local underwriting guidelines. Our conservative reserving level is a crucial factor in our risk management. We make a fundamental distinction between risks that result from business operations of past years (reserve risk) and those stemming from activities in the current or future years (price/premium risk). In the latter case, special importance attaches to the catastrophe risk.

Diversification within the Property & Casualty reinsurance business group is actively managed through allocation of the cost of capital according to the contribution made to diversification. A high diversification effect arises out of the underwriting of business in different lines and different regions with different business partners. In addition, the active limitation of individual risks – such as natural catastrophes – enhances the diversification effect. The risk capital with a confidence level of 99.5% for underwriting risks in property and casualty reinsurance breaks down as follows:

Required risk capital[1] for underwriting risks in property and casualty reinsurance **M 53**

in EUR million	30.9.2015	31.12.2014
Premium risk (incl. catastrophe risk)	2,237.4	2,079.4
Reserve risk	2,292.5	1,907.0
Diversification	(1,121.0)	(885.3)
Underwriting risk in property and casualty reinsurance	**3,408.9**	**3,101.1**

[1] Required risk capital with a confidence level of 99.5%

The largest share of the required risk capital for the premium risk (incl. catastrophe risk) is attributable to risks from natural disasters. The following table shows the required risk capital for our four largest natural hazards scenarios:

Required risk capital[1] for the four largest natural hazards scenarios **M 54**

in EUR million	2015
Hurricane US/Caribbean	1,338.0
Earthquake US West Coast	1,103.9
Winter storm Europe	828.6
Earthquake Japan	780.0

[1] Required risk capital with a confidence level of 99.5% on an aggregate annual loss basis

The reserve risk, i.e. the risk of under-reserving losses and the resulting strain on the underwriting result, is the overriding priority in our risk management. We attach the utmost importance to a conservative reserving level and therefore traditionally have a high confidence level (> 50%). In order to counter the risk of under-reserving we calculate our loss reserves based on our own actuarial estimations and establish, where necessary, additional reserves supplementary to those posted by our cedants as well as the segment reserve for losses that have already occurred but have not yet been reported to us. Liability claims have a major influence on the segment reserve. The segment reserve is calculated on a differentiated basis according to risk categories and regions. The segment reserve established by the Hannover Re Group amounted to EUR 6,948.1 million in the year under review.

The statistical run-off triangles are another monitoring tool used by our company. They show the changes in the reserve over time as a consequence of paid claims and in the recalculation of the reserves to be established as at each balance sheet date. Their adequacy is monitored using actuarial methods.

Our own actuarial calculations regarding the adequacy of the reserves are also subject to annual quality assurance reviews conducted by external firms of actuaries and auditors. For further remarks on the reserve risk please see our comments in the section "Technical provisions" on page 198 et seq.

In the case of asbestos- and pollution-related claims it is difficult to reliably estimate future loss payments. The adequacy of these reserves can be estimated using the so-called "survival ratio". This ratio expresses how many years the reserves would cover if the average level of paid claims over the past three years were to continue.

Survival ratio in years and reserves for asbestos-related claims and pollution damage M 55

in EUR million	2015			2014		
	Individual loss reserves	IBNR reserves	Survival ratio in years	Individual loss reserves	IBNR reserves	Survival ratio in years
Asbestos-related claims/ pollution damage	36.0	203.3	26.9	33.8	189.3	28.2

In order to partially hedge inflation risks Hannover Re holds inflation-linked instruments in its portfolio that protect parts of the loss reserves against inflation risks. An inflation risk exists particularly inasmuch as the liabilities (e. g. loss reserves) could develop differently than assumed at the time when the reserve was constituted because of inflation. This inflation protection was initially ensured by way of inflation swaps, which were purchased for the first time in 2010; it was increased in 2011. Since 2012 we have also increasingly obtained parts of the inflation protection for our loss reserves by purchasing bonds with inflation-linked coupons and redemption amounts. In the course of the year under review the inflation protection was converted to the exclusive use of such bonds.

Licensed scientific simulation models, supplemented by the expertise of our own specialist departments, are used to assess our material catastrophe risks from natural hazards (especially earthquake, windstorm and flood). Furthermore, we establish the risk to our portfolio from various scenarios in the form of probability distributions. The monitoring of the risks resulting from natural hazards is rounded out by realistic extreme loss scenarios.

Stress tests for natural catastrophes after retrocessions M 56

Maximum annual loss, in EUR million	2015	2014
	Effect on forecast net income	
Windstorm Europe		
100-year loss	(123.5)	(251.0)
250-year loss	(281.2)	(440.0)
Windstorm United States		
100-year loss	(733.7)	(541.7)
250-year loss	(1,031.7)	(778.1)
Windstorm Japan		
100-year loss	(153.6)	(172.2)
250-year loss	(199.4)	(250.1)
Earthquake Japan		
100-year loss	(200.6)	(254.3)
250-year loss	(477.8)	(520.8)
Earthquake California		
100-year loss	(349.6)	(303.5)
250-year loss	(746.1)	(503.1)
Earthquake Australia		
100-year loss	(136.8)	(172.7)
250-year loss	(378.8)	(449.7)

Within the scope of this process, the Executive Board defines the risk appetite for natural perils once a year on the basis of the risk strategy by specifying the portion of the economic capital that is available to cover risks from natural perils. This is a key basis for our underwriting approach in this segment. As part of our holistic approach to risk management across business groups, we take into account numerous relevant scenarios and extreme scenarios, determine their effect on portfolio and performance data, evaluate them in relation to the planned figures and identify alternative courses of action.

For the purposes of risk limitation, maximum amounts are also stipulated for various extreme loss scenarios and return periods in light of profitability criteria. Risk management ensures adherence to these maximum amounts. The Executive Board, Risk Committee and P&C Executive Committee are kept regularly updated on the degree of capacity utilisation. The limits and thresholds for the 200-year aggregate loss as well as the utilisation thereof are set out in the following table:

Limit and threshold for the 200-year aggregate annual loss as well as utilisation thereof M 57

in EUR million	Limit 2015	Threshold 2015	Actual utilisation (July 2015)
All natural catastrophe risks[1]			
200-year aggregate annual loss	1,778	1,600	1,481

1 Loss relative to the underwriting result

Net expenditure on major losses in the year under review amounted to EUR 572.9 million (EUR 425.7 million). Our company incurred the following catastrophe losses and major claims in the 2015 financial year:

Catastrophe losses and major claims[1] in 2015 **M 58**

in EUR million	Date	gross	net
4 marine claims		146.7	83.8
Explosions at the Port of Tianjin, China		129.2	111.1
7 property claims		105.7	105.7
5 aviation claims		71.3	51.3
Flooding, United Kingdom	5–26 December 2015	37.9	28.3
Storm “Etau”, Japan	7–9 September 2015	27.3	27.3
Storm “Niklas”, Germany, Switzerland, Austria	31 March–1 April 2015	26.7	21.0
Storm, Australia	19–25 April 2015	26.7	17.0
Earthquake, Chile	16 September 2015	25.5	25.5
1 credit claim		20.0	20.0
Flooding, India	16 November–4 December 2015	18.8	18.8
Winter storm, United States	1–22 February 2015	18.6	12.8
Typhoon “Mujigae”, Taiwan, Korea, China	2–3 October 2015	14.1	14.1
Storm “Erika”, Caribbean	25–31 August 2015	12.7	12.7
Forest fires, United States	12 September 2015	12.4	9.3
Severe weather/flooding, United States	24 May–14 June 2015	10.8	7.3
Storm, Northern Europe	8–11 January 2015	10.0	6.9
Total		**714.4**	**572.9**

[1] Natural catastrophes and other major claims in excess of EUR 10 million gross

The price/premium risk lies primarily in the possibility of a random claims realisation that diverges from the claims expectancy on which the premium calculation was based. Regular and independent reviews of the models used for treaty quotation as well as central and local underwriting guidelines are vital management components. We have put in place a multi-step quotation process to ensure the quality of our portfolios:

Ensuring the quality of our portfolios **M 59**

Step 1

Calculation of the loss expectancy
- Historical loss and exposure analysis
- Future inflation
- Changes in the quality of underlying risks
- Changes in the quantity of underlying risks
- Discounting of future cash flows

Step 2

Cost estimation
- Commissions
- Broker fees
- Internal administration

Step 3

Calculation of the cost of capital
- Level of capital allocation determined by volatility of the business covered and contribution to diversification
- Expected return on equity
- Capital structure

In addition, Hannover Re's regional and treaty departments prepare regular reports on the progress of their respective renewals. The reporting in this regard makes reference inter alia to significant changes in conditions, risks (such as inadequate premiums) as well as to emerging market opportunities and the strategy pursued in order to accomplish targets. The development of the combined ratio in property and casualty reinsurance in 2015 and prior years is shown in the table below:

Combined and catastrophe loss ratio **M 60**

in %	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Combined ratio (property and casualty reinsurance)	94.4	94.7	94.9	95.8	104.3	98.2	96.6	95.4	99.7	100.8
Thereof catastrophe losses [1]	7.1	6.1	8.4	7.0	16.5	12.3	4.6	10.7	6.3	2.3

[1] Net share of the Hannover Re Group for natural catastrophes and other major claims in excess of EUR 10 million gross as a percentage of net premium earned (until 31 December 2011: in excess of EUR 5 million gross)

For further information on the run-off of the loss reserves please see our explanatory remarks in the section "Run-off of the net loss reserve in the property and casualty reinsurance segment" on page 199 et seq.

Underwriting risks in life and health reinsurance

All risks directly connected with the life of an insured person are referred to as biometric risks. They include in particular the miscalculation of mortality, life expectancy, morbidity and occupational disability. Biometric risks are the material risks for our company in the area of life and health reinsurance. Our goal is to strike a balance between biometric risks. Furthermore, we are exposed to lapse risks because the cash flows resulting from our reinsurance treaties are in part dependent on lapse rates among policyholders. Counterparty default risks are also material since we additionally prefinance our cedants' new business acquisition costs. Furthermore, we are exposed to catastrophe risks, especially events involving a high number of fatalities in our insurance portfolio.

The reserves are determined on the basis of secure biometric actuarial bases in light of the information provided by our clients. The biometric actuarial bases used and the lapse assumptions are continuously reviewed with an eye to their adequacy and if necessary adjusted. This is done using the company's own empirical data as well as market-specific insights. Our current risk profile in life and health reinsurance is dominated by mortality and longevity risks. This is due to the fact that under some of our contracts we pay death benefits, while under others we pay survival benefits. The volume of our annuity portfolio has continued to grow and contributes to diversification within life and health reinsurance. We calculate the diversification effect between mortality and longevity risks prudently in view of the fact that the contracts are normally taken out for different regions, age groups and individuals. The required risk capital with a confidence level of 99.5% for underwriting risks in life and health reinsurance breaks down as follows:

Required risk capital [1] for underwriting risks in life and health reinsurance **M 61**

in EUR million	30.9.2015	31.12.2014
Mortality risk	1,617.4	1,448.0
Longevity risk	1,314.8	1,121.2
Morbidity and disability risk	371.3	351.0
Lapse risk	646.6	736.4
Diversification	(1,840.5)	(1,749.7)
Underwriting risk life and health	**2,109.6**	**1,906.9**

[1] Required risk capital with a confidence level of 99.5%

Diversification is a central management tool for our company. We seek to spread risks as far as possible across different risk classes and different regions. In our pricing of reinsurance treaties we provide incentives to further increase diversification.

Through our quality assurance measures we ensure that the reserves established by ceding companies in accordance with local accounting principles satisfy all requirements with respect to the calculation methods used and assumptions made (e.g. use of mortality and morbidity tables, assumptions regarding the lapse rate). New business is written in all regions in compliance with underwriting guidelines applicable worldwide, which set out detailed rules governing the type, quality, level and origin of risks and how these considerations are factored into the pricing. These global guidelines are revised annually and approved by the Executive Board. Special underwriting guidelines give due consideration to the particular features of individual markets. By monitoring compliance with these underwriting guidelines we minimise the risk of an inability to pay or of deterioration in the financial status of cedants. Regular reviews and holistic analyses (e.g. with an eye to lapse risks) are carried out with respect to new business activities and the assumption of international portfolios. The actuarial reports and documentation required by local regulators ensure that regular scrutiny also takes place on the level of the subsidiaries. The interest rate risk, which in the primary sector is important in life business owing to the guarantees that are given, is of only minimal relevance to our company thanks to the design of our reinsurance treaties. We have confidence in the entrepreneurial abilities of our underwriters and grant them the most extensive possible powers. In our decentralised organisation we manage risks where they arise using a consistent Group-wide approach in order to obtain an overall view of the risks in life and health reinsurance. Our global underwriting guidelines provide underwriters with an appropriate framework for this purpose. The risks arising out of life and health reinsurance are reflected in the internal capital model.

Market risks

Faced with a challenging capital market climate, particularly high importance attaches to preserving the value of assets under own management and the stability of the return. Hannover Re's portfolio is therefore guided by the principles of a balanced risk/return profile and broad diversification. Based on a risk-averse asset mix, the investments reflect both the currencies and durations of our liabilities. Market price risks include equity risks, interest rate risks, currency risks, real estate risks, spread risks and credit risks. Our portfolio currently consists in large part of fixed-income securities, and hence credit and spread risks account for the bulk of the market risk. We minimise interest rate and currency risks through the greatest possible matching of payments from fixed-income securities with the projected future payment obligations from our insurance contracts. Market risks derive from the investments managed by Hannover Re itself and from investment risks of ceding companies that we assume in connection with insurance contracts. The following table shows the risk capital with a confidence level of 99.5% for the market risks from investments under own and third-party management.

Required risk capital[1] for market risks M 62

in EUR million	30.9.2015	31.12.2014
Credit and spread risk	2,777.4	2,639.0
Interest rate risk	761.9	851.9
Foreign exchange risk	874.7	930.6
Equity risk[2]	1,109.5	804.3
Real estate risk	436.9	404.4
Diversfication	(2,057.3)	(2,108.6)
Market risk	**3,903.1**	**3,521.6**

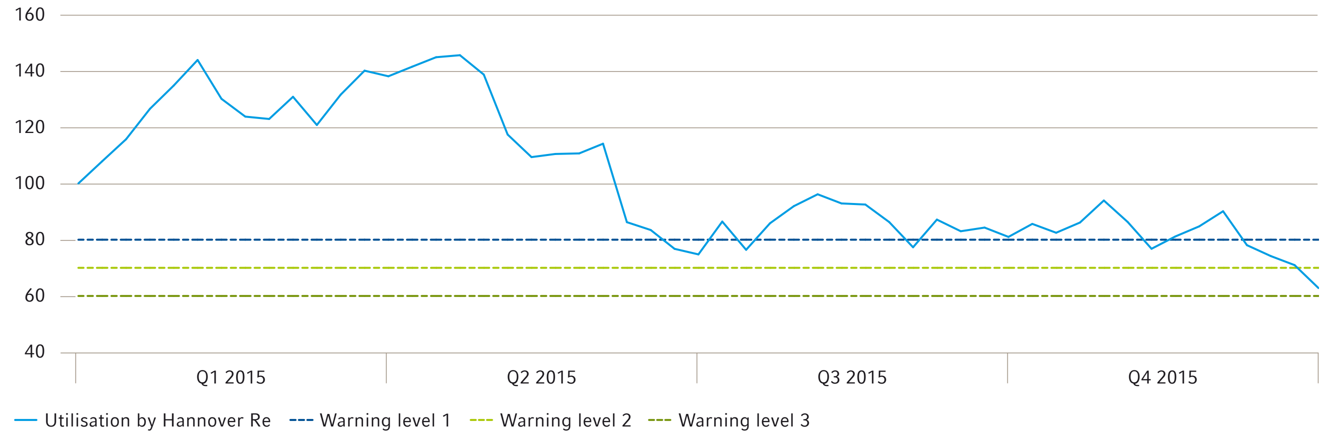
[1] Required risk capital with a confidence level of 99.5%
[2] Including private equity

With a view to preserving the value of our assets under own management, we constantly monitor adherence to a trigger mechanism based on a clearly defined traffic light system that is applied across all portfolios. This system defines clear thresholds and escalation channels for the cumulative fluctuations in fair value and realised gains/losses on investments since the beginning of the year. These are unambiguously defined in conformity with our risk appetite and trigger specified information and escalation channels if a corresponding fair value development is overstepped.

Interest rate and spread markets, in particular, saw very mixed movements across the most important investment currencies over the course of the period under review. In this context the escalation levels of the trigger system were reached on occasion during the year (cf. chart on page 88). Key factors in this development were increases in the general level of interest rates, especially in USD and GBP, as well as the general increase in credit spreads. Even our conservatively oriented and broadly diversified investment portfolio was unable to divorce itself from the resulting declines in fair value. Specifically, our portfolio of fixed-income bonds gave back some of the fair value gains recorded in previous years, in part owing to yield increases but also entirely normally due to the passage of time. Fair value changes from investments in equities and private equity as well as the renewed drop in interest rates in the EUR portfolio were positive factors here.

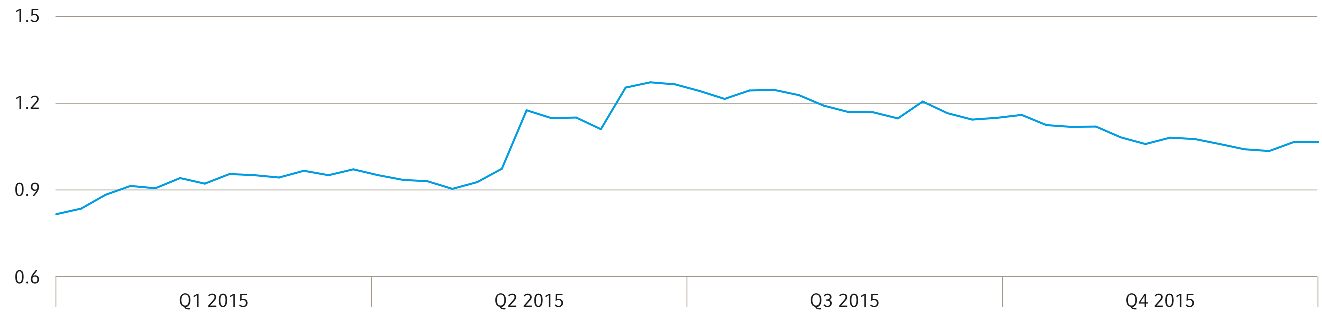
The predefined discussion and analysis mechanisms initiated on reaching the escalation levels in each case arrived at the assessment that the general market movements would not have any intolerable or strategy-changing implications for our portfolio or our capitalisation. Consequently, we did not make any changes to the investment allocation as a result of our trigger system.

Utilisation of the trigger system M 63
in %



The short-term loss probability measured as the "Value at Risk" (VaR) is another vital tool used for monitoring and managing market price risks. It is calculated on the basis of historical data, e. g. the volatility of the securities positions under own management and the correlation between these risks. As part of these calculations the decline in the fair value of our portfolio is simulated with a certain probability and within a certain period. The VaR of the Hannover Re Group determined in accordance with these principles specifies the decrease in the fair value of our securities portfolio under own management that with a probability of 95% will not be exceeded within ten trading days. A multi-factor model is used to calculate the VaR indicators for the Hannover Re Group. It is based on time series of selected representative market parameters (equity prices, yield curves, spread curves, exchange rates, commodity prices and macro-economic variables). All asset positions are mapped on the level of individual positions within the multi-factor model; residual risks (e. g. market price risks that are not directly explained by the multi-factor model) can be determined through back-calculation and are incorporated into the overall calculation. The model takes into account interest rate risks, credit and spread risks, systematic and specific equity risks, commodity risks and option-specific risks. Against the backdrop of what was still a difficult capital market environment, the volatilities of fixed-income assets, in particular, and hence the market price risks increased in the year under review relative to the previous year. Based on continued broad risk diversification and the orientation of our investment portfolio, our Value at Risk was nevertheless clearly below the Value at Risk upper limit defined in our investment guidelines. It amounted to 1.0% (0.8%) as at the end of the reporting period.

Value at Risk[1] for the investment portfolio of the Hannover Re Group M 64
in %



[1] VaR upper limit according to Hannover Re's investment guidelines: 2.5%

Stress tests are conducted in order to be able to map extreme scenarios as well as normal market scenarios for the purpose of calculating the Value at Risk. In this context, the loss potentials for fair values and shareholders' equity (before tax) are simulated on the basis of already occurred or notional extreme events.

Scenarios for changes in the fair value of material asset classes **M 65**

in EUR million	Scenario	Portfolio change on a fair value basis	Change in equity before tax
Equity securities and private equity	Share prices -10%	-123.4	-123.4
	Share prices -20%	-246.7	-246.7
	Share prices +10%	+123.4	+123.4
	Share prices +20%	+246.7	+246.7
Fixed-income securities	Yield increase +50 basis points	-770,1	-673,8
	Yield increase +100 basis points	-1.506,3	-1.317,9
	Yield decrease -50 basis points	+793,3	+692,4
	Yield decrease -100 basis points	+1.618,4	+1.411,9
Real estate	Real estate market values -10%	-175.8	-93.2
	Real estate market values +10%	+175.8	+38.4

Further significant risk management tools – along with the various stress tests used to estimate the loss potential under extreme market conditions – include sensitivity and duration analyses and our asset/liability management (ALM). The internal capital model provides us with quantitative support for the investment strategy as well as a broad diversity of VaR calculations. In addition, tactical duration ranges are in place, within which the portfolio can be positioned opportunistically according to market expectations. The parameters for these ranges are directly linked to our calculated risk-bearing capacity. Further information on the risk concentrations of our investments can be obtained from the tables on the rating structure of fixed-income securities as well as on the currencies in which investments are held. Please see our comments in Section 6.1 of the notes entitled "Investments under own management" on page 176 et seq.

Share price risks derive from the possibility of unfavourable changes in the value of equities, equity derivatives or equity index derivatives in our portfolio. In addition to such assets held to date on only a very modest scale as part of strategic participations, we acted on market opportunities in the course of the year to rebuild a broadly diversified equity portfolio. Please see our comments in Section 6.1 of the notes entitled "Investments under own management" on page 176 et seq.

The portfolio of fixed-income securities is exposed to the interest rate risk. Declining market yields lead to increases and rising market yields to decreases in the fair value of the fixed-income securities portfolio. The credit spread risk should also be mentioned. The credit spread refers to the interest rate differential between a risk-entailing bond and risk-free bond with the same maturity. Changes in these risk premiums, which are observable on the market, result – analogously to changes in pure market yields – in changes in the fair values of the corresponding securities.

Currency risks are especially relevant if there is a currency imbalance between the technical liabilities and the assets. Through extensive matching of currency distributions on the assets and liabilities side, we reduce this risk on the basis of the individual balance sheets within the Group. The short-term Value at Risk therefore does not include quantification of the currency risk. We regularly compare the liabilities per currency with the covering assets and optimise the currency coverage by regrouping assets. In so doing, we make allowance for collateral conditions such as different accounting requirements. Remaining currency surpluses are systematically quantified and monitored within the scope of economic modelling. A detailed presentation of the currency spread of our investments is provided in Section 6.1 of the notes entitled "Investments under own management" on page 184 et seq.

Real estate risks result from the possibility of unfavourable changes in the value of real estate held either directly or through fund units. They may be caused by a deterioration in particular qualities of a property or by a general downslide in market values. Real estate risks continued to grow in importance for our portfolio owing to our ongoing involvement in this sector. We spread these risks through broadly diversified investments in high-quality markets of Germany, Europe as a whole and the United States; each investment is preceded by detailed analyses of the property, manager and market concerned.

We use derivative financial instruments only to the extent needed to hedge risks. The primary purpose of such financial instruments is to hedge against potentially adverse developments on capital markets. At the start of the year under review we had still held inflation swaps to hedge part of the inflation risks associated with the loss reserves in our technical account. Some of these inflation swaps reached their maturity date during the year and were not renewed. The remaining instruments were terminated, as a result of which our inflation protection is now ensured exclusively by means of bonds with inflation-linked coupons and redemption amounts. In addition, as in the previous year, a portion of our cash flows from the insurance business as well as currency risks was hedged using forward exchange transactions because currency matching could not be efficiently achieved. Hannover Re holds further derivative financial instruments to hedge interest rate risks from loans taken out to finance real estate. In addition, Hannover Re has taken out hedges in the form of equity swaps to hedge price risks in connection with the stock appreciation rights granted in the first quarter of 2014 under the Share Award Plan. These are intended to neutralise changes in the fair values of the awarded stock appreciation rights. Contracts are concluded with reliable counterparties and for the most part collateralised on a daily basis so as to avoid credit risks associated with the use of such transactions. The remaining exposures are controlled according to the restrictive parameters set out in the investment guidelines. Our investments entail credit risks that arise out of the risk of a failure to pay (interest and/or capital repayment) or a change in the credit status (rating downgrade) of issuers of securities. We attach equally vital importance to exceptionally broad diversification as we do to credit assessment conducted on the basis of the quality criteria set out in the investment guidelines. We measure credit risks in the first place using the standard market credit risk components, especially the probability of default and the potential amount of loss – making allowance for any collateral and the ranking of the individual instruments depending on their effect in each case.

We then assess the credit risk first on the level of individual securities (issues) and in subsequent steps on a combined basis on the issuer level. In order to limit the risk of counterparty default we set various limits on the issuer and issue level as well as in the form of dedicated rating quotas. A comprehensive system of risk reporting ensures timely reporting to the functions entrusted with risk management.

Rating structure of our fixed-income securities [1] **M 66**

Rating classes	Government bonds		Securities issued by semi-governmental entities [2]		Corporate bonds		Covered bonds/ asset-backed securities	
	in %	in EUR million	in %	in EUR million	in %	in EUR million	in %	in EUR million
AAA	74.0	7,681.5	64.4	4,167.6	1.6	202.0	67.7	2,683.3
AA	12.9	1,335.5	30.9	2,000.5	14.9	1,910.8	13.3	525.5
A	7.7	800.0	2.8	181.2	39.1	4,997.2	7.9	314.3
BBB	4.5	467.5	1.3	84.0	36.9	4,714.6	6.7	265.6
<BBB	0.9	90.2	0.6	41.7	7.5	964.5	4.4	175.5
Total	**100.0**	**10,374.8**	**100.0**	**6,475.0**	**100.0**	**12,789.0**	**100.0**	**3,964.2**

1 Securities held through investment funds are recognised pro rata with their corresponding individual ratings.
2 Including government-guaranteed corporate bonds

The measurement and monitoring mechanisms that have been put in place safeguard a prudent, broadly diversified investment strategy.

On a fair value basis EUR 4,127.7 million of the corporate bonds held by our company were issued by entities in the financial sector. Of this amount, EUR 3,392.1 million was attributable to banks. The vast majority of these bank bonds (76.4%) are rated "A" or better. Our investment portfolio under own management does not contain any written or issued credit default swaps.

Counterparty default risks

The counterparty default risk consists primarily of the risk of complete or partial failure of the counterparty and the associated default on payment. The required risk capital for counterparty defaults with the confidence level of 99.5% amounted to EUR 279.9 million as at 30 September 2015.

Since the business that we accept is not always fully retained, but instead portions are retroceded as necessary, the credit risk is also material for our company in reinsurance transactions. Our retrocession partners are carefully selected and monitored in light of credit considerations in order to keep the risk as small as possible. This is also true of our broker relationships, which entail a risk inter alia through the potential loss of the premium paid by the cedant to the broker. We minimise these risks, among other things, by reviewing all broker relationships once a year with an eye to criteria such as the existence of professional indemnity insurance, payment performance and proper contract implementation. The credit status of retrocessionaires is continuously monitored. On the basis of this ongoing monitoring a Security Committee decides on measures where necessary to secure receivables that appear to be at risk of default. This process is supported by a Web-based risk management application, which specifies cession limits for the individual retrocessionaires participating in protection cover programmes and determines the capacities still available for short-, medium- and long-term business. Depending on the type and expected run-off duration of the reinsured business, the selection of reinsurers takes into account not only the minimum ratings of the rating agencies Standard & Poor's and A.M. Best but also internal and external expert assessments (e.g. market information from brokers). Overall, retrocessions conserve our capital, stabilise and optimise our results and enable us to act on opportunities across a broader front, e.g. following a major loss event. Regular visits to our retrocessionaires give us a reliable overview of the market and put us in a position to respond quickly to capacity changes. The following table shows how the proportion of assumed risks that we do not retrocede (i.e. that we run in our retention) has changed in recent years:

Gross written premium retained **M 67**

in %	2015	2014	2013	2012	2011
Hannover Re Group	87.0	87.6	89.0	89.8	91.2
Property and casualty reinsurance	89.3	90.6	89.9	90.2	91.3
Life and health reinsurance	84.2	83.9	87.7	89.3	91.0

Alongside traditional retrocessions in property and casualty reinsurance we also transfer risks to the capital market.

Counterparty default risks are also relevant to our investments and in life and health reinsurance because we prefinance acquisition costs for our ceding companies. Our clients, retrocessionaires and broker relationships as well as our investments are therefore carefully evaluated and limited in light of credit considerations and are constantly monitored and controlled within the scope of our system of limits and thresholds.

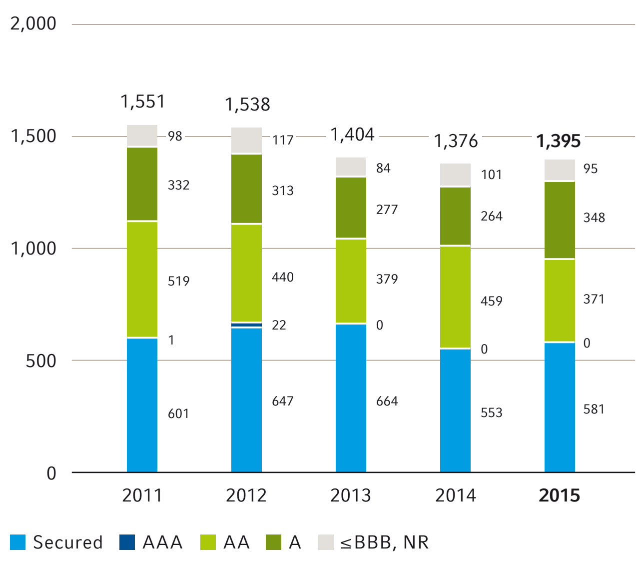
The key ratios for managing the counterparty default risk are as follows:

- 88.5% of our retrocessionaires have an investment grade rating ("AAA" to "BBB").
- 88.3% are rated "A" or better.
- 41.7% of our recoverables from reinsurance business are secured by deposits or letters of credit. What is more, for the majority of our retrocessionaires we also function as reinsurer, meaning that in most cases recoverables can potentially be set off against our own liabilities.
- In terms of the Hannover Re Group's major companies, EUR 236.4 million (6.4%) of our accounts receivable from reinsurance business totalling EUR 3,665.9 million were older than 90 days as at the balance sheet date.
- The average default rate over the past four years was 0.4%.

Retrocession gives rise to claims that we hold against our retrocessionaires. These reinsurance recoverables – i. e. the reinsurance recoverables on unpaid claims – amounted to EUR 1,395.3 million (EUR 1,376.4 million) as at the balance sheet date.

The following chart shows the development of our reinsurance recoverables – split by rating quality – due from our retrocessionaires.

Reinsurance recoverables as at the balance sheet date M 68
in EUR million



Further remarks on technical and other assets which were unadjusted but considered overdue as at the balance sheet date as well as on significant impairments in the year under review are provided in Section 6.4 "Technical assets" on page 192 et seq., Section 6.6 "Other assets" on page 195 et seq. and Section 7.2 "Investment result" on page 215 et seq.

Operational risks

Operational risks refer to the risk of losses occurring because of the inadequacy or failure of internal processes or as a result of events triggered by employee-related, system-induced or external factors. In contrast to underwriting risks (e. g. the reserve risk), which we enter into in a deliberate and controlled manner in the context of our business activities, operational risks are an indivisible part of our business activities. The focus is therefore on risk avoidance and risk minimisation. As a derivation from our strategic principle "We manage risks actively", we act according to the following principles in relation to operational risks:

1. We integrate operational risk management into the company and its culture.
2. We manage operational risks proactively and sustainably.
3. We consider events and scenarios that cover the entire spectrum of operational risks.
4. We strive for appropriate risk reduction through our measures.
5. We manage within defined limits and create transparency through measurements.

With the aid of the Self-Assessment for Operational Risks we determine the maturity level of our operational risk management system and define action fields for improvements. The assessment is carried out, for example, by assessing the maturity level of the respective risk management function or of the risk monitoring and reporting. The system enables us, among other things, to prioritise operational risks and is used (for internal purposes) to calculate the capital commitment in our internal model.

Required risk capital[1] for operational risks **M 69**

in EUR million	30.9.2015	31.12.2014
Operational risk	431.1	382.7

[1] Required risk capital at a confidence level of 99.5%

Within the overall framework of operational risks we consider, in particular, business process risks, compliance risks, risks associated with sales channels and outsourcing of functions, fraud risks, personnel risks, information technology risks/information security risks and business interruption risks.

Business process risks are associated with the risk of deficient or flawed internal processes, which can arise as a consequence of an inadequate process organisation. We have defined criteria to evaluate the maturity level of the material processes, e. g. for the reserving process. This enables us to ensure that process risks are monitored. In cooperation with the process participants, the process owner evaluates the risks of the metaprocess and develops measures for known, existing risks. Data quality is a highly critical success factor in this regard, especially in risk management, because – among other things – the validity of the results delivered by the internal model depends primarily on the data provided.

Compliance risks are associated with the risk of breaches of standards and requirements, non-compliance with which may entail lawsuits or official proceedings with not inconsiderable detrimental implications for the business activities of the Hannover Re Group. Regulatory compliance, compliance with the company's Code of Conduct, data privacy and compliance with anti-trust and competition laws have been defined as issues of particular relevance to compliance. The compliance risk also extends to tax and legal risks. Responsibilities within the compliance organisation are regulated and documented Group-wide and interfaces with risk management have been put in place. The set of tools is rounded off with regular compliance training programmes. For further information on compliance-related topics, including for example lawsuits, contingent liabilities and commitments, please see Section 8.6 "Lawsuits" and Section 8.7 "Contingent liabilities and commitments" on page 232 et seq.

In selected market niches we transact primary insurance business that complements our reinsurance activities. In so doing, just as on the reinsurance side, we always work together with partners from the primary sector – such as insurance brokers and underwriting agencies. This gives rise to risks associated with such sales channels, although these are minimised through the careful selection of agencies, mandatory underwriting guidelines and regular checks.

Risks associated with the outsourcing of functions can result from such outsourcing of functions, services and/or organisational units to third parties outside Hannover Re. Mandatory rules have been put in place to limit this risk; among other things, they stipulate that a risk analysis is to be performed prior to a material outsourcing. In the context of this analysis a check is carried out to determine, inter alia, what specific risks exist and whether outsourcing can even occur in the first place.

The proper functioning and competitiveness of the Hannover Re Group can be attributed in large measure to the expertise and dedication of our staff. In order to minimise personnel risks, we pay special attention to the skills, experience and motivation of our employees and foster these qualities through outstanding personnel development and leadership activities. Regular employee surveys and the monitoring of turnover rates ensure that such risks are identified at an early stage and scope to take the necessary actions is created.

Fraud risks refer to the risk of intentional violations of laws or regulations by members of staff (internal fraud) and/or by externals (external fraud). This risk is reduced by the internal control system as well as by the audits conducted by Group Auditing on a Group-wide and line-independent basis.

Information technology risks and information security risks arise, inter alia, out of the risk of the inadequate integrity, confidentiality or availability of systems and information. By way of example, losses and damage resulting from the unauthorised passing on of confidential information, the malicious overloading of important IT systems or from computer viruses are material to the Hannover Re Group. Given the broad spectrum of such risks, a diverse range of steering and monitoring measures and organisational standards, including for example the requirement to conclude confidentiality agreements with service providers, have been put in place. In addition, our employees are made more conscious of such security risks through practically oriented tools provided online in the intranet, by way of training opportunities and through a staff information campaign.

When it comes to reducing business interruption risks, the paramount objective is the quickest possible return to normal operations after a crisis, for example through implementation of existing contingency plans. Guided by internationally accepted standards, we have defined the key framework conditions and – among other measures – we have assembled a crisis team to serve as a temporary body in the event of an emergency. The system is complemented by regular exercises and tests. A leaflet is available setting out the correct behaviour in the event of a business interruption; this condenses in compact form the key information that all employees need to know (e. g. information channels in a crisis situation). Regular risk reporting to the Risk Committee and the Executive Board has also been put in place.

Other risks

Of material importance to our company in the category of other risks are primarily emerging risks, strategic risks, reputational risks and liquidity risks.

The hallmark of emerging risks is that the content of such risks cannot as yet be reliably assessed – especially on the underwriting side with respect to our treaty portfolio. Such risks evolve gradually from weak signals to unmistakable tendencies. It is therefore vital to detect these risks at an early stage and then determine their relevance. For the purpose of early detection we have developed an efficient process that spans divisions and lines of business and we have ensured its linkage to risk management. Operational implementation is handled by an expert working group assembled specially for this task. The analyses performed by this working group are used Group-wide in order to pinpoint any necessary measures (e. g. the implementation of contractual exclusions or the development of new reinsurance products). By way of example, risks associated with possible climate change are analysed by this working group. Global warming would affect not only natural perils, but also human health, the world economy, the agricultural sector etc. These problematic issues may also have implications for our treaty portfolio – in the form of not just risks but also opportunities, e. g. through increased demand for reinsurance products. Further examples of emerging risks include nanotechnology, shortage of resources and supply chain risks.

Strategic risks derive from a possible imbalance between the corporate strategy of the Hannover Re Group and the constantly changing general business environment. Such an imbalance might be caused, for example, by incorrect strategic policy decisions, a failure to consistently implement the defined strategies and business plans or an incorrect allocation of resources. We therefore regularly review our corporate strategy in a multi-step procedure and adjust our processes and the resulting guidelines as and when required. We have defined performance criteria and indicators for operational implementation of the strategic principles and objectives; these are authoritative when it comes to determining fulfilment of the various targets. With the "Strategy Cockpit" the Executive Board and responsible managers have at their disposal a strategy tool that assists them with the planning, elaboration and management of strategic objectives and measures and safeguards their overall perspective on the company and its strategic risks. The process for the management of strategic risks continues to be assessed annually as part of the monitoring of business process risks. In addition, a Group-wide guideline on the management of strategic risks was drawn up in 2015. Further details on the topic of strategy are provided in the section entitled "Our strategy" on page 16 et seq.

Reputational risks refer to the risk that the trust put in our company by clients, shareholders, employees or the public at large may be damaged. This risk has the potential to jeopardise the business foundation of the Hannover Re Group. A good corporate reputation is therefore an indispensable prerequisite for our core business as a reinsurer. Reputational risks may arise out of all business activities conducted by the Hannover Re Group. Reputational damage may be caused, inter alia, by a data mishap that becomes public knowledge or financial difficulties on account of an underwriting risk. In addition to the risk identification methods already described, we use a number of different techniques for risk minimisation, such as our defined communication channels (e. g. Crisis Communication Guideline), a professional approach to corporate communications, tried and tested processes for specific crisis scenarios as well as our established Code of Conduct. A specific Group-wide guideline on the management of reputational risks was compiled in the 2015 financial year.

The liquidity risk refers to the risk of being unable to meet our financial obligations when they become due. The liquidity risk consists of the refinancing risk (necessary cash could not be obtained or could only be obtained at increased costs) and the market liquidity risk (financial market transactions could only be completed at a poorer price than expected due to a lack of market liquidity). Core elements of the liquidity management of our investments are, in the first place, management of the maturity structure of our investments on the basis of the planned payment profiles arising out of our technical liabilities and, secondly, regular liquidity planning as well as the asset structure of the investments. Above and beyond the foreseeable payments, unexpected and exceptionally large payments may pose a threat to liquidity. In reinsurance business, however, significant events (major losses) are normally paid out after a lead time that can be reliably planned. As part of our liquidity management we have nevertheless defined asset holdings that have proven to be highly liquid – even in times of financial stress such as the 2008 financial crisis. Our holdings of unrestricted German, UK and US government bonds as well as cash during the year under review were larger than possible disbursements for assumed extreme events, which means that our liquidity is assured even in the unlikely case of financial crises coinciding with an extreme event that needs to be paid out quickly. The liquid asset reserve stood at EUR 5.4 billion as at the balance sheet date. In addition, we manage the liquidity of the portfolio by checking on each trading day the liquidity of the instruments contained therein. These measures serve to effectively reduce the liquidity risk.

Opportunity report

Speed is one of the qualities used to measure a successful knowledge transfer. Quick solutions and staying one step ahead of the competition is the name of the game. Hannover Re searches systematically for new business opportunities in order to generate sustainable growth and strengthen the company's profitable development. With a view to identifying opportunities and successfully translating ideas into business, Hannover Re adopts a number of closely related approaches in order to achieve holistic opportunity and risk management. Of significance here is the interplay without overlaps of the various functions within opportunity and risk management, which is ensured by defined interfaces.

Key elements in Hannover Re's opportunity management include its various market-specific innovations in the Life & Health and Property & Casualty reinsurance business groups (see the Forecast on page 126 et seq.). What is more, innovative and creative ideas are developed by our employees. Those that can be successfully translated into additional profitable premium volume are financially rewarded. Further elements are the working group on "Emerging Risks and Scientific Affairs" and the "Future Radar" initiative.

Not only that, Hannover Re has set up a stand-alone organisational unit for "Business Opportunity Management" within the Chief Executive Officer's scope of responsibility. This service unit deals systematically with ideas and business opportunities and it concentrates its activities on generating additional premium volume with profit potential. To this end, promising business opportunities are translated into business models with the support of project teams and tested on the market by the partner b2b Protect. New solutions that meet with a positive response are subsequently launched on the market in cooperation with primary insurance partners. The goal is to generate new business and thereby sustainably promote Hannover Re's profitable growth. Several of the more than 100 ideas contributed by the global network since the unit was set up have been realised as innovative insurance solutions and successfully handed over to line responsibility; they are now being sold on the market by primary insurers. The following solutions may be cited by way of example:

Weather insurance

The goal is to offer a heavily weather-dependent clientele industry-specific solutions to protect against fluctuations in the weather. Particularly strong interest in this product is currently being shown by companies operating in areas such as construction, energy trading, event management, amusement parks and tourism.

Energy Savings Protect (Energie Einspar Protect = EEP)

This insurance solution enables providers of energy efficiency solutions to take out protection in the event that the promised energy savings fail to materialise. In this case the company in question receives a compensatory payment from the primary insurer. For its part, Hannover Re covers the energy saving warranties of its primary insurance clients. By building trust, the greater planning reliability created by the product makes it possible for many activities needed as part of Germany's turnaround in energy policy to be undertaken in the first place. Based on its considerable success, as reflected not only in the premium generated but also in its singling out for energy efficiency awards (the enercity-Energie-Effizienzpreis and the Energieeffizienzpreis Perpetuum from the German Industry Initiative for Energy Efficiency (DENEFF)), this product is now available Europe-wide and is being modified for other fields of application.

Energy Output Performance Protect (EOPP)

Many companies would like to bring new solutions to market that generate more energy and are more efficient. Given the innovative nature of the technology, however, customers often lack confidence in such solutions. By protecting the output performance of energy-creating or energy-increasing technologies we help to boost customer confidence and enable providers to set themselves apart from other market players.

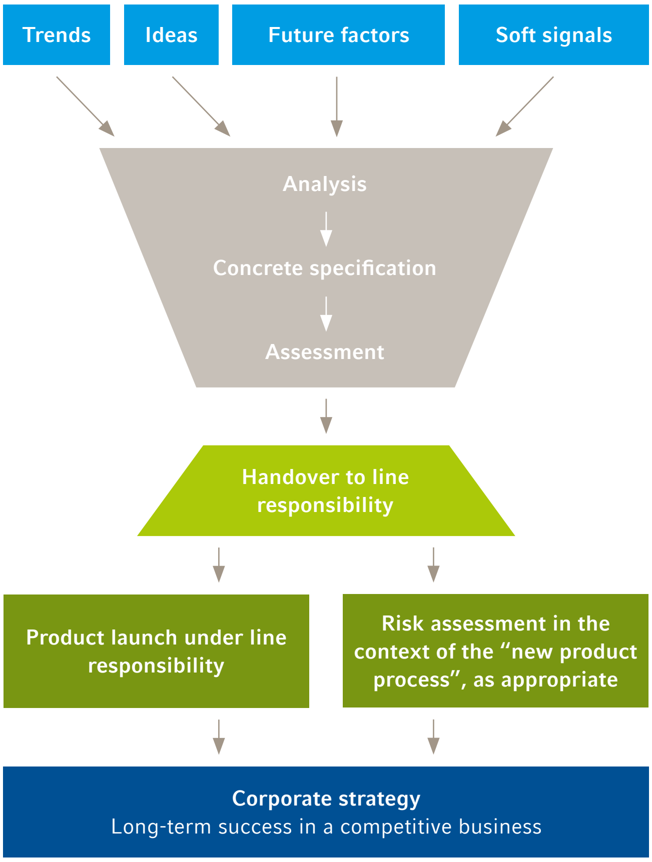
The networking of the innovative minds involved gives rise to close links with other projects, working groups and bodies, such as with the working group on "Emerging Risks und Scientific Affairs" in regard to emerging risks and opportunities (see page 94 "Other risks"). This working group carries out qualitative assessments of emerging risks. As a result, however, not only are the potential risks analysed but also any available business opportunities. In the year under review, for example, issues such as "Global shifts in disease patterns due to climate change", "Supply chain risks", "Safe foods and their availability", "Costs of preventive medical screening in the United States", "Drones", "Claims resulting from traumatic sports injuries" and "Cyber risks" were explored by the working group.

Cyber risks

Cyber attacks on critical systems are becoming increasingly common. They can cause considerable financial losses and also damage corporate reputations. Not only that, they can severely hamper private and public life, especially if critical infrastructures are impacted – such as the health, transportation/traffic and energy sectors. In such instances supply bottlenecks with lasting effects as well as major disruptions to public safety may ensue. In a networked world the repercussions of cyber attacks are intensifying because the volume of data stored around the world is constantly growing – and in this context it is not only one's own technical infrastructure that needs to be secured. On the contrary, the trend towards cloud computing is increasingly shifting the focus to third-party infrastructures and the associated network connection. As part of our holistic risk and opportunity management activities, we are also tackling the question of what new insurance products can be developed in order to protect against the relevant threats. Our presence in this market thus goes as far back as 2007 and we have already developed corresponding products.

If a business idea is translated into reality and a new reinsurance product results, the normal procedure – provided the criteria defined for this purpose by Risk Management are applicable – is to work through the so-called new product process. This process is supported by Risk Management at Hannover Re. The process is always worked through if a contractual commitment is to be entered into in a form not previously used by Hannover Re or if the exposure substantially exceeds the existing scope of coverage. If this is the case, all material internal and external influencing factors are examined beforehand by Risk Management (e. g. implications for the overall risk profile or the risk strategy) and an assessment is made. Risk Management ensures that before it can be used or sold a new reinsurance product must be approved by the Executive Board.

Opportunity management process M 70



Overall assessment by the Executive Board

Based on our currently available insights arrived from a holistic analysis of the opportunities and risks, the Executive Board of Hannover Re cannot discern any risks that could jeopardise the continued existence of the Hannover Re Group in the short or medium term or have a material and lasting effect on its assets, financial position or net income. We are convinced that:

- our established system of risk management affords us a transparent overview of the current risk situation at all times
- our overall risk profile is appropriate, and
- our opportunity management plays an important part in Hannover Re's profitable growth.

As an internationally operating reinsurance group, we move in a highly complex environment. Nevertheless, thanks to our business activities in all lines of reinsurance we are able to achieve optimal risk spreading through geographical and risk-specific diversification while at the same time maintaining a balanced opportunity/risk profile. We consider the risks described in the above sections to be manageable, particularly because our steering and monitoring measures are effectively and closely interlinked. Despite these diverse mechanisms, individual and especially accumulation risks can decisively affect our assets, financial position and net income. In accordance with our understanding of risk, however, we consider not only risks but also at the same time opportunities. We therefore only enter into those risks that go hand-in-hand with opportunities. Our steering and monitoring tools as well as our organisational and operational structure ensure that we identify risks at an early stage and are able to act on our opportunities. Our central monitoring tool is the system of risk management that we have installed Group-wide, which efficiently brings together both qualitative and quantitative information. Most notably, the interplay between domestic and foreign risk management functions affords us a holistic and Group-wide overview.

Our own evaluation of the manageability of existing risks is confirmed by various financial indicators and external assessments. Specific monitoring indicators, corresponding notification thresholds and potential escalation steps are defined on a mandatory basis in our central system of limits and thresholds for the material risks of the Hannover Re Group. As a result, the system provides us with a precise overview of potentially undesirable developments in the defined risk tolerances and enables us to react in a timely manner. One testament to our financial stability, for example, is the growth of our shareholders' equity: the total policyholders' surplus (hybrid capital, non-controlling interests and shareholders' equity) stands at 140% of the corresponding figure from 2011. In this context, our necessary equity resources are determined by the requirements of our economic capital model, solvency regulations, the assumptions of rating agencies with respect to our target rating and the expectations of our clients and shareholders. This increase gives us a sufficient capital cushion to be able both to absorb risks and act on business opportunities that may arise. Similarly, our very good ratings (see page 58) also testify to our financial stability. The quality of our Enterprise Risk Management (ERM) is evaluated separately by Standard & Poor's. In the year under review Standard & Poor's gave our risk management its highest possible grade of "very strong". Most notably, our established risk management culture – one of the rating agency's benchmark criteria – promotes the development of appropriate risk monitoring systems and strategic risk management. The evaluation further encompasses the areas of risk controls, emerging risk management and risk models. This external appraisal confirms the quality of our holistic approach to risk management.

We would also refer to the explanatory remarks on the financial strength ratings of our subsidiaries in the "Financial position" section of the management report on page 59. In addition, the risk trigger mechanism and internal monitoring system are reviewed annually by the independent auditor. The Group-wide risk management system is also a regular part of the audits conducted by the internal audit function. For additional information on the opportunities and risks associated with our business please see the Forecast on page 126 et seq.

Enterprise management

Declaration on Corporate Governance pursuant to § 289a Commercial Code (HGB)

The objective of Hannover Rück SE continues to be to consolidate and further expand its position as one of the leading, globally operating reinsurance groups of above-average profitability. In aspiring towards this goal, it is particularly important to observe and fulfil the principles of good and sustainable enterprise management. In so doing, we not only comply with the German Corporate Governance Code (DCGK, hereinafter also referred to as the Code), but have also developed our own model for responsible enterprise management which we consistently pursue and adjust to the latest requirements in accordance with our best practice standards.

The Executive Board and Supervisory Board of Hannover Rück SE expressly support the suggestions and recommendations of the German Corporate Governance Code that are practicable for the reinsurance industry and recognise their central importance in guiding our activities. The principles of responsible and good enterprise management therefore constitute the core of our internal Corporate Governance principles (www.hannover-re.com/50889/corporate-governance-principles.pdf). We cultivate integrity at all times in our dealings with business partners, staff, shareholders and other stakeholder groups and support the principles of value-based and transparent enterprise management and supervision defined in the German Corporate Governance Code. The Supervisory Board, Executive Board and employees of Hannover Rück SE identify with these principles, which thus form part of our corporate self-image. The Executive Board ensures that the principles are observed Group-wide.

Hannover Rück SE hereby provides insight into its enterprise management practices as part of the Declaration on Corporate Governance pursuant to § 289a Commercial Code (HGB):

Corporate Governance

As an instrument of self-regulation for the business world, the German Corporate Governance Code – the latest version of which dates from 5 May 2015 – sets out recommendations and suggestions that are intended to maintain and foster the trust of investors, customers, employees and the general public in the management and supervision of German companies. Although the Code does not have binding legal force, the enterprises addressed by the Code are nevertheless required by § 161 Stock Corporation Act (AktG) to provide an annual declaration as to whether or not the recommendations of the Code were and are complied with in the reality of the company's business activities. If recommendations were not acted upon, this is to be explained and disclosed as part of the Declaration of Conformity.

The positive attitude of Hannover Rück SE towards the Code is not contradicted by the fact that in the year under review we again did not comply with certain Code recommendations, since a well justified deviation from the recommendations of the Code may – as in the present cases – be very much in the interests of good corporate governance tailored to a particular company, i. e. by reflecting enterprise- and industry-specific features (cf. Foreword to the German Corporate Governance Code). Based on what is still a high degree of fulfilment of the recommendations and suggestions of the Code, Hannover Re continues to rank very highly among the companies listed on the DAX and MDAX.

Declaration of Conformity pursuant to § 161 Stock Corporation Act (AktG)

The Executive Board and Supervisory Board of Hannover Rück SE declare pursuant to § 161 Stock Corporation Act (AktG) that – with the following divergences – the company was and continues to be in conformity with the recommendations made by the Government Commission on the German Corporate Governance Code published by the Federal Ministry of Justice on 12 June 2015 in the official section of the Federal Gazette:

Code Item 4.2.3 Para. 2; Caps on the amount of variable compensation elements in management board contracts

Item 4.2.3 Para. 2 Sentence 6 of the Code recommends that there should be a maximum limit on the amount of variable compensation paid to members of the management board.

The variable compensation of the members of the Executive Board is granted in part in the form of Hannover Re share awards. The maximum number of share awards granted at the time of allocation depends upon the total amount of variable compensation, which is subject to an upper limit (cap), i. e. the allocation of share awards is limited by the cap. The share awards have a vesting period of four years. During this period the members of the Executive Board therefore participate in positive and negative developments at the company, as reflected in the share price. The equivalent value of the share awards is paid out to the members of the Executive Board after the end of the vesting period. The amount paid out is determined according to the share price of the Hannover Re share applicable at the payment date plus an amount equivalent to the total dividends per share distributed during the vesting period. The share awards consequently follow the economic fortunes of the Hannover Re share.

The amount of variable compensation deriving from the granting of share awards is thus capped at the time when the share awards are allocated, but it is not capped again at the time of payment. Bearing in mind the harmonisation of the interests of shareholders and of the members of the Executive Board of Hannover Rück SE that is sought through the share awards, the company does not consider further limitation of the amount of variable remuneration resulting from the granting of share awards at the time of payment to be expedient. From the company's perspective, the use of Hannover Re share awards as a method of payment constitutes – in economic terms – a compulsory investment in Hannover Re shares with a four-year holding period.

For formal purposes and as a highly precautionary measure, Hannover Rück SE is therefore declaring a divergence from Code Item 4.2.3 Para. 2.

Code Item 4.2.3 Para. 4; Caps on severance payments in management board contracts

Pursuant to Item 4.2.3 Para. 4 of the Code, when management board contracts are concluded care should be taken to ensure that payments made to a member of the management board upon premature termination of his or her contract of service do not exceed a certain amount.

Premature termination of a service contract may only take the form of cancellation by mutual consent. Even if the Supervisory Board insists upon setting a severance cap when concluding or renewing an Executive Board contract, this does not preclude the possibility of negotiations also extending to the severance cap in the event of a member leaving the Executive Board. In addition, the scope for negotiation over a member leaving the Executive Board would be restricted if a severance cap were agreed, which could be particularly disadvantageous in cases where there is ambiguity surrounding the existence of serious cause for termination. In the opinion of Hannover Rück SE, it is therefore in the interest of the company to diverge from this recommendation.

Code Item 5.2 Para. 2; Chair of the Audit Committee

Pursuant to Code Item 5.2 Para. 2, the Chair of the Supervisory Board shall not chair the Audit Committee.

The current Chairman of the Supervisory Board of Hannover Rück SE served as the company's Chief Financial Officer in the period from 1994 to 2002. During this time he acquired superb knowledge of the company and he is equipped with extensive professional expertise in the topics that fall within the scope of responsibility of the Finance and Audit Committee. With this in mind, the serving Chairman of the Supervisory Board is optimally suited to chairing the Audit Committee. In the opinion of Hannover Rück SE, it is therefore in the interest of the company to diverge from this recommendation.

Code Item 5.3.2; Independence of the Chair of the Audit Committee

Item 5.3.2 Sentence 3 of the Code recommends that the Chair of the Audit Committee should be independent.

The current Chairman of the Finance and Audit Committee is at the same time also the Chairman of the Board of Management of the controlling shareholder and hence cannot be considered independent. As already explained in advance in the justification for divergence from Code Section 5.2 Para. 2, the current Chairman of the Supervisory Board is, however, optimally suited to chairing the Finance and Audit Committee. This assessment is also not cast into question by the fact that the Committee Chairman cannot therefore be considered independent within the meaning of the German Corporate Governance Code. Furthermore, since his service as Chief Financial Officer of Hannover Rück SE dates back to a period more than ten years ago, it is also the case that the reviews and checks performed by the Finance and Audit Committee no longer relate to any timeframe within which he himself was still a member of the Executive Board or decisions initiated by him as a member of the Executive Board were still being realised. In the opinion of Hannover Rück SE, it is therefore in the interest of the company to diverge from this recommendation.

Hannover, 3 November 2015

Executive Board, Supervisory Board

Further enterprise management principles of Hannover Re

In addition to the Corporate Governance principles, Hannover Rück SE has adopted a more extensive Code of Conduct (www.hannover-re.com/50943/code-of-conduct.pdf). Complementing our corporate strategy and the Corporate Governance principles, it establishes rules governing integrity in the behaviour of all employees of Hannover Rück SE and is intended to help members of staff cope with the ethical and legal challenges that they face as part of day-to-day work. The rules defined in the Code of Conduct reflect the high ethical and legal standards that guide our actions worldwide. It is our belief that integrity in dealings with our stakeholders constitutes the foundation of a successful enterprise. In both our strategic planning and our day-to-day business activities, we therefore aspire to consistently apply the highest ethical and legal standards; for our actions and the way in which every single one of us presents and conducts himself or herself are crucial in shaping the image of Hannover Rück SE.

Sustainability of enterprise management

The strategic orientation of Hannover Rück SE towards sustainability constitutes an increasingly important element of the enterprise strategy. The aim is to achieve commercial success on the basis of a solid business model in accordance with the needs of our staff and the company as well as with an eye to protecting the environment and conserving natural resources. We strive to reduce as far as possible the greenhouse gas emissions produced by our day-to-day business activities in order to come closer to reaching our goal of carbon neutrality. In so doing, we are demonstrably taking responsibility for a sustainable future. In 2011 we defined for the first time a concrete Sustainability Strategy setting out our primary objectives in this field. Not only that, in the year under review we again presented our Sustainability Report in the form of a so-called "GRI Report" (Global Reporting Initiative). Further information on the topic of sustainability is provided on our website (www.hannover-re.com/60729/sustainability).

Three of the members of the Supervisory Board in the year under review were women. In addition, one of the members of the Supervisory Board's Nomination Committee is a woman. The programme for the advancement of women that had been implemented within the workforce in 2012 encourages the fostering of promising young female professionals through a variety of targeted measures and supports enlargement of the proportion of women in management positions.

Targets pursuant to §§ 76 Para. 4, 111 Para. 5 Stock Corporation Act

In accordance with the Act for the Equal Participation of Women and Men in Leadership Positions in the Private Sector and the Public Sector, the Supervisory Board of the company was required by 30 September 2015 to define a target quota for women on the Supervisory Board and Executive Board of the company in the period until 30 June 2017. After extensive deliberations the Supervisory Board decided, in due consideration of the term of office of the Supervisory Board and the current mandates and contracts of service of the members of the Executive Board, to define within the specified period – without prejudice to possible decisions to the contrary that may be taken as warranted when the time comes – a target quota for women on the Supervisory Board of 30% and an anticipated continued quota of zero for the Executive Board. Should events result in the currently unforeseeable appointment of a new member of the Executive Board, the Supervisory Board shall give preference to a potential female candidate in case of equal personal aptitude and professional qualifications. The company's Executive Board defined a target quota of 16.8% with the same deadline for the two levels of senior management below the Executive Board.

Working practice of the Executive Board and Supervisory Board

The Executive Board and Supervisory Board of Hannover Rück SE work together on a trusting basis to manage and monitor the company. In accordance with the Rules of Procedure of the Executive Board, matters of fundamental importance require the consent of the Supervisory Board. The Supervisory Board is comprised of nine members. Six members are elected by the shareholders at the Annual General Meeting, three members are appointed by the Employee Council. The Supervisory Board appoints the members of the Executive Board. Since members of the Supervisory Board cannot at the same time belong to the Executive Board, a high degree of independence in the oversight of the Executive Board is thus already ensured by structural means. In addition, the Supervisory Board is kept informed on a regular and timely basis of the business development, the execution of strategic decisions, material risks and planning as well as relevant compliance issues. The Chairman of the Supervisory Board stays in regular contact with the Chairman of the Executive Board in order to discuss with him significant business occurrences. The composition of the Executive Board (including areas of responsibility) as well as of the Supervisory Board and its committees is set out on pages 6 et seq. and 241 respectively of the present Annual Report.

The Rules of Procedure of the Executive Board are intended to ensure that a consistent business policy is elaborated and implemented for the company in accordance with its strategic objectives. Within the framework of a consistent business policy, the principle of "delegation of responsibility" enjoys special status. In the interests of shareholders, importance is expressly attached to an organisation that facilitates cost-effective, quick and unbureaucratic decision processes. Open and trusting cooperation geared to the interest of the whole is the foundation of success. In this context, the members of the Executive Board bear joint responsibility for the overall management of business. Irrespective of their overall responsibility, each member of the Executive Board leads their own area of competence at their individual responsibility within the bounds of the resolutions adopted by the Executive Board. Only persons under the age of 65 may be appointed to the Executive Board. The term of appointment shall be determined such that it expires no later than the end of the month in which the member of the Executive Board turns 65. The Supervisory Board takes account of diversity considerations in the composition of the Executive Board.

The Rules of Procedure of the Supervisory Board provide inter alia that each member of the Supervisory Board must have the knowledge, skills and professional experience required for orderly performance of their tasks and that the Supervisory Board must have a sufficient number of independent members. Currently, four of the six shareholder representatives are independent as defined by Item 5.4.2 of the German Corporate Governance Code. At least one independent member shall have technical expertise in the fields of accounting and the auditing of financial statements. Persons suggested to the Annual General Meeting as candidates for election to the Supervisory Board may not be older than 72 at the time of their election and shall normally not belong to the Supervisory Board as a member for longer than three full consecutive terms of office; the term of office commencing from the end of the 2014 Annual General Meeting shall be counted as the first term of office in this regard. Nominations shall take account of the company's international activities as well as diversity. Furthermore, it shall be ensured that the proposed person can allocate the expected amount of time. For their part, each sitting member of the Supervisory Board shall also ensure that they have sufficient time to discharge their mandate. The Supervisory Board meets at least twice each calendar half-year. If a member of the Supervisory Board has only participated in half of the meetings of the Supervisory Board and the committees or less in a financial year, this shall be noted in the Supervisory Board's report. No more than two former members of the company's Executive Board may belong to the Supervisory Board.

In the year under review the Supervisory Board adopted the regular procedure to evaluate the efficiency of the Supervisory Board's work in accordance with Item 5.6 of the German Corporate Governance Code.

Working practice of the committees of the Supervisory Board

In order to efficiently perform its tasks the Supervisory Board has formed a number of committees: the Finance and Audit Committee, the Standing Committee and the Nomination Committee. The Supervisory Board committees are each comprised of three members and prepare matters within their scope of competence for discussion and adoption of a resolution by the full Supervisory Board. In addition, the committees are also assigned their own authority to adopt resolutions.

The Finance and Audit Committee monitors the accounting process and the effectiveness of the internal control system, the risk management system and the internal auditing system. It also handles issues relating to compliance and the information system for the Supervisory Board and discusses the interim reports as well as the semi-annual reports prior to their publication. It prepares the Supervisory Board's examination of the annual financial statement, management report and proposal for the appropriation of profit as well as of the consolidated financial statement and Group management report. In this context, the Finance and Audit Committee receives detailed information on the auditor's view of the net assets, financial position and results of operations as well as explanations of the effects of any modified recognition and measurement principles on the net assets, financial position and results of operations together with available alternatives. In addition, the committee prepares the Supervisory Board's decision on the commissioning of the independent auditor for the financial statements. It considers matters associated with the necessary independence of the auditor, the awarding of the audit mandate to the independent auditor, the determination of the audit concentrations and the fee agreement. The minutes of the meetings of the Finance and Audit Committee are also made available to the members of the Supervisory Board who do not sit on the committee.

The Standing Committee prepares personnel decisions for the Supervisory Board. It bears responsibility for granting loans to the group of persons specified in §§ 89 Para. 1, 115 Stock Corporation Act and those considered equivalent pursuant to § 89 Para. 3 Stock Corporation Act as well as for approving contracts with Supervisory Board members in accordance with § 114 Stock Corporation Act. It exercises the powers arising out of § 112 Stock Corporation Act in lieu of the Supervisory Board and – in cooperation with the Executive Board – ensures that long-term succession planning is in place.

The Nomination Committee is tasked with proposing to the Supervisory Board appropriate candidates for the nominations that it puts forward to the Annual General Meeting for election to the Supervisory Board.

For further details of the activities of the Supervisory Board committees please see the explanations provided in the Supervisory Board Report on pages 238 to 240.

Compliance

Hannover Rück SE considers a properly functioning compliance structure to be an essential tool for ensuring compliance with external rules and regulations as well as requirements imposed internally by the company. Our compliance structure, which consists of compliance modules precisely tailored to the specific features of our Property & Casualty and Life & Health reinsurance business groups, facilitates optimal application. The compliance committees are comprised of members from the respective business groups as well as from the areas of Legal, Finance, Accounting and Investments. The chairs report directly to the Executive Board. This structure safeguards adherence to the standards that have been set.

The compliance report for the 2015 calendar year will be submitted to the Finance and Audit Committee in March 2016. The reporting sets out the structure and diverse range of activities of Hannover Re in this regard. The findings of the separate data privacy reporting for the 2015 calendar year are also included in the compliance report. After in-depth examination of topics such as directors' dealings, ad hoc and other disclosure requirements, the insider register, consulting agreements, data protection, international sanctions and the Group-wide whistleblower system, the report concludes that only a few circumstances have been identified which point to breaches of relevant compliance standards. After detailed exploration of these incidents, the necessary safeguards were put in place to ensure that in the future Hannover Re is in conformity with the internal and external requirements governing its business activities.

Risk monitoring and steering

The risk management system applicable throughout the entire Hannover Re Group is based on the risk strategy, which in turn is derived from the corporate strategy. A core component is the systematic and comprehensive recording of all risks that from the current standpoint could conceivably jeopardise the company's profitability and continued existence. Further details in this regard may be obtained from the risk report contained in this Annual Report on page 72 et seq.

Information regarding the following items is provided in the remuneration report:

- Remuneration report for the Executive Board and disclosure of the remuneration received by Supervisory Board members pursuant to Items 4.2.5 and 5.4.6 of the German Corporate Governance Code,
- Securities transactions pursuant to Item 6.2 of the German Corporate Governance Code,
- Shareholdings pursuant to Item 6.2 of the German Corporate Governance Code.

Information on share-based payment pursuant to Item 7.1.3 of the German Corporate Governance Code is provided in Section 8.3 of the notes "Share-based payment", page 227 et seq., and in the remuneration report with respect to the members of the Executive Board.

In addition to the present Declaration on Corporate Governance, the Corporate Governance Report and the reports of recent years are published on our website pursuant to Item 3.10 of the German Corporate Governance Code (www.hannover-re.com/200801/declaration-of-conformity).

Remuneration report

The remuneration report summarises the principles used to determine the remuneration of the Executive Board of Hannover Rück SE and explains the structure, composition and amount of the components of the remuneration received by the Executive Board in the 2015 financial year on the basis of the work performed by the Board members for Hannover Rück SE and companies belonging to the Group.

In addition, the amount of remuneration paid to the Supervisory Board on the basis of its work for Hannover Rück SE and companies belonging to the Group as well as the principles according to which this remuneration is determined are described; we also explain the principles on which the remuneration for senior executives below the level of the Executive Board is based.

The remuneration report is guided by the recommendations of the German Corporate Governance Code and contains information which forms part of the notes to the 2015 consolidated financial statement as required by IAS 24 "Related Party Disclosures". Under German commercial law, too, this information includes data specified as mandatory for the notes (§ 314 HGB) and the management report (§ 315 HGB). These details are discussed as a whole in this remuneration report and presented in summary form in the notes.

The provisions of the Act on the Adequacy of Management Board Remuneration (VorstAG) and of the Insurance Supervision Act (VAG) in conjunction with the Regulation on the Supervisory Law Requirements for Remuneration Schemes in the Insurance Sector (VersVergV) have been observed. In addition, we took into account the more specific provisions of DRS 17 (amended 2010) "Reporting on the Remuneration of Members of Governing Bodies".

Remuneration of the Executive Board

Responsibility

In order to efficiently perform its tasks the Supervisory Board has formed various committees. The Standing Committee prepares remuneration-related matters of content relating to the Executive Board for discussion and adoption of a resolution by a full meeting of the Supervisory Board.

Objective, structure and system of Executive Board remuneration

The total remuneration of the Executive Board and its split into fixed and variable components conform to regulatory requirements – especially the provisions of the Act on the Adequacy of Management Board Remuneration (VorstAG) and the Regulation on the Supervisory Law Requirements for Remuneration Schemes in the Insurance Sector (VersVergV). An independent expert's report confirms that the system of remuneration meets the requirements of Art. 275 Commission Delegated Regulation (EU) 2015/35 for a remuneration policy and remuneration practices that are in line with the undertaking's business, strategy and risk profile.

The amount and structure of the remuneration of the Executive Board are geared to the size and activities of the company, its economic and financial position, its success and future prospects as well as the customariness of the remuneration, making reference to the benchmark environment (horizontal) and the remuneration structure otherwise applicable at the company (vertical). The remuneration is also guided by the tasks of the specific member of the Executive Board, his or her individual performance and the performance of the full Executive Board.

With an eye to these objectives, the remuneration system has two components: fixed salary/non-cash compensation and variable remuneration. The variable remuneration is designed to take account of both positive and negative developments. Overall, the remuneration is to be measured in such a way that it reflects the company's sustainable development and is fair and competitive by market standards. In the event of 100% goal attainment the remuneration model provides for a split into roughly 40% fixed remuneration and roughly 60% variable remuneration.

Fixed remuneration (approx. 40% of total remuneration upon 100% goal attainment)

Measurement basis and payment procedures for fixed remuneration **M 71**

Components	Measurement basis/ parameters	Condition of payment	Paid out
Basic remuneration; Non-cash compensation, fringe benefits: Accident, liability and luggage insurance, company car for business and – if desired – personal use (tax on the non-cash benefit payable by the Board member), reimbursement of travel expenses and other expenditures incurred in the interest of the company	Function, responsibility, length of service on the Executive Board Remuneration reviewed by the Supervisory Board normally at two-year intervals. Since 2014 gradual conversion of Executive Board contracts: review of annual fixed salary during the contract period no longer applies.	Contractual stipulations	12 equal monthly instalments

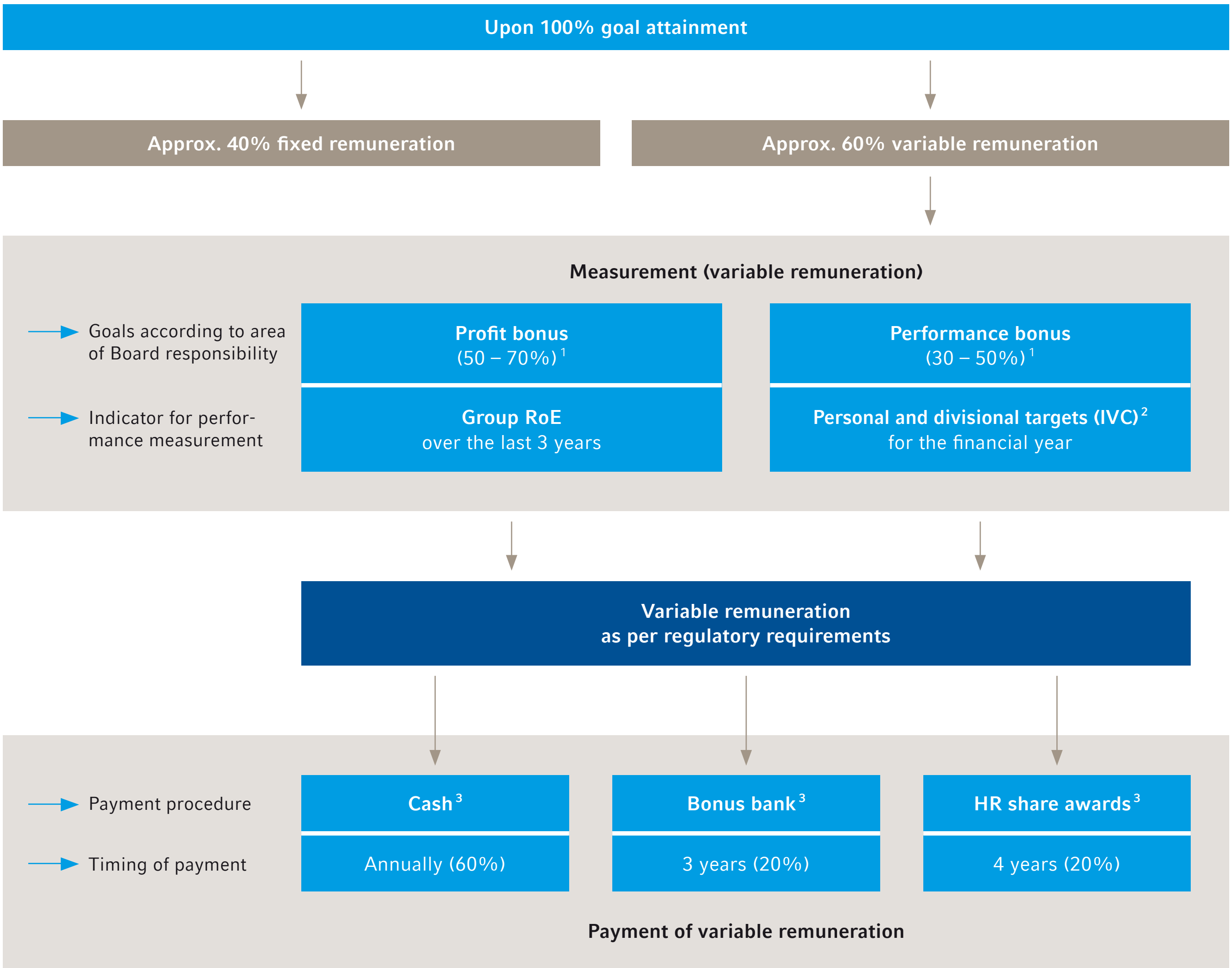
Variable remuneration (approx. 60% of total remuneration upon 100% goal attainment)

The profit- and performance-based remuneration (variable remuneration) is contingent on certain defined results and the attainment of certain set targets. The set targets vary according to the function of the Board member in question. The variable remuneration consists of a profit bonus and a performance bonus.

The variable remuneration is defined at the Supervisory Board meeting that approves the consolidated financial statement for the financial year just ended.

The following chart summarises the make-up of the variable remuneration components. For details of measurement and payment procedures please see the two tables following the chart.

Overview of the composition of variable remuneration **M72**



1 Chief Executive Officer/Chief Financial Officer 70% profit bonus, 30% performance bonus (personal targets);
Board members with divisional responsibility: 50% profit bonus, 50% performance bonus (25% personal targets/25% divisional targets)
2 An instrument of value-based management used to measure the attainment of long-term goals on the level of the Group, business groups and operational units
3 Split defined by legal minimum requirements

Measurement bases/conditions of payment for variable remuneration M73

Component	Measurement basis/parameters	Condition of payment
Profit bonus		
Proportion of variable remuneration: Chief Executive Officer/ Chief Financial Officer: 70%; Board member with divisional responsibility: 50%	The profit bonus is dependent on the risk-free interest rate and the average Group return on equity (RoE) of the past three financial years. An individually determined and contractually defined basic amount is paid for each 0.1 percentage point by which the RoE of the past three financial years exceeds the risk-free interest rate of 1.8%. Goal attainment of 100% corresponds to an RoE of 10.6%. Goal attainment can amount to a maximum of 200% and a minimum of -100%. The IFRS Group net income (excluding non-controlling interests) and the arithmetic mean of the IFRS Group shareholders' equity (excluding non-controlling interests) at the beginning and end of the financial year are used to calculate the RoE.	Contractual stipulations Attainment of three-year targets Decision of the Supervisory Board
	The risk-free interest rate is the average market rate for 10-year German government bonds over the past 5 years and is set at an agreed level of 2.8%. The arrangements governing the profit bonus may be adjusted if the risk-free interest rate of 2.8% changes to such an extent that an (absolute) deviation of at least one percentage point arises.	In view of the market interest rate the Supervisory Board has set the risk-free interest rate at 1.8%.

Component	Measurement basis/parameters	Condition of payment
Performance bonus The performance bonus for the Chief Executive Officer and the Chief Financial Officer is arrived at from individual qualitative and, as appropriate, quantitative targets defined annually by the Supervisory Board that are to be accomplished in the subsequent year. For members of the Executive Board with responsibility for a certain division, the performance bonus consists in equal parts of the divisional bonus and the individual bonus.		
Divisional bonus Proportion of variable remuneration: Board member with divisional responsibility: 25%	The basis for the divisional bonus is the return generated on the capital allocated to the division in the respective 3-year period just ended (= RoCA (Return on Capital Allocated)). An individually determined amount specified in the service contract is calculated for each 0.1 percentage point by which the average 3-year RoCA exceeds the level of 0%. Goal attainment of 100% is achieved in property and casualty reinsurance with a RoCA of 9.1% and in life and health reinsurance with a RoCA of 10.1%. These RoCA values are above the cost of capital and thus generate positive intrinsic value creation (IVC[1]). Goal attainment can amount to a maximum of 200% and from 2015 onwards a minimum of -100%. The method used to calculate the IVC as a basis for determining the divisional performance is checked by independent experts. The divisional bonus is determined by the Supervisory Board according to its best judgement. The determination also takes into account, in particular, the contribution made by the business under the responsibility of the Board member concerned to the achieved divisional performance and the relative change in the average IVC in the remuneration year. The Supervisory Board may make additions to or deductions from the arithmetically calculated values at any time in the event of over- or underfulfilment of the criteria. Special arrangements for 2013 and 2014: the basis for the average RoCA is the divisional performance from 2013 onwards; the minimum divisional bonus is EUR 0.	Attainment of three-year targets (basis for 2013 and 2014: divisional performance from 2013 onwards) Contractual agreement Decision of the Supervisory Board according to its best judgement
Individual bonus Proportion of variable remuneration: Chief Executive Officer/ Chief Financial Officer: 30%; Board member with divisional responsibility: 25%	Personal qualitative, quantitative targets; individual contribution to the overall result, leadership skills, innovative skills, entrepreneurial skills, specific features of area of responsibility. The individual bonus for goal attainment of 100% is contractually stipulated. Over- and underfulfilment result in additions/deductions. The minimum individual bonus amounts to EUR 0 and the maximum is double the bonus payable upon complete goal attainment.	Attainment of annual targets Decision by the Supervisory Board according to its best judgement.

[1] An instrument of value-based management used to measure the attainment of long-term goals on the level of the Group, business groups and operational units (see also page 26 et seq.).

Payment procedures for the total variable remuneration

Of the total amount of defined variable remuneration, a partial amount of 60% is paid out in the month following the Supervisory Board meeting that approves the consolidated financial statement. The remaining amount of 40% is initially withheld as explained below with a view to encouraging long-term value creation:

Payment procedures for the total variable remuneration M 74

Short-term	Medium-term	Long-term
60% of the variable remuneration with the next monthly salary payment following the Supervisory Board resolution	**20% of the variable remuneration in the bonus bank;** withheld for three years; the positive amount contributed three years prior to the payment date is available for payment, provided this does not exceed the balance of the bonus bank in light of credits/debits up to and including those for the financial year just ended; an impending payment not covered by a positive balance in the bonus bank is omitted; a positive balance in the bonus bank is carried forward to the following year after deduction of any payment made; a negative balance is not carried forward to the following year; loss of claims due from the bonus bank in special cases: resignation from office without a compelling reason; contract extension on the same conditions is rejected; no interest is paid on credit balances.	Automatic granting of **virtual Hannover Re share awards (HR-SAs)** with a value equivalent to **20%** of the variable remuneration; payment of the value calculated at the payment date after a **vesting period of four years**; value of the share on awarding/payment: unweighted arithmetic mean of the Xetra closing prices five trading days before to five trading days after the meeting of the Supervisory Board that approves the consolidated financial statement; additional payment of the sum total of all dividends per share paid out during the vesting period; changes in a cumulative amount of 10% or more in the value of the HR-SAs caused by structural measures trigger an adjustment; the Board member has no entitlement to the delivery of shares.
Negative variable total bonus = payment of EUR 0 variable remuneration. Any minus value of the variable total bonus for a financial year is transferred in full to the bonus bank (see "Medium-term" column).		

Handling of payment of variable remuneration components in special cases

In the event of voluntary resignation or termination/dismissal by the company for a compelling reason or if an offered contract extension on the same conditions (exception: the member of the Executive Board has reached the age of 60 and has served as a member of the Executive Board for two terms of office) is declined, all rights to payment of the balances from the bonus bank and from the HR-SAs are forfeited.

If the contractual relationship ends normally prior to the end of the vesting period for the bonus bank or HR-SAs, and if a contract extension is not offered, the member of the Executive Board retains his entitlements to payment from the bonus bank – making reference to a defined forward projection of the bonus bank – and for already awarded HR-SAs.

All claims to the allocation of amounts to the bonus bank and/or awarding of HR-SAs after leaving the company are excluded. In cases where an individual leaves the company because of non-reappointment, retirement or death this shall not apply with respect to claims to variable remuneration acquired (pro rata) in the final year of the Board member's work for the company.

Variable remuneration under the old remuneration structure (until 2011)

The virtual stock option plan with stock appreciation rights existing under the old remuneration structure remains in force for all members of the Executive Board until all stock appreciation rights have been exercised or have lapsed. In the 2015 financial year no further stock appreciation rights were granted to active Board members. Of the stock appreciation rights granted in previous years, active and former Board members exercised amounts totalling EUR 2.0 million (previous year: EUR 0.5 million) in 2015.

As at 31 December 2015 active members of the Executive Board had at their disposal a total of 79,464 (228,957) granted, but not yet exercised stock appreciation rights with a fair value of EUR 0.7 million (EUR 2.1 million).

Continued payment in case of disability

In the event of temporary incapacity for work the fixed annual salary shall continue to be paid in the same amount, at most until termination of the service contract.

If a member of the Executive Board is permanently incapacitated for work during the period of the service contract, the service contract shall terminate at the end of the sixth month after which the permanent incapacity for work is established – although no later than at the end of the service contract.

Other information

The contracts of the Board members do not include a commitment to benefits in the event of a premature termination of employment on the Executive Board owing to a change of control. Only the conditions for the granting of share-based remuneration in the form of stock appreciation rights provide for special exercise options in the event of the merger, spin-off or demerger of Hannover Re into another legal entity.

With regard to Item 4.2.3. Para. 2 "Caps on the amount of variable compensation elements in management board contracts" and Item 4.2.3 Para. 4 "Caps on severance payments in management board contracts" of the German Corporate Governance Code, we would refer the reader to our remarks in the 2015 Declaration of Conformity contained in the section "Statement of enterprise management practices" on page 99 et seq. of this Group Annual Report.

If the company insists on a non-competition clause with Mr. Wallin for two years after the termination of his service contract, he shall be recompensed in a monthly amount of 50% of his most recent fixed remuneration. Income earned through the application of his working capacity elsewhere shall be counted towards this compensation insofar as such income in combination with the compensation exceeds 100% of the most recently received fixed remuneration. The non-competition clause shall not apply if the contract ends prior to the age of 65 because the company does not extend it or because Mr. Wallin declines an extension offered to him on what are for him inferior terms, or if the premature termination or non-extension is due to a compelling reason for which the company is responsible.

Amount of remuneration received by the Executive Board

The total remuneration received by the Executive Board of Hannover Rück SE on the basis of its work for Hannover Rück SE and the companies belonging to the Group is calculated from the sum of all the components set out in the following table pursuant to DRS 17 (amended 2010).

The remuneration (excluding pension payments) received by former members of the Executive Board totalled EUR 0.7 million (EUR 0.8 million).

Total remuneration of the active members of the Executive Board pursuant to DRS 17 (amended 2010) M75

Name	Financial year	Non-performance-based remuneration		Performance-based remuneration [1]	
		Basic salary	Non-cash compensation/ fringe benefits [2]	Short-term	
				Variable remuneration payable	
in EUR thousand				60% [3]	Netted remuneration from seats with Group bodies
Ulrich Wallin	**2015**	**596.4**	**14.8**	**650.4**	
	2014	569.7	16.2	678.4	
Sven Althoff [7]	**2015**	**280.0**	**14.8**	**334.2**	
	2014	199.0	7.2	183.1	
Claude Chèvre	**2015**	**380.0**	**12.8**	**440.1**	
	2014	348.7	13.2	416.9	
Jürgen Gräber	**2015**	**445.1**	**18.1**	**508.1**	
	2014	428.0	16.0	456.4	
Dr. Klaus Miller	**2015**	**356.1**	**3.7**	**366.5**	
	2014	342.4	13.9	404.5	
Dr. Michael Pickel	**2015**	**356.1**	**12.0**	**402.1**	
	2014	342.4	22.5	368.7	
Roland Vogel	**2015**	**422.9**	**14.8**	**372.5**	38.6
	2014	406.6	15.4	398.9	49.5
Total	**2015**	**2,836.6**	**91.0**	**3,073.9**	38.6
Total	2014	2,636.8	104.4	2,906.9	49.5

1 As at the balance sheet date no Board resolution was available regarding the performance-based remuneration for 2015. The variable remuneration is recognised on the basis of estimates and the provisions constituted accordingly.

2 The non-cash compensation has been carried in the amounts established for tax purposes.

3 In 2015 EUR 110,100 more in variable remuneration was paid out to Board members for 2014 than had been reserved.

4 The nominal amount is stated; full or partial repayment in 2019, depending on the development until such time of the balance in the bonus bank. In 2015 altogether EUR 36,100 more than had been originally reserved was allocated to the bonus bank for 2014.

5 The nominal amount is stated; virtual Hannover Re share awards are automatically granted in an amount equivalent to 20% of the variable remuneration. The equivalent amount will be paid in 2020 at the prevailing share price of Hannover Re. In 2015 nominal amounts of EUR 37,400 more than had been originally reserved were used as a basis for allocation of the 2014 share awards.

6 In order to calculate the number of share awards for 2015 reference was made to the Xetra closing price of the Hannover Re share on 30 December 2015 (EUR 105.65). The number to be actually awarded is established from the arithmetic mean of the Xetra closing prices of the Hannover Re share in a period from five trading days before to five trading days after the meeting of the Supervisory Board that approves the consolidated financial statement in March 2016. The applicable market price of the Hannover Re share had increased from EUR 74.97 (30 December 2014) to EUR 89.06 by the allocation date (9 March 2015) of the share awards for 2014; the share awards actually allocated for 2014 are shown here, not those estimated in the 2014 Annual Report.

7 Mr. Althoff was appointed to the Executive Board on 1 August 2014. The amounts stated include his remuneration as a senior executive of Hannover Re for the period from 1 January to 31 July 2014.

	Performance-based remuneration [1]		Total	Number of share awards [6]
	Medium-term	Long-term		2014 = Actual 2015 = Estimate
	Bonus bank	Share awards		
in EUR thousand	20% (allocation) [4]	20% (allocation) [5]		
	216.8	**216.8**	**1,695.2**	**2,021**
	226.1	226.1	1,716.5	2,430
	110.8	**112.1**	**851.9**	**1,004**
	43.4	78.6	511.3	1,050
	146.7	**146.7**	**1,126.3**	**1,411**
	139.0	139.0	1,056.8	1,494
	169.3	**169.3**	**1,309.9**	**1,432**
	152.2	152.2	1,204.8	1,873
	122.1	**122.1**	**970.5**	**1,187**
	134.9	134.9	1,030.6	1,438
	134.1	**134.1**	**1,038.4**	**1,145**
	122.9	122.9	979.4	1,483
	124.2	**124.2**	**1,058.6**	**1,155**
	133.0	133.0	1,086.9	1,460
	1,024.0	**1,025.3**	**8,050.8**	**9,355**
	951.5	986.7	7,586.3	11,228

The following table shows the expense for share-based remuneration of the Executive Board in the financial year.

The table is to be viewed independently of the presentation of the total remuneration received by active members of the Executive Board pursuant to DRS 17.

Total expense for share-based remuneration of the Executive Board M 76

Name in EUR thousand	Year	Stock appreciation rights exercised	Change in reserve in 2015 for stock appreciation rights	Change in reserve for share awards from previous years [1]	Expense for share awards allocated in current financial year [2]	Total
Ulrich Wallin	**2015**	**380.4**	**(338.8)**	**633.4**	**79.8**	**754.8**
	2014	72.7	84.7	277.0	58.0	492.4
Sven Althoff [3]	**2015**	**63.6**	**(40.8)**	**131.8**	**41.0**	**195.6**
	2014	14.6	24.5	86.1	10.9	136.1
Claude Chèvre	**2015**	**–**	**–**	**215.0**	**30.7**	**245.7**
	2014	–	–	90.6	26.0	116.6
Jürgen Gräber	**2015**	**355.2**	**(319.0)**	**470.7**	**56.6**	**563.5**
	2014	87.6	54.8	201.3	40.4	384.1
Dr. Klaus Miller	**2015**	**44.6**	**(38.6)**	**336.7**	**34.1**	**376.8**
	2014	-	20.5	148.6	28.0	197.1
Dr. Michael Pickel	**2015**	**319.7**	**(287.1)**	**353.3**	**40.2**	**426.1**
	2014	78.8	49.3	152.3	29.7	310.1
Roland Vogel	**2015**	**164.7**	**(146.6)**	**406.5**	**54.1**	**478.7**
	2014	30.9	37.4	175.9	39.3	283.5
Total	**2015**	**1,328.2**	**(1,170.9)**	**2,547.4**	**336.5**	**3,041.2**
Total	2014	284.6	271.2	1,131.8	232.3	1,919.9

1 The change in the reserve for share awards from previous years derives from the increased market price of the Hannover Re share, the dividend approved for 2014 and the spreading of the expense for share awards across the remaining period of the individual service contracts.
2 The expense for share awards is spread across the remaining period of the individual service contracts. This gives rise to a difference relative to the nominal amount shown in the table of total remuneration.
3 Mr. Althoff was appointed to the Executive Board on 1 August 2014. The figures for 2014 therefore relate in part to his prior work as a senior executive at Hannover Re.

The following two tables show the remuneration of the Executive Board in the 2015 financial year in accordance with the recommendations of the German Corporate Governance Code:

German Corporate Governance Code, Item 4.2.5 Para. 3 – Table 1 (target/minimum/maximum remuneration as nominal amounts)

M 77

Benefits granted	Ulrich Wallin Chief Executive Officer				Sven Althoff Board member with divisional responsibility Date joined: 1 August 2014			
in EUR thousand	2014	2015	2015 (Min)	2015 (Max)	2014	2015	2015 (Min)	2015 (Max)
Fixed remuneration	569.7	596.4	596.4	596.4	280.0	280.0	280.0	280.0
Fringe benefits	16.2	14.8	14.8	14.8	7.2	14.8	14.8	14.8
Total	**585.9**	**611.2**	**611.2**	**611.2**	**287.2**	**294.8**	**294.8**	**294.8**
One-year variable remuneration	480.0	504.0	0.0	1,008.0	252.0	252.0	0.0	504.0
Multi-year variable remuneration	356.6	398.1	(525.9)	734.1	174.2	181.3	(34.9)	349.3
Bonus bank 2014 (2018[1])/ 2015 (2019[1])	160.0	168.0	(588.0)	336.0	84.0	84.0	(48.2)	168.0
Share awards 2014 (2019[1])/ 2015 (2020[1])[2]	160.0	168.0	0.0	336.0	84.0	84.0	0.0	168.0
Dividend on share awards for 2013[3]	36.6	0.0	0.0	0.0	6.2	0.0	0.0	0.0
Dividend on share awards for 2014	0.0	62.1	62.1	62.1	0.0	13.3	13.3	13.3
Total	**1,422.5**	**1,513.3**	**85.3**	**2,353.3**	**713.4**	**728.1**	**259.9**	**1,148.1**
Service cost[4]	114.3	167.1	167.1	167.1	13.9	750.6	750.6	750.6
Total remuneration	**1,536.8**	**1,680.4**	**252.4**	**2,520.4**	**727.3**	**1,478.7**	**1,010.5**	**1,898.7**

Benefits granted	Dr. Klaus Miller Board member with divisional responsibility				Dr. Michael Pickel Board member with divisional responsibility			
in EUR thousand	2014	2015	2015 (Min)	2015 (Max)	2014	2015	2015 (Min)	2015 (Max)
Fixed remuneration	342.4	356.1	356.1	356.1	342.4	356.1	356.1	356.1
Fringe benefits	13.9	3.7	3.7	3.7	22.5	12.0	12.0	12.0
Total	**356.3**	**359.8**	**359.8**	**359.8**	**364.9**	**368.1**	**368.1**	**368.1**
One-year variable remuneration	288.0	288.0	0.0	576.0	288.0	288.0	0.0	576.0
Multi-year variable remuneration	212.3	226.9	(323.8)	418.9	212.6	227.4	(324.6)	419.4
Bonus bank 2014 (2018[1])/ 2015 (2019[1])	96.0	96.0	(358.8)	192.0	96.0	96.0	(360.0)	192.0
Share awards 2014 (2019[1])/ 2015 (2020[1])[2]	96.0	96.0	0.0	192.0	96.0	96.0	0.0	192.0
Dividend on share awards for 2013[3]	20.3	0.0	0.0	0.0	20.6	0.0	0.0	0.0
Dividend on share awards for 2014	0.0	34.9	34.9	34.9	0.0	35.4	35.4	35.4
Total	**856.6**	**874.7**	**36.0**	**1,354.7**	**865.5**	**883.5**	**43.5**	**1,363.5**
Service cost[4]	82.8	87.3	87.3	87.3	89.9	147.1	147.1	147.1
Total remuneration	**939.4**	**962.0**	**123.3**	**1,442.0**	**955.4**	**1,030.6**	**190.6**	**1,510.6**

1 Year of payment
2 Maximum value when awarded, amount paid out dependent upon the share price in the year of payment and the dividends paid until such time.
3 In the case of Mr. Althoff the dividend for 2013 refers to share awards from his work as a senior executive at Hannover Re.
4 For details of the service cost see the tables "Defined benefit commitments" and "Defined contribution commitments" on page 119.

Claude Chèvre Board member with divisional responsibility				Jürgen Gräber Board member with divisional responsibility Coordinator of worldwide property & casualty reinsurance			
2014	2015	2015 (Min)	2015 (Max)	2014	2015	2015 (Min)	2015 (Max)
348.7	380.0	380.0	380.0	428.0	445.1	445.1	445.1
13.2	12.8	12.8	12.8	16.0	18.1	18.1	18.1
361.9	**392.8**	**392.8**	**392.8**	**444.0**	**463.2**	**463.2**	**463.2**
297.0	342.0	0.0	684.0	360.0	360.0	0.0	720.0
210.9	252.6	(339.2)	480.6	266.8	285.9	(404.1)	525.9
99.0	114.0	(363.8)	228.0	120.0	120.0	(450.0)	240.0
99.0	114.0	0.0	228.0	120.0	120.0	0.0	240.0
12.9	0.0	0.0	0.0	26.8	0.0	0.0	0.0
0.0	24.6	24.6	24.6	0.0	45.9	45.9	45.9
869.8	**987.4**	**53.6**	**1,557.4**	**1,070.8**	**1,109.1**	**59.1**	**1,709.1**
91.7	150.1	150.1	150.1	90.2	109.2	109.2	109.2
961.5	**1,137.5**	**203.7**	**1,707.5**	**1,161.0**	**1,218.3**	**168.3**	**1,818.3**

Roland Vogel Chief Financial Officer			
2014	2015	2015 (Min)	2015 (Max)
406.6	422.9	422.9	422.9
15.4	14.8	14.8	14.8
422.0	**437.7**	**437.7**	**437.7**
288.0	288.0	0.0	576.0
214.8	230.4	(297.6)	422.4
96.0	96.0	(336.0)	192.0
96.0	96.0	0.0	192.0
22.8	0.0	0.0	0.0
0.0	38.4	38.4	38.4
924.8	**956.1**	**140.1**	**1,436.1**
33.0	62.8	62.8	62.8
957.8	**1,018.9**	**202.9**	**1,498.9**

German Corporate Governance Code, Item 4.2.5 Para. 3 – Table 2 (cash allocations in 2014 and 2015) **M 78**

Allocation	Ulrich Wallin Chief Executive Officer		Sven Althoff[1] Board member with divisional responsibility Date joined: 1 August 2014	
in EUR thousand	2014	2015	2014	2015
Fixed remuneration	569.7	596.4	199.0	280.0
Fringe benefits	16.2	14.8	7.2	14.8
Total	**585.9**	**611.2**	**206.2**	**294.8**
One-year variable remuneration[2]	603.0	649.2	98.0	199.3
Multi-year variable remuneration	72.7	613.4	14.6	63.6
Bonus bank 2011	0.0	233.0	0.0	0.0
ABR 2009 (2013–2019[3])	72.7	72.7	14.6	14.6
ABR 2010 (2015–2020[4])	0.0	307.7	0.0	49.0
Total	**1,261.6**	**1,873.8**	**318.8**	**557.7**
Service cost[5]	114.3	167.1	13.9	750.6
Total remuneration	**1,375.9**	**2,040.9**	**332.7**	**1,308.3**

Allocation	Dr. Klaus Miller Board member with divisional responsibility		Dr. Michael Pickel Board member with divisional responsibility	
in EUR thousand	2014	2015	2014	2015
Fixed remuneration	342.4	356.1	342.4	356.1
Fringe benefits	13.9	3.7	22.5	12.0
Total	**356.3**	**359.8**	**364.9**	**368.1**
One-year variable remuneration[2]	340.5	384.0	359.4	396.0
Multi-year variable remuneration	0.0	170.6	78.8	444.4
Bonus bank 2011	0.0	126.0	0.0	124.8
ABR 2009 (2013–2019[3])	0.0	0.0	78.8	78.8
ABR 2010 (2015–2020[4])	0.0	44.6	0.0	240.8
Total	**696.8**	**914.4**	**803.1**	**1,208.5**
Service cost[5]	82.8	87.3	89.9	147.1
Total remuneration	**779.6**	**1,001.7**	**893.0**	**1,355.6**

1 The stated values include the remuneration of Mr. Althoff as a senior executive of Hannover Re for the period from 1 January to 31 July 2014. The service cost for 2015 includes a past service cost of EUR 704,500.
2 This refers in each case to payment of the variable remuneration for the previous year. Remuneration for seats with Group bodies that is counted towards the variable remuneration accrues in the year of occurrence. The company's Supervisory Board only decides on the final amount paid out for the 2015 financial year after the remuneration report has been drawn up.
3 Stock appreciation rights were awarded in 2009, exercise option at the discretion of the Executive Board until 31 December 2019 in the following tranches: 40% from 2012, 60% from 2013, 80% from 2014, 100% from 2015 onwards.
4 Stock appreciation rights were awarded in 2010, exercise option at the discretion of the Executive Board until 31 December 2020 in the following tranches: 60% from 2015, 80% from 2016, 100% from 2017 onwards.
5 For details of the service cost see the tables "Defined benefit commitments" and "Defined contribution commitments" on page 119.

Claude Chèvre Board member with divisional responsibility		Jürgen Gräber Board member with divisional responsibility Coordinator of worldwide property & casualty reinsurance	
2014	2015	2014	2015
348.7	380.0	428.0	445.1
13.2	12.8	16.0	18.1
361.9	**392.8**	**444.0**	**463.2**
340.5	399.0	444.8	500.4
0.0	21.6	87.6	518.7
0.0	21.6	0.0	163.5
0.0	0.0	87.6	87.6
0.0	0.0	0.0	267.6
702.4	**813.4**	**976.4**	**1,482.3**
91.7	150.1	90.2	109.2
794.1	**963.5**	**1,066.6**	**1,591.5**

Roland Vogel Chief Financial Officer	
2014	2015
406.6	422.9
15.4	14.8
422.0	**437.7**
376.6	379.1
30.9	313.8
0.0	149.1
30.9	30.9
0.0	133.8
829.5	**1,130.6**
33.0	62.8
862.5	**1,193.4**

Sideline activities of the members of the Executive Board

The members of the Executive Board require the approval of the Supervisory Board to take on sideline activities. This ensures that neither the remuneration granted nor the time required for this activity can create a conflict with their responsibilities on the Executive Board. If the sideline activities involve seats on supervisory boards or comparable control boards, these are listed and published in the Annual Report of Hannover Rück SE. The remuneration received for such seats at Group companies and other board functions is deducted when calculating the variable bonus and shown separately in the table of total remuneration.

Retirement provision

Final-salary pension commitment (appointment before 2009)

The contracts of members of the Executive Board first appointed prior to 2009 contain commitments to an annual retirement pension calculated as a percentage of the pensionable fixed annual remuneration (defined benefit). The target pension is at most 50% of the monthly fixed salary payable on reaching the age of 65. A non-pensionable fixed remuneration component was introduced in conjunction with the remuneration structure applicable from 2011 onwards.

Contribution-based pension commitment (appointment from 2009 onwards)

The commitments given to members of the Executive Board from 2009 onwards are based on a defined contribution scheme.

A Board member who has reached the age of 65 and left the company's employment receives a life-long retirement pension. The amount of the monthly retirement pension is calculated according to the reference date age (year of the reference date less year of birth) and the funding contribution on the reference date. The annual funding contribution for these contracts is paid by the company in the amount of a contractually specified percentage of the pensionable income (fixed annual remuneration as at the contractually specified reference date).

In both contract variants (i.e. defined benefit and defined contribution) other income received while drawing the retirement pension is taken into account pro rata or in its entirety under certain circumstances (e.g. in the event of incapacity for work or termination of the service contract before reaching the age of 65).

Provision for surviving dependants

If the Board member dies during the period of the service contract, the surviving spouse – or alternatively the eligible children – shall be entitled to continued payment of the fixed monthly salary for the month in which the Board member dies and the six months thereafter, at most until termination of the service contract. If the member of the Executive Board dies after pension payments begin, the surviving spouse and alternatively the dependent children shall receive continued payment of the retirement pension for the month of death and the following six months.

The widow's pension amounts to 60% of the retirement pay that the Board member received or would have received if he had been incapacitated for work at the time of his death.

An orphan's pension shall be granted in the amount of 15% – in the case of full orphans 25% (final-salary pension commitment) or 30% (contribution-based pension commitment) – of the retirement pay that the Board member received or would have received on the day of his death if the pensionable event had occurred owing to a permanent incapacity for work.

Adjustments

The following parameters are used for adjustments to retirement, widow's and orphan's benefits: the price index for the cost of living of all private households in Germany (contracts from 2001 onwards) or the price index for the cost of living of four-person households of civil servants and higher-income salaried employees (contracts from 1997 to 2000).

Current pensions based on the commitments given from 2009 onwards (defined contribution commitment) are increased annually by at least 1% of their most recent (gross) amount.

Pension payments to former members of the Executive Board

The pension payments to former members of the Executive Board and their surviving dependants, for whom 16 (16) pension commitments existed, totalled EUR 1.6 million (EUR 1.5 million) in the year under review. The projected benefit obligation of the pension commitments to former members of the Executive Board amounted to altogether EUR 25.0 million (EUR 28.8 million).

Defined benefit commitments M 79

Name in EUR thousand	Financial year	Attainable annual pension (age 65)	DBO 31.12.	Personnel expense
Ulrich Wallin	**2015**	**229.1**	**4,532.7**	**167.1**
	2014	229.1	5,159.5	114.3
Sven Althoff[1,2]	**2015**	**91.9**	**898.9**	**750.6**
	2014	30.3	370.8	13.9
Jürgen Gräber	**2015**	**162.8**	**3,094.8**	**109.2**
	2014	158.5	3,493.9	90.2
Dr. Michael Pickel	**2015**	**129.0**	**1,875.6**	**147.1**
	2014	125.6	2,124.2	89.9
Roland Vogel[1,3]	**2015**	**94.0**	**1,524.2**	**62.8**
	2014	91.7	1,652.3	33.0
Total	**2015**	**706.8**	**11,926.2**	**1,236.8**
Total	2014	635.2	12,800.7	341.3

1 Mr. Althoff and Mr. Vogel were first granted a pension commitment prior to 2001 on the basis of their service to the company prior to their appointment to the Executive Board; the earned portion of the commitment from the Unterstützungskasse is therefore established as a proportion (in the ratio [currently attained service years since entry]/[attainable service years from entry to exit age]) of the final benefit. Measurement under IFRS consequently uses the defined benefit method. The values shown include the entitlements prior to appointment to the Executive Board, which in accordance with a resolution of the company's Supervisory Board shall remain unaffected by the pension commitment as a member of the Executive Board.

2 The first increased contribution was paid for Mr. Althoff in 2015 based on his appointment to the Executive Board in an amount of EUR 42,100 (25% of the pensionable income). The personnel expenditure in 2015 includes a past service cost of EUR 704,500. The values shown for 2014 refer to his entitlements based on the remuneration prior to appointment to the Executive Board (1 August 2014). The guaranteed interest rate of his commitment is 3.25%.

3 An annual premium of EUR 103,700 (25% of the pensionable income) was paid for Mr. Vogel for 2015. The guaranteed interest rate of his commitment is 3.25%.

Defined contribution commitments M 80

Name in EUR thousand	Financial year	Annual funding contribution[1]	Attainable annual pension (age 65)	Premium
Claude Chèvre[2]	**2015**	**39.5%**	**131.1**	**150.1**
	2014	25% to October 2014 39.5% from November 2014	117.8	91.7
Dr. Klaus Miller[2]	**2015**	**25%**	**53.0**	**87.3**
	2014	25%	51.4	82.8
Total	**2015**		**184.1**	**237.4**
Total	2014		169.2	174.5

1 Percentage of pensionable income (fixed annual remuneration as at the contractually specified reference date)

2 Guaranteed interest rate 2.25%

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board is determined by the Annual General Meeting of Hannover Rück SE and regulated by the Articles of Association.

In accordance with § 14 of the Articles of Association as amended on 18 July 2013 and the resolution of the Annual General Meeting on 7 May 2013, the members of the Supervisory Board receive fixed annual remuneration of EUR 30,000 per member in addition to reimbursement of their expenses. Furthermore, each member of the Supervisory Board receives variable remuneration measured according to the average earnings per share (EPS) of the company over the past three financial years preceding the Annual General Meeting at which the actions of the Supervisory Board for the last of these three years are ratified. The variable remuneration amounts to EUR 330 for each EUR 0.10 average earnings per share (EPS) of the company. The measurement of this performance-based remuneration component according to the average earnings per share of the last three financial years ensures that the variable remuneration is geared to sustainable corporate development. The variable remuneration is limited to an annual maximum of EUR 30,000. The Chairman of the Supervisory Board receives twice the aforementioned remuneration amounts and the Deputy Chairman of the Supervisory Board receives one-and-a-half times the said amounts.

In addition, the members of the Finance and Audit Committee formed by the Supervisory Board receive remuneration of EUR 15,000 for their committee work and the members of the Standing Committee formed by the Supervisory Board receive remuneration of EUR 7,500. In this case, too, the Chairman of the Committee receives twice and the Deputy Chairman one-and-a-half times the stated amounts. No remuneration is envisaged for the Nomination Committee.

Members who have only belonged to the Supervisory Board or one of its Committees for part of the financial year receive the remuneration pro rata temporis.

All the members of the Supervisory Board receive an attendance allowance of EUR 1,000 for their participation in each meeting of the Supervisory Board and the Committees in addition to the aforementioned remuneration. If a meeting of the Supervisory Board and one or more committee meetings fall on the same day, the attendance allowance for this day is only paid once in total.

Individual remuneration received by the members of the Supervisory Board M 81

Name in EUR thousand[1]	Function	Type of remuneration	2015	2014
Herbert K. Haas[2]	Chairman of the • Supervisory Board • Standing Committee • Finance and Audit Committee • Nomination Committee	Fixed remuneration	100.0	100.0
		Variable remuneration	82.7	84.9
		Remuneration for committee work	85.0	85.0
		Attendance allowances	13.0	11.0
			280.7	**280.9**
Dr. Klaus Sturany	Deputy Chairman of the Supervisory Board Member of the Standing Committee	Fixed remuneration	45.0	45.0
		Variable remuneration	40.1	40.1
		Remuneration for committee work	7.5	7.5
		Attendance allowances	6.0	5.0
			98.6	**97.6**
Wolf-Dieter Baumgartl[2]	Member of the • Supervisory Board • Standing Committee • Finance and Audit Committee • Nomination Committee	Fixed remuneration	50.0	50.0
		Variable remuneration	41.4	42.3
		Remuneration for committee work	22.5	22.5
		Attendance allowances	11.0	11.0
			124.9	**125.8**
Frauke Heitmüller[3]	Member of the Supervisory Board	Fixed remuneration	30.0	30.0
		Variable remuneration	26.7	26.6
		Remuneration for committee work	–	–
		Attendance allowances	4.0	4.0
			60.7	**60.6**
Otto Müller[3]	Member of the Supervisory Board	Fixed remuneration	30.0	30.0
		Variable remuneration	26.7	26.6
		Remuneration for committee work	–	–
		Attendance allowances	4.0	4.0
			60.7	**60.6**
Dr. Andrea Pollak	Member of the • Supervisory Board • Nomination Committee	Fixed remuneration	30.0	30.0
		Variable remuneration	26.7	26.6
		Remuneration for committee work	–	–
		Attendance allowances	4.0	4.0
			60.7	**60.6**
Dr. Immo Querner[2]	Member of the Supervisory Board	Fixed remuneration	50.0	50.0
		Variable remuneration	41.4	41.7
		Remuneration for committee work	10.0	10.0
		Attendance allowances	7.0	7.0
			108.4	**108.7**

Dr. Erhard Schipporeit	Member of the • Supervisory Board • Finance and Audit Committee	Fixed remuneration	30.0	30.0
		Variable remuneration	26.7	27.1
		Remuneration for committee work	15.0	15.0
		Attendance allowances	7.0	6.0
			78.7	**78.1**
Maike Sielaff [3]	Member of the Supervisory Board	Fixed remuneration	30.0	30.0
		Variable remuneration	26.7	24.0
		Remuneration for committee work	–	–
		Attendance allowances	4.0	4.0
			60.7	58.0
Gert Wächtler [4]	Member of the Supervisory Board (until 19 March 2013)	Fixed remuneration	–	–
		Variable remuneration	–	2.5
		Remuneration for committee work	–	–
		Attendance allowances	–	–
			–	**2.5**
Total			**934.1**	**933.4**

1 Amounts excluding reimbursed VAT
2 Including supervisory board remuneration and remuneration for committee work as well as advisory board remuneration received from entities affiliated with the company
3 Employee representatives
4 Former employee representative

The individualised presentation of the remuneration shows the expense charged to the financial year in question. Since the remuneration for a financial year becomes due at the end of the Annual General Meeting that ratifies the acts of the Supervisory Board for the financial year, the relevant reserve allocations for the variable remuneration are recognised allowing for any fractional amounts. Value-added tax payable upon the remuneration is reimbursed by the company.

In the year under review no payments or benefits were granted to members of the Supervisory Board in return for services provided individually outside the committee work described above, including for example consulting or mediation services, with the exception of the remuneration paid to employee representatives on the basis of their employment contracts.

Loans to members of the management boards and contingent liabilities

In order to avoid potential conflicts of interest, Hannover Rück SE or its subsidiaries may only grant loans to members of the Executive Board or Supervisory Board or their dependants with the approval of the Supervisory Board.

In 2015 no loan relationships existed with members of the Executive Board or Supervisory Board of Hannover Rück SE, nor did the company enter into any contingent liabilities for members of the management boards.

Securities transactions and shareholdings (directors' dealings)

Dealings in shares, options and derivatives of Hannover Rück SE effected by members of the Executive Board or Supervisory Board of Hannover Re or by other persons with managerial functions who regularly have access to insider information concerning the company and who are authorised to take major business decisions – as well as such dealings conducted by certain persons closely related to the aforementioned individuals – in excess of EUR 5,000 are to be reported pursuant to § 15a Securities Trading Act (WpHG). No such reportable transactions took place in the 2015 financial year.

Members of the Supervisory Board and Executive Board of Hannover Rück SE as well as their spouses or registered partners and first-degree relatives hold less than 1.0% of the issued shares. The total holding as at 31 December 2015 amounted to 0.004% (0.004%) of the issued shares, i. e. 4,585 (4,549) shares.

Remuneration of staff and senior executives

Structure and system

The remuneration scheme for senior executives below the Executive Board (management levels 2 and 3) consists of a fixed annual salary and a system of variable remuneration. This is comprised of a short-term variable remuneration component, the annual cash bonus, and a long-term share-based remuneration component, the Share Award Plan. This variable remuneration has been uniformly applied worldwide since 1 January 2012 to all Group senior executives (i. e. Managing Directors, Directors and General Managers). It satisfies the requirements of the Regulation on the Supervisory Law Requirements for Remuneration Schemes in the Insurance Sector (VersVergV), which entered into force on 13 October 2010, inasmuch as – in its basic principles and parameters – it meets the special requirements of § 4 VersVergV and is appropriately realised according to the various management levels. As part of the reorientation of the remuneration system for senior executives the Share Award Plan of the Executive Board was consciously extended to include management levels 2 and 3. Given that at the same time the stock appreciation rights plan for senior executives was cancelled with effect from the 2012 allocation year, this means that a uniform share-based remuneration component has been maintained for the Executive Board and senior executives alike.

Members of staff on the levels of Chief Manager, Senior Manager and Manager are also able to participate in a variable remuneration system through the Group Performance Bonus (GPB). The Group Performance Bonus (GPB) is a remuneration model launched in 2004 that is linked to the success of the company. This tool is geared to the minimum return on equity of 750 basis points above the risk-free interest rate and the return on equity actually generated. For those participating in the GPB 14.15 monthly salary payments are guaranteed; a maximum of 16.7 salary payments is attainable. Since its launch the maximum amount of the GPB was paid out in 2006, 2007, 2009, 2010, 2012, 2013 and 2014.

The group of participants and the total number of eligible participants in the variable remuneration systems of Hannover Re are set out in the following table.

Measurement of variable remuneration for senior executives

The measurement of the variable remuneration is based on three elements: Group net income, divisional targets and individual targets. The weighting of the elements is dependent upon whether responsibility is carried in a treaty / regional department or in a service department. In the treaty / regional departments the Group net income is weighted at 20%, the divisional targets at 40% and the individual targets also at 40%. In the service departments the Group net income carries a 40% weighting, while the individual targets account for 60%. Agreements on divisional targets and individual targets as well as on their degree of goal attainment are arrived at as part of the Management by Objectives (MbO) process.

The Group net income is measured by the three-year average return on equity (RoE) of the Hannover Re Group above the risk-free interest rate. Goal attainment is calculated as follows: for each individual financial year of the last three financial years it is calculated by how many percentage points the RoE of the Hannover Re Group exceeds the risk-free interest rate. The average of these three differences determines the three-year average RoE above the risk-free interest rate. The risk-free interest rate is the average market interest rate over the past five years for 10-year German government bonds.

If the three-year average RoE above the risk-free interest rate reaches the expected minimum return on equity of 750 basis points, goal attainment stands at 85%. Goal attainment of 100% is recorded at 882 basis points. The maximum possible goal attainment is 200%. A lower limit is placed on goal attainment of -50% (penalty) for management level 2 (Managing Director) and 0% for management level 3 (Director and General Manager).

The measurement of the divisional targets – which in the case of the treaty / regional departments account for 40% of overall goal attainment – is geared to the actual value created. The Intrinsic Value Creation (IVC) of the division encompassing the relevant area of responsibility is therefore used as a one-year measurement basis. Negative performance contributions are excluded here – the minimum possible goal attainment is 0%. The maximum possible goal attainment is limited to 150%.

Group of participants and total number of eligible participants in variable remuneration systems M 82
Valid: 31 December 2015

Participants		Variable remuneration system	Number of eligible participants in the variable remuneration system
Managing Director	Management level 2	Cash bonus and Share Award Plan	**Hannover Re Group** All 160 Group senior executives worldwide receive a cash bonus upon corresponding goal attainment and participate in the Share Award Plan.
Director	Management level 3		
General Manager			
Chief Manager		Group Performance Bonus (GPB)	**Home Office Hannover** 699 staff (excl. seconded employees) out of the altogether 1,337 at Hannover Home Office (incl. 94 senior executives) are GPB-eligible.
Senior Manager			
Manager			

Attainment of the agreed IVC results in goal attainment of 100%. Outperformance of the divisional targets, i. e. a degree of goal attainment in excess of 100%, requires at least the agreement and attainment of a positive IVC. Furthermore, a degree of goal attainment in excess of 100% should be geared to a real comparison of planned IVC with actual IVC. A maximum degree of goal attainment of 150% is conditional upon attainment of an excellent positive IVC and implies that the actual IVC of the division is significantly in excess of the planned IVC.

In view of the fact that the Excess Return on Capital Allocated (xRoCA) is even more suitable for comparisons between units of differing size, it was decided that from 2016 onwards the xRoCA will be used as the measurement basis instead of the IVC. The xRoCA describes the IVC in relation to the allocated capital and shows the relative excess return generated above and beyond the weighted cost of capital.

Individual targets are agreed and measured for a period of one year. The degree of goal attainment is between 0% and 100%.

Amount and payment of variable remuneration for senior executives

The overall degree of goal attainment determines the amount of variable remuneration including share awards. On management level 2 (Managing Director) 60% of the variable remuneration is paid out annually in cash and 40% is granted in the form of share awards. On management level 3 (Director and General Manager) the variable remuneration is split into 65% cash payment and 35% granted as share awards.

On management level 3 (Director and General Manager) the minimum variable remuneration amounts to EUR 0 on the premise that the degree of attainment for all goals is 0%. For management level 2 (Managing Director) in treaty/regional departments the minimum limit for the variable remuneration is set at -10% if the degree of goal attainment for Group net income is -50% while at the same time goal attainment of 0% is determined for the divisional targets and individual targets. For management level 2 (Managing Director) in service departments -20% of the variable remuneration is possible as the lower limit, if the degree of goal attainment for Group net income is -50% and at the same time goal attainment of 0% is determined for the individual targets.

In view of the fact that outperformance of up to 200% is possible for Group net income and up to 150% for divisional targets, a maximum total degree of goal attainment of 140% can be attained in both treaty/regional departments and service departments. Given outperformance of all targets, a maximum of 140% of the variable remuneration can therefore be attained on management levels 2 and 3.

Allocation and payment of share awards to senior executives

The total number of share awards allocated is determined according to the value per share of Hannover Re. This value is arrived at from the average of the closing prices of the shares in a period extending from 20 trading days before to 10 trading days after the meeting of the Supervisory Board at which the consolidated financial statement is approved. The number of share awards is established by dividing the specified portion of the total bonus (40% or 35%) by the value per share, rounded up to the next full share.

Following expiry of a vesting period of four years the value of one Hannover Re share calculated at the disbursement date is paid out for each share award. The value of the Hannover Re share is again determined from the average of the closing prices of the shares in a period from 20 trading days before to 10 trading days after the meeting of the Supervisory Board that approves the consolidated financial statement. In addition, a sum in the amount of the dividend is paid out for each share award, insofar as dividends were distributed to shareholders. The level of the dividend payment is the sum total of all dividends per share paid out during the period of the share awards multiplied by the number of share awards.

In the case of the allocation and payment of share awards to participants in the Share Award Plan who are located abroad, the rate of exchange used to convert the average share price is the average of the relevant exchange rate in a period from 20 trading days before to 10 trading days after the meeting of the Supervisory Board that approves the consolidated financial statement. For payment of the dividend to participants in the Share Award Plan who are located abroad, the rate of exchange used to convert the dividend per share is the average of the relevant exchange rate in a period from 20 trading days before to 10 trading days after the Annual General Meeting that approves the dividend payment for the financial year just ended.

The cash bonus for the 2014 financial year was paid out in June 2015. The share awards for the 2014 financial year were also allocated in June 2015; they will be paid out in the spring of 2019 including dividends paid for the 2014, 2015, 2016 and 2017 financial years.

Always …

… quick

Keeping the flows of goods moving
The 2011 floods in Thailand caused considerably heavier losses than the insurance industry had anticipated. Many railway lines were blocked, while main highways and country roads were impassable. Along with the direct losses incurred by the Thai economy, supply disruptions impacted the worldwide computer and automobile industries. This market consequently experienced capacity shortages on the reinsurance side. Hannover Re was quick to respond, vigorously expanding its services for primary insurers in Thailand within a short space of time. As a result, we wrote substantially more business and helped to get the infrastructure and industrial plants back up and running.

Ratchadamri Road,
Bangkok, Thailand

Outlook

Forecast

- Solid prospects for 2016 in property and casualty reinsurance despite protracted soft market phase
- Further growth and increased profitability in life and health reinsurance
- Return on investment target of 2.9% for assets under own management
- Group net income expected in the order of EUR 950 million

Economic development

Global economy

Economic experts expect 2016 to bring a positive continuation of cyclical momentum on a slightly higher level: in its year-end forecast the Kiel Institute for the World Economy anticipates growth of 3.4% for the global economy in 2016, which is 0.3 percentage points stronger than in 2015.

The upturn in the developed economies will generally be sustained: monetary policy, which for the most part remains expansionary, gradually rising wages and the low price of oil are supporting progressive deleveraging processes in the private sector and boosting business activity. Expansion in emerging markets will initially continue to be curtailed by low commodity prices and structural problems, although the state of the economy in this group of countries is expected to bounce back little by little.

The risks to the economy seen in recent years still exist: on the political front, the development of flashpoints in the Near and Middle East is especially hard to foresee. The expansion of crisis zones or an upsurge in terrorist activity could unsettle the markets and undermine the anticipated global economic growth. Furthermore, geopolitically induced turmoil on financial markets cannot be ruled out: interest rate hikes in the United States, for example, could have increasingly negative repercussions on the world economy, especially because numerous countries are still in the throes of a restructuring process. As additional factors, movements in the oil price and the pace of growth in China are likely to impact the markets.

Growth in gross domestic product (GDP) M 83

in %	2015 (forecast from previous year)	2015 (provisional calculation)	2016 (forecast)
Economic areas			
World economy	3.7	3.1	3.4
Eurozone	1.2	1.5	1.7
Selected countries			
United States	3.2	2.5	2.8
China	7.0	6.8	6.5
India	6.5	7.2	7.2
Japan	0.8	0.7	1.0
Germany	1.7	1.8	2.2

Source: Kiel Institute for the World Economy

United States

Output in the United States is set to rise by 2.8% in 2016. With sales prospects looking brighter at home and abroad, the increase in corporate investment, in particular, will likely be sustained. Consumer spending is also continuing to trend clearly higher. Further improvement on the labour market will bring about progressive wage growth.

Europe

The Eurozone economy is gradually picking up momentum. The moderate revival in the winter months will in all likelihood be sustained for the entirety of 2016. Nevertheless, the structural problems affecting parts of the currency area will stubbornly persist. Growth is expected to come in slightly higher than in the previous year at 1.7%. Despite trending upwards, the increase in consumer prices in the Eurozone will continue to be very low at 1.0%. The unemployment rate is trending lower: it is forecast to nudge modestly lower again to 10.4%. The United Kingdom should generate growth almost on a par with the previous year at 2.3%.

Germany

After the growth in total output had slowed somewhat of late, there are signs of an appreciably accelerated pace of expansion in 2016. Particularly in the service sector, growth expectations are higher than at any point since the reunification boom. The experts at the Kiel Institute for the World Economy anticipate a growth rate of 2.2% for 2016 with a modestly rising tendency. Growth will continue to be driven primarily by stronger private consumption, which will be fed by sharply higher disposable incomes of private households. Corporate investment will see further expansion in an extremely favourable financing climate. Exporters have enjoyed a surge in competitiveness with the devaluation of the euro. This may lead to stronger exports and stimulate capital investment as the expansion picks up pace. A new factor affecting the economy is the high level of refugee migration, which will give an added boost to spending. The restraining influence of foreign markets that has been felt of late will fade, giving way to increasingly stimulating effects on the economy. Growth momentum is picking up in the countries that are Germany's major customers.

In the assessment of the Kiel Institute for the World Economy, employment will continue to trend higher, accompanied by appreciable wage growth. The fall in unemployment will, however, come to a halt as a consequence of the considerable influx of refugees. The jobless rate is expected to remain at around 6.3%.

China, India, Japan

Developments in emerging economies will continue to be hampered for the time being by low commodity prices and structural difficulties, although business activity in these markets too should gradually stabilise. Overall, the contribution made by these countries to global growth will fall short of the high levels seen in past years. The room for manoeuvre in fiscal policy remains very limited in many emerging markets because monetary policy there is geared more towards stabilising the currency than stimulating the economy. The government in China implemented numerous measures last year to prop up demand. In the assessment of economic experts, however, these steps will not suffice to bring about the desired structural shift towards a financially and environmentally more sustainable economy, not to mention one geared more towards private consumption. Nevertheless, they will likely result in the pace of expansion easing only slightly in the forecast period. Growth of 6.5% is anticipated for China in 2016, with a modestly slowing tendency.

Capital markets

The decision of the European Central Bank to stand by its low interest rate policy and purchase government bonds over an extended timeframe is intended to protect the Eurozone against the threat of deflation. The US Federal Reserve, by contrast, moved away from its expansionary interest rate policy and set in motion a cycle of rate hikes for the first time in almost a decade. This should be reflected in a continued strong US dollar. The next steps taken by the Federal Reserve and the signals that it sends out will come under particularly close scrutiny throughout 2016. The US central bank finds itself compelled to walk a fine line between the potential need for additional interest rate moves and the risk of adversely affecting the flow of money into other countries and weakening the US economy through precisely these measures.

International bond markets will again be shaped by below-average and increasingly divergent interest rate levels in 2016. In the relevant currency areas for our company we anticipate flatter yield curves. With respect to government bonds with higher risk premiums issued by countries of the European Monetary Union that have been the focus of so much attention of late, the situation should continue to stabilise. Generally speaking, the increased volatility observed on the capital market since the summer of 2015 is not expected to diminish. The effects of currency and oil price movements should therefore be all the more pronounced, with more risks than opportunities anticipated at this point in time for the world economy – also with an eye to geopolitical concerns. The consolidation of public finances in the industrial nations and the advanced phase of the credit cycle in the United States will continue to preoccupy the economic environment; they may, however, be more than offset by resurgent private consumption. In view of the existing uncertainties, broad diversification within the investment portfolio will therefore continue to be of considerable importance in 2016.

Insurance industry

According to general industry assessments, the international insurance industry will find itself operating in an environment in 2016 that is comparable with the previous year. Two key issues will continue to be the low Interest rate policy and implications of the implementation of Solvency II or similar regulatory regimes in many major markets around the world at the start of this year. They are helping to ensure that the insurance industry remains heavily focused on efficiency, shoring up its profitability and innovating on both the product and service side. Irrespective of the challenges that it is facing, the insurance sector should still remain on a stable course in the current year.

Along with Europe (Solvency II) and China (C-ROSS), South Africa will also be adopting a risk-based solvency system (Solvency Assessment and Management) during the year or at the beginning of 2017 at the latest.

The (re)insurance market had already witnessed various notable mergers and acquisitions in 2015. This trend is likely to be not only sustained but even accentuated in 2016, given that increased competition is making it especially difficult for smaller (re)insurers to generate their target margins. What is more, it is evident that primary insurers and contracting parties are tending to turn to highly profitable reinsurers with an above-average rating who can fall back on strong balance sheets and a positive cash flow. This has been accompanied by rising demand for partners with a diversified range of products and services.

Generating growth in what continues to be a highly competitive environment will doubtless remain a real challenge in 2016. Furthermore, industry experts anticipate stable or slightly lower premiums. If 2016 should again pass off without large losses from natural catastrophes or if reinsurers post adequate returns on equity from the perspective of shareholders, the soft market phase is likely to continue.

Property & Casualty reinsurance

Overview

After four years in a row of low major losses and good results for all market players, property and casualty reinsurance is once again seeing intense competition in the current financial year. This is being driven above all by the continued abundant oversupply of reinsurance capacity attributable to the fact that reinsurers have been able to boost their capital positions – on the back of minimal large loss expenditure – and also because capital has flowed in from the market for catastrophe bonds (ILS).

These factors also shaped the treaty renewals as at 1 January 2016, the date when some 65% of our property and casualty reinsurance portfolio (excluding facultative business and structured reinsurance) was renegotiated. Despite sometimes appreciable price erosion, we were broadly satisfied with the outcome of the renewals – even though the rate quality of the renewed portfolio was somewhat lower than in the previous year. Virtually unchanged conditions and stronger demand for multi-year covers are likely indications that the current soft market phase is bottoming out.

The latest round of renewals showed that financially robust reinsurers such as Hannover Re are more highly sought-after by cedants. Based on our excellent ratings, our long-standing customer relationships and our profit-oriented underwriting policy, we are in a good position to adapt to the soft market conditions. Hannover Re continues to practise its systematic cycle management combined with rigorous underwriting discipline and trusts in a broadly diversified portfolio of high-quality existing business, complemented by opportunities that may arise in niche and specialty lines.

Property & Casualty reinsurance: Forecast development for 2016 **M 84**

	Volume [1]	Profitability [2]
Target markets		
North America [3]	↗	+
Continental Europe [3]	↘	+/–
Specialty lines worldwide		
Marine	↘	+
Aviation	↘	–
Credit, surety and political risks	→	+
UK, Ireland, London market and direct business	↗	+/–
Facultative reinsurance	↘	+
Global reinsurance		
Worldwide treaty reinsurance	→	+
Catastrophe XL (Cat XL)	↘	–
Structured reinsurance and insurance-linked securities	↘	+/–

1 In EUR
2 ++ = significantly above the cost of capital
+ = above the cost of capital
+/– = on a par with the cost of capital
– = below the cost of capital
3 All lines with the exception of those reported separately

Expectations for the development of our property and casualty reinsurance business are described in greater detail below.

Target markets

North America

In North American primary insurance, where rate increases have been observed since 2011, softening is likely to emerge in the market in 2016 – and this could increasingly lead to rate reductions for major risks. The absence of sizeable claims expenditure on natural disasters and individual risks continues to make itself felt on the reinsurance side and will sustain the trend towards rate erosion in property and – to a lesser extent – casualty business, albeit in a more muted form. Mergers and acquisitions in the primary market will lead to a shakeup in reinsurance purchasing over the long term; in the short term, however, we see more opportunities than risks, which Hannover Re will be able to leverage thanks to its long-standing close and established customer relationships.

The latest round of renewals offered increasing indications of a bottoming out in both the property and casualty lines. We are adhering to our strategy of a margin-oriented underwriting policy, even if this compels us to forego premium growth. Nevertheless, in view of our long-standing and robust customer relationships, we expect to maintain our presence even in the soft market. Overall, then, we were satisfied with the outcome of the renewals as at 1 January 2016. The rate erosion has slowed somewhat. Modest rate reductions were recorded in non-proportional property business, especially under profitable loss-free programmes. On the other hand, premium increases were booked in all three subsectors of US liability business (standard, special and professional liability) – while conditions under proportional treaties remained stable. All in all, the premium volume for the North American portfolio renewed as at 1 January climbed by around 9% – in part due to the expansion of customer relationships. As things currently stand, we expect to see further intensification of competition in this segment in the treaty renewals as at 1 June and 1 July 2016 – the time of year when catastrophe XL covers, in particular, are renegotiated. On the whole, our North American business is expected to deliver slightly higher premium volume in the current financial year.

Continental Europe

In **Germany**, the largest single market within our Continental Europe segment, Hannover Re was able to further cement its excellent position. Hannover Re is active in this market through its subsidiary E+S Rück. Here, too, competition nevertheless remained keen. The increased retentions carried by larger clients were a particularly significant factor in the 1 January renewals, when virtually our entire portfolio was renegotiated. In motor business, the most important single line, we expect original rates to rise and have increased our shares accordingly. Moderate improvements were also possible in homeowners comprehensive insurance. The quality of results in non-proportional motor liability business will continue to improve due to better conditions as a consequence of higher priorities. Unfortunately, this will also entail accepting a decrease in premium.

Fierce competition and the large number of basic losses put adequate results in industrial fire insurance out of reach. With this in mind, we continued to write our business here very selectively. Our total portfolio in the domestic German market is expected to show a slightly reduced premium volume.

In the **other markets of Continental Europe** the picture was a mixed one: the expansion of existing customer accounts in France enabled us to offset the pressure on prices in loss-free programmes and the effect of discontinued treaties. In Northern European countries we were able to maintain our position as one of the preferred reinsurance providers. The markets of Southern and Eastern Europe were considerably more competitive. Broadly speaking, though, we still consider reinsurance prices here to be commensurate with the risks. Most notably, proportional and non-proportional treaties offering sufficient capital relief for the Solvency II requirements that have entered into force are enjoying a surge in demand. We were nevertheless selective in our underwriting approach with an eye to our minimum margin requirements.

All in all, we booked a moderate premium contraction in the treaty renewals for Continental European markets.

Specialty lines worldwide

Marine

In marine reinsurance we expect to see a sharp decline in rates for the 2016 financial year despite the sizeable number of large losses. Demand for primary insurance in the area of offshore energy risks is soft on the back of low oil prices. Combined with high capacity and fierce competition throughout the entire marine insurance market, our customers have booked reduced premium income. When it comes to our own portfolio, we anticipate a lower premium volume overall in 2016.

Aviation

The significant major losses incurred in aviation reinsurance in 2014 and 2015 have failed to bring about long-term stabilisation of rates. Although rising passenger numbers and fleet values are creating stronger demand for reinsurance in the original market, we anticipate a continued abundant oversupply of insurance capacities and sharply lower rates. With this in mind, we are scaling back our involvement and our market share in the aviation sector, and we expect to book a sharp contraction in premium volume.

Credit, surety and political risks

The premium volume in the area of credit, surety and political risks is expected to remain virtually unchanged in 2016. Slowing growth in China and the moderate rise in loss ratios in emerging markets will impact our business. While the risk appetite of primary insurers has grown steadily in recent years, we do not now anticipate any further increases in the premium that they retain for own account. Overall, leaving aside certain exceptions principally in the area of political risks business, it is our expectation that conditions will come under only slight pressure in 2016. Against this backdrop, the segment is expected to deliver a moderately improved profit contribution.

United Kingdom, London market and direct business

In the face of protracted competition we expect to see declining rates for our reinsurance business in this area in 2016, especially in the property lines. In non-proportional UK motor business, on the other hand, we are benefiting from stable rates and growth in the underlying business. Further risk selection and increased diversification should serve to boost the portfolio quality of our direct business and deliver stable earnings in 2016. In the treaty renewals as at 1 January 2016 we largely preserved our portfolio thanks to our established customer relationships, while we reduced shares in treaties that had come under heavier pressure. For the current year we expect to book a stable or slightly higher premium volume.

Facultative reinsurance

As is also the case in obligatory reinsurance, the soft market phase prevailing in facultative reinsurance is likely to continue in 2016. A revival in offshore energy business is not to be expected in view of reduced investment in the construction of drilling rigs due to the low oil price. Nevertheless, by taking a selective approach we also see attractive business opportunities. For example, we anticipate stronger demand in areas such as covers for renewables and cyber risks. An increased focus on US casualty business should also open up new prospects. In addition, thanks to our very good rating we should continue to profit from the pooling of reinsurance cessions on the part of large primary insurance groups. Our portfolio of facultative risks is expected to deliver a slightly reduced premium volume with continued healthy profitability in the current financial year.

Global reinsurance

Worldwide treaty reinsurance

The **Asia-Pacific markets** continue to rank as growth markets. Along with sustained rising demand for insurance products among the expanding middle classes of many emerging markets, regulatory changes – above all in China and India – are also having favourable implications for Hannover Re's positioning. In certain Asian countries, on the other hand, moves to reduce the outflow of reinsurance premiums into foreign markets are having adverse impacts.

The **Japanese** portfolio of the Hannover Re Group is expected to see slight erosion of the premium income but continued satisfactory profitability. Our positioning in this important market is nevertheless very good, giving us a range of excellent options for responding to future market changes.

Our reinsurance business in **China** is expected to deliver another significant surge in premium growth. The regulatory changes ushered in with the adoption of the C-ROSS solvency regime on 1 January 2016, Hannover Re's local presence and our strategy of building stronger customer relationships with a diversified business volume will support the growth of the portfolio.

The region of **South and Southeast Asia** should deliver continued growth, although it will be somewhat softer than in the previous year. Consequently, our portfolio here should show a further rise in premium income due to special volume-oriented and product initiatives that have already been launched. Rates for these initiatives are expected to be adequate.

In **Australia and New Zealand** we shall continue to systematically leverage our strategically important local presence and the company's financial strength in order to further expand our customer relationships in the region and hence moderately boost our premium volume. We shall devote special strategic attention here to the provision of holistic customer care and the cultivation of niche business.

In **South Africa** a risk-based solvency system known as SAM (Solvency Assessment and Management) is to be implemented for the insurance industry during 2016 or 2017. We expect the premium for our reinsurance portfolio and specialty business to contract in 2016, in part owing to exchange rate effects.

The market and the placement of reinsurance cessions in **Latin America** are just as fiercely competitive as in other regions. Thanks to our exceptionally good position in this region and our outstanding financial strength, we expect to achieve prices that are commensurate with the risks in the main renewal season as at 1 July 2016 – something which we were also able to do in the 1 January renewals. Despite the difficult state of the market we succeeded in holding our portfolio stable thanks to our focus on Latin America as a whole. In Argentina – one of the largest markets in Latin America – we anticipate a more business-friendly policy after the change of government at the end of 2015. To this extent, we remain confident of generating further profitable growth for our portfolio from Latin American markets in the current financial year by adhering to our selective underwriting policy.

Hannover Re expects demand to continue rising for coverage of **agricultural risks**. The increasing need for agricultural commodities and foodstuffs as well as the growing prevalence of extreme weather events are generating stronger demand for reinsurance covers, particularly in emerging and developing markets. In addition, the decision was taken at the Paris Climate Conference in December 2015 to insure a further 400 million people in poor and at-risk nations against the effects of climate change by the year 2020. In this regard, we see further growth potential for index-linked products among direct and indirect insurance concepts in emerging and developing countries. Hannover Re therefore expects its premium to come in higher for the current financial year.

We expect to write further profitable business on the level of the previous year for our **retakaful** portfolio in the current financial year.

Catastrophe XL (Cat XL)

An oversupply of reinsurance capacity continues to be the hallmark of natural catastrophe business. The inflow of capital from alternative and ILS markets slowed over the course of the year. The current soft market phase will only come to an end when the majority of market players reach a level of profitability that is insufficient – whether through high loss expenditures, inadequate reserving levels or influencing effects from the capital market. In the 1 January 2016 treaty renewals rates declined by around 8% as natural catastrophe losses remained below expectations. For the full financial year we therefore anticipate reduced premium income.

Structured reinsurance and insurance-linked securities

With the implementation of risk-based models for calculating solvency requirements not only within but also outside the European Union, we anticipate good business opportunities in our **structured reinsurance** business. The key driver here is the growing integration of reinsurance into insurers' risk management as a means of offsetting the effects of the increasingly exacting capital requirements placed upon them. The adoption of C-ROSS in China means that primary insurers require less capital for motor business (70% of property and casualty reinsurance business). Demand for quota share reinsurance arrangements offering solvency relief may therefore diminish.

In the area of **insurance-linked securities (ILS)** we expect to see steadily growing demand. Investors are seeking a low correlation with other financial investments and hence the diversification that this brings. What is more, the market for insurance risks is perceived by investors as relatively attractive compared to other investments. We are responding to this market situation with a strong emphasis on service, offering individually tailored products – from collateralised reinsurance to catastrophe bonds – and extending our range of services for life reinsurance risks. Over the coming years we expect our ILS activities to deliver a positive and consistently rising profit contribution.

In keeping with our strategy of "Long-term success in a competitive business", we have adjusted to this soft market phase in property and casualty reinsurance. With an expense ratio well below the average of our competitors and reserves that are calculated on a highly conservative basis, we are in a position – subject to normal major loss expenditure – to achieve good results. This is further supported by our good diversification across regions and lines of business.

Life & Health reinsurance

In the Life & Health reinsurance business group we are a globally operating and professional partner for our customers. We conduct profitable activities in international and highly competitive markets and, as a global reinsurer, we strive for sustainable success. In so doing, we do not restrict ourselves solely to our core business of offering our customers reinsurance solutions, but rather we also tackle the manifold other challenges posed by the life and health reinsurance market.

Life & Health reinsurance: Forecast development for 2016 **M 85**

	Volume[1]	Profitability[2]
Financial Solutions	↗	++
Risk Solutions		
Longevity	↗	+/–
Mortality	↘	+
Morbidity	↘	+/–

[1] In EUR
[2] ++ = significantly above the cost of capital
+ = above the cost of capital
+/– = on a par with the cost of capital
– = below the cost of capital

Developments on capital markets play a crucial role and will once again influence our business in the current year. The prevailing low interest rate environment will impact new business and the profitability of the existing portfolio in 2016, as it did in 2015. Especially in Europe, this situation is exerting a particularly dampening effect on demand for traditional savings products with interest rate guarantees. It is our expectation that attention in these markets will increasingly focus on risk-oriented and unit-linked solutions. There are also signs of further consolidation, principally affecting traditional life insurance business. It is evident that primary insurers are switching their new business with conventional life insurance products to innovative new concepts with a variable return. With a view to staying focused on writing new business, in-force portfolios are being passed on in block transactions to professional consolidation platforms. With the implementation of Solvency II effective 1 January 2016, we anticipate rising demand – especially in Germany – for innovative business possibilities and, in particular, for financially oriented reinsurance solutions that help to provide solvency relief for our primary insurance customers.

In South Africa and China, too, local insurance companies are facing fresh challenges with the implementation of new solvency regimes – namely SAM and C-ROSS respectively. As was already the case with the preparations for adoption of Solvency II, here too Hannover Re is optimally positioned to support our customers as an expert, reliable and solution-driven partner.

When it comes to longevity business, it is our expectation that the steady rise in worldwide demand will be sustained in the coming year and further profitable business opportunities will open up. Particularly in the Scandinavian markets and in the Netherlands, business potential can already be discerned.

In mature insurance markets we also see considerable upside in the years ahead for long-term care insurance products on account of the ageing population. Critical illness covers continue to be in demand on Asian markets. Thanks to our long-standing, international expertise Hannover Re is superbly positioned here to meet the needs of our customers going forward, as we have in the past. Changes affecting certain high-premium treaties can sometimes significantly reduce premium volume.

Right across markets stronger demand can be felt for health insurance products. We operate selectively in this segment and offer our customers bespoke solutions.

The continuing popularity of innovative, integrated, health-oriented insurance concepts is another worldwide trend. Society is placing greater emphasis on a health-conscious lifestyle and insurers are increasingly tackling these needs by extending their product ranges. Wearable devices, for example, enable users to track their fitness progress on a personalised basis. With the insured's consent, such data can assist with the assessment of an individual's state of health. The integration of the output of such mobile data sources into existing underwriting systems is a trend that will be sustained in the year ahead. We shall assist and systematically support our customers in this process with the aid of innovative concepts.

Investments

Bearing in mind the advanced phase of the credit cycle in the United States as well as the political and economic uncertainties in Europe, the conservative orientation of some parts of our investment portfolio will be preserved. Nevertheless, irrespective of the sovereign debt issue, the improved economic outlook will also be reflected in selective risk-taking. Our emphasis on broad diversification will be retained unchanged. By way of a neutral modified duration we shall continue to ensure that the interest rate risk is tightly managed.

The enlargement of the asset portfolio is expected to have a positive effect on investment income, although the average return will decline owing to persistently low interest rates. Our asset holdings are expected to increase again based on positive cash flow estimates. In view of the low returns on more secure investments, we shall continue to invest in products offering attractive credit spreads and selectively expand our portfolio in the areas of alternative investments and real estate.

Given the high capital requirements and potentially increased volatility on equity markets – which are in part driven by liquidity –, we take a cautious stance on further new investments in listed equities at current valuation levels.

Outlook for the full 2016 financial year

In the current financial year, despite a challenging environment in reinsurance business and on the capital market, we anticipate a good overall result for the Hannover Re Group. Bearing in mind developments both in property and casualty and in life and health reinsurance, we expect to book a stable or slightly reduced gross premium volume – based on constant exchange rates – for our total portfolio in the current financial year.

The premium volume in property and casualty reinsurance is expected to contract slightly based on constant exchange rates. This assumption is based firstly on our selective underwriting policy, according to which in large part we only write business that satisfies our margin requirements. It also reflects our expectation that high-volume quota share arrangements which still enjoyed strong demand among Chinese cedants in the year under review will be discontinued in 2016. The treaty renewals during the year are nevertheless anticipated to pass off favourably again thanks to our good ratings and long-standing stable customer relationships.

Even though market conditions in property and casualty reinsurance are likely to remain soft, the underwriting result should come in roughly on the level of the 2015 financial year – provided the major loss incidence remains within the bounds of our expectations. In terms of our targeted combined ratio, we continue to aim for a figure under 96%. The EBIT margin for property and casualty reinsurance should amount to at least 10%.

In life and health reinsurance we see further good business opportunities in the current year. We shall continue to strive to offer our customers not only traditional risk transfer but also comprehensive reinsurance service. Adjusted for exchange rate effects, we expect to book slightly higher gross premium in life and health reinsurance. It should, however, be borne in mind that changes affecting certain very high-premium treaties have significant implications for the business volume – and that these can be either positive or volume-reducing. The Value of New Business (VNB) should be in excess of EUR 220 million. Our target EBIT margins remain unchanged at 2% for financial solutions and longevity business and 6% for mortality and morbidity business.

With regard to the IVC targets that we use to map economic value creation, we anticipate a minimum 2% xRoCA for property and casualty reinsurance and at least 3% xRoCA for life and health reinsurance.

The expected positive cash flow that we generate from the technical account and our investments should – based on stable exchange rates – lead to further growth in our asset portfolio. We are looking to deliver a return on investment of 2.9%.

For 2016 we anticipate Group net income in the order of EUR 950 million. This is subject to the proviso that the burden of major losses does not significantly exceed the budgeted level of EUR 825 million and that there are no exceptional distortions on capital markets.

In terms of the dividend for the current financial year, Hannover Re envisages a payout ratio in the range of 35% to 40% of its IFRS Group net income. This ratio may increase in light of capital management considerations if the present comfortable level of capitalisation remains unchanged.

Events after the reporting date

No matters of special significance occurred after the closing date for the consolidated financial statements.

Consolidated financial statements

Consolidated balance sheet as at 31 December 2015

N 01

Assets in EUR thousand	Notes	31.12.2015	31.12.2014
Fixed-income securities – held to maturity	6.1	1,007,665	2,139,742
Fixed-income securities – loans and receivables	6.1	2,869,865	2,988,187
Fixed-income securities – available for sale	6.1	29,616,448	26,817,523
Fixed-income securities – at fair value through profit or loss	6.1	108,982	64,494
Equity securities – available for sale	6.1	452,108	32,804
Other financial assets – at fair value through profit or loss	6.1	39,602	66,394
Real estate and real estate funds	6.1	1,673,958	1,299,258
Investments in associated companies	6.1	128,008	154,822
Other invested assets	6.1	1,544,533	1,316,604
Short-term investments	6.1	1,113,130	575,300
Cash and cash equivalents	6.1	792,604	772,882
Total investments and cash under own management		**39,346,903**	**36,228,010**
Funds withheld	6.2	13,801,845	15,826,480
Contract deposits	6.3	188,604	92,069
Total investments		**53,337,352**	**52,146,559**
Reinsurance recoverables on unpaid claims	6.7	1,395,281	1,376,432
Reinsurance recoverables on benefit reserve	6.7	1,367,173	676,219
Prepaid reinsurance premium	6.7	164,023	149,257
Reinsurance recoverables on other technical reserves	6.7	8,687	5,446
Deferred acquisition costs	6.4	2,094,671	1,914,598
Accounts receivable	6.4	3,665,937	3,113,978
Goodwill	6.5	60,244	58,220
Deferred tax assets	7.5	433,500	393,923
Other assets	6.6	680,543	618,280
Accrued interest and rent		7,527	4,672
Total assets		**63,214,938**	**60,457,584**

Liabilities in EUR thousand	Notes	31.12.2015	31.12.2014
Loss and loss adjustment expense reserve	6.7	26,556,388	24,112,056
Benefit reserve	6.7	12,206,699	11,757,132
Unearned premium reserve	6.7	3,159,363	2,748,594
Other technical provisions	6.7	325,528	324,240
Funds withheld	6.8	1,265,035	817,137
Contract deposits	6.9	4,682,484	6,072,338
Reinsurance payable		1,390,006	1,101,317
Provisions for pensions	6.10	150,299	171,501
Taxes	7.5	271,674	260,137
Deferred tax liabilities	7.5	1,932,722	1,875,591
Other liabilities	6.11	698,933	694,234
Long-term debt and subordinated capital	6.12	1,798,337	2,270,347
Total liabilities		**54,437,468**	**52,204,624**
Shareholders' equity			
Common shares	6.13	120,597	120,597
Nominal value: 120,597 Conditional capital: 60,299	6.13		
Additional paid-in capital		724,562	724,562
Common shares and additional paid-in capital		**845,159**	**845,159**
Cumulative other comprehensive income			
Unrealised gains and losses on investments		712,001	1,169,255
Cumulative foreign currency translation adjustment		509,189	190,454
Changes from hedging instruments		(1,217)	(8,748)
Other changes in cumulative other comprehensive income		(36,571)	(48,288)
Total other comprehensive income		**1,183,402**	**1,302,673**
Retained earnings		6,039,783	5,402,926
Equity attributable to shareholders of Hannover Rück SE		**8,068,344**	**7,550,758**
Non-controlling interests	6.14	709,126	702,202
Total shareholders' equity		**8,777,470**	**8,252,960**
Total liabilities		**63,214,938**	**60,457,584**

Consolidated statement of income 2015

N 02

in EUR thousand	Notes	1.1.–31.12.2015	1.1.–31.12.2014
Gross written premium	7.1	17,068,663	14,361,801
Ceded written premium		2,219,094	1,781,064
Change in gross unearned premium		(259,834)	(154,362)
Change in ceded unearned premium		3,307	(3,294)
Net premium earned		**14,593,042**	**12,423,081**
Ordinary investment income	7.2	1,253,443	1,068,361
Profit/loss from investments in associated companies	7.2	19,169	1,042
Realised gains and losses on investments	7.2	135,847	182,453
Change in fair value of financial instruments	7.2	901	(33,257)
Total depreciation, impairments and appreciation of investments	7.2	38,098	27,558
Other investment expenses	7.2	101,202	95,256
Net income from investments under own management		**1,270,060**	**1,095,785**
Income/expense on funds withheld and contract deposits	7.2	395,033	376,056
Net investment income		**1,665,093**	**1,471,841**
Other technical income	7.3	1,290	1,641
Total revenues		**16,259,425**	**13,896,563**
Claims and claims expenses	7.3	11,075,407	9,464,172
Change in benefit reserves	7.3	101,157	28,625
Commission and brokerage, change in deferred acquisition costs	7.3	2,918,429	2,579,368
Other acquisition costs		5,652	4,878
Other technical expenses	7.3	1,348	7,461
Administrative expenses	7.3	398,512	363,859
Total technical expenses		**14,500,505**	**12,448,363**
Other income and expenses	7.4	(3,684)	18,190
Operating profit/loss (EBIT)		**1,755,236**	**1,466,390**
Interest on hybrid capital	6.12	84,316	95,720
Net income before taxes		**1,670,920**	**1,370,670**
Taxes	7.5	456,207	305,563
Net income		**1,214,713**	**1,065,107**
thereof			
Non-controlling interest in profit and loss	6.14	63,988	79,458
Group net income		**1,150,725**	**985,649**
Earnings per share (in EUR)	**8.5**		
Basic earnings per share		9.54	8.17
Diluted earnings per share		9.54	8.17

Consolidated statement of comprehensive income 2015

N03

in EUR thousand	1.1.–31.12.2015	1.1.–31.12.2014
Net income	**1,214,713**	**1,065,107**
Not reclassifiable to the consolidated statement of income		
Actuarial gains and losses		
Gains (losses) recognised directly in equity	18,997	(51,190)
Tax income (expense)	(5,721)	16,287
	13,276	**(34,903)**
Income and expense recognised directly in equity that cannot be reclassified		
Gains (losses) recognised directly in equity	18,997	(51,190)
Tax income (expense)	(5,721)	16,287
	13,276	**(34,903)**
Reclassifiable to the consolidated statement of income		
Unrealised gains and losses on investments		
Gains (losses) recognised directly in equity	(481,349)	1,051,409
Transferred to the consolidated statement of income	(162,990)	(147,075)
Tax income (expense)	164,008	(240,809)
	(480,331)	**663,525**
Currency translation		
Gains (losses) recognised directly in equity	339,324	476,440
Transferred to the consolidated statement of income	–	50
Tax income (expense)	(13,672)	(33,301)
	325,652	**443,189**
Changes from the measurement of associated companies		
Gains (losses) recognised directly in equity	2,831	10,217
Transferred to the consolidated statement of income	(424)	–
	2,407	**10,217**
Changes from hedging instruments		
Gains (losses) recognised directly in equity	9,420	1,066
Tax income (expense)	(1,819)	(340)
	7,601	**726**
Reclassifiable income and expense recognised directly in equity		
Gains (losses) recognised directly in equity	(129,774)	1,539,132
Transferred to the consolidated statement of income	(163,414)	(147,025)
Tax income (expense)	148,517	(274,450)
	(144,671)	**1,117,657**
Total income and expense recognised directly in equity		
Gains (losses) recognised directly in equity	(110,777)	1,487,942
Transferred to the consolidated statement of income	(163,414)	(147,025)
Tax income (expense)	142,796	(258,163)
	(131,395)	**1,082,754**
Total recognised income and expense	**1,083,318**	**2,147,861**
thereof		
Attributable to non-controlling interests	51,864	123,107
Attributable to shareholders of Hannover Rück SE	1,031,454	2,024,754

Consolidated statement of changes in shareholders' equity 2015

N 04

in EUR thousand	Common shares	Additional paid-in capital	Other reserves (cumulative other comprehensive income) Unrealised gains/losses	Currency translation
Balance as at 1.1.2014	**120,597**	**724,562**	**533,745**	**(246,279)**
Changes in ownership interest with no change of control status	–	–	2,172	(103)
Changes in the consolidated group	–	–	–	–
Capital increases/additions	–	–	–	–
Capital repayments	–	–	–	–
Acquisition/disposal of treasury shares	–	–	–	–
Total income and expense recognised directly in equity	–	–	633,338	436,836
Net income	–	–	–	–
Dividends paid	–	–	–	–
Balance as at 31.12.2014	**120,597**	**724,562**	**1,169,255**	**190,454**
Balance as at 1.1.2015	**120,597**	**724,562**	**1,169,255**	**190,454**
Changes in ownership interest with no change of control status	–	–	–	–
Changes in the consolidated group	–	–	–	–
Capital increases/additions	–	–	–	–
Capital repayments	–	–	–	–
Acquisition/disposal of treasury shares	–	–	–	–
Total income and expense recognised in equity	–	–	(457,254)	318,735
Net income	–	–	–	–
Dividends paid	–	–	–	–
Balance as at 31.12.2015	**120,597**	**724,562**	**712,001**	**509,189**

Continuation: Other reserves (cumulative other comprehensive income)		Retained earnings	Equity attributable to shareholders of Hannover Rück SE	Non-controlling interests	Total shareholders' equity
Hedging instruments	Other				
(9,455)	**(16,452)**	**4,781,718**	**5,888,436**	**641,591**	**6,530,027**
–	(60)	(2,637)	(628)	(19,452)	(20,080)
–	–	–	–	(1,387)	(1,387)
–	–	–	–	4	4
–	–	–	–	(72)	(72)
–	–	(13)	(13)	–	(13)
707	(31,776)	–	1,039,105	43,649	1,082,754
–	–	985,649	985,649	79,458	1,065,107
–	–	(361,791)	(361,791)	(41,589)	(403,380)
(8,748)	**(48,288)**	**5,402,926**	**7,550,758**	**702,202**	**8,252,960**
(8,748)	**(48,288)**	**5,402,926**	**7,550,758**	**702,202**	**8,252,960**
–	–	(1,320)	(1,320)	(1,189)	(2,509)
–	–	–	–	966	966
–	–	–	–	189	189
–	–	–	–	(9)	(9)
–	–	(10)	(10)	–	(10)
7,531	11,717	–	(119,271)	(12,124)	(131,395)
–	–	1,150,725	1,150,725	63,988	1,214,713
–	–	(512,538)	(512,538)	(44,897)	(557,435)
(1,217)	**(36,571)**	**6,039,783**	**8,068,344**	**709,126**	**8,777,470**

Consolidated cash flow statement 2015

N 05

in EUR thousand	1.1.–31.12.2015	1.1.–31.12.2014
I. Cash flow from operating activities		
Net income	1,214,713	1,065,107
Appreciation/depreciation	64,493	58,384
Net realised gains and losses on investments	(135,847)	(182,453)
Change in fair value of financial instruments (through profit or loss)	(901)	33,257
Realised gains and losses on deconsolidation	(835)	(2,602)
Amortisation of investments	96,540	83,382
Changes in funds withheld	3,454,332	(482,106)
Net changes in contract deposits	(1,923,135)	119,362
Changes in prepaid reinsurance premium (net)	256,527	157,349
Changes in tax assets/provisions for taxes	159,250	182,543
Changes in benefit reserve (net)	(958,105)	57,841
Changes in claims reserves (net)	1,229,670	1,106,308
Changes in deferred acquisition costs	(97,673)	(121,881)
Changes in other technical provisions	(9,106)	38,995
Changes in clearing balances	(97,390)	73,975
Changes in other assets and liabilities (net)	(147,658)	(256,569)
Cash flow from operating activities	**3,104,875**	**1,930,892**

in EUR thousand	1.1.–31.12.2015	1.1.–31.12.2014
II. Cash flow from investing activities		
Fixed-income securities – held to maturity		
Maturities	1,184,382	618,208
Purchases	–	(1,395)
Fixed-income securities – loans and receivables		
Maturities, sales	358,350	427,121
Purchases	(153,057)	(100,302)
Fixed-income securities – available for sale		
Maturities, sales	10,400,105	11,304,019
Purchases	(12,362,146)	(13,167,728)
Fixed-income securities – at fair value through profit or loss		
Maturities, sales	20,211	9,649
Purchases	(58,570)	(34,622)
Equity securities – available for sale		
Sales	5,284	10,932
Purchases	(402,902)	(9,793)
Other financial assets – at fair value through profit or loss		
Sales	74,043	59,706
Purchases	(33,312)	(19,148)
Other invested assets		
Sales	183,271	142,588
Purchases	(379,296)	(259,511)
Affiliated companies and participating interests		
Sales	59,723	24,688
Purchases	(28,453)	(45,408)
Real estate and real estate funds		
Sales	104,414	102,472
Purchases	(458,294)	(230,502)
Short-term investments		
Changes	(531,057)	11,735
Other changes (net)	(30,771)	(38,050)
Cash flow from investing activities	**(2,048,075)**	**(1,195,341)**

in EUR thousand	1.1.–31.12.2015	1.1.–31.12.2014
III. Cash flow from financing activities		
Contribution from capital measures	4,007	876
Payment on capital measures	(3,604)	(4,769)
Structural change without loss of control	(2,509)	(20,080)
Dividends paid	(557,435)	(403,380)
Proceeds from long-term debts	23,400	554,095
Repayment of long-term debts	(518,642)	(774,338)
Other changes (net)	(10)	(13)
Cash flow from financing activities	**(1,054,793)**	**(647,609)**
IV. Exchange rate differences on cash	**17,715**	**46,058**
Cash and cash equivalents at the beginning of the period	**772,882**	**642,936**
Change in cash and cash equivalents (I.+II.+III.+IV.)	**19,722**	**134,000**
Changes in the consolidated group	**–**	**(4,054)**
Cash and cash equivalents at the end of the period	792,604	772,882
Supplementary information on the cash flow statement[1]		
Income taxes paid (on balance)	(311,241)	(113,032)
Dividend receipts[2]	162,612	71,844
Interest received	1,509,625	1,415,936
Interest paid	(182,910)	(175,025)

[1] The income taxes paid, dividend receipts as well as interest received and paid are included entirely in the cash flow from operating activities.
[2] Including dividend-like profit participations from investment funds

Notes to the consolidated financial statements 2015

1. Company information

Hannover Rück SE and its subsidiaries (collectively referred to as the "Hannover Re Group" or "Hannover Re") transact all lines of property & casualty and life & health reinsurance. With gross premium of approximately EUR 17.1 billion, Hannover Re is the third-largest reinsurance group in the world. The company's network consists of more than 130 subsidiaries, affiliates, branches and representative offices worldwide with a total workforce of roughly 2,500. The Group's German business is conducted by the subsidiary E+S Rückversicherung AG. Hannover Rück SE is a European Company, Societas Europaea (SE), which has its registered office at Karl-Wiechert-Allee 50, 30625 Hannover, Germany, and is entered in the commercial register of Hannover County Court under the number HR Hannover B 6778. 50.2% (rounded) of the shares of Hannover Rück SE are held by Talanx AG, Hannover, which in turn is majority-owned – with an interest of 79% – by HDI Haftpflichtverband der Deutschen Industrie V.a.G. (HDI), Hannover.

2. Accounting principles

Hannover Rück SE and its subsidiaries are required to prepare a consolidated financial statement and group management report in accordance with § 290 German Commercial Code (HGB).

Pursuant to EU Regulation (EC) No. 1606/2002, the present consolidated financial statement and group management report of Hannover Re have been drawn up in accordance with the International Financial Reporting Standards (IFRS) that are to be applied within the European Union. In addition, we have made allowance for the regulations that are also applicable pursuant to § 315a Para. 1 German Commercial Code (HGB) and the supplementary provisions of the Articles of Association of Hannover Rück SE as amended on 18 July 2013.

The consolidated financial statement reflects all IFRS in force as at 31 December 2015 as well as all interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), application of which was mandatory for the year under review. IFRS 4 "Insurance Contracts" requires disclosures on the nature and extent of risks stemming from reinsurance contracts, while IFRS 7 "Financial Instruments: Disclosures" requires similar information on risks from financial instruments. Additionally, § 315 Para. 2 Number 2 German Commercial Code (HGB) also contains requirements for insurance undertakings with regard to information on the management of underwriting and financial risks that is to be provided in the management report. The disclosures resulting from these requirements are included in the risk report. We have dispensed with an additional presentation of the same content in the notes. In order to obtain a comprehensive overview of the risks to which Hannover Re is exposed it is therefore necessary to consider both the risk report and the relevant information in the notes. We refer the reader accordingly to the corresponding remarks in the risk report and the notes.

Since 2002 the standards adopted by the International Accounting Standards Board (IASB) have been referred to as "International Financial Reporting Standards (IFRS)"; the standards dating from earlier years still bear the name "International Accounting Standards (IAS)". Standards are cited in our notes accordingly; in cases where the notes do not make explicit reference to a particular standard, the term IFRS is used. In view of the fact that reinsurance contracts, in conformity with IFRS 4 "Insurance Contracts", are recognised according to the pertinent provisions of United States Generally Accepted Accounting Principles (US GAAP) as applicable on the date of initial application of IFRS 4 on 1 January 2005, we cite individual insurance-specific standards of US GAAP using the designation "Statement of Financial Accounting Standard (SFAS)" that was valid at that time.

The declaration of conformity required pursuant to § 161 German Stock Corporation Act (AktG) regarding compliance with the German Corporate Governance Code has been submitted and, as described in the Declaration of the Executive Board regarding the Corporate Governance of the Company, made permanently available on the Hannover Re website.

The annual financial statements included in the consolidated financial statement were for the most part drawn up as at 31 December. Pursuant to IFRS 10 "Consolidated Financial Statements" there is no requirement to compile interim accounts for Group companies with diverging reporting dates because their closing dates are no earlier than three months prior to the closing date for the consolidated financial statement. Insofar as no interim accounts were drawn up, allowance has been made for the effects of significant transactions between the diverging reporting dates and the closing date for the consolidated financial statement.

The annual financial statements of all companies were drawn up in accordance with standard Group accounting and measurement rules pursuant to IFRS.

The consolidated financial statement was drawn up in euros (EUR), the amounts shown have been rounded to EUR thousands and – provided this does not detract from transparency – to EUR millions. Figures indicated in brackets refer to the previous year.

The present consolidated financial statement was released for publication by a resolution of the Executive Board on 22 February 2016.

New accounting standards or accounting standards applied for the first time

In December 2013 the IASB issued "Annual Improvements to IFRSs 2011–2013 Cycle". The annual improvements involve minor amendments and clarifications relating to the following standards: IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 3 "Business Combinations", IFRS 13 "Fair Value Measurement" and IAS 40 "Investment Property". The improvements are effective for annual periods beginning on or after 1 July 2014 and were endorsed by the EU in December 2014. Initial application of the revised standards did not give rise to any significant implications for Hannover Re.

Standards or changes in standards that have not yet entered into force or are not yet applicable

In January 2016 the IASB issued IFRS 16 "Leases" setting out new principles governing the recognition, measurement, presentation and disclosure of leases. The most significant new requirements relate principally to accounting by lessees. In future, the lessee shall as a general principle recognise a lease liability for all leases. At the same time it shall recognise a right to use the underlying asset. The standard is to be applied to annual periods beginning on or after 1 January 2019 and has still to be endorsed by the EU. Hannover Re is currently exploring the implications of the new requirements and does not expect them to have any significant effect on the consolidated financial statement.

In July 2014 the IASB published the final version of IFRS 9 "Financial Instruments", which replaces all previous versions of this standard. The standard now contains requirements governing classification and measurement, impairment based on the new expected loss impairment model and general hedge accounting. The originally included model for macro hedge accounting, which considers risk management that assesses risk exposures on a continuous basis and at a portfolio level, is being treated separately from general hedge accounting by the IASB outside of IFRS 9. Initial mandatory application of the standard, which has still to be endorsed by the EU, is set for annual periods beginning on or after 1 January 2018. Hannover Re is currently exploring the implications of this standard and anticipates significant implications for the consolidated financial statement. In December 2015, however, the IASB published the Exposure Draft ED/2015/11 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" containing proposals to amend the existing IFRS 4 "Insurance Contracts". It is intended to address the implications of the different effective dates of IFRS 9 and the anticipated new standard for the recognition of insurance and reinsurance contracts. The Exposure Draft contains two possible solutions. Under the so-called deferral approach entities whose predominant activity is issuing insurance and reinsurance contracts within the scope of IFRS 4 would be granted an optional temporary exemption from recognising their financial instruments in accordance with IFRS 9 until the recognition of insurance and reinsurance contracts has been finally settled, although this option could not be used after 1 January 2021. The so-called overlay approach would permit entities to reclassify from profit or loss to other comprehensive income some of the income or expenses arising from designated financial assets that are measured at fair value through profit or loss in their entirety applying IFRS 9 but would not have been so measured applying IAS 39 "Financial Instruments: Recognition and Measurement".

In May 2014 the IASB issued IFRS 15 "Revenue from Contracts with Customers". The standard specifies when and in what amount revenue is to be recognised and which disclosures are required for this purpose. IFRS 15 provides a single five-step model to be applied to all contracts with customers. Financial instruments and other contractual rights and obligations which are to be recognised under separate standards as well as (re)insurance contracts within the scope of IFRS 4 are expressly exempted from the standard's scope of application. The standard is to be applied for the first time to annual periods beginning on or after 1 January 2018 and has still to be endorsed by the EU. The new standard does not apply to reinsurance contracts. Possible implications for Group companies that realise revenues outside of reinsurance business are currently being analysed but cannot as yet be foreseen.

In addition to the accounting principles described above, the IASB has issued the following standards, interpretations and amendments to existing standards with possible implications for the consolidated financial statement of Hannover Re, application of which was not yet mandatory for the year under review and which are not being applied early by Hannover Re. Initial application of these new standards is not expected to have any significant implications for Hannover Re's assets, financial position or net income:

Further IFRS Amendments and Interpretations **N 06**

Published:	Title	Initial application to annual periods beginning on or after the following date:
January 2016	Amendments to IAS 7: Disclosure Initiative	1 January 2017 (still to be endorsed by the EU)
January 2016	Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017 (still to be endorsed by the EU)
December 2014	Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception	1 January 2016 (still to be endorsed by the EU)
December 2014	Amendments to IAS 1: Disclosure Initiative	1 January 2016
September 2014	Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016
September 2014	Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	deferred (still to be endorsed by the EU)
May 2014	Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
May 2014	Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
January 2014	IFRS 14 Regulatory Deferral Accounts	1 January 2016 (still to be endorsed by the EU)
December 2013	Annual Improvements to IFRSs 2010-2012 Cycle	1 February 2015
November 2013	Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	1 February 2015

3. Accounting policies

3.1 Changes in accounting policies

With effect from the first quarter of 2015 Hannover Re extended its estimation methods to include an additional subportfolio. This extension, which relates to estimated amounts from reinsurance treaties that have not yet been brought to account and the deferral thereof, helped to improve the accuracy of estimation. This represents a change in an accounting estimate, which pursuant to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" is to be performed prospectively in the period under review without restatement of the comparative figures for previous periods. Retention of the parameters and methods used until 31 December 2014 would have reduced the gross premium by EUR 89.8 million, the net premium earned by EUR 28.7 million and the operating profit (EBIT) by EUR 15.1 million in the year under review. The effects of this restatement in future reporting periods could only be determined with disproportionate effort.

3.2 Summary of major accounting policies

Reinsurance contracts: IFRS 4 "Insurance Contracts" represents the outcome of Phase I of the IASB project "Insurance Contracts" and serves as a transitional arrangement until the IASB defines the measurement of insurance contracts after completion of Phase II. IFRS 4 sets out basic principles for the accounting of insurance contracts. Underwriting business is to be subdivided into insurance and investment contracts. Contracts with a significant insurance risk are considered to be insurance contracts, while contracts without significant insurance risk are to be classified as investment contracts. The standard is also applicable to reinsurance contracts. IFRS 4 contains fundamental rules governing specific circumstances, such as the separation of embedded derivatives and unbundling of deposit components, but it does not set out any more extensive provisions relating to the measurement of insurance and reinsurance contracts. In conformity with the basic rules of IFRS 4 and the IFRS Framework, reinsurance-specific transactions therefore continue to be recognised in accordance with the pertinent provisions of US GAAP (United States Generally Accepted Accounting Principles) as applicable on the date of initial application of IFRS 4 on 1 January 2005.

Financial assets: as a basic principle we recognise the purchase and sale of directly held financial assets including derivative financial instruments as at the settlement date. The recognition of fixed-income securities includes apportionable accrued interest.

Financial assets held to maturity are comprised of non-derivative assets that entail fixed or determinable payments on a defined due date and are acquired with the intent and ability to be held until maturity. They are measured at amortised cost. The corresponding premiums or discounts are recognised in profit or loss across the duration of the instruments using the effective interest rate method. A write-down is taken in the event of permanent impairment. Please refer to our comments on impairments in this section.

Loans and receivables are non-derivative financial instruments that entail fixed or determinable payments on a defined due date and are not listed on an active market or sold at short notice. They are carried at amortised cost.

Premiums or discounts are deducted or added within the statement of income using the effective interest rate method until the amount repayable becomes due. Impairment is taken only to the extent that repayment of a loan is unlikely or no longer expected in the full amount. Please refer to our comments on impairments in this section.

Valuation models N 07

Financial instrument	Parameter	Pricing model
Fixed-income securities		
Unlisted plain vanilla bonds, interest rate swaps	Interest rate curve	Present value method
Unlisted structured bonds	Interest rate curve, volatility surfaces	Hull-White, Black-Karasinski, LIBOR market model etc.
Unlisted ABS/MBS, CDO/CLO	Risk premiums, default rates, prepayment speed and recovery rates	Present value method
Other invested assets		
Unlisted equities and equity investments	Acquisition cost, cash flows, EBIT multiples, as applicable book value	Capitalised earnings method, discounted cash flow method, multiple-based approaches
Private equity funds, private equity real estate funds	Audited net asset values (NAV)	Net asset value method
Unlisted bond, equity and real estate funds	Audited net asset values (NAV)	Net asset value method
Other financial assets – at fair value through profit or loss		
Currency forwards	Interest rate curves, spot and forward rates	Interest parity model
Inflation swaps	Inflation swap rates (Consumer Price Index), historical index fixings, interest rate curve	Present value method with seasonality adjustment
OTC stock options, OTC stock index options	Listing of the underlying share, implicit volatilities, money-market interest rate, dividend yield	Black-Scholes
Insurance derivatives	Fair values, actuarial parameters, interest rate curve	Present value method

Financial assets at fair value through profit or loss consist of securities held for trading and those classified as measured at fair value through profit or loss since acquisition. This refers principally to unsecured debt instruments issued by corporate issuers and derivative financial instruments. Within the scope of the fair value option provided under IAS 39 "Financial Instruments: Recognition and Measurement", according to which financial assets may be carried at fair value on first-time recognition subject to certain conditions, all structured securities that would have needed to have been broken down had they been recognised as available for sale or under loans and receivables are also recognised here. Hannover Re makes use of the fair value option solely for selected subportfolios of its financial assets. Securities held for trading and securities classified as measured at fair value through profit or loss since acquisition are carried at their fair value on the balance sheet date. If stock market prices are not available for use as fair values, the carrying amounts are determined using generally acknowledged measurement methods. All changes in fair values from this measurement are recognised in investment income. The classification of financial assets at fair value through profit or loss is compatible with Hannover Re's risk management strategy and investment strategy, which are oriented extensively towards economic fair value variables.

Financial assets classified as available for sale are carried at fair value; accrued interest is recognised in this context. We allocate to this category those financial instruments that do not satisfy the criteria for classification as held to maturity, loans and receivables, at fair value through profit or loss, or trading. Unrealised gains and losses arising out of changes in the fair value of securities held as available for sale are recognised – with the exception of currency valuation differences on monetary items – directly in shareholder's equity after deduction of deferred taxes.

Establishment of the fair value of financial instruments carried as assets or liabilities: we establish the fair value of financial instruments carried as assets or liabilities using the methods and models described below. The fair value of a financial instrument corresponds to the amount that Hannover Re would receive or pay if it were to sell or settle the said financial instrument on the balance sheet date. Insofar as market prices are listed on markets for financial assets, their bid price is used; financial liabilities are valued at ask price. In other cases the fair values are established on the basis of the market conditions prevailing on the balance sheet date for financial assets with similar credit rating, duration and return characteristics or using recognised models of mathematical finance. Hannover Re uses a number of different valuation models for this purpose. The details are set out in the table on this page. Financial assets for which no publicly available prices or observable market data can be used as inputs (financial instruments belonging to fair value hierarchy level 3) are for the most part measured on the basis of proven valuations drawn up by knowledgeable, independent experts, e.g. audited net asset value, the plausibility of which has previously been subjected to systematic review. For further information please see our explanatory remarks on the fair value hierarchy in Section 6.1 "Investments under own management".

Impairments: As at each balance sheet date we review our financial assets with an eye to the need to take impairments. Permanent impairments on all invested assets are recognised directly in the statement of income. In this context we take as a basis the same indicators as those subsequently discussed for fixed-income securities and securities with the character of equity. Qualitative case-by-case analysis is also carried out. IAS 39 "Financial Instruments: Recognition and Measurement" contains a list of objective, substantial indications for impairments of financial assets. In the case of fixed-income securities and loans reference is made, in particular, to the rating of the instrument, the rating of the issuer/borrower as well as the individual market assessment in order to establish whether they are impaired. With respect to held-to-maturity instruments as well as loans and receivables recognised at amortised cost, the level of impairment is arrived at from the difference between the book value of the asset and the present value of the expected future earnings flows. The book value is reduced directly by this amount which is then recognised as an expense. With the exception of value adjustments taken on accounts receivable, we recognize impairments directly on the assets side – without using an adjustment account – separately from the relevant items. If the reasons for the write-down no longer apply, a write-up is made in income up to at most the original amortised cost for fixed-income securities.

With respect to impairments on securities with the character of equity, IAS 39 "Financial Instruments: Recognition and Measurement" states, in addition to the aforementioned principles, that a significant or prolonged decrease in fair value below acquisition cost constitutes objective evidence of impairment. Hannover Re considers equity securities to be impaired under IAS 39 if their fair value falls significantly, i.e. by at least 20%, or for a prolonged period, i.e. at least nine months, below acquisition cost. In accordance with IAS 39 the reversal of impairment losses on equities to the statement of income once impairment has been taken is prohibited, as is adjustment of the cost basis. Impairment is tested in each reporting period using the criteria defined by Hannover Re. If an equity security is considered to be impaired on the basis of these criteria, IAS 39 requires that a value adjustment be recognised in the amount of the fair value less historical cost and less prior value adjustments, meaning that depreciation is taken on the fair value as at the closing date – if available, on the publicly quoted stock exchange price. We also apply this method to participations in funds that invest in private equity. In order to reflect the specific character of these funds (in this case initially negative yield and liquidity flows from the so-called "J curve" effect during the investment period of the funds), we take an impairment to net asset value as an approximation of the fair value for the first time after a two-year waiting period if there is a significant or prolonged decrease in value.

Netting of financial instruments: financial assets and liabilities are only netted and recognised in the appropriate net amount if a corresponding legal claim (reciprocity, similarity and maturity) exists or is expressly agreed by contract, in other words if the intention exists to offset such items on a net basis or to effect this offsetting simultaneously.

Other invested assets are for the most part recognised at nominal value. Insofar as such financial assets are not listed on public markets (e.g. participating interests in private equity firms), they are carried at the latest available net asset value as an approximation of the fair value. Loans included in this item are recognised at amortised cost.

Investments in associated companies are valued at equity on the basis of the proportionate shareholders' equity attributable to the Group. Further information is provided in Section 4.1 "Consolidation principles".

Real estate used by third parties (investment property) is valued at cost less scheduled depreciation and impairment. Straight-line depreciation is taken over the expected useful life – at most 50 years. Under the impairment test the market value of real estate for third-party use (recoverable amount) is determined using acknowledged valuation methods and compared with the book value; arising impairments are recognised. Maintenance costs and repairs are expensed. Value-enhancing expenditures are capitalised if they extend the useful life.

Cash and cash equivalents are carried at face value. Cash collateral that we have received for the hedging of positive fair values of derivatives is shown under other liabilities.

Funds withheld are receivables due to reinsurers from their clients in the amount of the cash deposits contractually withheld by such clients; they are recognised at acquisition cost (nominal amount). Appropriate allowance is made for credit risks.

Contract deposits: under this item we report receivables and liabilities under insurance contracts that satisfy the test of a significant risk transfer to the reinsurer as required by IFRS 4 "Insurance Contracts" but fail to meet the risk transfer required by US GAAP. IFRS 4 in conjunction with SFAS 113 requires insurance contracts that transfer a significant technical risk from the ceding company to the reinsurer to be differentiated from those under which the risk transfer is of merely subordinate importance. Since the risk transfer under the affected transactions is of subordinate importance, these contracts are recognised using the "deposit accounting" method and hence eliminated from the technical account. The compensation for risk assumption booked to income under these contracts is netted under other income and expenses. The payment flows resulting from these contracts are shown in the cash flow statement under operating activities.

Accounts receivable: the accounts receivable under reinsurance business and the other receivables are carried at nominal value; value adjustments are made where necessary on the basis of a case-by-case analysis. We use adjustment accounts for value adjustments taken on reinsurance accounts receivable, while all other write-downs are booked directly against the underlying position.

Deferred acquisition costs principally consist of commissions and other variable costs directly connected with the acquisition or renewal of existing reinsurance contracts. These acquisition costs are capitalised and amortised over the expected period of the underlying reinsurance contracts. Deferred acquisition costs are regularly tested for impairment.

Reinsurance recoverables on technical reserves: shares of our retrocessionaires in the technical reserves are calculated according to the contractual conditions on the basis of the gross technical reserves. Appropriate allowance is made for credit risks.

Intangible assets: in accordance with IFRS 3 "Business Combinations" goodwill is not amortised; instead, impairments may be taken after an annual impairment test or as indicated. For the purposes of the impairment test, goodwill is to be allocated pursuant to IAS 36 "Impairment of Assets" to so-called "cash generating units" (CGUs). Each CGU to which goodwill is allocated should represent the lowest level on which goodwill is monitored for internal management purposes and may not be larger than a segment. Following allocation of the goodwill it is necessary to determine for each CGU the recoverable amount, defined as the higher of the value in use and the fair value less costs to sell. For impaired goodwill the recoverable amount is to be stated. The recoverable amount is to be compared with the book value of the CGU including goodwill. When the latter exceeds the recoverable amount, an impairment expense is to be recognised. For detailed information on the impairment method used and the goodwill recognised as at the balance sheet date, please see Section 6.5 "Goodwill".

The other intangible assets largely consist of purchased and self-developed software. This is recognised at acquisition cost less scheduled depreciation. Intangible assets are regularly tested for impairment and impairment is taken where necessary. The other intangible assets also include the expected profits from acquired life reinsurance portfolios. These are carried at the present value of future profits (PVFP) at time of acquisition, which is calculated as the present value of profits expected from the acquired blocks of business disregarding new business and tax effects. Scheduled amortisation is taken according to the periods of the underlying acquired contracts. The PVFP is regularly tested for impairment using a liability adequacy test and impairments are taken if necessary. In this regard please see Section 3.3 "Major discretionary decisions and estimates".

Deferred tax assets: IAS 12 "Income Taxes" requires that assets-side deferred taxes be established if assets have to be recognised in a lower amount or liabilities in a higher amount in the consolidated balance sheet than in the tax balance sheet and if these temporary differences will lead to reduced tax burdens in the future. In principle, temporary differences result from the valuation differences between the tax balance sheets drawn up in accordance with national standards and the IFRS balance sheets of the companies included in the consolidated financial statement drawn up in accordance with uniform group standards as well as from consolidation processes. Deferred tax assets and liabilities are not established if they arise out of assets or liabilities, the book value of which upon first-time recognition diverges from their initial tax base.

Deferred tax assets are also recognised on tax loss carry-forwards and tax credits. Insofar as the deferred taxes refer to items carried directly in equity, the resulting deferred taxes are also recognised directly in equity. Value adjustments are taken on deferred tax assets as soon as realisation of the receivable no longer appears likely. Deferred taxes are measured according to the tax regulations specific to the country concerned that are applicable or have been adopted as at the closing date.

Deferred tax assets may only be netted with deferred tax liabilities if an enforceable right exists to net actual tax refund claims with actual taxes owing. A precondition here is that the deferred tax assets and deferred tax liabilities refer to income taxes that are levied by the same revenue authority either for (i) the same taxable entity or for (ii) different taxable entities. In this regard, there must be an intention – in every future period in which the discharge or realisation of substantial amounts of deferred tax liabilities / deferred tax assets is to be expected – either to bring about the settlement of the actual taxes owing and refund claims on a net basis or to discharge the liabilities at the same time as the claims are realised.

Own-use real estate: The portfolio of own-use real estate is measured at cost less scheduled straight-line depreciation over a useful life of no more than 50 years. The fair values are determined for comparative purposes using the discounted cash flow method.

Other assets are accounted for at amortised cost.

Technical reserves: the technical reserves are shown for gross account in the balance sheet, i. e. before deduction of the share attributable to our reinsurers; cf. here the remarks concerning the corresponding assets. The reinsurers' portion is calculated and accounted for on the basis of the individual reinsurance contracts.

Loss and loss adjustment expense reserves are constituted for payment obligations from reinsurance losses that have occurred but have not yet been settled. They are subdivided into reserves for reinsurance losses reported by the balance sheet date and reserves for reinsurance losses that have already been incurred but not yet reported (IBNR) by the balance sheet date. The loss and loss adjustment expense reserves are based on estimates that may diverge from the actual amounts payable. In reinsurance business a considerable period of time may elapse between the occurrence of an insured loss, notification by the insurer and pro-rata payment of the loss by the reinsurer. For this reason the best estimate of the future settlement amount is carried. With the aid of actuarial methods, the estimate makes allowance for past experience and assumptions relating to the future development. The interest rate-induced portion of the change in the reserve is shown in the statement of income on a consistent Group basis.

Benefit reserves are comprised of the underwriting reserves for guaranteed claims of ceding companies in life and health reinsurance. Benefit reserves are determined using actuarial methods on the basis of the present value of future payments to cedants less the present value of premium still payable by cedants. The calculation includes assumptions relating to mortality, disability, lapse rates and the future interest rate development. The actuarial bases used in this context allow an adequate safety margin for the risks of change, error and random fluctuation. They correspond to those used in the premium calculation and are adjusted if the original safety margins no longer appear to be sufficient.

Provisions for pensions are established in accordance with IAS 19 "Employee Benefits" using the projected unit credit method. They are calculated according to actuarial principles and are based upon the commitments made by the Hannover Re Group for retirement, disability and widows' benefits. The amount of the commitments is determined according to length of service and salary level. The pension plans are defined benefit plans. The basis of the valuation is the estimated future increase in the rate of compensation of the pension beneficiaries. The benefit entitlements are discounted by applying the capital market rate for highest-rated securities. All changes in valuation, especially actuarial gains and losses, are captured immediately in cumulative other comprehensive income. Service cost and interest cost are recognised in the statement of income. Returns on plan assets are determined using the same interest rate as that used in the calculation of the present value of the defined benefit obligation.

Contributions to defined contribution plans are expensed when the beneficiary of the commitment has performed the work that entitles them to such contributions.

Deferred tax liabilities: in accordance with IAS 12 "Income Taxes" deferred tax liabilities must be recognised if assets are to be recognised in a higher amount or liabilities in a lower amount in the consolidated balance sheet than in the tax balance sheet and if these temporary differences will lead to additional tax loads in the future; please see our explanatory remarks on deferred tax assets.

Under the balance sheet item **Other liabilities** we recognise not only the sundry non-technical provisions but also minority interests in partnerships. Direct minority interests in partnerships, i. e. liabilities to holders of minority shares in partnerships arising out of long-term capital commitments, which are puttable at fair value by the holder of the interest, are recognised as debt pursuant to IAS 32 and measured at the fair value of the redemption amount as at the balance sheet date.

Sundry non-technical provisions are established according to the best estimate of the amount required and shown under the balance sheet item "Other liabilities". Allocation to such provisions is conditional upon the Group currently having a legal or actual obligation that results from a past event and in respect of which utilisation is probable and the amount can be reliably estimated.

Restructuring provisions are recognised if a detailed formal plan for restructuring measures exists and steps to implement it have already begun or if key details of the restructuring have been published. The provisions cover only expenditures arising directly as a consequence of restructuring that are not connected with the company's regular activities.

Partial retirement obligations are carried at present value according to actuarial principles. During the phase when the employee is still working a provision is set aside to cover the liability amounting to the working hours not yet compensated. Top-up payments are accumulated in instalments until the end of the work phase. In periods when the employee is remunerated according to the partial retirement arrangements without performing any work, the provision is released.

Share-based payment: The share-based payment models existing within the Hannover Re Group are remuneration plans with cash settlement. In accordance with the requirements of IFRS 2 "Share-based Payment", the services rendered by the eligible beneficiaries and the resulting liability are to be recognised at the fair value of the liability and expensed over the vesting period. Until settlement of the liability the fair value of the liability is remeasured at each closing date and at the settlement date. All changes in fair value are recognised in profit or loss for the period.

Debt and subordinated capital principally consists of subordinated liabilities that can only be satisfied after the claims of other creditors in the event of liquidation or bankruptcy. They are measured at amortised cost using the effective interest rate method. Both components of profit or loss arising out of the amortisation of transaction costs and premiums/discounts in connection with an issue and the nominal interest are shown as interest on hybrid capital.

Financial liabilities at fair value through profit or loss: Hannover Re does not make use of the fair value option provided by IAS 39 "Financial Instruments: Recognition and Measurement" to classify financial liabilities in this category upon first-time recognition.

Shareholders' equity: the items "common shares" and "additional paid-in capital" are comprised of the amounts paid in by the shareholders of Hannover Rück SE on its shares. In addition to the statutory reserves of Hannover Rück SE and the allocations from net income, the retained earnings consist of reinvested profits generated by the Hannover Re Group companies in previous periods. What is more, in the event of a retrospective change of accounting policies, the adjustment for previous periods is recognised in the opening balance sheet value of the retained earnings and comparable items of the earliest reported period. Unrealised gains and losses from the fair value measurement of financial instruments held as available for sale are carried in cumulative other comprehensive income under unrealised gains and losses on investments. Translation differences resulting from the currency translation of separate financial statements of foreign subsidiaries are recognised under gains and losses from currency translation.

Non-controlling interests are shares in the equity of affiliated companies not held by companies belonging to the Group. IAS 1 "Presentation of Financial Statements" requires that non-controlling interests be recognised separately within Group shareholders' equity. The non-controlling interest in profit or loss is shown separately following the net income. Further information is provided in Section 6.14 "Non-controlling interests".

Disclosures about financial instruments: IFRS 7 "Financial Instruments: Disclosures" requires more extensive disclosures according to classes of financial instruments. In this context, the term "class" refers to the classification of financial instruments according to their risk characteristics. A minimum distinction is required here between measurement at amortised cost or at fair value. A more extensive or divergent distinction should, however, be geared to the purpose of the corresponding disclosures in the notes. In contrast, the term "category" is used within the meaning of the measurement categories defined in IAS 39 "Financial Instruments: Recognition and Measurement" (held to maturity, loans and receivables, available for sale and financial assets at fair value through profit or loss with the subcategories of trading and designated financial instruments). Essentially, the following classes of financial instruments are established:

- Fixed-income securities
- Equities, equity funds and other variable-yield securities
- Other financial assets – at fair value through profit or loss
- Certain financial assets in the balance sheet item "Real estate and real estate funds"
- Other invested assets
- Short-term investments
- Certain financial assets in the balance sheet item "Other assets"
- Certain financial assets in the balance sheet item "Other liabilities"
- Long-term debt
- Subordinated debt

This grouping into classes is not, however, solely determinative for the type and structure of each disclosure in the notes. Rather, guided by the underlying business model of reinsurance, the disclosures are made on the basis of the facts and circumstances existing in the financial year and in light of the principle of materiality.

Currency translation: financial statements of Group subsidiaries were drawn up in the currencies corresponding to the economic environment in which each subsidiary primarily operates. These currencies are referred to as functional currencies. The euro is the reporting currency in which the consolidated financial statement is prepared.

Transactions in foreign currencies reported in Group companies' individual financial statements are converted into the functional currency at the transaction rate. In accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates" the recognition of exchange differences on translation is guided by the nature of the underlying balance sheet item. Exchange differences from the translation of monetary assets and liabilities are recognised directly in the statement of income. Currency translation differences from the translation of non-monetary assets measured at fair value via the statement of income are recognised with the latter as profit or loss from fair value measurement changes. Exchange differences from non-monetary items – such as equity securities – classified as available for sale are initially recognised outside income in a separate item of shareholders' equity and only booked to income when such non-monetary items are settled.

The individual companies' statements of income prepared in the local currencies are converted into euro at the average rates of exchange and transferred to the consolidated financial statement. The conversion of foreign currency items in the balance sheets of the individual companies and the transfer of these items to the consolidated financial statement are effected at the mean rates of exchange on the balance sheet date. In accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates" differences from the currency translation of financial statements of foreign Group companies must be recognised in the consolidated financial statement as a separate item in shareholders' equity. Currency translation differences resulting from long-term loans or lendings without specified maturity between Group companies are similarly recognised outside the statement of income in a separate item of shareholders' equity.

Key exchange rates **N 08**

1 EUR corresponds to:	31.12.2015	31.12.2014	2015	2014
	Mean rate of exchange on the balance sheet date		Average rate of exchange	
AUD	1.4981	1.4879	1.4840	1.4789
BHD	0.4122	0.4583	0.4197	0.4997
CAD	1.5158	1.4131	1.4241	1.4652
CNY	7.0970	7.5533	6.9934	8.1675
GBP	0.7381	0.7825	0.7289	0.8059
HKD	8.4692	9.4289	8.6269	10.2814
KRW	1,281.5964	1,333.7220	1,257.9722	1,395.8961
MYR	4.6929	4.2580	4.3356	4.3460
SEK	9.1938	9.4845	9.3450	9.1143
USD	1.0927	1.2155	1.1128	1.3256
ZAR	16.8447	14.1409	14.2609	14.3566

Earned premium and unearned premium: assumed reinsurance premiums, commissions and claim settlements as well as assumed portions of the technical reserves are recognised according to the terms and conditions of the reinsurance treaties, giving due consideration to the underlying contracts for which reinsurance was taken out.

Ceded reinsurance premiums are deducted from the gross written premium for the purpose of reconciliation to net premium earned. Assets and liabilities in connection with reinsurance ceded are recognised on a gross basis. The reinsured portions of the reserves are estimated on a basis consistent with the reserves attributable to the reinsured risk. Income and expenses in connection with reinsurance treaties are recognised on a basis consistent with the underlying risk of the reinsured business.

Premiums for reinsurance treaties are booked to income as earned across the period of the contracts in proportion to the insurance protection already provided or when they become due. Unearned premiums are calculated individually for each treaty in order to establish the portion of the premium volume that is not booked to income. This applies principally to property and casualty reinsurance and parts of accident and health reinsurance. Premiums already collected that are attributable to future risk periods are deferred pro rata temporis and recognised in conformity with the pertinent standards of US GAAP. In this context, assumptions are to be made if the data required for a calculation pro rata temporis is not available. The unearned premium corresponds to the insurance protection afforded in future periods.

Taxes: the taxes are comprised of the actual tax load on corporate profits of the Group companies, to which the applicable local tax rates are applied, as well as changes in deferred tax assets and liabilities. Income and expenses arising out of interest or penalties payable to the revenue authorities are shown under other income and expenses. The calculation of the deferred tax assets and liabilities is based on tax loss carry-forwards, unused tax credits and temporary differences between the book values of assets and liabilities in the consolidated balance sheet of the Hannover Re Group and their tax values. Further information on deferred taxes is provided in our remarks on deferred tax assets and liabilities.

Non-current assets held for sale and discontinued operations: in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", non-current assets and disposal groups are classified as held for sale if the relevant book value is realised largely through sale rather than through continued use. Components of an entity that can be clearly distinguished from the rest of the entity for operational and accounting purposes and were classified as sold or for sale are recognised as discontinued operations. Measurement is at the lower of book value and fair value less costs to sell. Scheduled depreciation is not taken on non-current assets classified as held for sale. Impairment losses on fair value less costs to sell are recognised in profit or loss; a gain for any subsequent increase in fair value less costs to sell leads to the realisation of profit up to the amount of the cumulative impairment. If the impairment loss to be taken on a disposal group exceeds the book value of the corresponding non-current assets, the need to establish a provision within the meaning of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" is reviewed.

3.3 Major discretionary decisions and estimates

In the consolidated financial statement it is to some extent necessary to make estimates and assumptions which affect the assets and liabilities shown in the balance sheet, the information on contingent claims and liabilities as at the balance sheet date and the disclosure of income and expenses during the reporting period. Key facts and circumstances subject to such assumptions and estimates include, for example, the recoverability of contingent reinsurance liabilities, the recoverability of investments in associated companies, the valuation of derivative financial instruments as well as assets and liabilities relating to employee benefits. The actual amounts may diverge from the estimated amounts.

In order to measure the ultimate liability in property and casualty reinsurance the expected ultimate loss ratios are calculated for all lines. Actuarial methods such as the "chain ladder" method provide the starting point for these calculations. The best possible estimated future settlement amount is recognised in the balance sheet. The development until completion of the run-off is projected on the basis of statistical triangles from the original notifications of ceding companies. In this context it is generally assumed that the future rate of inflation of the loss run-off will be analogous to the average rate of the past inflation contained in the data. The more recent underwriting years in actuarial projections are of course subject to greater uncertainty, although this can be considerably reduced with the aid of a variety of additional information on improvements in the rates and conditions of the business written and on loss trends. The amounts arrived at as the difference between the ultimate losses and the reported losses are set aside as the IBNR reserve for losses that have been incurred but are not yet known or have still to be reported.

By analysing a broad range of observable information it is possible to classify losses as major individual loss events. Measurement of the obligations existing in this connection is carried out using a separate process, which is based largely on contract-specific estimates.

For further details, for example concerning the modelling of natural catastrophe scenarios and the assumptions relating to asbestos and pollution risks, the reader is referred to our comments in the risk report on page 83 et seq. We would further refer to our explanatory remarks on the technical reserves in Section 3.2 "Summary of major accounting policies" and Section 6.7 "Technical provisions".

In life business, too, the calculation of reserves and assets is crucially dependent on actuarial projections of the covered business. So-called model points are defined according to the type of business covered. The main distinguishing criteria are the age, sex and (non-)smoker status of the insured, tariff, policy period, period of premium payment and amount of insurance. The portfolio development is simulated for each model point, in which regard the key input parameters are either predefined by the tariff (e. g. allowance for costs, amount of premium, actuarial interest rate) or need to be estimated (e. g. mortality or disability rates, lapse rates). These assumptions are heavily dependent on country-specific parameters and on the sales channel, quality of the cedant's underwriting and claims handling, type of reinsurance and other framework conditions of the reinsurance treaty. The superimposition of numerous model points gives rise to a projection, which incorporates inter alia assumptions concerning the portfolio composition and the commencement of covered policies within the year. Such assumptions are estimated at the inception of a reinsurance treaty and subsequently adjusted to the actual projection.

The projections, which cover various model scenarios ("conservative assumptions" versus "best estimate"), constitute the starting point for numerous areas of application encompassing quotation, the determination of carrying amounts and embedded values as well as contract-specific analyses, e. g. regarding the appropriateness of the recognised reinsurance liabilities ("liability adequacy test"). In this context we would refer the reader to our comments on technical assets and provisions in Section 3.2 "Summary of major accounting policies" and on the liability adequacy tests in Section 6.7 "Technical provisions".

In determining the carrying amounts for certain financial assets it is sometimes necessary to make assumptions in order to calculate fair values. In this regard we would refer the reader to our remarks in Section 3.2 "Summary of major accounting policies" concerning financial assets at fair value through profit or loss and securities held as available for sale as well as in Section 6.1 "Investments under own management" concerning investment property. Assumptions concerning the appropriate applicability criteria are necessary when determining the need for impairments on non-monetary financial assets held as available for sale. In this regard we would again refer the reader to our explanatory remarks in Section 3.2 "Summary of major accounting policies".

4. Consolidation

4.1 Consolidation principles

Capital consolidation

The capital consolidation is carried out according to the requirements of IFRS 10 "Consolidated Financial Statements" on the basis of a consistent consolidation model for all entities that identifies control as the single basis for verifying the consolidation requirement, irrespective of whether control is substantiated in company law, contractually or economically. Group companies are consolidated from the point in time when Hannover Re gains control over them. Control exists if Hannover Re directly or indirectly has decision-making power over a Group company on the basis of voting rights or other rights, if it has exposure or rights to positive and negative variable returns from its involvement with the Group company and if it can use its power to influence these returns. All of these criteria must be met. Other circumstances may also give rise to control, for example the existence of a principal-agent relationship. In this case a party outside the Group with decision-making powers (agent) acts for Hannover Re, but does not control the company since it merely exercises decision-making powers that have been delegated by Hannover Re (principal). These principles are also applied to structured entities, on which further information is provided in Section 4.2 "Consolidated companies and complete list of shareholdings". Group companies are consolidated until the Hannover Re Group loses control over them. The accounting policies of Group companies are adjusted, where necessary, in order to ensure consistent application of the Hannover Re Group's accounting policies.

The capital consolidation is based on the acquisition method. In the context of the acquisition method the acquisition costs, measured at the fair value of the consideration rendered by the parent company on the acquisition date, are netted with the proportionate shareholders' equity of the subsidiary at the time when it is first included in the consolidated financial statement after the revaluation of all assets and liabilities. After recognition of all acquired intangible assets that in accordance with IFRS 3 "Business Combinations" are to be accounted for separately from goodwill, the difference between the revalued shareholders' equity of the subsidiary and the purchase price is recognised as goodwill. Under IFRS 3 scheduled amortisation is not taken on goodwill. Instead, impairment is taken where necessary on the basis of annual impairment tests. Immaterial and negative goodwill are recognised in the statement of income in the year of their occurrence. Costs associated with acquisition are expensed.

Companies over which Hannover Re is able to exercise a significant influence are consolidated as associated companies using the equity method of accounting. We therefore measure investments in associated companies with the proportion of the shareholders' equity attributable to the Group. According to the proportionate interest method required by IAS 28 "Investments in Associates", the goodwill attributable to associated companies is recognised together with the investments in associated companies. The share of an associated company's year-end profit or loss relating to the Group is included in the income from investments and shown separately in the consolidated statement of income. Shareholders' equity and profit or loss are taken from the associated company's latest available financial statement. A significant influence is presumed to exist if a company belonging to the Hannover Re Group directly or indirectly holds at least 20% – but no more than 50% – of the voting rights. We also derive evidence of significant influence over an associated company from representation on a governing body of such company, participation in its policy-making processes – e. g. with respect to dividends or other distributions –, the existence of material inter-company transactions, the possibility of interchanging managerial personnel or the provision of key technical information for the company. Further particulars on companies consolidated using the equity method of accounting are provided in Section 6.1 "Investments under own management" under "Associated companies".

Only subsidiaries which are of minor importance – both individually and in their entirety – for the net assets, financial position and results of operations of the Hannover Re Group are exempted from consolidation. Hannover Re assesses whether a subsidiary is of minor importance on the basis of the company's total assets and net income relative to the corresponding values for the Group as a whole on average over the last three years. For this reason 18 (17) companies at home and abroad were not consolidated in the year under review. A further 12 (14) companies were not included at equity in the consolidated financial statement for the same reason. The business object of these altogether 30 (31) companies is for the most part the rendering of services for reinsurance companies within the Group.

Consolidation of business transactions within the Group

Receivables and liabilities between the companies included in the consolidated financial statement were offset against each other. Profits and expenses from business transactions within the Group were also eliminated.

Transactions between a disposal group and the continuing operations of the Group were similarly eliminated in accordance with IFRS 10.

4.2 Consolidated companies and complete list of shareholdings

In addition to Hannover Rück SE as the parent company of the Group, the scope of consolidation of the Hannover Re Group encompasses the companies listed in the table below.

Information on subsidiaries

Scope of consolidation N 09

Number of companies	2015	2014
Consolidated companies (Group companies)		
Germany	25	18
Abroad	66	63
Total	**91**	**81**
Companies included at equity		
Germany	3	3
Abroad	7	8
Total	**10**	**11**

Information on the non-controlling interests in shareholders' equity and profit or loss as well as on the major non-controlling interests is provided in Section 6.14 "Non-controlling interests". On the balance sheet date there were no significant restrictions on access to or the use of Group assets due to protective rights in favour of non-controlling interests.

The sale or transfer of shares of E+S Rückversicherung AG takes place by way of an endorsement and is permissible only with the approval of the company's Supervisory Board. The Supervisory Board enjoys the right to grant or deny approval unconditionally, without being obliged to state reasons in the event of denial.

National provisions of company law or requirements of supervisory law may in certain countries limit the ability of the Hannover Re Group to transfer assets between companies belonging to the Group. These limitations result principally from local minimum capital and solvency requirements as well as to a lesser extent from foreign exchange restrictions.

As security for our technical liabilities and as collateral for liabilities arising out of existing derivative transactions Hannover Re has established blocked custody accounts and trust accounts in certain countries, while for liabilities in connection with real estate transactions – to the extent that is customary under such transactions – it has pledged assets in favour of third parties outside the Group. For further information please see our explanatory remarks in Section 8.7 "Contingent liabilities and commitments".

List of shareholdings

The following list of shareholdings is provided in full in the present Group annual financial report in accordance with § 313 Para. 2 German Commercial Code (HGB) as amended by the Act on the Modernisation of Accounting Law (BilMoG). The stipulations of IFRS 12.10 and IFRS 12.21 have also been observed.

The figures for the capital and reserves as well as the result for the last financial year are taken from the local financial statements drawn up by the companies.

With regard to the major acquisitions and disposals in the year under review please see our remarks in the following paragraphs of this section.

List of shareholdings N 10

Name and registered office of the company in currency units of 1,000	Participation in %	Currency	Capital and reserves	Result for the last financial year
Domestic companies				
Affiliated consolidated companies				
Hannover Rück Beteiligung Verwaltungs-GmbH, Hannover/Germany [1,2]	100.00	EUR	2,341,925	–
Hannover Life Re AG, Hannover/Germany [1,2]	100.00	EUR	1,873,188	–
HILSP Komplementär GmbH, Hannover/Germany [3]	100.00	EUR	30	3
International Insurance Company of Hannover SE, Hannover/Germany [1,2]	100.00	EUR	166,571	–
Hannover Insurance-Linked Securities GmbH & Co. KG, Hannover/Germany [3]	100.00	EUR	20,348	124
FUNIS GmbH & Co. KG, Hannover/Germany [1]	100.00	EUR	59,749	3,477
HR Verwaltungs-GmbH, Hannover/Germany [1]	100.00	EUR	12	–
Erste HRBV GmbH & Co. KG, Hannover/Germany [1]	100.00	EUR	152,865	–
Zweite HRBV GmbH & Co. KG, Hannover/Germany [1]	100.00	EUR	152,865	–
Dritte HRBV GmbH & Co. KG, Hannover/Germany [1]	100.00	EUR	152,865	–
Vierte HRBV GmbH & Co. KG, Hannover/Germany [1]	100.00	EUR	152,865	–
Hannover America Private Equity Partners II GmbH & Co. KG, Hannover/Germany [1]	95.42	EUR	222,380	37,760
HAPEP II Holding GmbH, Hannover/Germany [1]	95.42	EUR	19,878	9,277
Hannover Re Global Alternatives GmbH & Co KG, Hannover/Germany [1]	94.72	EUR	34,370	(498)
Hannover Re Euro PE Holdings GmbH & Co. KG, Hannover/Germany [1]	91.20	EUR	210,787	2,787
Hannover Re Euro RE Holdings GmbH, Hannover/Germany [1]	87.68	EUR	854,859	12,400
HR GLL Central Europe GmbH & Co. KG, Munich/Germany [1]	87.67	EUR	335,844	2,569
HR GLL Central Europe Holding GmbH, Munich/Germany [1]	87.67	EUR	61,835	48
HAPEP II Komplementär GmbH, Hannover/Germany [1]	82.40	EUR	36	5
Hannover Euro Private Equity Partners III GmbH & Co. KG, Cologne/Germany [1]	67.54	EUR	32,139	9,248
HEPEP III Holding GmbH, Cologne/Germany [1]	67.54	EUR	11,423	5,067
E+S Rückversicherung AG, Hannover/Germany [1]	64.79	EUR	681,413	110,000
Hannover Euro Private Equity Partners IV GmbH & Co. KG, Cologne/Germany [1]	60.58	EUR	46,160	16,892
Hannover Euro Private Equity Partners II GmbH & Co. KG, Cologne/Germany [1]	57.89	EUR	6,918	1,826
HEPEP II Holding GmbH, Cologne/Germany [1]	57.89	EUR	4,727	1,445

Name and registered office of the company in currency units of 1,000	Participation in %	Currency	Capital and reserves	Result for the last financial year
Affiliated non-consolidated companies				
International Hannover Holding AG, Hannover/Germany [4, 5]	100.00	EUR	39	(2)
Associated companies				
Oval Office Grundstücks GmbH, Hannover/Germany	50.00	EUR	2,061	16,008
WeHaCo Unternehmensbeteiligungs-GmbH, Hannover/Germany [6]	32.96	EUR	81,351	4,533
HANNOVER Finanz GmbH, Hannover/Germany [6]	27.78	EUR	69,477	6,032
Other participations				
b2b protect GmbH, Hildesheim/Germany [6]	48.98	EUR	253	(214)
Foreign companies				
Affiliated consolidated companies				
Hannover Finance (Luxembourg) S.A., Luxembourg/Luxembourg [1]	100.00	EUR	34,359	(4,994)
Hannover Finance (UK) Limited, London/United Kingdom [1]	100.00	GBP	2,718	(16)
Hannover Life Reassurance Bermuda Ltd., Hamilton/Bermuda [1]	100.00	USD	392,068	57,216
Hannover Life Reassurance Company of America, Orlando/USA [1]	100.00	USD	229,495	16,662
Hannover Life Reassurance Company of America (Bermuda) Ltd., Hamilton/Bermuda [1]	100.00	USD	6,699	1,752
Hannover Re (Ireland) Limited, Dublin/Ireland [1]	100.00	EUR	1,549,326	105,470
Hannover Life Re of Australasia Ltd, Sydney/Australia [1]	100.00	AUD	476,201	3,552
Hannover Re (Bermuda) Ltd., Hamilton/Bermuda [1]	100.00	USD	1,236,561	226,765
Hannover ReTakaful B.S.C. (c), Manama/Bahrain [1]	100.00	BHD	60,631	2,859
Hannover Services (UK) Limited, London/United Kingdom [1]	100.00	GBP	860	148
Inter Hannover (No.1) Limited, London/United Kingdom [1]	100.00	GBP	–	–
Leine Investment General Partner S.à r.l., Luxembourg/Luxembourg [1, 7]	100.00	EUR	38	530
Leine Investment SICAV-SIF, Luxembourg/Luxembourg [1, 7]	100.00	USD	112,717	(5,616)
LI RE, Hamilton/Bermuda [7]	100.00	USD	–	–
Fracom FCP, Paris/France [8]	100.00	EUR	1,150,911	23,070
Hannover Finance, Inc., Wilmington/USA [1, 7]	100.00	USD	438,123	8,194
Atlantic Capital Corporation, Wilmington/USA [4, 7]	100.00	USD	(111,867)	–
Sand Lake Re, Inc., Burlington/USA [9]	100.00	USD	–	–
Hannover Reinsurance Group Africa (Pty) Ltd., Johannesburg/South Africa [1]	100.00	ZAR	209,905	206,410
Hannover Life Reassurance Africa Limited, Johannesburg/South Africa [1]	100.00	ZAR	576,793	122,119

Name and registered office of the company in currency units of 1,000	Participation in %	Currency	Capital and reserves	Result for the last financial year
Hannover Reinsurance Africa Limited, Johannesburg/South Africa [1]	100.00	ZAR	723,659	109,105
Compass Insurance Company Limited, Johannesburg/South Africa [1]	100.00	ZAR	161,473	29,252
Micawber 185 (Pty) Ltd., Johannesburg/South Africa	100.00	ZAR	14,174	2,794
Peachtree (Pty) Ltd., Johannesburg/South Africa [4, 6]	100.00	ZAR	–	–
Hannover Reinsurance Mauritius Ltd., Port Louis/Mauritius	100.00	MUR	40,240	(4,576)
Hannover Re Real Estate Holdings, Inc., Orlando/USA [7]	95.25	USD	588,536	26,199
GLL HRE CORE Properties, L.P., Wilmington/USA [1, 7]	95.15	USD	422,384	7,362
11 Stanwix, LLC, Wilmington/USA [1, 7]	95.15	USD	36,462	752
402 Santa Monica Blvd, LLC, Wilmington/USA [1, 7]	95.15	USD	1,852	704
300 California, LLC, Wilmington/USA [10]	95.15	USD	–	–
111ORD LLC, Wilmington/USA [1, 7]	95.15	USD	76,761	1,166
140EWR LLC, Wilmington/USA [1, 7]	95.15	USD	81,391	(347)
7550IAD, LLC, Wilmington/USA [1, 7]	95.15	USD	76,427	550
300 South Orange Avenue, LLC, Orlando/USA [1, 7]	95.15	USD	249	(43)
Nashville West, LLC, Wilmington/USA [1, 7]	95.15	USD	29,953	496
1225 West Washington, LLC, Wilmington/USA [1, 7]	95.15	USD	23,812	1,165
975 Carroll Square, LLC, Wilmington/USA [1, 7]	95.15	USD	54,389	1,818
Broadway 101, LLC, Wilmington/USA [1, 7]	95.15	USD	11,892	356
River Terrace Parking, LLC, Wilmington/USA [1, 7]	95.15	USD	20,664	(7)
Commercial & Industrial Acceptances (Pty) Ltd., Johannesburg/South Africa	88.00	ZAR	4,669	24,061
Kaith Re Ltd., Hamilton/Bermuda [1]	88.00	USD	241	(176)
HR GLL Roosevelt Kft, Budapest/Hungary [1]	87.67	HUF	19,188,054	1,820,616
HR GLL Liberty Corner SPÓLKA Z OGRANICZONA ODPOWIEDZIALNÓSCIA, Warsaw/Poland [1]	87.67	PLN	48,411	(78)
HR GLL Griffin House SPÓLKA Z OGRANICZONA ODPOWIEDZIALNÓSCIA, Warsaw/Poland [1]	87.67	PLN	38,359	(1,103)
Akvamarín Beta s.r.o., Prague/Czech Republic [1]	87.67	CZK	100,919	41,363
HR GLL Europe Holding S.à r.l., Luxembourg/Luxembourg [1]	87.67	EUR	165,908	(25)
HR GLL CDG Plaza S.r.l., Bucharest/Romania [1]	87.67	RON	184,636	5,271
Pipera Business Park S.r.l., Bucharest/Romania [1]	87.67	RON	40,341	7,577

Name and registered office of the company in currency units of 1,000	Participation in %	Currency	Capital and reserves	Result for the last financial year
Mustela s.r.o., Prague/Czech Republic [1]	87.67	CZK	1,267,889	27,767
Integra Insurance Solutions Limited, Bradford/United Kingdom [6]	74.99	GBP	2,841	2,622
Lireas Holdings (Pty) Ltd., Johannesburg/South Africa	70.00	ZAR	192,524	17,375
Transit Underwriting Managers (Pty) Ltd., Cape Town/South Africa	63.00	ZAR	1,114	1,174
MUA Insurance Acceptances (Pty) Ltd., Cape Town/South Africa	56.00	ZAR	8,016	3,919
Cargo Transit Insurance (Pty) Ltd., Helderkruin/South Africa [4, 11]	56.00	ZAR	(4,499)	–
Svedea AB, Stockholm/Sweden [6]	53.00	SEK	5,494	(8,482)
Landmark Underwriting Agency (Pty) Ltd., Bloemfontein/South Africa	52.85	ZAR	3,523	1,713
Hospitality Industrial and Commercial Underwriting Managers (Pty) Ltd., Johannesburg/South Africa	50.54	ZAR	1,284	4,344
SUM Holdings (Pty) Ltd., Johannesburg/South Africa	50.54	ZAR	23,117	5,310
Firedart Engineering Underwriting Managers (Pty) Ltd., Johannesburg/South Africa	49.00	ZAR	484	2,287
Garagesure Consultants and Acceptances (Pty) Ltd., Johannesburg/South Africa	49.00	ZAR	1,377	2,010
Thatch Risk Acceptances (Pty) Ltd., Johannesburg/South Africa	45.49	ZAR	1,498	1,265
Construction Guarantee (Pty) Ltd., Johannesburg/South Africa [4, 11]	42.00	ZAR	–	–
Woodworking Risk Acceptances (Pty) Ltd., Johannesburg/South Africa [4, 12]	42.00	ZAR	–	(42)
Envirosure Underwriting Managers (Pty) Ltd., Durban/South Africa	35.70	ZAR	1,180	979
Synergy Targeted Risk Solutions (Pty) Ltd, Johannesburg/South Africa	35.70	ZAR	2,042	62
Film & Entertainment Underwriters SA (Pty) Ltd., Johannesburg/South Africa	35.70	ZAR	(1,292)	668
Affiliated non-consolidated companies				
International Mining Industry Underwriters Limited, London/United Kingdom [1]	100.00	GBP	208	49
HR Hannover Re, Correduría de Reaseguros, S.A., Madrid/Spain [1]	100.00	EUR	377	36
LRA Superannuation Plan Pty Ltd., Sydney/Australia [10]	100.00	AUD	–	–
Mediterranean Reinsurance Services Ltd., Hong Kong/China [1, 4]	100.00	USD	52	–
Hannover Re Services Japan, Tokyo/Japan [1]	100.00	JPY	102,461	4,677
Hannover Re Consulting Services India Private Limited, Mumbai/India [13]	100.00	INR	91,270	11,768
Hannover Life Re Consultants, Inc., Orlando/USA	100.00	USD	173	(27)
Hannover Services (México) S.A. de C.V., Mexico City/Mexico [6]	100.00	MXN	8,934	(612)
Hannover Re Services USA, Inc., Itasca/USA	100.00	USD	3,504	26

Name and registered office of the company in currency units of 1,000	Participation in %	Currency	Capital and reserves	Result for the last financial year
Hannover Rück SE Escritório de Representação no Brasil Ltda., Rio de Janeiro/Brazil [6]	100.00	BRL	2,440	357
L & E Holdings Limited, London/United Kingdom [1]	100.00	GBP	5	–
London & European Title Insurance Services Limited, London/United Kingdom [1]	100.00	GBP	372	123
Hannover Re Risk Management Services India Private Limited, New Delhi/India [13]	100.00	INR	52,226	15,774
Hannover Re Services Italy S.r.l., Milan/Italy	99.65	EUR	465	105
U FOR LIFE SDN.BHD., Kuala Lumpur/Malaysia [6]	60.00	MYR	(1,140)	(1,190)
HMIA Pty Ltd, Sydney/Australia [6]	55.00	AUD	(128)	(128)
Svedea Skadeservice AB, Stockholm/Sweden [14]	53.00	SEK	–	–
Associated companies				
Glencar Underwriting Managers, Inc., Chicago/USA [6]	88.20	USD	5,778	1,875
ITAS Vita S.p.A., Trient/Italy [6]	34.88	EUR	94,147	8,353
Clarendon Transport Underwriting Managers (Pty) Ltd., Johannesburg/South Africa	26.11	ZAR	19,144	21,730
Clarenfin (Pty) Ltd., Johannesburg/South Africa	26.11	ZAR	156	(15)
Camargue Underwriting Managers (Pty) Ltd., Johannesburg/South Africa	25.79	ZAR	12,955	6,593
Synergy XOL (Pty) Ltd., Johannesburg/South Africa	25.79	ZAR	332	648
Vela Taxi Finance (Pty) Ltd, Johannesburg/South Africa	14.36	ZAR	(1,270)	(1,045)
Other participations				
Energi, Inc., Peabody/USA [6]	28.50	USD	21,076	1,537
Energi Insurance Services, Inc., Peabody/USA [6]	28.50	USD	733	2,362
Energi of Canada Ltd., Toronto/Canada [6]	28.50	CAD	1	(253)
Energi Re, LLC, Wilmington/USA [6]	28.50	USD	16,570	1,278
Hurst Holme Insurance Company Limited – account 2006–03 SCC, Hamilton/Bermuda [4, 6]	28.50	USD	229	(69)
Hurst Holme Insurance Company Limited – account 2009–01 SCC, Hamilton/Bermuda [4, 6]	28.50	USD	(27)	(545)
XS Direct Holdings Limited, Dublin/Ireland [6]	25.00	EUR	2,049	44
SimShare Limited, Dublin/Ireland [6]	25.00	EUR	633	–
XS Direct Insurance Brokers Limited, Dublin/Ireland [6]	25.00	EUR	226	114
New PF Limited, Dublin/Ireland [4, 6]	25.00	EUR	(6)	–
Meribel Topco Limited, St. Helier/Jersey [1]	20.11	EUR	2,725	(79)

Name and registered office of the company in currency units of 1,000	Participation in %	Currency	Capital and reserves	Result for the last financial year
Meribel Midco Limited, St. Helier/Jersey [1]	20.11	EUR	131,725	15,199
Iconica Business Services Limited, Bradford/United Kingdom [6]	18.75	GBP	(362)	100
Acte Vie S.A. Compagnie d' Assurances sur la Vie et de Capitalisation, Strasbourg/France [6]	9.38	EUR	8,996	254

1 Provisional (unaudited) figures
2 Year-end result after profit transfer
3 Financial year as at 30 September 2015
4 Company is in liquidation
5 Abbreviated financial year from 1 January 2015 to 30 June 2015
6 Figures as at 31 December 2014
7 IFRS figures
8 Financial year as at 31 October 2015
9 Company was newly established in 2015; an annual financial statement is not yet available.
10 Company is inactive
11 Figures as at 31 December 2013
12 Abbreviated financial year from 1 January 2015 to 31 July 2015
13 Financial year as at 31 March 2015
14 Start of business operations at 1 January 2015, an annual financial statement is not yet available.

Consolidation of structured entities

Business relations with structured entities are to be examined in accordance with IFRS 10 with an eye to their implications for consolidation. In the context of their operational activities some companies belonging to the Hannover Re Group enter into business relations with structured entities that are to be analysed and accounted for according to these new provisions.

Structured entities are entities designed in such a way that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity frequently has some or all of the following features or attributes:

- Restricted activities;
- A narrow and well-defined business objective;
- Insufficient equity to allow it to finance its activities without subordinated financial support;
- Financing in the form of multiple contractually linked instruments issued to investors that create concentrations of credit or other risks (tranches).

In accordance with the consistent consolidation model, a structured entity – just like a subsidiary – must be consolidated if Hannover Re gains control over the said entity. With regard to the criteria for control please see also Section 4.1 "Consolidation principles". Within the Hannover Re Group the requirement to consolidate structured entities is examined as part of an analysis that encompasses both transactions in which a structured entity is initiated by us with or without the involvement of third parties and those in which we enter into contractual relations with an already existing structured entity with or without the involvement of third parties. Consolidation decisions are reviewed as necessary and at least once a year. The list of all consolidated structured entities forms part of the list of shareholdings.

Consolidated structured entities

The following structured entities were consolidated as at the balance sheet date:

- Kaith Re Ltd., Hamilton, Bermuda
- LI RE, Hamilton, Bermuda

Kaith Re Ltd. is a so-called segregated accounts company (SAC), the sole object of which is the securitisation of reinsurance risks in the form of investment products. Under this transformation a complete underwriting risk transfer always takes place to the investor in question. In a SAC further segregated accounts exist under a general account; it is in these segregated accounts, which for liability purposes are entirely separate from one another and from the general account, that the aforementioned securitisations take place for the investors.

Pursuant to IFRS 10 we consider the general account and the segregated accounts to be separate units to which the principles of so-called "silo accounting" are applied. In accordance with this concept, Hannover Re is required to consolidate the general account of Kaith Re Ltd. and is contractually responsible for the fees due to external service providers that are to be covered from the general account's own funds. Each individual segregated account is to be examined separately by the parties concerned (investors) with an eye to a consolidation requirement and is to be consolidated according to the particular contractual arrangements in each case.

LI RE is a segregated account of Kaith Re Ltd., the purpose of which – as with all segregated accounts under Kaith Re Ltd. – is the securitisation of underwriting risks. In contrast to the other segregated accounts, the sole investor and hence the risk carrier of LI RE is Hannover Re.

As at the balance sheet date Hannover Re had not rendered any financial or other support for a consolidated structured entity. Hannover Re does not intend to render financial or other support for one or more of such entities without being contractually required to do so.

Unconsolidated structured entities

The business relations of Hannover Re Group companies with structured entities set out below do not give rise to consolidation because the criteria for control pursuant to IFRS 10 contained in our consolidation principles are not met.

Investing activities and investments in catastrophe bonds (ILS)

Within the scope of its investment activities Hannover Re has participated since 1988 inter alia in numerous structured entities. These are predominantly special purpose entities in the form of funds, which for their part transact certain types of equity and debt capital investments. These investments encompass private equity funds, fixed income funds, collateralised debt obligations, real estate funds, index funds and other public funds. The volume of these transactions is derived from the book values of the respective investments and amounted to EUR 2,893.3 million (EUR 2,489.4 million) as at the balance sheet date. The maximum risk of loss corresponds to the book values.

Hannover Re participates through its subsidiary Leine Investment SICAV-SIF, Luxembourg, in a number of structured entities that issue catastrophe bonds for the securitisation of catastrophe risks by investing in such bonds. Leine Investment General Partner S.à r.l. is the managing partner of the asset management company Leine Investment SICAV-SIF, the business object of which is to build, hold and manage a portfolio of insurance-linked securities (catastrophe bonds) – including for third-party investors outside the Group. The volume of these transactions is derived from the book values of the respective investments and amounted to EUR 108.3 million (EUR 50.3 million) as at the balance sheet date. The maximum risk of loss corresponds to the book values.

Retrocession and securitisation of reinsurance risks

The securitisation of reinsurance risks is largely structured through the use of structured entities.

In 2012 Hannover Re issued a catastrophe bond for the purpose of transferring to the capital market peak natural catastrophe exposures deriving from European windstorm events. The term of the CAT bond, which has a volume of nominally EUR 100.0 million, runs until 31 March 2016; it was placed with institutional investors from Europe, North America and Asia by Eurus III Ltd. Eurus III Ltd. is a special purpose entity domiciled in Hamilton/Bermuda that was registered in August 2012 as a "special purpose insurer" under the Bermuda Insurance Act 1978. The retrocession contract concluded with the special purpose entity under the transaction affords Hannover Rück SE, E+S Rückversicherung AG and Hannover Re (Bermuda) Ltd. protection against the aforementioned catastrophe risks. The aforementioned volume of the transaction is measured by the ceded exposure limit of the retrocession contract. The structured entity is fully funded by contractually defined investments in the form of cash and equivalent liquid assets. Given that the maximum liability of the structured entity is therefore wholly collateralised, there is no risk of loss for Hannover Re.

By way of its "K" transactions Hannover Re has raised underwriting capacity for catastrophe risks on the capital market. The "K Cession", which was placed with investors in North America, Europe and Asia, involves a quota share cession on worldwide natural catastrophe business as well as aviation and marine risks. Of the total volume of the "K Cession" amounting to EUR 362.2 million, an amount equivalent to EUR 304.0 million (EUR 169.2 million) was securitised via structured entities as at the balance sheet date. The transaction has an indefinite term and can be cancelled annually by the investors. Segregated accounts of Kaith Re Ltd. are used for transformer purposes for part of this transaction. Hannover Re also uses further segregated accounts of Kaith Re Ltd. and other structured entities outside the Group for various retrocessions of both its traditional and ILS covers, which in each case are passed on to institutional investors in securitised form. The volume of these transactions is measured by the ceded exposure limit of the underlying retrocession agreements and amounted to altogether EUR 1,872.6 million (EUR 847.9 million) as at the balance sheet date. The structured entities are in all cases fully funded by contractually defined investments in the form of cash and equivalent liquid assets. Given that the entire exposure limit of the structured entities is therefore wholly collateralised in each case, there is no risk of loss for Hannover Re.

Collateralised fronting (ILS)

As part of its extended Insurance-Linked Securities (ILS) activities, Hannover Re has concluded so-called collateralised fronting arrangements under which risks assumed from ceding companies are passed on to institutional investors outside the Group using structured entities. The purpose of such transactions is to directly transfer clients' business. The volume of the transactions is derived from the ceded exposure limit of the underlying retrocession agreements and amounted to EUR 4,701.0 million (EUR 3,135.3 million) as at the balance sheet date. Part of the ceded exposure limit is funded and collateralised by contractually defined investments in the form of cash and equivalent liquid assets, while a further part remains uncollateralised or is collateralised by less liquid assets. The maximum risk of loss from these transactions is derived from the uncollateralised exposure limit and the credit risk of the collateral and amounted to EUR 2,779.9 million (EUR 1,942.4 million) as at the balance sheet date. This does not, however, correspond to the economic risk of loss, which is established using recognised actuarial methods. The expected loss on a modelled basis in a worst-case scenario of 10,000 years amounts to at most EUR 50.0 million (EUR 50.0 million).

The book values of the assets and liabilities from the specified transactions with unconsolidated structured entities were as follows as at the balance sheet date.

Book values from business relations with unconsolidated structured entities **N 11**

	31.12.2015		
in EUR thousand	General investing activities	Investment in catastrophe bonds (ILS)	Retrocession: securitisations and ILS transactions
Assets			
Fixed-income securities – held to maturity	968	–	–
Fixed-income securities – loans and receivables	16,357	–	–
Fixed-income securities – available for sale	1,628,911	–	–
Fixed-income securities – at fair value through profit or loss	–	108,273	–
Equity securities – available for sale	139,745	–	–
Real estate and real estate funds	371,254	–	–
Other invested assets	717,253	–	–
Short-term investments	18,763	–	–
Reinsurance recoverables on unpaid claims	–	–	137,892
Prepaid reinsurance premium	–	–	29,869
Accounts receivable	–	–	188
Total assets	**2,893,251**	**108,273**	**167,949**
Liabilities			
Reinsurance payable	–	–	32,256
Total liabilities	**–**	**–**	**32,256**

Book values from business relations with unconsolidated structured entities **N 12**

in EUR thousand	31.12.2014 General investing activities	Investment in catastrophe bonds (ILS)	Retrocession: securitisations and ILS transactions
Assets			
Fixed-income securities – held to maturity	491	–	–
Fixed-income securities – loans and receivables	19,401	–	–
Fixed-income securities – available for sale	951,578	–	–
Fixed-income securities – at fair value through profit or loss	–	50,344	–
Equity securities – available for sale	13,283	–	–
Real estate and real estate funds	320,956	–	–
Other invested assets	1,153,878	–	–
Short-term investments	29,824	–	–
Reinsurance recoverables on unpaid claims	–	–	124,048
Prepaid reinsurance premium	–	–	22,514
Accounts receivable	–	–	13,371
Total assets	**2,489,411**	**50,344**	**159,933**
Liabilities			
Reinsurance payable	–	–	28,837
Total liabilities	**–**	**–**	**28,837**

The income and expenses from business relations with unconsolidated structured entities are shown in investment income insofar as they result from general investment activities or investments in catastrophe bonds and are recognised in the technical account insofar as they are attributable to retrocessions and securitisations.

As at the balance sheet date Hannover Re had not rendered any financial or other support for an unconsolidated structured entity. Hannover Re does not intend to render financial or other support for one or more of such entities without being contractually required to do so.

With regard to commitments and obligations that we do not consider to be support, particularly outstanding capital commitments from special investments, please see our remarks in Section 8.7 "Contingent liabilities and commitments".

Life and health reinsurance assumed

Some transactions in the life and health reinsurance segment are effected with the involvement of ceding special purpose entities as contracting parties that are established by parties outside the Group and from which member companies of the Hannover Re Group assume certain underwriting and/or financial risks. Given that the risks from such transfer transactions are entirely recognised in the technical/non-technical account of the Hannover Re Group, it is immaterial whether the active reinsurance business is assumed from structured or other entities. Although Hannover Re is exposed to variable returns from the business relations with such entities, these are independent of the purpose and design of the respective structured entity. Rather, these business relations correspond to regular cedant-reinsurer relations and are therefore not the subject of this disclosure. Some of the transactions include features that are to be classified as financial guarantees. For the corresponding disclosures please see our remarks in Section 8.1 "Derivative financial instruments and financial guarantees".

4.3 Major acquisitions and new formations

All the shares of a new special purpose property company were acquired in the 2015 financial year through HR GLL Central Europe GmbH & Co. KG, Munich, a subsidiary of Hannover Re Euro RE Holdings GmbH, Hannover. The business object of the company is to hold and manage one property. The property was acquired on 30 October 2015 for a purchase price of EUR 103.8 million. No contingent liabilities or conditional payments as defined by IFRS 3 were identified.

In August 2015 the Group company Hannover Life Reassurance Company of America, Orlando, United States, established Sand Lake Re, Inc., the registered office of which is located in Burlington, Vermont, United States. The business object of the company, which is wholly owned by Hannover Life Reassurance Company of America, is to transact reinsurance business and conduct associated activities. The company was registered on 14 August 2015, but had not yet commenced its business operations as at the balance sheet date.

Within the 95.1%-owned US subgroup Hannover Re Real Estate Holdings, Inc., all the shares in each of three special purpose property companies were acquired in the second and fourth quarters of 2015 via the subsidiary GLL HRE Core Properties, LP, Wilmington. The business object of the companies is to hold and manage one property each. The properties were acquired on 1 and 24 July as well as on 23 November 2015 for a purchase price equivalent to altogether EUR 207.5 million. No contingent liabilities or conditional payments as defined by IFRS 3 were identified.

The company Hannover Re Global Alternatives GmbH & Co KG was established in March 2015 with its registered office in Hannover, Germany, and has been included in the consolidated financial statement with effect from the first quarter of 2015. Hannover Rück SE and E+S Rückversicherung AG, both limited partners, hold interests of 85% and 15% respectively in the company. The personally liable partner is HAPEP II Komplementär GmbH, also based in Hannover. The business object of the company is to build, hold and manage a portfolio of investments.

Within our subgroup Hannover Reinsurance Group Africa (Pty) Ltd, Johannesburg, South Africa ("HRGSA"), Compass Insurance Company Ltd, Johannesburg, acquired 60% of the shares in and hence control over Commercial & Industrial Acceptances (Pty) Ltd, Johannesburg ("CIA"), effective 1 January 2015 in the form of a business combination made in stages for the purpose of securing the insurance portfolio mediated by the company. CIA had previously already been included in the subgroup financial statement of HRGSA using the equity method of accounting because 40% of its shares were held by Lireas Holdings (Pty) Ltd, Johannesburg. The purchase price was equivalent to EUR 3.6 million and included contingent considerations. Within the scope of initial consolidation intangible assets in the form of customer relationships were identified with a value of EUR 5.3 million. The goodwill from this business combination amounts to EUR 1.8 million. In a similar transaction Lireas Holdings (Pty) Ltd increased its interest in Firedart Engineering Underwriters Managers Proprietary Limited ("Firedart"), which had previously been consolidated using the equity method, by 16.2% to altogether 70% and assumed control over the company effective 28 November 2015. The purchase price was equivalent to EUR 0.2 million. Within the scope of initial consolidation intangible assets in the form of customer relationships were identified with a value of EUR 0.7 million. The goodwill from this business combination provisionally amounts to EUR 0.6 million.

4.4 Major disposals and retirements

After its business had already been completely wound up in the previous year, Hannover Re PCC (Guernsey) Ltd., a so-called protected cell company under the "Protected Cell Companies Ordinance 1997", was liquidated effective 9 July 2015 and removed from the Guernsey Registry.

By means of a dividend resolution of 25 March 2015 of ASPECTA Assurance International AG, Vaduz, Liechtenstein, which had hitherto been included in the consolidated financial statement using the equity method of accounting, a purchase option on the part of the majority shareholder became exercisable. Hannover Re consequently lost its significant influence over the company, as a result of which recognition using the equity method ended. The company was carried under other participations until the shares were returned to the majority shareholder on 4 May 2015.

4.5 Other corporate changes

Effective 3 July 2015 Hannover Reinsurance Africa Limited, Johannesburg, South Africa, a subsidiary of our subgroup Hannover Reinsurance Group Africa (Pty) Ltd., acquired further shares in Lireas Holdings (Pty) Ltd., also based in Johannesburg, for a purchase price equivalent to EUR 2.5 million from a third party outside the Group. Through an increase of 19.0% in its shareholding with no change of control status Hannover Reinsurance Africa Limited held 70.0% of the shares in Lireas Holdings upon closing of the transaction. The effects of the change in participating interest were recognised in the consolidated financial statement as an equity transaction in accordance with IFRS 10.

The Group company Hannover Re (Ireland) Limited, Dublin, Ireland, established a branch in Canada in February 2015. The Toronto-based branch trades under the name Hannover Re (Ireland) Limited Canadian Life Branch and was registered on 26 February 2015. The business object of the branch is to transact life and health reinsurance business.

The registered office of the Group company International Insurance Company of Hannover SE, London ("Inter Hannover SE"), was relocated from the United Kingdom to Hannover, Germany. Inter Hannover SE received approval to commence insurance operations in Germany and was entered in the commercial register in January 2015.

5. Segment reporting

Based on the "management approach" of IFRS 8, which requires segment information to be presented as it is reported internally to management and normally used by the chief operating decision maker to decide upon the allocation of resources to a segment and evaluate its performance, Hannover Re has identified the reportable segments of property & casualty reinsurance and life & health reinsurance. With regard to the object of business operations within the two segments please see the corresponding remarks in the management report.

The segment information shown follows the system used for internal reporting purposes, on the basis of which the full Executive Board regularly evaluates the performance of segments and decides on the allocation of resources to them.

The "Consolidation" column includes not only the elimination of cross-segment transactions but also, more significantly, companies whose business operations cannot be unambiguously allocated to property and casualty reinsurance or life and health reinsurance. These are principally the service and financing companies belonging to the Group.

During the financial year no material changes occurred in the organisational structure that could have influenced the composition of the segments. Since the performance indicators used to steer the segments correspond to the system according to which the consolidated financial statement is prepared, a separate reconciliation of the segment results with the Group result is not provided.

Hannover Re Global Alternatives GmbH & Co. KG, Hannover, Germany, the special purpose property companies acquired in the United States and Europe through GLL HRE Core Properties, LP, Wilmington, and HR GLL Central Europe GmbH & Co. KG, Munich, respectively, the companies Commercial & Industrial Acceptances (Pty) Ltd. and Firedart Engineering Underwriting Managers Proprietary Limited, both Johannesburg, South Africa, which were consolidated for the first time in the year under review in the Hannover Reinsurance Group Africa as well as Hannover Re PCC (Guernsey) Ltd., St Peter Port, Guernsey, which was liquidated in the third quarter, are allocated to the property and casualty reinsurance segment. Sand Lake Re, Inc., Burlington, United States, which was newly established in the third quarter, is allocated to the life and health reinsurance segment.

Consolidated segment report as at 31 December 2015 N 13

Segmentation of assets	Property and casualty reinsurance	
in EUR thousand	31.12.2015	31.12.2014
Assets		
Fixed-income securities – held to maturity	810,256	1,841,982
Fixed-income securities – loans and receivables	2,807,317	2,912,110
Fixed-income securities – available for sale	21,779,850	19,822,832
Equity securities – available for sale	452,108	32,804
Financial assets at fair value through profit or loss	110,836	63,648
Other invested assets	3,236,748	2,644,817
Short-term investments	273,208	242,463
Cash	609,914	580,490
Total investments and cash under own management	**30,080,237**	**28,141,146**
Funds withheld	1,284,958	1,123,858
Contract deposits	497	–
Total investments	**31,365,692**	**29,265,004**
Reinsurance recoverables on unpaid claims	1,070,380	1,052,357
Reinsurance recoverables on benefit reserve	–	–
Prepaid reinsurance premium	162,529	147,846
Reinsurance recoverables on other reserves	6,860	421
Deferred acquisition costs	696,406	597,299
Accounts receivable	2,167,691	1,493,908
Other assets in the segment	1,334,802	1,416,187
Total assets	**36,804,360**	**33,973,022**

Segmentation of liabilities		
in EUR thousand		
Liabilities		
Loss and loss adjustment expense reserve	22,822,777	20,797,820
Benefit reserve	–	–
Unearned premium reserve	3,019,217	2,626,890
Provisions for contingent commissions	119,668	158,410
Funds withheld	425,360	442,211
Contract deposits	4,448	4,285
Reinsurance payable	655,157	358,836
Long-term liabilities	308,484	283,855
Other liabilities in the segment	2,135,696	2,042,408
Total liabilities	**29,490,807**	**26,714,715**

Life and health reinsurance		Consolidation		Total	
31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
163,890	179,209	33,519	118,551	1,007,665	2,139,742
62,548	76,077	–	–	2,869,865	2,988,187
7,598,153	6,639,186	238,445	355,505	29,616,448	26,817,523
–	–	–	–	452,108	32,804
37,748	54,262	–	12,978	148,584	130,888
109,574	123,922	177	1,945	3,346,499	2,770,684
839,122	332,262	800	575	1,113,130	575,300
177,537	186,224	5,153	6,168	792,604	772,882
8,988,572	**7,591,142**	**278,094**	**495,722**	**39,346,903**	**36,228,010**
12,516,887	14,702,622	–	–	13,801,845	15,826,480
188,107	92,069	–	–	188,604	92,069
21,693,566	**22,385,833**	**278,094**	**495,722**	**53,337,352**	**52,146,559**
325,515	325,534	(614)	(1,459)	1,395,281	1,376,432
1,367,173	676,219	–	–	1,367,173	676,219
1,517	1,470	(23)	(59)	164,023	149,257
1,827	5,025	–	–	8,687	5,446
1,398,264	1,317,295	1	4	2,094,671	1,914,598
1,498,436	1,620,237	(190)	(167)	3,665,937	3,113,978
675,435	680,215	(828,423)	(1,021,307)	1,181,814	1,075,095
26,961,733	27,011,828	(551,155)	(527,266)	63,214,938	60,457,584

3,734,225	3,315,694	(614)	(1,458)	26,556,388	24,112,056
12,206,721	11,757,188	(22)	(56)	12,206,699	11,757,132
140,146	121,704	–	–	3,159,363	2,748,594
205,860	165,830	–	–	325,528	324,240
839,675	374,926	–	–	1,265,035	817,137
4,678,036	6,068,053	–	–	4,682,484	6,072,338
735,027	742,649	(178)	(168)	1,390,006	1,101,317
–	–	1,489,853	1,986,492	1,798,337	2,270,347
1,747,491	1,982,821	(829,559)	(1,023,766)	3,053,628	3,001,463
24,287,181	24,528,865	659,480	961,044	54,437,468	52,204,624

Consolidated segment report as at 31 December 2015

Segment statement of income	**Property and casualty reinsurance**	
in EUR thousand	1.1.–31.12.2015	1.1.–31.12.2014
Gross written premium	9,337,973	7,903,369
thereof		
From insurance business with other segments	–	–
From insurance business with external third parties	9,337,973	7,903,369
Net premium earned	8,099,717	7,011,347
Net investment income	944,962	843,552
thereof		
Change in fair value of financial instruments	851	(23,344)
Total depreciation, impairments and appreciation of investments	35,556	27,429
Income/expense on funds withheld and contract deposits	20,162	20,394
Claims and claims expenses	5,616,450	4,827,939
Change in benefit reserve	–	–
Commission and brokerage, change in deferred acquisition costs and other technical income/expenses	1,849,059	1,643,705
Administrative expenses	201,962	188,198
Other income and expenses	(35,900)	(4,265)
Operating profit/loss (EBIT)	**1,341,308**	**1,190,792**
Interest on hybrid capital	–	–
Net income before taxes	**1,341,308**	**1,190,792**
Taxes	368,383	296,084
Net income	**972,925**	**894,708**
thereof		
Non-controlling interest in profit or loss	58,198	65,560
Group net income	**914,727**	**829,148**

Life and health reinsurance		Consolidation		Total	
1.1.–31.12.2015	1.1.–31.12.2014	1.1.–31.12.2015	1.1.–31.12.2014	1.1.–31.12.2015	1.1.–31.12.2014
7,730,885	6,458,669	(195)	(237)	17,068,663	14,361,801
195	237	(195)	(237)	–	–
7,730,690	6,458,432	–	–	17,068,663	14,361,801
6,492,412	5,411,425	913	309	14,593,042	12,423,081
709,173	614,201	10,958	14,088	1,665,093	1,471,841
50	(9,083)	–	(830)	901	(33,257)
177	129	2,365	–	38,098	27,558
374,871	355,662	–	–	395,033	376,056
5,458,957	4,636,243	–	(10)	11,075,407	9,464,172
101,123	28,620	34	5	101,157	28,625
1,075,078	946,361	2	–	2,924,139	2,590,066
197,254	175,682	(704)	(21)	398,512	363,859
35,919	25,097	(3,703)	(2,642)	(3,684)	18,190
405,092	**263,817**	**8,836**	**11,781**	**1,755,236**	**1,466,390**
–	–	84,316	95,720	84,316	95,720
405,092	**263,817**	**(75,480)**	**(83,939)**	**1,670,920**	**1,370,670**
109,713	44,941	(21,889)	(35,462)	456,207	305,563
295,379	**218,876**	**(53,591)**	**(48,477)**	**1,214,713**	**1,065,107**
5,790	13,898	–	–	63,988	79,458
289,589	204,978	(53,591)	(48,477)	1,150,725	985,649

6. Notes on the individual items of the balance sheet

6.1 Investments under own management

Investments are classified and measured in accordance with IAS 39 "Financial Instruments: Recognition and Measurement".

Hannover Re classifies investments according to the following categories: held-to-maturity, loans and receivables, financial assets at fair value through profit or loss and available-for-sale. The allocation and measurement of investments are determined by the investment intent.

The investments under own management also encompass investments in associated companies, real estate and real estate funds (also includes: investment property), other invested assets, short-term investments and cash.

The following table shows the regional origin of the investments under own management.

Investments N 14

in EUR thousand	2015	2014
Regional origin		
Germany	7,039,131	6,592,773
United Kingdom	2,959,291	2,674,766
France	1,605,671	1,769,512
Other	6,763,836	7,649,712
Europe	**18,367,929**	**18,686,763**
USA	12,525,280	9,875,092
Other	1,613,473	1,468,426
North America	**14,138,753**	**11,343,518**
Asia	2,429,402	1,819,615
Australia	2,352,170	2,556,507
Australasia	**4,781,572**	**4,376,122**
Africa	334,691	352,192
Other	1,723,958	1,469,415
Total	**39,346,903**	**36,228,010**

Maturities of the fixed-income and variable-yield securities N 15

in EUR thousand	2015		2014	
	Amortised cost [1]	Fair value	Amortised cost [1]	Fair value
Held to maturity				
due in one year	516,518	523,403	1,089,446	1,110,905
due after one through two years	142,835	147,242	539,118	561,992
due after two through three years	92,480	96,765	145,300	151,217
due after three through four years	28,933	31,692	97,896	103,592
due after four through five years	35,024	40,966	32,696	35,894
due after five through ten years	190,907	219,086	234,795	273,704
due after more than ten years	968	323	491	568
Total	**1,007,665**	**1,059,477**	**2,139,742**	**2,237,872**
Loans and receivables				
due in one year	411,608	422,774	261,575	265,156
due after one through two years	280,642	289,989	373,036	390,647
due after two through three years	152,075	159,589	268,376	283,396
due after three through four years	200,139	219,242	143,511	152,077
due after four through five years	220,728	243,500	197,584	219,375
due after five through ten years	898,664	1,035,482	979,791	1,122,393
due after more than ten years	706,009	858,523	764,314	954,282
Total	**2,869,865**	**3,229,099**	**2,988,187**	**3,387,326**
Available for sale				
due in one year [2]	4,088,058	4,096,488	3,731,723	3,747,673
due after one through two years	3,889,262	3,915,448	2,415,488	2,449,568
due after two through three years	3,803,539	3,827,843	2,908,199	2,972,420
due after three through four years	2,572,827	2,624,891	2,904,276	2,951,154
due after four through five years	3,829,675	3,915,469	2,655,178	2,741,708
due after five through ten years	9,449,584	9,659,645	9,181,834	9,760,031
due after more than ten years	3,253,590	3,482,398	3,122,626	3,543,151
Total	**30,886,535**	**31,522,182**	**26,919,324**	**28,165,705**
Financial assets at fair value through profit or loss				
due in one year	13,703	13,703	5,306	5,306
due after one through two years	19,027	19,027	2,433	2,433
due after two through three years	53,432	53,432	12,251	12,251
due after three through four years	19,841	19,841	20,590	20,590
due after four through five years	2,979	2,979	10,790	10,790
due after five through ten years	–	–	146	146
due after more than ten years	–	–	12,978	12,978
Total	**108,982**	**108,982**	**64,494**	**64,494**

[1] Including accrued interest
[2] Including short-term investments, cash and cash equivalents

The stated maturities may in individual cases diverge from the contractual maturities because borrowers may have the right to call or prepay obligations with or without penalty.

Variable-rate bonds (so-called "floaters") are shown under the maturities due in one year and constitute our interest-related, within-the-year reinvestment risk.

Amortised cost, unrealised gains and losses and accrued interest on the portfolio of investments classified as held to maturity as well as their fair value **N 16**

	2015				
in EUR thousand	Amortised cost including accrued interest	thereof accrued interest	Unrealised gains	Unrealised losses	Fair value
Investments held to maturity					
Fixed-income securities					
Government debt securities of EU member states	163,206	4,126	2,395	7	165,594
US Treasury notes	82,688	646	139	–	82,827
Other foreign government debt securities	20,074	65	65	–	20,139
Debt securities issued by semi-governmental entities	219,019	4,317	6,503	–	225,522
Corporate securities	92,070	1,521	7,635	81	99,624
Covered bonds/asset-backed securities	430,608	9,255	35,808	645	465,771
Total	**1,007,665**	**19,930**	**52,545**	**733**	**1,059,477**

Amortised cost, unrealised gains and losses and accrued interest on the portfolio of investments classified as held to maturity as well as their fair value **N 17**

	2014				
in EUR thousand	Amortised cost including accrued interest	thereof accrued interest	Unrealised gains	Unrealised losses	Fair value
Investments held to maturity					
Fixed-income securities					
Government debt securities of EU member states	391,809	7,071	10,099	–	401,908
US Treasury notes	257,279	1,395	3,067	–	260,346
Other foreign government debt securities	29,196	96	200	–	29,396
Debt securities issued by semi-governmental entities	427,611	6,444	16,019	1,463	442,167
Corporate securities	238,426	3,189	11,051	159	249,318
Covered bonds/asset-backed securities	795,421	15,527	59,316	–	854,737
Total	**2,139,742**	**33,722**	**99,752**	**1,622**	**2,237,872**

The carrying amount of the portfolio held to maturity is arrived at from the amortised cost plus accrued interest.

Amortised cost, unrealised gains and losses and accrued interest on loans and receivables as well as their fair value N 18

in EUR thousand	2015				
	Amortised cost including accrued interest	thereof accrued interest	Unrealised gains	Unrealised losses	Fair value
Loans and receivables					
Debt securities issued by semi-governmental entities	1,595,127	26,617	243,934	1	1,839,060
Corporate securities	468,607	5,906	18,604	4,732	482,479
Covered bonds/asset-backed securities	806,131	12,968	101,457	28	907,560
Total	**2,869,865**	**45,491**	**363,995**	**4,761**	**3,229,099**

Amortised cost, unrealised gains and losses and accrued interest on loans and receivables as well as their fair value N 19

in EUR thousand	2014				
	Amortised cost including accrued interest	thereof accrued interest	Unrealised gains	Unrealised losses	Fair value
Loans and receivables					
Debt securities issued by semi-governmental entities	1,655,060	27,559	260,622	–	1,915,682
Corporate securities	463,830	5,661	20,578	453	483,955
Covered bonds/asset-backed securities	869,297	13,495	118,402	10	987,689
Total	**2,988,187**	**46,715**	**399,602**	**463**	**3,387,326**

The carrying amount of the loans and receivables is arrived at from the amortised cost plus accrued interest.

Amortised cost, unrealised gains and losses and accrued interest on the portfolio of investments classified as available for sale as well as their fair value **N20**

	2015				
in EUR thousand	Amortised cost including accrued interest	thereof accrued interest	Unrealised gains	Unrealised losses	Fair value
Available for sale					
Fixed-income securities					
Government debt securities of EU member states	2,394,804	19,460	135,191	3,849	2,526,146
US Treasury notes	5,382,835	12,699	13,566	32,877	5,363,524
Other foreign government debt securities	2,148,576	18,299	25,602	38,766	2,135,412
Debt securities issued by semi-governmental entities	4,436,469	41,568	236,064	11,728	4,660,805
Corporate securities	11,911,422	140,011	320,712	168,280	12,063,854
Covered bonds/asset-backed securities	2,599,092	27,919	147,909	19,549	2,727,452
Investment funds	107,603	–	33,096	1,444	139,255
	28,980,801	**259,956**	**912,140**	**276,493**	**29,616,448**
Equity securities					
Shares	290,609	–	26,733	4,979	312,363
Investment funds	125,744	–	14,001	–	139,745
	416,353	**–**	**40,734**	**4,979**	**452,108**
Short-term investments	1,113,130	1,585	–	–	1,113,130
Total	**30,510,284**	**261,541**	**952,874**	**281,472**	**31,181,686**

Amortised cost, unrealised gains and losses and accrued interest on the portfolio of investments classified as available for sale as well as their fair value

N 21

in EUR thousand	2014 Amortised cost including accrued interest	thereof accrued interest	Unrealised gains	Unrealised losses	Fair value
Available for sale					
Fixed-income securities					
Government debt securities of EU member states	2,411,949	18,573	169,231	1,733	2,579,447
US Treasury notes	2,684,743	7,145	36,544	4,904	2,716,383
Other foreign government debt securities	1,816,756	16,522	27,294	33,322	1,810,728
Debt securities issued by semi-governmental entities	4,183,118	42,250	305,078	2,954	4,485,242
Corporate securities	11,371,250	140,368	557,169	46,694	11,881,725
Covered bonds/asset-backed securities	3,030,708	33,214	222,538	7,547	3,245,699
Investment funds	72,618	–	25,681	–	98,299
	25,571,142	**258,072**	**1,343,535**	**97,154**	**26,817,523**
Equity securities					
Shares	12,323	–	7,215	17	19,521
Investment funds	8,011	–	5,272	–	13,283
	20,334	**–**	**12,487**	**17**	**32,804**
Short-term investments	575,300	3,886	–	–	575,300
Total	**26,166,776**	**261,958**	**1,356,022**	**97,171**	**27,425,627**

The carrying amounts of the fixed-income securities and equity securities classified as available for sale as well as the short-term investments allocated to this category correspond to their fair values, in the case of interest-bearing assets including accrued interest.

Fair value of financial assets at fair value through profit or loss before and after accrued interest as well as accrued interest on such financial assets

N 22

in EUR thousand	Fair value before accrued interest 2015	Fair value before accrued interest 2014	Accrued interest 2015	Accrued interest 2014	Fair value 2015	Fair value 2014
Financial assets at fair value through profit or loss						
Fixed-income securities						
Corporate securities	108,566	63,795	416	699	108,982	64,494
Covered bonds/asset-backed securities	–	–	–	–	–	–
	108,566	**63,795**	**416**	**699**	**108,982**	**64,494**
Other financial assets						
Derivatives	39,602	66,394	–	–	39,602	66,394
	39,602	**66,394**	**–**	**–**	**39,602**	**66,394**
Total	**148,168**	**130,189**	**416**	**699**	**148,584**	**130,888**

The carrying amounts of the financial assets at fair value through profit or loss correspond to their fair values including accrued interest.

Hannover Re recognised in this category as at the balance sheet date derivative financial instruments in an amount of EUR 39.6 million (EUR 66.4 million) that are originally allocable to this item as well as fixed-income securities amounting to EUR 109.0 million (EUR 64.5 million) designated in this category.

Analysis of the fair value changes in the portfolio of fixed-income securities at fair value through profit or loss indicated that no fair value changes (EUR 0.3 million) were due to changes in ratings.

We additionally use an internal rating method to back up this analysis. Our internal rating system is based on the corresponding credit ratings of securities assigned by the agencies Standard & Poor's and Moody's and in each case reflects the lowest of the available ratings.

For further information please see the explanatory remarks in Section 8.1 "Derivative financial instruments and financial guarantees".

Carrying amounts before impairment **N 23**

	2015		2014	
in EUR thousand	Carrying amount before impairment	Impairment	Carrying amount before impairment	Impairment
Fixed-income securities – held to maturity	1,010,030	2,365	2,139,742	–
Fixed-income securities – loans and receivables	2,869,865	–	2,990,187	2,000
Fixed-income securities – available for sale	29,616,845	397	26,817,523	–
Short-term investments	1,113,130	–	575,300	–
Equity securities – available for sale	453,997	1,889	32,804	–
Participating interests and other invested assets, real estate funds	1,922,482	6,694	1,643,408	5,847
Total	**36,986,349**	**11,345**	**34,198,964**	**7,847**

For further explanatory remarks on the impairment criteria please see Section 3.2 "Summary of major accounting policies".

Rating structure of fixed-income securities

N 24

in EUR thousand	2015 AAA	AA	A	BBB	BB	B	C	Other	Total
Fixed-income securities – held-to-maturity	594,316	218,555	136,257	58,537	–	–	–	–	1,007,665
Fixed-income securities – loans and receivables	1,869,317	551,144	184,580	157,506	82,178	4,925	–	20,215	2,869,865
Fixed-income securities – available-for-sale	12,270,732	5,002,570	5,971,866	5,329,934	806,651	114,680	6,258	113,757	29,616,448
Fixed-income securities – at fair value through profit or loss	–	–	–	–	54,033	8,982	–	45,967	108,982
Total fixed-income securities	**14,734,365**	**5,772,269**	**6,292,703**	**5,545,977**	**942,862**	**128,587**	**6,258**	**179,939**	**33,602,960**

Rating structure of fixed-income securities

N 25

in EUR thousand	2014 AAA	AA	A	BBB	BB	B	C	Other	Total
Fixed-income securities – held-to-maturity	1,102,639	492,209	474,167	65,658	–	–	5,069	–	2,139,742
Fixed-income securities – loans and receivables	1,808,018	616,470	317,318	135,878	46,117	4,732	–	59,654	2,988,187
Fixed-income securities – available-for-sale	9,688,957	5,080,801	6,951,209	4,105,419	760,200	114,779	12,507	103,651	26,817,523
Fixed-income securities – at fair value through profit or loss	–	67	9,203	226	35,220	7,448	–	12,330	64,494
Total fixed-income securities	**12,599,614**	**6,189,547**	**7,751,897**	**4,307,181**	**841,537**	**126,959**	**17,576**	**175,635**	**32,009,946**

The maximum credit risk of the items shown here corresponds to their carrying amounts.

Breakdown of investments by currencies N26

in EUR thousand	2015								
	AUD	CAD	CNY	EUR	GBP	USD	ZAR	Other	Total
Fixed-income securities – held to maturity	–	58,813	–	628,496	80,673	239,683	–	–	1,007,665
Fixed-income securities – loans and receivables	–	–	87,851	2,107,800	47,801	626,413	–	–	2,869,865
Fixed-income securities – available-for-sale	1,923,332	886,984	191,808	7,042,147	3,051,928	15,131,219	181,058	1,207,972	29,616,448
Fixed-income securities – at fair value through profit or loss	–	–	–	5,061	709	103,212	–	–	108,982
Equity securities – available-for-sale	–	–	–	333,222	–	118,886	–	–	452,108
Other financial assets – at fair value through profit or loss	–	–	–	9,045	1,265	29,292	–	–	39,602
Other invested assets	–	–	–	1,670,086	2,592	1,653,348	10,032	10,441	3,346,499
Short-term investments, cash	86,202	22,175	407,697	325,441	62,564	490,382	99,771	411,502	1,905,734
Total	**2,009,534**	**967,972**	**687,356**	**12,121,298**	**3,247,532**	**18,392,435**	**290,861**	**1,629,915**	**39,346,903**

Breakdown of investments by currencies N 27

in EUR thousand	2014 AUD	CAD	CNY	EUR	GBP	USD	ZAR	Other	Total
Fixed-income securities – held to maturity	–	101,700	–	1,273,877	154,598	609,567	–	–	2,139,742
Fixed-income securities – loans and receivables	–	6,490	95,818	2,112,064	45,092	724,533	–	4,190	2,988,187
Fixed-income securities – available-for-sale	1,769,408	753,826	102,042	8,246,517	2,794,734	11,808,473	204,544	1,137,979	26,817,523
Fixed-income securities – at fair value through profit or loss	–	–	–	18,014	649	45,831	–	–	64,494
Equity securities – available-for-sale	–	–	–	19,409	–	13,395	–	–	32,804
Other financial assets – at fair value through profit or loss	–	–	–	19,083	967	46,344	–	–	66,394
Other invested assets	–	–	–	1,427,513	1,790	1,337,537	3,839	5	2,770,684
Short-term investments, cash	117,146	46,533	86,212	235,930	73,385	405,008	119,709	264,259	1,348,182
Total	**1,886,554**	**908,549**	**284,072**	**13,352,407**	**3,071,215**	**14,990,688**	**328,092**	**1,406,433**	**36,228,010**

The maximum credit risk of the items shown here corresponds to their carrying amounts.

Associated companies

The associated companies included at equity in the consolidated financial statement that both on an individual basis and in their entirety are not material for the Hannover Re Group pursuant to IFRS 12 are comprised of

- Oval Office Grundstücks GmbH, Hannover, Germany,
- WeHaCo Unternehmensbeteiligungs-GmbH, Hannover, Germany,
- HANNOVER Finanz GmbH, Hannover, Germany,
- Glencar Underwriting Managers, Inc., Chicago, United States,
- ITAS Vita S.p.A., Trento, Italy,

as well as the following companies included at equity within the subgroup Hannover Reinsurance Group Africa (Pty) Ltd., Johannesburg, South Africa:

- Clarendon Transport Underwriting Managers (Pty) Ltd., Johannesburg, South Africa,
- Clarenfin (Pty) Ltd., Johannesburg, South Africa,
- Camargue Underwriting Managers (Pty) Ltd., Johannesburg, South Africa,
- Synergy XOL (Pty) Ltd., Johannesburg, South Africa,
- Vela Taxi Finance (Pty) Ltd., Johannesburg, South Africa.

Information on the percentage share held by the Hannover Re Group in the capital of the associated companies as well as on the amount of capital and reserves and the result for the last financial year of these companies is provided in the list of shareholdings in Section 4.2 "Consolidated companies and complete list of shareholdings".

The following table shows combined financial information on the Hannover Re Group's individual non-material investments in associated companies.

Financial information on investments in associated companies N 28

in EUR thousand	2015	2014
Group share of net income from continuing operations	19,169	1,042
Group share of income and expense recognised directly in equity	2,407	10,217
Group share of total recognised income and expense	**21,576**	**11,259**

The carrying amount of the investments in associated companies changed as follows in the year under review:

Investments in associated companies N 29

in EUR thousand	2015	2014
Net book value at 31 December of the previous year	**154,822**	**144,489**
Currency translation at 1 January	113	58
Net book value after currency translation	**154,935**	**144,547**
Additions	–	5,297
Disposals	33,952	264
Profit or loss on investments in associated companies	19,169	1,042
Dividend payments	14,713	6,667
Change recognised outside income	2,407	10,217
Currency translation at 31 December	162	650
Net book value at 31 December of the year under review	**128,008**	**154,822**

No discontinued operations existed in the year under review among the companies measured at equity. Insofar as there are commitments from contingent liabilities of associated companies, the Hannover Re Group shares in such commitments in proportion to its respective shareholding.

Public price listings are not available for companies valued at equity. The net book value of associated companies includes goodwill in the amount of EUR 21.9 million (EUR 23.1 million). For further details please see Section 4 "Consolidation".

Real estate

Real estate is divided into real estate for own use and third-party use (investment property). Own-use real estate is recognised under other assets.

The investment property in the portfolio which is used to generate income is shown under the investments. Income and expenses from rental agreements are included in the investment income.

Real estate is valued at cost of acquisition less scheduled depreciation with useful lives of at most 50 years.

Development of investment property N30

in EUR thousand	2015	2014
Gross book value at 31 December of the previous year	1,023,281	872,905
Currency translation at 1 January	39,440	46,322
Gross book value after currency translation	**1,062,721**	**919,227**
Additions	314,661	144,407
Disposals	6,935	41,388
Reclassification	26	4,766
Currency translation at 31 December	3,832	(3,731)
Gross book value at 31 December of the year under review	**1,374,305**	**1,023,281**
Cumulative depreciation at 31 December of the previous year	44,979	25,741
Currency translation at 1 January	2,402	2,035
Cumulative depreciation after currency translation	**47,381**	**27,776**
Disposals	2,748	4,835
Depreciation	23,750	18,513
Impairments	3,619	1,323
Appreciation	616	126
Reclassification	26	1,997
Currency translation at 31 December	190	331
Cumulative depreciation at 31 December of the year under review	**71,602**	**44,979**
Net book value at 31 December of the previous year	**978,302**	**847,164**
Net book value at 1 January of the year under review	**1,015,340**	**891,451**
Net book value at 31 December of the year under review	**1,302,703**	**978,302**

The fair value of investment property amounted to EUR 1,388.7 million (EUR 1,038.6 million) as at the balance sheet date.

The additions to this item are attributable to the increased investment activities of the real estate companies belonging to the Hannover Re Group, principally due to investments in Europe and the United States.

In terms of diversification across various real estate sectors the focus is on office properties (70%), followed by retail properties (17%). The allocation is complemented by investments in further sectors, including for example parking facilities (7%) and logistics (2%). In geographical terms, exposures are spread across the United States (43%), Europe (excluding Germany; 33%) as well as Germany (24%).

The real estate in the investment portfolio is normally subject to internal and external valuation by an appraiser as at the balance sheet date. The two analyses do not differ from one another in the methodology used, which means that the findings are comparable at all times and on a continuous basis. Generally speaking, the fair value of the real estate is determined using the discounted cash flow (DCF) method, with rental income capitalised in consideration of the associated management costs. The valuation result is also influenced by increases and reductions based on specific property circumstances (upkeep, vacancies, rent divergences from the market level, etc.). The evaluation of international real estate also draws primarily on the discounted cash flow method. The main feature of this method is the present value estimation of projected annual free cash flows.

Real estate which is held for sale as defined by IFRS 5 is recognised separately in the consolidated balance sheet. Intentions to sell are substantiated by individual real estate market conditions and specific property circumstances, taking into consideration current and future opportunity/risk profiles. In the year under review no properties were reclassified to assets held for sale.

In addition, we held indirect real estate investments measured at fair values in an amount of EUR 371.3 million (EUR 321.0 million) in the year under review, the amortised costs of which amounted to EUR 316.0 million (EUR 260.1 million). The differences between the carrying amounts and amortised costs were recognised as unrealised gains of EUR 56.4 million (EUR 62.1 million) and unrealised losses of EUR 1.2 million (EUR 1.2 million) under cumulative other comprehensive income.

Other invested assets

The other invested assets consisted largely of participating interests in partnerships measured at fair value in an amount of EUR 1,396.0 million (EUR 1,153.9 million), the amortised cost of which amounted to EUR 976.5 million (EUR 749.7 million). The differences between the carrying amounts and the amortised costs were recognised as unrealised gains of EUR 426.2 million (EUR 409.0 million) and unrealised losses of EUR 6.7 million (EUR 4.8 million) under cumulative other comprehensive income.

In addition, acquired life insurance policies measured at fair value through profit or loss were recognised under the other invested assets in an amount of EUR 79.4 million (EUR 105.0 million).

Short-term investments

This item comprises investments with a maturity of up to one year at the time of investment.

Fair value hierarchy

For the purposes of the disclosure requirements pursuant to IFRS 13 “Fair Value Measurement”, financial assets and liabilities are to be assigned to a three-level fair value hierarchy.

The fair value hierarchy, which reflects characteristics of the price data and inputs used for measurement purposes, is structured as follows:

- Level 1: Assets or liabilities measured at (unadjusted) prices quoted directly in active and liquid markets
- Level 2: Assets or liabilities which are measured using observable market data and are not allocable to level 1. Measurement is based, in particular, on prices for comparable assets and liabilities that are traded on active markets, prices on markets that are not considered active as well as inputs derived from such prices or market data
- Level 3: Assets or liabilities that cannot be measured or can only be partially measured using observable market inputs. The measurement of such instruments draws principally on valuation models and methods.

If input factors from different levels are used to measure a financial instrument, the level of the lowest input factor material to measurement is determinative.

The operational units responsible for coordinating and documenting measurement are organisationally separate from the operational units that enter into investment risks. All relevant valuation processes and valuation methods are documented. Decisions on fundamental valuation issues are taken by a valuation committee that meets monthly.

In the previous year alternative investments with a fair value of EUR 36.3 million were no longer allocable to level 2 but rather to 3 as a consequence of model-based pricing.

The following table shows the breakdown of financial assets and liabilities recognised at fair value into the three-level fair value hierarchy.

Fair value hierarchy of financial assets and liabilities recognised at fair value N31

	2015			
in EUR thousand	Level 1	Level 2	Level 3	Total
Fixed-income securities	34,077	29,691,353	–	29,725,430
Equity securities	452,098	–	10	452,108
Other financial assets	–	39,602	–	39,602
Real estate and real estate funds	–	–	371,254	371,254
Other invested assets	–	–	1,475,415	1,475,415
Short-term investments	1,113,130	–	–	1,113,130
Other assets	–	1,999	–	1,999
Total financial assets	**1,599,305**	**29,732,954**	**1,846,679**	**33,178,938**
Other liabilities	–	13,860	156,144	170,004
Total financial liabilities	**–**	**13,860**	**156,144**	**170,004**

Fair value hierarchy of financial assets and liabilities recognised at fair value N32

	2014			
in EUR thousand	Level 1	Level 2	Level 3	Total
Fixed-income securities	28,752	26,852,743	522	26,882,017
Equity securities	32,796	–	8	32,804
Other financial assets	–	66,394	–	66,394
Real estate and real estate funds	–	–	320,956	320,956
Other invested assets	–	–	1,258,903	1,258,903
Short-term investments	575,300	–	–	575,300
Other assets	–	1,066	–	1,066
Total financial assets	**636,848**	**26,920,203**	**1,580,389**	**29,137,440**
Other liabilities	–	103,760	136,486	240,246
Total financial liabilities	**–**	**103,760**	**136,486**	**240,246**

The following table provides a reconciliation of the fair values of financial assets and liabilities included in level 3 at the beginning of the financial year with the fair values as at 31 December of the financial year.

Movements in level 3 financial assets and liabilities N 33

	2015				
in EUR thousand	Fixed-income securities	Equities, equity funds and other variable-yield securities	Real estate and real estate funds	Other invested assets	Other liabilities
Net book value at 31 December of the previous year	**522**	**8**	**320,956**	**1,258,903**	**136,486**
Currency translation at 1 January	59	2	17,605	88,473	15,339
Net book value after currency translation	**581**	**10**	**338,561**	**1,347,376**	**151,825**
Income and expenses					
recognised in the statement of income	–	–	(921)	(13,829)	(17,771)
recognised directly in shareholders' equity	–	–	(9,679)	(41,991)	–
Purchases	–	–	143,631	368,895	53,050
Sales	–	–	99,962	182,540	31,038
Settlements	567	–	–	–	–
Transfers to level 3	–	–	–	–	–
Transfers from level 3	–	–	–	–	–
Currency translation at 31 December of the year under review	(14)	–	(376)	(2,496)	78
Net book value at 31 December of the year under review	**–**	**10**	**371,254**	**1,475,415**	**156,144**

Movements in level 3 financial assets and liabilities N 34

	2014				
in EUR thousand	Fixed-income securities	Equities, equity funds and other variable-yield securities	Real estate and real estate funds	Other invested assets	Other liabilities
Net book value at 31 December of the previous year	**5,179**	**8**	**247,400**	**952,451**	**68,827**
Currency translation at 1 January	649	–	14,229	82,228	–
Net book value after currency translation	**5,828**	**8**	**261,629**	**1,034,679**	**68,827**
Income and expenses					
recognised in the statement of income	1	–	(11)	(8,773)	(3,604)
recognised directly in shareholders' equity	–	–	14,031	72,694	–
Purchases	–	–	86,018	258,548	57,281
Sales	597	–	43,512	139,710	–
Settlements	4,118	–	–	–	–
Transfers to level 3	–	–	–	36,292	–
Transfers from level 3	–	–	–	–	–
Currency translation at 31 December of the year under review	(592)	–	2,801	5,173	13,982
Net book value at 31 December of the year under review	**522**	**8**	**320,956**	**1,258,903**	**136,486**

The breakdown of income and expenses recognised in the statement of income in the financial year in connection with financial assets and liabilities assigned to level 3 is as follows.

Income and expenses from level 3 financial assets and liabilities N35

in EUR thousand	2015 Fixed-income securities	Real estate and real estate funds	Other invested assets	Other liabilities
Total in the financial year				
Realised gains and losses on investments	–	(79)	(16,108)	–
Change in fair value of financial instruments	–	–	8,131	17,771
Total depreciation, impairments and appreciation of investments	–	(842)	(5,852)	–
Thereof attributable to financial instruments included in the portfolio at 31 December of the year under review				
Change in fair value of financial instruments	–	–	8,131	17,771
Total depreciation, impairments and appreciation of investments	–	(842)	(5,851)	–

Income and expenses from level 3 financial assets and liabilities N36

in EUR thousand	2014 Fixed-income securities	Real estate and real estate funds	Other invested assets	Other liabilities
Total in the financial year				
Realised gains and losses on investments	–	–	–	–
Change in fair value of financial instruments	1	–	(3,014)	3,604
Total depreciation, impairments and appreciation of investments	–	(11)	(5,759)	–
Thereof attributable to financial instruments included in the portfolio at 31 December of the year under review				
Change in fair value of financial instruments	1	–	(3,014)	3,604
Total depreciation, impairments and appreciation of investments	–	(11)	(5,759)	–

If models are used to measure financial assets and liabilities included in level 3 under which the adoption of alternative inputs leads to a material change in fair value, IFRS 13 requires disclosure of the effects of these alternative assumptions. Of the financial assets included in level 3 with fair values of altogether EUR 1,846.7 million (EUR 1,580.4 million) as at the balance sheet date, Hannover Re measures financial assets with a volume of EUR 1,767.3 million (EUR 1,474.8 million) using the net asset value method, in respect of which alternative inputs within the meaning of the standard cannot reasonably be established. The remaining financial assets included in level 3 with a volume of EUR 79.4 million (EUR 105.6 million) relate to acquired life insurance policies, the valuation of which is based on technical parameters. Derivative financial instruments in connection with the reinsurance business were recognised under the other liabilities included in level 3 in the year under review. Their performance is dependent upon the risk experience of an underlying group of primary insurance contracts with statutory reserving requirements. The application of alternative inputs and assumptions has no material effect on the consolidated financial statement.

Fair value hierarchy of financial assets and liabilities measured at amortised cost N 37

in EUR thousand	2015			
	Level 1	Level 2	Level 3	Total
Fixed-income securities	–	4,276,334	12,242	4,288,576
Real estate and real estate funds	–	–	1,388,656	1,388,656
Other invested assets	–	11,224	57,894	69,118
Total financial assets	**–**	**4,287,558**	**1,458,792**	**5,746,350**
Long-term debt and subordinated capital	–	1,969,384	–	1,969,384
Total financial liabilities	**–**	**1,969,384**	**–**	**1,969,384**

Fair value hierarchy of financial assets and liabilities measured at amortised cost N 38

in EUR thousand	2014			
	Level 1	Level 2	Level 3	Total
Fixed-income securities	–	5,625,198	–	5,625,198
Real estate and real estate funds	–	–	1,038,579	1,038,579
Other invested assets	–	2,657	55,045	57,702
Total financial assets	**–**	**5,627,855**	**1,093,624**	**6,721,479**
Long-term debt and subordinated capital	–	2,469,795	–	2,469,795
Total financial liabilities	**–**	**2,469,795**	**–**	**2,469,795**

6.2 Funds withheld (assets)

The funds withheld totalling EUR 13,801.8 million (EUR 15,826.5 million) represent the cash and securities deposits furnished by our company to our cedants that do not trigger any cash flows and cannot be realised by cedants without our consent. The maturities of these deposits are matched to the corresponding provisions. In the event of default on such a deposit our reinsurance commitment is reduced to the same extent. The decrease in funds withheld was attributable principally to partial withdrawals for specific underwriting years in relation to our UK single premium business.

6.3 Contract deposits (assets)

The contract deposits on the assets side increased by EUR 96.5 million in the year under review from EUR 92.1 million to EUR 188.6 million.

6.4 Technical assets

The retrocessionaires' portions of the technical provisions are based on the contractual agreements of the underlying reinsurance treaties. For further details please refer to our comments on the technical provisions in Section 6.7 "Technical provisions" on page 198 et seq. as well as the remarks in the risk report on page 91 et seq.

SFAS 60 requires that acquisition costs be capitalised as assets and amortised in proportion to the earned premium.

In the case of reinsurance treaties for unit-linked life insurance policies classified as "universal life-type contracts" pursuant to SFAS 97, the capitalised acquisition costs are amortised on the basis of the estimated gross profit margins from the reinsurance treaties, making allowance for the period of the insurance contracts. A discount rate based on the interest for medium-term government bonds was applied to such contracts. In the case of annuity policies with a single premium payment, these values refer to the expected policy period or period of annuity payment.

In life and health reinsurance the deferred acquisition costs associated with life and annuity policies with regular premium payments are determined in light of the period of the contracts, the expected surrenders, the lapse expectancies and the anticipated interest income.

In property and casualty reinsurance acquisition costs directly connected with the acquisition or renewal of contracts are deferred for the unearned portion of the premium.

Development of deferred acquisition costs N 39

in EUR thousand	2015	2014
Net book value at 31 December of the previous year	1,914,598	1,672,398
Currency translation at 1 January	71,870	113,388
Net book value after currency translation	**1,986,468**	**1,785,786**
Additions	600,389	489,910
Amortisations	498,666	368,029
Currency translation at 31 December	6,480	6,931
Net book value at 31 December of the year under review	**2,094,671**	**1,914,598**

For further explanatory remarks please see Section 3.2 "Summary of major accounting policies".

The age structure of the accounts receivable which were unadjusted but considered overdue as at the balance sheet date is presented below.

Age structure of overdue accounts receivable N 40

	2015		2014	
in EUR thousand	Three months to one year	More than one year	Three months to one year	More than one year
Accounts receivable	236,444	140,600	218,824	142,102

Within the scope of our management of receivables we expect to receive payment of accounts receivable within three months of the date of creation of the debit entry – a period for which we also make allowance in our risk analysis. Please see our comments on the credit risk within the risk report on page 87 et seq.

The default risks associated with accounts receivable under reinsurance business are determined and recognised on the basis of case-by-case analysis.

The value adjustments on accounts receivable that we recognise in adjustment accounts changed as follows in the year under review:

Value adjustments on accounts receivable N 41

in EUR thousand	2015	2014
Cumulative value adjustments at 31 December of the previous year	42,221	35,990
Currency translation at 1 January	(4,047)	667
Cumulative value adjustments after currency translation	**38,174**	**36,657**
Value adjustments	23,565	21,635
Reversal	10,892	4,107
Utilisation	14,855	11,964
Cumulative value adjustments at 31 December of the year under review	**35,992**	**42,221**
Gross book value of accounts receivable at 31 December of the year under review	3,701,929	3,156,199
Cumulative value adjustments at 31 December of the year under review	35,992	42,221
Net book value of accounts receivable at 31 December of the year under review	**3,665,937**	**3,113,978**

In addition, we took specific value adjustments on reinsurance recoverables on unpaid claims in the year under review. We would refer the reader to the corresponding remarks on the loss and loss adjustment expense reserve in Section 6.7 "Technical provisions". With regard to the credit risks resulting from technical assets we would also refer the reader to our comments on page 90 et seq. of the risk report.

6.5 Goodwill

In accordance with IFRS 3 “Business Combinations” scheduled amortisation is not taken on goodwill. Goodwill was subject to an impairment test.

Development of goodwill N 42

in EUR thousand	2015	2014
Net book value at 31 December of the previous year	58,220	57,070
Currency translation at 1 January	1	1,150
Net book value after currency translation	**58,221**	**58,220**
Additions	2,365	–
Currency translation at 31 December	(342)	–
Net book value at 31 December of the year under review	**60,244**	**58,220**

This item principally includes the goodwill from the acquisition of E+S Rückversicherung AG as well as from the acquisition of a 75% interest in Integra Insurance Solutions Limited. Goodwill equivalent to altogether EUR 2.4 million was recognised in the context of two smaller business combinations within our South African subgroup.

For the purposes of the impairment test, the goodwill was allocated to the cash-generating units (CGUs) that represent the lowest level on which goodwill is monitored for internal management purposes. In the instances of goodwill recognised as at the balance sheet date, the CGUs are the respective business units/legal entities. The recoverable amount is established on the basis of the value in use, which is calculated using the discounted cash flow method. In this context, the detailed planning phase draws on the planning calculations of the CGUs/companies covering the next five years. These planning calculations represent the outcome of a detailed planning process in which all responsible members of management are involved and where allowance is made for the latest market developments affecting the relevant entity (in relation to the sector and the economy as a whole). The subsequent perpetuity phase is guided by the profit margins and revenue growth rates that management believes can be sustainably generated. The capitalisation rate is based on the Capital Asset Pricing Model (CAPM) as well as growth rates that are considered realistic in light of the specific market environment. The risk-free basic interest rate is determined, where possible, using corresponding yield curve data from the respective national banks. If this data cannot be obtained or can only be obtained with a disproportionately high effort, reference is made to the yields of the respective 30-year government bonds. Both the yield curves and the government bonds reflect the current interest rate trend on financial markets. The selection of the market risk premium is guided by the current recommendations of the Institute of Public Auditors in Germany (IDW). The beta factor is calculated for Hannover Rück SE on the basis of publicly accessible capital market data. The foreign exchange rates used for currency translation correspond to the situation on the balance sheet date.

The following capitalisation rates and growth rates were recognised for the individual cash-generating units:

Capitalisation rates N 43

	Capitalisation rate	Growth rate
E+S Rückversicherung AG	6.900%	1.00%
Integra Insurance Solutions Limited	7.870%	1.00%

Sensitivity analyses were performed in which the capitalisation rates as well as material and value-influencing items of the relevant planning calculations (such as premium volumes, investment income or loss ratios) were varied. In this context individual parameters were each varied within appropriate ranges that could be anticipated in view of the prevailing market circumstances and developments. It was established that in the event of changes in parameters within ranges that could reasonably occur, the values in use were in each case higher than the corresponding book values. Please see also our basic remarks in Section 3.2 “Summary of major accounting policies”.

6.6 Other assets

Other assets N 44

in EUR thousand	2015	2014
Present value of future profits on acquired life reinsurance portfolios	78,261	82,390
Other intangible assets	47,777	37,462
Insurance for pension commitments	82,152	76,601
Own-use real estate	66,736	67,699
Tax refund claims	96,986	64,785
Fixtures, fittings and equipment	28,707	33,167
Other receivables	8,533	29,771
Other	271,391	226,405
Total	**680,543**	**618,280**

Of this, other assets of EUR 4.6 million (EUR 5.1 million) are attributable to affiliated companies.

The item "Other" includes receivables of EUR 194.7 million (EUR 165.6 million) which correspond to the present value of future premium payments in connection with derivative financial instruments arising from transactions in the life and health reinsurance business group. For further explanation please see Section 8.1 "Derivative financial instruments and financial guarantees".

As in the previous year, the other receivables do not include any items that were overdue but unadjusted as at the balance sheet date.

Present value of future profits (PVFP) on acquired life reinsurance portfolios

Development of the present value of future profits (PVFP) on acquired life reinsurance portfolios N 45

in EUR thousand	2015	2014
Gross book value at 31 December of the previous year	131,102	130,186
Currency translation at 1 January	598	916
Gross book value at 31 December of the year under review	**131,700**	**131,102**
Cumulative depreciation at 31 December of the previous year	48,712	44,916
Currency translation at 1 January	598	916
Cumulative depreciation after currency translation	**49,310**	**45,832**
Amortisation	5,186	3,037
Currency translation at 31 December	(1,057)	(157)
Cumulative depreciation at 31 December of the year under review	**53,439**	**48,712**
Net book value at 31 December of the previous year	**82,390**	**85,270**
Net book value at 31 December of the year under review	**78,261**	**82,390**

This item consists of the present value of future cash flows recognised on business acquired in 2009 in the context of the acquisition of the ING life reinsurance portfolio. This intangible asset is amortised over the term of the underlying reinsurance contracts in proportion to the future premium income. The period of amortisation amounts to altogether 30 years. For further information please refer to our explanatory notes on intangible assets in Section 3.2 "Summary of major accounting policies".

Insurance for pension commitments

Effective 1 July 2003 Hannover Rück SE took out insurance for pension commitments. The commitments involve deferred annuities with regular premium payment under a group insurance policy. In accordance with IAS 19 "Employee Benefits" they were carried as a separate asset at fair value as at the balance sheet date in an amount of EUR 82.2 million (EUR 76.6 million).

Fixtures, fittings and equipment

Fixtures, fittings and equipment **N 46**

in EUR thousand	2015	2014
Gross book value at 31 December of the previous year	143,788	129,828
Currency translation at 1 January	3,078	3,773
Gross book value after currency translation	**146,866**	**133,601**
Additions	7,352	13,863
Disposals	7,848	4,245
Reclassifications	993	–
Changes in consolidated group	196	(131)
Currency translation at 31 December	(100)	700
Gross book value at 31 December of the year under review	**147,459**	**143,788**
Cumulative depreciation at 31 December of the previous year	110,621	99,608
Currency translation at 1 January	2,740	2,943
Cumulative depreciation after currency translation	**113,361**	**102,551**
Disposals	7,349	3,852
Depreciation	12,225	11,436
Reclassifications	419	–
Changes in consolidated group	144	(35)
Currency translation at 31 December	(48)	521
Cumulative depreciation at 31 December of the year under review	**118,752**	**110,621**
Net book value at 31 December of the previous year	**33,167**	**30,220**
Net book value at 31 December of the year under review	**28,707**	**33,167**

With regard to the measurement of fixtures, fittings and equipment, the reader is referred to our explanatory notes on the other assets in Section 3.2 "Summary of major accounting policies".

Other intangible assets

Development of other intangible assets **N 47**

in EUR thousand	2015	2014
Gross book value at 31 December of the previous year	220,296	196,689
Currency translation at 1 January	221	1,243
Gross book value after currency translation	**220,517**	**197,932**
Changes in the consolidated group	6,131	–
Additions	22,773	22,847
Disposals	632	569
Currency translation at 31 December	(1,016)	86
Gross book value at 31 December of the year under review	**247,773**	**220,296**
Cumulative depreciation at 31 December of the previous year	182,834	165,846
Currency translation at 1 January	103	879
Cumulative depreciation after currency translation	**182,937**	**166,725**
Changes in the consolidated group	50	–
Disposals	174	468
Appreciation	17	15
Depreciation	17,466	16,525
Currency translation at 31 December	(266)	67
Cumulative depreciation at 31 December of the year under review	**199,996**	**182,834**
Net book value at 31 December of the previous year	**37,462**	**30,843**
Net book value at 31 December of the year under review	**47,777**	**37,462**

The item includes EUR 1.6 million (EUR 2.2 million) for self-created software and EUR 31.2 million (EUR 30.0 million) for purchased software as at the balance sheet date. Scheduled depreciation is taken over useful lives of three to ten years. The additions can be broken down into EUR 13.4 million (EUR 18.0 million) for purchased software and EUR 1.1 million (EUR 1.0 million) for capitalised development costs for self-created software.

In the context of two smaller business combinations within our South African subgroup customer relationships were identified and recognised at fair value in an amount equivalent to EUR 6.1 million. Amortisation is taken over five years.

The gross book values include rights from long-term reinsurance treaties still existing as at the balance sheet date. The intangible assets resulting from these rights were recognised in the context of business acquisitions in the years 1997 and 2002 and were written off in full as at the balance sheet date.

Credit risks may result from other financial assets that were not overdue or adjusted as at the balance sheet date. In this regard, the reader is referred in general to our comments on the credit risk contained in the risk report on page 87 et seq.

6.7 Technical provisions

In order to show the net technical provisions remaining in the retention the following table compares the gross provisions with the corresponding retrocessionaires' shares, which are shown as assets in the balance sheet.

Technical provisions N 48

	2015			2014		
in EUR thousand	gross	retro	net	gross	retro	net
Loss and loss adjustment expense reserve	26,556,388	1,395,281	25,161,107	24,112,056	1,376,432	22,735,624
Benefit reserve	12,206,699	1,367,173	10,839,526	11,757,132	676,219	11,080,913
Unearned premium reserve	3,159,363	164,023	2,995,340	2,748,594	149,257	2,599,337
Other technical provisions	325,528	8,687	316,841	324,240	5,446	318,794
Total	**42,247,978**	**2,935,164**	**39,312,814**	**38,942,022**	**2,207,354**	**36,734,668**

The loss and loss adjustment expense reserves are in principle calculated on the basis of the information supplied by ceding companies. Additional IBNR reserves are established for losses that have been incurred but not as yet reported. The development of the loss and loss adjustment expense reserve is shown in the following table. Commencing with the gross reserve, the change in the reserve after deduction of the reinsurers' portions is shown in the year under review and the previous year.

Loss and loss adjustment expense reserve N49

in EUR thousand	2015 gross	2015 retro	2015 net	2014 gross	2014 retro	2014 net
Net book value at 31 December of the previous year	24,112,056	1,376,432	22,735,624	21,666,932	1,403,804	20,263,128
Currency translation at 1 January	1,118,172	55,998	1,062,174	1,361,796	92,399	1,269,397
Net book value after currency translation	**25,230,228**	**1,432,430**	**23,797,798**	**23,028,728**	**1,496,203**	**21,532,525**
Incurred claims and claims expenses (net) [1]						
Year under review	8,906,387	865,140	8,041,247	7,517,863	796,409	6,721,454
Previous years	3,211,467	177,307	3,034,160	2,983,219	240,501	2,742,718
	12,117,854	**1,042,447**	**11,075,407**	**10,501,082**	**1,036,910**	**9,464,172**
Less:						
Claims and claims expenses paid (net)						
Year under review	(2,896,318)	(444,929)	(2,451,389)	(2,692,876)	(471,824)	(2,221,052)
Previous years	(8,013,708)	(619,536)	(7,394,172)	(6,830,593)	(691,203)	(6,139,390)
	(10,910,026)	**(1,064,465)**	**(9,845,561)**	**(9,523,469)**	**(1,163,027)**	**(8,360,442)**
Specific value adjustment for retrocessions	–	3	(3)	–	40	(40)
Reversal of impairments	–	29	(29)	–	341	(341)
Portfolio entries/exits	–	176	(176)	2,578	–	2,578
Currency translation at 31 December	118,332	(15,333)	133,665	103,137	6,045	97,092
Net book value at 31 December of the year under review	**26,556,388**	**1,395,281**	**25,161,107**	**24,112,056**	**1,376,432**	**22,735,624**

[1] Including expenses recognised directly in shareholders' equity

In the year under review, as in the previous year, minimal specific value adjustments were established and reversed on retrocessions, i.e. on the reinsurance recoverables on unpaid claims. On balance, therefore, cumulative specific value adjustments of EUR 0.1 million (EUR 0.2 million) were recognised in these reinsurance recoverables as at the balance sheet date.

The total amount of the net reserve before specific value adjustments, to which the following remarks apply, was EUR 25,161.0 million (EUR 22,735.5 million) as at the balance sheet date.

Run-off of the net loss reserve in the property and casualty reinsurance segment

To some extent the loss and loss adjustment expense reserves are inevitably based upon estimations that entail an element of uncertainty. The difference between the loss reserves constituted in the previous year and the losses paid out of these reserves is reflected in the net run-off result. In this regard, owing to the fact that the period of some reinsurance treaties is not the calendar year or because they are concluded on an underwriting-year basis, it is frequently impossible to make an exact allocation of claims expenditures to the current financial year or the previous year.

The run-off triangles provided by the reporting units are shown after adjustment for the currency effects arising out of translation of the respective transaction currency into the local reporting currency. The run-off triangles of the reporting units delivered in foreign currencies are translated to euro at the current rate on the balance sheet date in order to show run-off results after adjustment for currency effects. In cases where the originally estimated ultimate loss corresponds to the actual ultimate loss in the original currency, it is ensured that also after translation to the Group reporting currency (EUR) a run-off result induced purely by currency effects is not shown.

The run-off triangles show the run-off of the net loss reserve (loss and loss adjustment expense reserve) established as at each balance sheet date, this reserve comprising the provisions constituted in each case for the current and preceding occurrence years.

The following table shows the net loss reserve for the property and casualty reinsurance business group in the years 2005 to 2015 as well as the run-off of the reserve (so-called run-off triangle). The figures reported for the 2005 balance sheet year also include the amounts for previous years that are no longer shown separately in the run-off triangle. The run-off results shown reflect the changes in the ultimate loss arising in the 2015 financial year for the individual run-off years.

Net loss reserve and its run-off in the property and casualty reinsurance segment N50

in EUR million	31.12. 2005	31.12. 2006	31.12. 2007	31.12. 2008	31.12. 2009	31.12. 2010	31.12. 2011	31.12. 2012	31.12. 2013	31.12. 2014	**31.12. 2015**
Loss and loss adjustment expense reserve (from balance sheet)											
	13,445.2	13,545.2	12,908.0	13,773.4	14,081.2	15,365.7	16,705.9	17,324.1	17,943.4	19,762.9	**21,753.0**
Cumulative payments for the year in question and previous years											
One year later	3,073.9	2,614.0	2,539.1	3,005.1	2,795.7	2,492.9	3,182.2	2,967.7	3,227.3	3,549.4	
Two years later	5,138.9	4,393.9	4,372.6	4,668.8	4,041.2	4,162.8	4,954.2	4,608.8	5,045.4		
Three years later	6,319.1	5,753.7	5,510.3	5,437.5	4,874.3	5,173.5	5,899.6	5,818.2			
Four years later	7,469.8	6,573.4	6,064.8	6,032.7	5,530.5	5,830.8	6,845.7				
Five years later	8,110.6	6,972.9	6,504.3	6,519.4	6,039.7	6,599.1					
Six years later	8,430.0	7,316.1	6,870.6	6,851.4	6,545.6						
Seven years later	8,700.9	7,591.5	7,149.4	7,199.2							
Eight years later	8,931.2	7,819.6	7,441.3								
Nine years later	9,116.3	8,055.7									
Ten years later	9,319.3										
Loss and loss adjustment expense reserve (net) for the year in question and previous years plus payments made to date on the original reserve											
End of year	**13,445.2**	**13,545.2**	**12,908.0**	**13,773.4**	**14,081.2**	**15,365.7**	**16,705.9**	**17,324.1**	**17,943.4**	**19,762.9**	**21,753.0**
One year later	14,050.4	12,802.0	13,203.4	14,873.3	13,557.2	14,677.1	16,402.8	16,904.5	17,672.7	19,250.9	
Two years later	12,995.2	12,384.6	13,135.0	13,596.7	12,769.7	14,067.2	16,056.5	16,482.5	17,028.6		
Three years later	12,462.7	12,305.9	12,645.6	12,694.8	12,178.1	13,650.3	15,560.2	15,965.7			
Four years later	12,473.4	11,877.0	11,749.8	12,190.1	11,757.3	13,165.9	14,939.7				
Five years later	12,102.4	11,056.1	11,396.0	11,852.7	11,281.1	12,599.5					
Six years later	11,346.0	10,782.8	11,091.7	11,345.5	10,751.3						
Seven years later	11,146.7	10,506.0	10,681.0	10,856.6							
Eight years later	10,933.0	10,187.2	10,262.5								
Nine years later	10,706.9	9,772.4									
Ten years later	10,326.5										
Change relative to previous year											
Net run-off result	380.4	34.4	3.7	70.3	41.0	36.5	54.1	(103.7)	127.3	(132.1)	
As percentage of original loss reserve	2.8	0.3	0.0	0.5	0.3	0.2	0.3	(0.6)	0.7	(0.7)	

The run-off profit of altogether EUR 512.0 million in the 2015 financial year derives, as in the previous year, above all from positive run-offs of reserves in the areas of marine/aviation, motor third party liability and short-tail property business. An opposing effect was recorded in the area of liability, accident and health insurance.

Maturities of the technical reserves

IFRS 4 "Insurance Contracts" requires information which helps to clarify the amount and timing of cash flows expected from reinsurance contracts. In the following tables we have shown the future maturities of the technical provisions broken down by the expected remaining times to maturity. As part of our maturity analysis we have directly deducted the deposits put up as collateral for these reserves, since the cash inflows and outflows from these deposits are to be allocated directly to the ceding companies. For further explanation of the recognition and measurement of the reserves please see Section 3.2 "Summary of major accounting policies".

Maturities of the technical reserves N51

	2015					
	Loss and loss adjustment expense reserves			Benefit reserve		
in EUR thousand	gross	retro	net	gross	retro	net
Due in one year	7,307,701	391,609	6,916,092	889,225	448,136	441,089
Due after one through five years	10,514,893	561,676	9,953,217	2,074,902	790,242	1,284,660
Due after five through ten years	3,869,011	187,607	3,681,404	1,074,674	69,053	1,005,621
Due after ten through twenty years	2,527,158	112,346	2,414,812	722,625	34,890	687,735
Due after twenty years	1,182,110	55,298	1,126,812	1,076,414	20,569	1,055,845
	25,400,873	**1,308,536**	**24,092,337**	**5,837,840**	**1,362,890**	**4,474,950**
Deposits	1,155,515	86,891	1,068,624	6,368,859	4,283	6,364,576
Total	**26,556,388**	**1,395,427**	**25,160,961**	**12,206,699**	**1,367,173**	**10,839,526**

Maturities of the technical reserves N52

	2014					
	Loss and loss adjustment expense reserves			Benefit reserve		
in EUR thousand	gross	retro	net	gross	retro	net
Due in one year	6,873,894	410,537	6,463,357	368,073	14,498	353,575
Due after one through five years	9,430,724	530,791	8,899,933	1,403,573	342,156	1,061,417
Due after five through ten years	3,604,852	182,255	3,422,597	1,186,478	277,396	909,082
Due after ten through twenty years	2,323,594	100,496	2,223,098	558,283	25,807	532,476
Due after twenty years	1,039,392	46,431	992,961	856,508	11,248	845,260
	23,272,456	**1,270,510**	**22,001,946**	**4,372,915**	**671,105**	**3,701,810**
Deposits	839,600	106,094	733,506	7,384,217	5,114	7,379,103
Total	**24,112,056**	**1,376,604**	**22,735,452**	**11,757,132**	**676,219**	**11,080,913**

The average maturity of the loss and loss adjustment expense reserves was 5.0 years (5.0 years), or 5.0 years (5.0 years) after allowance for the corresponding retrocession shares. The benefit reserve had an average maturity of 9.9 years (10.7 years) – or 11.8 years (11.5 years) on a net basis.

The average maturity of the reserves is determined using actuarial projections of the expected future payments. A payment pattern is calculated for each homogenous category of our portfolio – making allowance for the business sector, geographical considerations, treaty type and the type of reinsurance – and applied to the outstanding liabilities for each underwriting year and run-off status.

The payment patterns are determined with the aid of actuarial estimation methods and adjusted to reflect changes in payment behaviour and outside influences. The calculations can also be distorted by major losses, and these are therefore considered separately using reference samples or similar losses. The payment patterns used can be compared year for year by contrasting the projected payments with the actual amounts realised. Liabilities in liability and motor reinsurance traditionally have long durations, sometimes in excess of 20 years, while liabilities in property business are settled within the first ten years.

The benefit reserve is established for life, annuity, personal accident and health reinsurance contracts. Based on the duration of these contracts, long-term reserves are constituted for life and annuity policies and predominantly short-term reserves are set aside for health and personal accident business.

The parameters used to calculate the benefit reserve are interest income, lapse rates and mortality/morbidity rates.

The values for the first two components (interest income and lapse rates) differ according to the country concerned, product type, investment year etc.

The mortality and morbidity rates used are chosen on the basis of national tables and the insurance industry standard. Empirical values for the reinsured portfolio, where available, are also taken into consideration. In this context insights into the gender, age and smoker structure are incorporated into the calculations, and allowance is also made for factors such as product type, sales channel and the frequency of premium payment by policyholders.

At the inception of every reinsurance contract, assumptions about the three parameters are made and locked in for the purpose of calculating the benefit reserve. At the same time, safety/fluctuation loadings are built into each of these components. In order to ensure at all times that the originally chosen assumptions continue to be adequate throughout the contract, checks are made on a regular – normally annual – basis in order to determine whether these assumptions need to be adjusted ("unlocked').

The benefit reserve is established in accordance with the principles set out in SFAS 60. The provisions are based on the Group companies' information regarding mortality, interest and lapse rates.

Development of the benefit reserve N 53

	2015			2014		
in EUR thousand	gross	retro	net	gross	retro	net
Net book value at 31 December of the previous year	11,757,132	676,219	11,080,913	10,631,451	344,154	10,287,297
Currency translation at 1 January	716,643	48,141	668,502	763,126	34,666	728,460
Net book value after currency translation	**12,473,775**	**724,360**	**11,749,415**	**11,394,577**	**378,820**	**11,015,757**
Changes	502,461	401,304	101,157	205,140	176,515	28,625
Portfolio entries/exits	(813,517)	245,745	(1,059,262)	126,506	97,290	29,216
Currency translation at 31 December	43,980	(4,236)	48,216	30,909	23,594	7,315
Net book value at 31 December of the year under review	**12,206,699**	**1,367,173**	**10,839,526**	**11,757,132**	**676,219**	**11,080,913**

The development in the year under review was influenced by portfolio withdrawals attributable principally to partial withdrawals for specific underwriting years in relation to our single premium business.

The unearned premium reserve derives from the deferral of ceded reinsurance premium. The unearned premium is determined by the period during which the risk is carried and established in accordance with the information supplied by ceding companies. In cases where no information was received, the unearned premium was estimated using suitable methods. Premium paid for periods subsequent to the date of the balance sheet was deferred from recognition within the statement of income.

Development of the unearned premium reserve N54

in EUR thousand	2015 gross	2015 retro	2015 net	2014 gross	2014 retro	2014 net
Net book value at 31 December of the previous year	2,748,594	149,257	2,599,337	2,405,497	139,039	2,266,458
Currency translation at 1 January	114,612	6,266	108,346	168,330	9,603	158,727
Net book value after currency translation	**2,863,206**	**155,523**	**2,707,683**	**2,573,827**	**148,642**	**2,425,185**
Corporate Changes	–	–	–	–	307	(307)
Changes	259,834	3,307	256,527	154,362	(3,294)	157,656
Currency translation at 31 December	36,323	5,193	31,130	20,405	3,602	16,803
Net book value at 31 December of the year under review	**3,159,363**	**164,023**	**2,995,340**	**2,748,594**	**149,257**	**2,599,337**

The adequacy of the technical liabilities arising out of our reinsurance treaties is reviewed as at each balance sheet date. In the context of the adequacy testing of technical liabilities (liability adequacy test pursuant to IFRS 4 in conjunction with loss recognition test as per US GAAP) the anticipated future contractual payment obligations are compared with the anticipated future income. Should the result of the test indicate that the anticipated future income will not be sufficient to fund future payments, the entire shortfall is recognised in income by first writing off capitalised acquisition costs corresponding to the shortfall. Any remaining difference is constituted as an additional provision.

6.8 Funds withheld (liabilities)

The funds withheld under reinsurance treaties totalling EUR 1,265.0 million (EUR 817.1 million) represent the cash and securities deposits furnished to our company by our retrocessionaires that do not trigger any cash flows and cannot be realised without the consent of our retrocessionaires. The maturities of these deposits are matched to the corresponding shares of the reinsurers in the technical provisions. If such a share no longer exists the corresponding funds withheld are reduced to the same extent.

6.9 Contract deposits (liabilities)

The contract deposits on the liabilities side decreased by EUR 1,389.8 million in the year under review from EUR 6,072.3 million to EUR 4,682.5 million. The contract deposits item on the liabilities side essentially encompasses balances deriving from non-traditional life insurance contracts that are to be carried as liabilities. The decrease was due principally to partial withdrawals for specific underwriting years in relation to our UK single premium business.

6.10 Provisions for pensions and other post-employment benefit obligations

Pension commitments are given in accordance with the relevant version of the pension plan as amended. The 1968 pension plan provides for retirement, disability, widows' and orphans' benefits. The pension entitlement is dependent on length of service; entitlements under the statutory pension insurance scheme are taken into account. The pension plan was closed to new participants with effect from 31 January 1981.

On 1 April 1993 (1 June 1993 in the case of managerial staff) the 1993 pension plan came into effect. This pension plan provides for retirement, disability and surviving dependants' benefits. The scheme is based upon annual determination of the pension contributions, which are calculated according to the pensionable employment income and the company's performance. The pension plan was closed to new participants with effect from 31 March 1999.

From 1997 onwards it has been possible to obtain pension commitments through deferred compensation. The employee-funded commitments included in the provisions for accrued pension rights are protected by an insurance contract with HDI Lebensversicherung AG, Cologne.

As at 1 July 2000 the 2000 pension plan came into force for the entire Group. Under this plan, new employees included in the group of beneficiaries are granted an indirect commitment from HDI Unterstützungskasse e. V. This pension plan provides for retirement, disability and surviving dependants' benefits.

Effective 1 December 2002 Group employees have an opportunity to accumulate additional old-age provision at unchanged conditions by way of deferred compensation through membership of HDI Pensionskasse AG.

In addition to these pension plans, managerial staff and members of the Executive Board, in particular, enjoy individual commitments as well as commitments given under the benefits plan of the Bochumer Verband.

The commitments to employees in Germany predominantly comprise benefit obligations financed by the Group companies. The pension plans are unfunded. The provisions for pensions in Germany and abroad were calculated on the basis of uniform standards according to prevailing economic circumstances.

Provisions for pensions are established in accordance with actuarial principles and are based upon the commitments made by the Hannover Re Group for retirement, disability and widows' benefits. The amount of the commitments is determined according to length of service and salary level.

The defined benefit plans expose Hannover Re to the following actuarial risks:

- longevity
- currency
- interest rate
- disablement
- pension progression
- rate of compensation increase

Longevity entails the risk that the mortality contained in the actuarial bases does not correspond to the actual mortality and that pension payments have to be rendered and funded for a longer duration than had been assumed.

Disablement entails the risk that the assumed number of retirements from the subportfolio of eligible beneficiaries on grounds of disability does not correspond to the actual experience and for this reason increased benefit obligations have to be met.

The pension progression entails the risk that the anticipated development of the consumer price index factored into the trend assumptions was too low and that increased benefit obligations arise on account of the pension indexation required by law.

The rate of compensation increase entails the risk that the increases in pensionable salaries factored into the trend assumptions on a parallel basis do not adequately reflect the actual developments. In addition, in the case of plans under which the determinative income components above and below the income threshold for contributions to the statutory pension insurance scheme are differently weighted for the purpose of calculating the benefit, there is a risk of a diverging trend in the future with respect to salary and income threshold.

The calculation of the provisions for pensions is based upon the following assumptions:

Measurement assumptions N 55

	2015		2014	
in %	Germany	Australia	Germany	Australia
Discount rate	2.36	3.60	1.70	2.60
Rate of compensation increase	2.50	3.50	2.20	3.50
Pension indexation	1.86	3.00	1.65	3.00

The movements in the net pension liability for the Group's various defined benefit plans were as follows:

Movements in net liability from defined benefit pension plans N56

	2015	2014	2015	2014	2015	2014
in EUR thousand	Defined benefit obligation		Fair value of plan assets		Impact of minimum funding requirement/asset ceiling	
Position at 1 January of the financial year	187,034	129,602	15,533	13,510	–	75
Recognised in profit or loss						
Current service costs	4,274	3,149	–	–	–	–
Past service cost and plan curtailments	1,285	194	–	–	–	–
Net interest component	2,636	4,547	37	393	–	3
	8,195	**7,890**	**37**	**393**	**–**	**3**
Recognised in cumulative other comprehensive income						
Actuarial gain (–)/loss (+) from change in biometric assumptions	–	11	–	–	–	–
Actuarial gain (–)/loss (+) from change in financial assumptions	(17,840)	52,930	–	–	–	–
Experience gains (–)/losses (+)	(1,034)	(1,160)	–	–	–	–
Return on plan assets, excluding amounts included in interest income	–	–	123	513	–	–
Change in asset ceiling	–	–	–	–	–	(78)
Exchange differences	47	553	14	519	–	–
	(18,827)	**52,334**	**137**	**1,032**	**–**	**(78)**
Other changes						
Employer contributions	–	–	5,084	600	–	–
Benefit payments	(20,191)	(2,891)	(16,247)	(2)	–	–
Additions and disposals	(1,155)	99	(225)	–	–	–
Effects of plan settlements	(224)	–	214	–	–	–
	(21,570)	**(2,792)**	**(11,174)**	**598**	**–**	**–**
Position at 31 December of the financial year	**154,832**	**187,034**	**4,533**	**15,533**	**–**	**–**

The plan assets consist exclusively of qualifying insurance policies as defined by IAS 19.

The actuarial gains and losses from the change in financial assumptions for defined benefit obligations were chiefly influenced in the financial year just ended by the increase in the discount rate compared to the previous year.

The increase in benefit payments from defined benefit obligations to EUR 20.2 million (EUR 2.9 million) as well as from fair values of plan assets to EUR 16.2 million (EUR 0.0 million) in the year under review resulted largely from entitlements paid out to long-serving senior executives within the Group.

The reconciliation of the projected benefit obligations with the recognised provisions for pensions is as follows:

Provisions for pensions N 57

in EUR thousand	2015	2014
Projected benefit obligations at 31 December of the financial year	154,832	187,034
Fair value of plan assets at 31 December of the financial year	4,533	15,533
Recognised pension obligations at 31 December of the financial year	**150,299**	**171,501**
Provisions for pensions	150,299	171,501

In the current financial year Hannover Re anticipates contribution payments of EUR 0.9 million under the plans set out above. The weighted average duration of the defined benefit obligation is 17.5 (14.8) years.

Sensitivity analysis

An increase or decrease in the key actuarial assumptions would have the following effect on the present value of the defined benefit obligation as at the balance sheet date:

Effect on the defined benefit obligation N 58

in EUR thousand		Parameter increase	Parameter decrease
Discount rate	(+/– 0.5%)	-12,526	+13,950
Rate of compensation increase	(+/– 0.25%)	+492	-714
Pension indexation	(+/– 0.25%)	+4,739	-4,523

Furthermore, a change is possible with respect to the assumed mortality rates and lifespans. The underlying mortality tables were adjusted by reducing the mortalities by 10% in order to determine the longevity risk. Extending the lifespans in this way would have produced a EUR 5.0 million (EUR 5.3 million) higher pension commitment at the end of the financial year.

Defined contribution plans

In addition to the defined benefit plans, some Group companies have defined contribution plans that are based on length of service and the employee's income or level of contributions. The expense recognised for these obligations in the financial year in accordance with IAS 19 "Employee Benefits" was EUR 20.0 million (EUR 18.7 million), of which EUR 1.5 million (EUR 1.2 million) was due to obligations to members of staff in key positions and EUR 6.6 million (EUR 6.5 million) to contributions to the statutory pension insurance scheme in Germany.

6.11 Other liabilities

Other liabilities N 59

in EUR thousand	2015	2014
Liabilities from derivatives	170,004	240,246
Interest	30,908	41,781
Deferred income	28,819	31,732
Direct minority interests in partnerships	25,155	28,603
Sundry non-technical provisions	191,711	154,779
Sundry liabilities	252,336	197,093
Total	**698,933**	**694,234**

Of this, other liabilities of EUR 10.4 million (EUR 7.6 million) are attributable to affiliated companies.

With regard to the liabilities from derivatives in an amount of EUR 170.0 million (EUR 240.2 million), please see our explanatory remarks on derivative financial instruments in Section 8.1 “Derivative financial instruments and financial guarantees”.

The sundry liabilities include, most notably, distributions within the year of EUR 84.6 million (EUR 87.5 million) from interests in private equity funds that had still to be recognised in income as at the balance sheet date.

Development of sundry non-technical provisions N 60

in EUR thousand	Balance at 31 December 2014	Currency translation at 1 January	Balance at 1 January of the year under review
Provisions for			
Audits and costs of publishing the annual financial statements	7,400	4	7,404
Consultancy fees	2,142	61	2,203
Suppliers' invoices	5,826	100	5,926
Partial retirement arrangements and early retirement obligations	3,215	10	3,225
Holiday entitlements and overtime	8,729	(22)	8,707
Anniversary bonuses	3,359	48	3,407
Management bonuses	35,299	661	35,960
Restructuring	4,583	38	4,621
Other	84,226	611	84,837
Total	**154,779**	**1,511**	**156,290**

The maturities of the sundry non-technical provisions as at the balance sheet date are shown in the following table:

Maturities of the sundry non-technical provisions N 61

in EUR thousand	2015	2014
Due in one year	86,075	81,252
Due after one through five years	101,640	69,668
Due after five years	3,996	3,859
Total	**191,711**	**154,779**

6.12 Debt and subordinated capital

On 15 September 2014 Hannover Rück SE placed a EUR 500.0 million subordinated bond on the European capital market. The issue has a perpetual maturity with a first scheduled call option on 26 June 2025 and may be redeemed at each coupon date thereafter. It carries a fixed coupon of 3.375% p. a. until 26 June 2025, after which the interest rate basis changes to 3-month EURIBOR +325 basis points.

On 20 November 2012 Hannover Rück SE placed a EUR 500.0 million subordinated bond in the European capital market via its subsidiary Hannover Finance (Luxembourg) S.A. The bond has a maturity of approximately 30 years with a first scheduled call option on 30 June 2023 and may be redeemed at each coupon date thereafter. It carries a fixed coupon of 5.00% p. a. until this date, after which the interest rate basis changes to a floating rate of 3-month EURIBOR +430 basis points.

On 14 September 2010 Hannover Rück SE placed a subordinated bond on the European capital market through its subsidiary Hannover Finance (Luxembourg) S.A. This subordinated debt of nominally EUR 500.0 million has a maturity of 30 years with a first scheduled call option after ten years and may be redeemed at each coupon date thereafter. The bond carries a fixed coupon of 5.75% in the first ten years, after which the interest rate basis changes to a floating rate of 3-month EURIBOR +423.5 basis points.

Reclassification	Changes in consolidated group	Additions	Utilisation	Release	Currency translation at 31 December	Balance at 31 December 2015
–	4	5,790	6,058	34	(14)	7,092
(915)	–	2,055	1,439	115	16	1,805
–	56	22,718	16,727	588	(345)	11,040
–	–	(499)	206	–	(2)	2,518
–	–	4,480	3,951	2	(1)	9,233
–	–	254	–	–	3	3,664
–	–	23,539	22,435	63	(115)	36,886
–	–	–	4,629	–	8	–
915	–	52,278	18,143	531	117	119,473
–	60	110,615	73,588	1,333	(333)	191,711

The subordinated debt issued in 2005 by Hannover Finance (Luxembourg) S.A. with a volume of EUR 500.0 million was called by the issuer in the full nominal amount at the first scheduled redemption date and repaid on 1 June 2015.

Altogether three (four) subordinated bonds were recognised as at the balance sheet date with an amortised cost of EUR 1,489.9 million (EUR 1,986.5 million).

Debt and subordinated capital N 62

in EUR thousand				2015			
Subordinated loans	Coupon	Maturity	Currency	Amortised cost	Fair value measurement	Accrued interest	Fair value
Hannover Rück SE, 2014	3.375	n/a	EUR	493,950	4,025	8,668	506,643
Hannover Finance (Luxembourg) S.A., 2012	5.00	2043	EUR	497,246	82,054	12,568	591,868
Hannover Finance (Luxembourg) S.A., 2010	5.75	2040	EUR	498,657	78,838	8,484	585,979
				1,489,853	**164,917**	**29,720**	**1,684,490**
Debt				308,483	6,130	1,188	315,801
Other long-term liabilities				1	–	–	1
Total				**1,798,337**	**171,047**	**30,908**	**2,000,292**

Debt and subordinated capital N 63

in EUR thousand				2014			
Subordinated loans	Coupon	Maturity	Currency	Amortised cost	Fair value measurement	Accrued interest	Fair value
Hannover Rück SE 2014	3.375	n/a	EUR	493,464	8,221	4,947	506,632
Hannover Finance (Luxembourg) S.A., 2012	5.00	2043	EUR	496,922	89,933	12,603	599,458
Hannover Finance (Luxembourg) S.A., 2010	5.75	2040	EUR	498,447	89,653	8,507	596,607
Hannover Finance (Luxembourg) S.A., 2005	5.00	n/a	EUR	497,658	8,802	14,589	521,049
				1,986,491	**196,609**	**40,646**	**2,223,746**
Debt				283,853	2,839	1,136	287,828
Other long-term liabilities				3	–	–	3
Total				**2,270,347**	**199,448**	**41,782**	**2,511,577**

The aggregated fair value of the extended subordinated loans is based on quoted, active market prices. If such price information was not available, fair value was determined on the basis of the recognised effective interest rate method or estimated using other financial assets with similar rating, duration and return characteristics. Under the effective interest rate method the current market interest rate levels in the relevant fixed-interest-rate periods are always taken as a basis.

Maturities of financial liabilities N 64

	2015						
in EUR thousand	Less than three months	Three months to one year	One to five years	Five to ten years	Ten to twenty years	More than twenty years	No maturity
Other financial liabilities[1]	55,112	256,058	893	–	–	–	–
Debt	–	39,047	246,117	23,319	–	–	–
Subordinated loans	–	–	–	–	–	995,903	493,950
Other long-term liabilities	–	1	–	–	–	–	–
Total	**55,112**	**295,106**	**247,010**	**23,319**	**–**	**995,903**	**493,950**

[1] Excluding minority interests in partnerships, sundry non-technical provisions and derivative financial instruments; the maturities of the latter two items are broken down separately

Maturities of financial liabilities N 65

in EUR thousand	2014						
	Less than three months	Three months to one year	One to five years	Five to ten years	Ten to twenty years	More than twenty years	No maturity
Other financial liabilities[1]	33,993	236,189	247	–	–	176	–
Debt	15,259	39	257,789	10,766	–	–	–
Subordinated loans	–	–	–	–	–	995,369	991,122
Other long-term liabilities	–	3	–	–	–	–	–
Total	**49,252**	**236,231**	**258,036**	**10,766**	**–**	**995,545**	**991,122**

[1] Excluding minority interests in partnerships, sundry non-technical provisions and derivative financial instruments; the maturities of the latter two items are broken down separately

Net gains and losses from debt and subordinated capital N 66

in EUR thousand	Ordinary income/expenses 2015	Ordinary income/expenses 2014	Amortisation 2015	Amortisation 2014	Net result 2015	Net result 2014
Debt	(11,862)	(11,718)	732	593	(11,130)	(11,125)
Subordinated loans	(80,954)	(90,432)	(3,362)	(5,288)	(84,316)	(95,720)
Total	**(92,816)**	**(102,150)**	**(2,630)**	**(4,695)**	**(95,446)**	**(106,845)**

The ordinary expenses principally include interest expenses of nominally EUR 81.0 million (EUR 90.4 million) resulting from the issued subordinated debt.

Other financial facilities

Letter of credit (LoC) facilities existed with a number of financial institutions as at the balance sheet date. A syndicated letter of credit facility taken out in 2011 with a volume equivalent to EUR 915.2 million (EUR 822.7 million) had a term maturing at the beginning of 2019. It was terminated in January 2016 and partially refinanced through bilateral credit facilities.

Unsecured letter of credit facilities with various terms (maturing at the latest in 2022) and a total volume equivalent to EUR 2,581.6 million (EUR 2,559.3 million) exist on a bilateral basis with financial institutions. For further information on the letters of credit provided please see our explanatory remarks in Section 8.7 “Contingent liabilities and commitments”.

A number of LoC facilities include standard market clauses that allow the banks rights of cancellation in the event of material changes in our shareholding structure or trigger a requirement on the part of Hannover Re to furnish collateral upon materialisation of major events, for example if our rating is significantly downgraded. Please see also our explanatory remarks in the “Financial position” section of the management report, page 59 et seq., on the information pursuant to § 315 Para. 4 German Commercial Code (HGB).

6.13 Shareholders' equity and treasury shares

Shareholders' equity is shown as a separate component of the financial statement in accordance with IAS 1 "Presentation of Financial Statements" and subject to IAS 32 "Financial Instruments: Disclosure and Presentation" in conjunction with IAS 39 "Financial Instruments: Recognition and Measurement". The change in shareholders' equity comprises not only the net income deriving from the statement of income but also the changes in the value of asset and liability items not recognised in the statement of income.

The common shares (share capital of Hannover Rück SE) amount to EUR 120,597,134.00. They are divided into 120,597,134 voting and dividend-bearing registered ordinary shares in the form of no-par-value shares. The shares are paid in full. Each share carries an equal voting right and an equal dividend entitlement.

Conditional capital of up to 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 holders of participating bonds with conversion rights and warrants and has a time limit of 2 May 2016.

The Executive Board is authorised, with the consent of the Supervisory Board, to acquire treasury shares – including through the use of derivatives – up to an amount of 10% of the share capital. The authorisation has a time limit of 5 May 2020.

The Annual General Meeting of Hannover Rück SE resolved on 6 May 2015 that a gross dividend of EUR 4.25 per share should be paid for the 2014 financial year. This corresponds to a total distribution of EUR 512.5 million (EUR 361.8 million). The distribution consists of a dividend of EUR 3.00 per share and a special dividend of EUR 1.25 per share.

The decrease in the other reserves arising out of currency translation, which is recognised in equity, was attributable in an amount of EUR 11.9 million (increase recognised in equity of EUR 33.0 million) to the translation of long-term debt or loans with no maturity date extended to Group companies and branches abroad.

For the disclosures arising out of IAS 1 "Presentation of Financial Statements" with regard to the management of capital, the reader is referred to the "Financial position" section on page 55 et seq. of the management report.

Treasury shares

IAS 1 requires separate disclosure of treasury shares in shareholders' equity. As part of this year's employee share option plan Hannover Rück SE acquired altogether 12,922 (21,608) treasury shares during the second quarter of 2015 and delivered them to eligible employees at preferential conditions. These shares are blocked until 31 May 2019. This transaction resulted in an expense of EUR 0.3 million (EUR 0.4 million), which was recognised under personnel expenditure, as well as a negligible change in retained earnings recognised in equity. The company was no longer in possession of treasury shares as at the balance sheet date.

6.14 Non-controlling interests

Non-controlling interests in the shareholders' equity of subsidiaries are reported separately within Group shareholders' equity in accordance with IAS 1 "Presentation of Financial Statements". They amounted to EUR 709.1 million (EUR 702.2 million) as at the balance sheet date.

Non-controlling interests in partnerships are reported in accordance with IAS 32 "Financial Instruments: Presentation" under long-term liabilities.

The non-controlling interest in profit or loss, which forms part of net income and is shown separately after net income as a "thereof" note, amounted to EUR 64.0 million (EUR 79.5 million) in the year under review.

Subsidiaries with material non-controlling interests N 67

in EUR thousand	2015	2014
	E+S Rückversicherung AG, Hannover, Germany	
Participation of non-controlling interests	35.21%	35.21%
Voting rights of non-controlling interests	35.21%	35.21%
Net income	147,794	211,042
thereof attributable to non-controlling interests	52,036	76,341
Income/expense recognised directly in equity	(41,416)	95,661
Total recognised income and expense	106,378	306,703
Shareholders' equity	1,894,706	1,908,328
thereof attributable to non-controlling interests	667,096	671,892
Dividends paid	120,000	110,000
thereof attributable to non-controlling interests	42,250	39,946
Assets	11,321,496	11,291,744
Liabilities	9,426,790	9,383,417
Cash flow from operating activities	358,705	387,294
Cash flow from investing activities	(239,012)	(262,061)
Cash flow from financing activities	(124,365)	(111,409)

7. Notes on the individual items of the statement of income

7.1 Gross written premium

The following table shows the breakdown of the gross written premium according to regional origin.

Gross written premium N 68

in EUR thousand	2015	2014
Regional origin		
Germany	1,368,419	1,225,113
United Kingdom	2,759,809	2,489,788
France	701,380	666,892
Other	1,776,980	1,626,667
Europe	**6,606,588**	**6,008,460**
USA	4,318,201	3,242,010
Other	771,729	693,976
North America	**5,089,930**	**3,935,986**
Asia	2,950,202	2,214,766
Australia	1,008,059	921,279
Australasia	**3,958,261**	**3,136,045**
Africa	503,754	451,265
Other	910,130	830,045
Total	**17,068,663**	**14,361,801**

7.2 Investment income

Investment income N 69

in EUR thousand	2015	2014
Income from real estate	140,994	100,341
Dividends	6,928	4,836
Interest income	993,218	949,498
Other investment income	112,303	13,686
Ordinary investment income	**1,253,443**	**1,068,361**
Profit or loss on shares in associated companies	19,169	1,042
Appreciation	616	126
Realised gains on investments	234,465	208,077
Realised losses on investments	98,618	25,624
Change in fair value of financial instruments	901	(33,257)
Impairments on real estate	28,212	19,924
Impairments on equity securities	1,889	–
Impairments on fixed-income securities	2,762	2,000
Impairments on participating interests and other financial assets	5,851	5,760
Other investment expenses	101,202	95,256
Net income from assets under own management	**1,270,060**	**1,095,785**
Interest income on funds withheld and contract deposits	462,898	485,088
Interest expense on funds withheld and contract deposits	67,865	109,032
Total investment income	**1,665,093**	**1,471,841**

The impairments totalling EUR 15.0 million (EUR 9.2 million) were attributable in an amount of EUR 2.8 million (EUR 2.0 million) to the area of fixed-income securities. Impairments of EUR 5.9 million (EUR 5.8 million) were taken on alternative investments. These were attributable exclusively to private equity. Impairments of EUR 4.5 million (EUR 1.4 million) were recognised on investments in the real estate sector. Impairments of EUR 1.9 million (EUR 0.0 million) were recognised on equities or equity funds in the year under review because their fair values had fallen either significantly (by at least 20%) or for a prolonged period (for at least nine months) below acquisition cost. These impairments contrasted with write-ups of EUR 0.6 million (EUR 0.1 million) made on investment property that had been written down in previous periods. The portfolio did not contain any overdue, unadjusted assets as at the balance sheet date since overdue securities are written down immediately.

Interest income on investments N 70

in EUR thousand	2015	2014
Fixed-income securities – held to maturity	61,439	84,878
Fixed-income securities – loans and receivables	106,911	108,181
Fixed-income securities – available for sale	802,858	734,381
Financial assets – at fair value through profit or loss	3,215	1,810
Other	18,795	20,248
Total	**993,218**	**949,498**

The net gains and losses on investments held to maturity, loans and receivables and the available-for-sale portfolio shown in the following table are composed of interest income, realised gains and losses as well as impairments and appreciation. In the case of the fixed-income securities at fair value through profit or loss designated in this category and the other financial assets, which include the technical derivatives, income and expenses from changes in fair value are also recognised.

Making allowance for the other investment expenses of EUR 101.2 million (EUR 95.3 million), net income from assets under own management of altogether EUR 1,270.1 million (EUR 1,095.8 million) was recognised in the year under review.

Net gains and losses on investments N 71

in EUR thousand	2015				
	Ordinary investment income [1]	Realised gains and losses	Impairments/ appreciation	Change in fair value	Net income from assets under own management [2]
Held to maturity					
Fixed-income securities	61,646	981	2,365	–	60,262
Loans and receivables					
Fixed-income securities	103,734	3,975	–	–	107,709
Available for sale					
Fixed-income securities	733,577	170,517	397	–	903,697
Equity securities	2,117	114	1,889	–	342
Other invested assets	192,983	646	6,694	–	186,935
Short-term investments	18,659	72	–	–	18,731
At fair value through profit or loss					
Fixed-income securities	3,215	110	–	(260)	3,065
Other financial assets	1,099	(5,684)	–	(25,823)	(30,408)
Other invested assets	–	(23,525)	–	9,468	(14,057)
Other	155,582	(11,359)	26,753	17,516	134,986
Total	**1,272,612**	**135,847**	**38,098**	**901**	**1,371,262**

[1] Including income from associated companies, for reconciliation with the consolidated statement of income
[2] Excluding other investment expenses

Net gains and losses on investments N 72

in EUR thousand	2014				
	Ordinary investment income [1]	Realised gains and losses	Impairments/ appreciation	Change in fair value	Net income from assets under own management [2]
Held to maturity					
Fixed-income securities	85,093	168	–	–	85,261
Loans and receivables					
Fixed-income securities	105,161	15,588	2,000	–	118,749
Available for sale					
Fixed-income securities	674,992	148,642	–	–	823,634
Equity securities	935	394	–	–	1,329
Other invested assets	82,850	5,770	5,847	–	82,773
Short-term investments	20,112	215	–	–	20,327
At fair value through profit or loss					
Fixed-income securities	1,810	201	–	(1,291)	720
Other financial assets	3,175	337	–	(4,612)	(1,100)
Other invested assets	–	788	–	(3,014)	(2,226)
Other	95,275	10,350	19,711	(24,340)	61,574
Total	**1,069,403**	**182,453**	**27,558**	**(33,257)**	**1,191,041**

[1] Including income from associated companies, for reconciliation with the consolidated statement of income
[2] Excluding other investment expenses

7.3 Reinsurance result

Reinsurance result N 73

in EUR thousand	2015	2014
Gross written premium	17,068,663	14,361,801
Ceded written premium	2,219,094	1,781,064
Change in unearned premium	(259,834)	(154,362)
Change in ceded unearned premium	3,307	(3,294)
Net premium earned	**14,593,042**	**12,423,081**
Other technical income	1,290	1,641
Total net technical income	**14,594,332**	**12,424,722**
Claims and claims expenses paid	9,845,561	8,360,442
Change in loss and loss adjustment expense reserve	1,229,846	1,103,730
Claims and claims expenses	**11,075,407**	**9,464,172**
Change in benefit reserve	101,157	28,625
Net change in benefit reserve	**101,157**	**28,625**
Commissions	3,025,208	2,672,826
Change in deferred acquisition costs	97,673	121,961
Change in provision for contingent commissions	(9,106)	28,503
Other acquisition costs	5,652	4,878
Other technical expenses	1,348	7,461
Administrative expenses	398,512	363,859
Net technical result	**93,827**	**(23,641)**

With regard to the claims and claims expenses as well as the change in the benefit reserve the reader is also referred to Section 6.7 "Technical provisions". The change in the benefit reserve relates exclusively to the life and health reinsurance segment.

The administrative expenses amounted to altogether 2.7% (2.9%) of net premium earned.

Other technical income N 74

in EUR thousand	2015	2014
Other technical income (gross)	4,074	2,864
Reinsurance recoverables	2,784	1,223
Other technical income (net)	**1,290**	**1,641**

Commissions and brokerage, change in deferred acquisition costs N 75

in EUR thousand	2015	2014
Commissions paid (gross)	3,313,301	2,922,711
Reinsurance recoverables	288,093	249,885
Change in deferred acquisition costs (gross)	119,918	142,026
Reinsurance recoverables	22,245	20,065
Change in provision for contingent commissions (gross)	(5,643)	27,119
Reinsurance recoverables	3,463	(1,384)
Commissions and brokerage, change in deferred acquisition costs (net)	**2,918,429**	**2,579,368**

Other technical expenses N 76

in EUR thousand	2015	2014
Other technical expenses (gross)	2,180	5,843
Reinsurance recoverables	832	(1,618)
Other technical expenses (net)	**1,348**	**7,461**

7.4 Other income and expenses

Other income/expenses N 77

in EUR thousand	2015	2014
Other income		
Exchange gains	374,351	338,895
Reversals of impairments on receivables	10,920	4,448
Income from contracts recognised in accordance with the deposit accounting method	98,377	71,895
Income from services	2,156	11,742
Deconsolidation	412	2,602
Other interest income	43,810	15,310
Sundry income	28,033	18,151
	558,059	**463,043**
Other expenses		
Other interest expenses	80,258	58,719
Exchange losses	289,467	231,946
Expenses from contracts recognised in accordance with the deposit accounting method	35,718	14,369
Separate value adjustments on receivables	23,570	21,753
Expenses for the company as a whole	57,986	54,962
Depreciation, amortisation, impairments	14,060	13,500
Expenses for services	7,961	10,489
Sundry expenses	52,723	39,115
	561,743	**444,853**
Total	**(3,684)**	**18,190**

The separate value adjustments were attributable to accounts receivable in an amount of EUR 23.6 million (EUR 21.7 million).

7.5 Taxes on income

Domestic taxes on income, comparable taxes on income at foreign subsidiaries as well as deferred taxes in accordance with IAS 12 "Income Taxes" are recognised under this item.

The reader is referred to the remarks in Section 3.2 "Summary of major accounting policies" regarding the basic approach to the recognition and measurement of deferred taxes.

Effective 1 January 2016 the raising of the trade tax multiplier for the City of Hannover from 460.0% to 480.0% was approved.

A tax rate of 32.63% (rounded to 32.7%; previous year: 31.93%, rounded to 32.0%) was therefore used to calculate the deferred taxes of the major domestic companies. It is arrived at from the unchanged corporate income tax rate of 15.0%, the unchanged German solidarity surcharge of 5.5% and a trade earnings tax rate of 16.8% (16.1%). The deferred taxes at the companies abroad were calculated using the applicable country-specific tax rates.

Tax-relevant bookings on the Group level are made using the Group tax rate unless they refer specifically to individual companies.

Deferred tax liabilities on profit distributions of significant affiliated companies are established in the year when they are received.

Breakdown of taxes on income

The breakdown of actual and deferred income taxes was as follows:

Income tax N 78

in EUR thousand	2015	2014
Actual tax for the year under review	261,328	283,911
Actual tax for other periods	16,620	(16,190)
Deferred taxes due to temporary differences	186,579	52,937
Deferred taxes from loss carry-forwards	(24,905)	(1,288)
Change in deferred taxes due to changes in tax rates	21,548	–
Value adjustments on deferred taxes	(4,963)	(13,807)
Total	**456,207**	**305,563**

Domestic/foreign breakdown of recognised tax expenditure/income N 79

in EUR thousand	2015	2014
Current taxes		
Germany	195,884	182,541
Abroad	82,064	85,181
Deferred taxes		
Germany	186,898	53,289
Abroad	(8,639)	(15,448)
Total	**456,207**	**305,563**

The following table presents a breakdown of the deferred tax assets and liabilities into the balance sheet items from which they are derived.

Deferred tax assets and deferred tax liabilities of all Group companies N 80

in EUR thousand	2015	2014
Deferred tax assets		
Tax loss carry-forwards	118,379	94,401
Loss and loss adjustment expense reserves	465,568	210,604
Benefit reserve	156,986	79,596
Other technical/non-technical provisions	616,979	380,690
Funds withheld	553,500	620,013
Deferred acquisition costs	41,907	44,298
Accounts receivable/reinsurance payable	68,102	78,881
Valuation differences relating to investments	84,551	31,308
Contract deposits	9,656	754
Other valuation differences	41,680	38,410
Value adjustments [1]	(45,352)	(51,544)
Total	**2,111,956**	**1,527,411**
Deferred tax liabilities		
Loss and loss adjustment expense reserves	388,350	45,563
Benefit reserve	124,232	100,324
Other technical/non-technical provisions	176,491	482,658
Equalisation reserve	1,214,395	1,114,641
Funds withheld	891,975	476,105
Deferred acquisition costs	232,798	218,590
Accounts receivable/reinsurance payable	143,235	109,280
Valuation differences relating to investments	316,775	401,707
Present value of future profits on acquired life reinsurance portfolios (PVFP)	9,783	10,299
Other valuation differences	113,144	49,912
Total	**3,611,178**	**3,009,079**
Deferred tax liabilities	1,499,222	1,481,668

[1] Thereof on tax loss carry-forwards: -EUR 44,737 thousand (-EUR 50,927 thousand)

The deferred tax assets and deferred tax liabilities are shown unoffset in the above table. The deferred taxes are recognised as follows in the balance sheet after appropriate netting:

Netting of deferred tax assets and deferred tax liabilities N 81

in EUR thousand	2015	2014
Deferred tax assets	433,500	393,923
Deferred tax liabilities	1,932,722	1,875,591
Net deferred tax liabilities	**1,499,222**	**1,481,668**

In view of the unrealised gains on investments and on currency translation recognised directly in equity in the financial year, actual and deferred tax income – including amounts attributable to non-controlling interests – of EUR 142.8 million (tax expenditure of EUR 258.2 million) was also recognised directly in equity.

The following table presents a reconciliation of the expected expense for income taxes with the actual expense for income taxes reported in the statement of income. The pre-tax result is multiplied by the Group tax rate in order to calculate the Group's expected expense for income taxes.

Reconciliation of the expected expense for income taxes with the actual expense N 82

in EUR thousand	2015	2014
Profit before taxes on income	1,670,920	1,370,670
Group tax rate	32%	32%
Expected expense for income taxes	534,694	438,614
Change in tax rates	21,548	–
Differences in tax rates affecting subsidiaries	(120,541)	(90,919)
Non-deductible expenses	66,902	54,025
Tax-exempt income	(39,216)	(52,854)
Tax expense/income not attributable to the reporting period	16,117	(34,269)
Value adjustments on deferred taxes/loss carry-forwards	(4,963)	(13,807)
Trade tax modifications	(24,597)	(660)
Other	6,263	5,433
Actual expense for income taxes	**456,207**	**305,563**

The expense for income taxes in the financial year was EUR 150.6 million higher than in the previous year at EUR 456.2 million (EUR 305.6 million). The increase is due in large measure to the sharp rise year-on-year in the pre-tax result. In addition, the increase in the trade tax multiplier of the City of Hannover led to a rise in the expense for deferred taxes.

The effective tax rate amounted to 27.3% (22.3%).

Availability of non-capitalised loss carry-forwards

Unused tax loss carry-forwards and tax credits of EUR 455.4 million (EUR 352.8 million) existed as at the balance sheet date. Making allowance for local tax rates, EUR 164.4 million (EUR 183.1 million) thereof was not capitalised since realisation is not sufficiently certain.

No deferred taxes were established on liabilities-side taxable temporary differences amounting to EUR 57.5 million (EUR 52.3 million as well as assets-side differences of EUR 135.0 million) in connection with interests in Group companies because the Hannover Re Group can control their reversal and will not reverse them in the foreseeable future.

Availability of loss carry-forwards that have not been capitalised:

Expiry of non-capitalised loss carry-forwards and temporary differences N 83

in EUR thousand	One to five years	Six to ten years	More than ten years	Unlimited	Total
Temporary differences	–	–	–	3,237	3,237
Loss carry-forwards	–	–	–	161,167	161,167
Total	**–**	**–**	**–**	**164,404**	**164,404**

8. Other notes

8.1 Derivative financial instruments and financial guarantees

Derivatives are financial instruments, the fair value of which is derived from an underlying instrument such as equities, bonds, indices or currencies. We use derivative financial instruments in order to hedge parts of our portfolio against interest rate and market price risks, optimise returns or realise intentions to buy/sell. In this context we take special care to limit the risks, select first-class counterparties and adhere strictly to the standards defined by investment guidelines.

The fair values of the derivative financial instruments were determined on the basis of the market information available at the balance sheet date. Please see Section 3.2 "Summary of major accounting policies" with regard to the measurement models used.

Hannover Re holds derivative financial instruments to hedge interest rate risks from loans connected with the financing of real estate; these gave rise to recognition of other liabilities in an amount of EUR 3.6 million (EUR 4.0 million) and other financial assets at fair value through profit or loss in an amount of EUR 0.1 million (EUR 0.5 million).

Hannover Re's portfolio contained derivative financial instruments as at the balance sheet date in the form of forward exchange transactions taken out to hedge currency risks. These transactions gave rise to recognition of other liabilities in an amount of EUR 3.1 million (EUR 30.6 million) and other financial assets at fair value through profit or loss in an amount of EUR 15.0 million (EUR 14.5 million). The increase in equity from hedging instruments recognised directly in equity pursuant to IAS 39 in an amount of EUR 3.6 million derived solely from the forward exchange transactions taken out to hedge currency risks from long-term investments in foreign operations. These hedging instruments resulted in the recognition of other assets in an amount of EUR 2.7 million. Ineffective components of the hedge were recognised in profit or loss under other investment expenses in an amount of EUR 0.8 million.

In the course of the second quarter of the year under review derivative financial instruments held to hedge inflation risks within the loss reserves were disposed of in a total volume of EUR 67.9 million, allowing for a negative exchange rate effect of EUR 4.3 million. These derivative instruments were recognised under other liabilities in an amount of EUR 63.6 million as at the balance sheet date of the previous year.

In order to hedge the risk of share price changes in connection with the stock appreciation rights granted under the share award plan, Hannover Re has taken out hedges since 2014 in the form of so-called equity swaps. The fair value of these instruments amounted to EUR 2.0 million (EUR 1.1 million) as at the balance sheet date and was recognised under other financial assets at fair value through profit or loss. The hedge gave rise to an increase in equity from hedging instruments recognised directly in equity in an amount of EUR 5.9 million (EUR 1.1 million); ineffective components of the hedge were recognised in a minimal amount under other investment expenses.

The maturities of the fair values and notional values of the hedging instruments described above can be broken down as follows:

Maturity structure of derivative financial instruments N 84

in EUR thousand	2015			
	Less than one year	One to five years	Five to ten years	31.12.2015
Interest rate hedges				
Fair values	(709)	(2,776)	–	(3,485)
Notional values	83,781	119,813	–	203,594
Currency hedges				
Fair values	8,891	2,403	561	11,855
Notional values	655,412	33,122	6,396	694,930
Share price hedges				
Fair values	1,999	–	–	1,999
Notional values	25,486	–	–	25,486
Total hedging instruments				
Fair values	10,181	(373)	561	10,369
Notional values	764,679	152,935	6,396	924,010

Maturity structure of derivative financial instruments N 85

in EUR thousand	2014			
	Less than one year	One to five years	Five to ten years	31.12.2014
Interest rate hedges				
Fair values	(90)	(3,861)	469	(3,482)
Notional values	15,269	156,817	36,199	208,285
Currency hedges				
Fair values	(13,464)	(2,634)	–	(16,098)
Notional values	760,668	26,860	–	787,528
Inflation hedges				
Fair values	(36,263)	(27,325)	–	(63,588)
Notional values	1,568,881	322,131	–	1,891,012
Share price hedges				
Fair values	1,066	–	–	1,066
Notional values	17,344	–	–	17,344
Total hedging instruments				
Fair values	(48,751)	(33,820)	469	(82,102)
Notional values	2,362,162	505,808	36,199	2,904,169

The net changes in the fair value of these instruments resulted in an improvement of EUR 4.0 million in the result of the financial year (charge to the result of EUR 32.9 million).

Hannover Re enters into derivative transactions on the basis of standardised master agreements that contain master netting agreements. The netting agreements set out below normally do not meet the criteria for netting in the balance sheet, since Hannover Re has no legal right whatsoever at the present moment in time to netting of the recognised amounts. The right to netting can, as a matter of principle, only be enforced upon occurrence of certain future defined events. Collateral furnished or received is recognised per counterparty up to at most the amount of the respective net liability or net asset.

Netting agreements **N 86**

in EUR thousand	2015				
	Fair value	Netting agreement	Cash collateral received/ furnished	Other collateral received/ furnished	Net amount
Derivative receivables	17,881	1,678	5,081	1,802	9,320
Derivative liabilities	3,146	1,678	–	–	1,468

Netting agreements **N 87**

in EUR thousand	2014				
	Fair value	Netting agreement	Cash collateral received/ furnished	Other collateral received/ furnished	Net amount
Derivative receivables	13,899	2,307	10,140	–	1,452
Derivative liabilities	94,188	2,307	–	77,636	14,245

Derivative financial instruments in connection with reinsurance

A number of treaties in life and health reinsurance meet criteria which require application of the prescriptions in IFRS 4 "Insurance Contracts" governing embedded derivatives. These accounting regulations require that certain derivatives embedded in reinsurance contracts be separated from the underlying insurance contract ("host contract"), reported separately at fair value in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" and recognised under investments. Fluctuations in the fair value of the derivative components are to be recognised through profit and loss in subsequent periods.

Within the scope of the accounting of "modified coinsurance" and "coinsurance funds withheld" (ModCo) reinsurance treaties, under which securities deposits are held by the ceding companies and payments rendered on the basis of the income from certain securities of the ceding company, the interest-rate risk elements are clearly and closely related to the underlying reinsurance arrangements. Embedded derivatives consequently result solely from the credit risk of the underlying securities portfolio.

Hannover Re calculates the fair values of the embedded derivatives in ModCo treaties using the market information available on the valuation date on the basis of a "credit spread" method. Under this method the derivative is valued at zero on the date when the contract commences and its value then fluctuates over time according to changes in the credit spreads of the securities. The derivative had a positive value of EUR 23.2 million (EUR 44.8 million) as at the balance sheet date and was recognised under other financial assets at fair value through profit or loss.

In the course of the year the change in the fair value of the derivative gave rise to a charge against investment income of EUR 26.1 million before tax (EUR 6.8 million).

A number of transactions concluded in the life and health reinsurance business group in previous years, under which Hannover Re companies offer their contracting parties coverage for risks from possible future payment obligations arising out of hedging instruments, are also to be classified as derivative financial instruments. The payment obligations result from contractually defined events and relate to the development of an underlying group of primary insurance contracts with statutory reserving requirements. The contracts are to be categorised and recognised as stand-alone credit derivatives pursuant to IAS 39. These derivative financial instruments were carried in equity on initial recognition because receivables recognised under other assets were to be carried in the same amount. Please see Section 6.6 "Other assets". The fair value of these instruments was EUR 156.1 million (EUR 136.5 million) on the balance sheet date and was recognised under other liabilities. The change in value in subsequent periods is dependent upon the risk experience and led to an improvement of EUR 17.8 million (EUR 6.3 million) in investment income in the financial year.

All in all, application of the standards governing the accounting for derivatives in connection with the technical account led to recognition of assets totalling EUR 24.5 million (EUR 51.4 million) as well as recognition of liabilities in an amount of EUR 163.3 million (EUR 142.2 million) from the derivatives resulting from technical items as at the balance sheet date. Increases in investment income amounting to EUR 18.5 million (EUR 11.4 million) as well as charges to income of EUR 29.7 million (EUR 7.5 million) were recognised in the year under review from all separately measured derivatives in connection with the technical account.

Financial guarantees

Structured transactions were entered into in the life and health reinsurance business group in order to finance statutory reserves (so-called Triple-X or AXXX reserves) of US ceding companies. In each case such structures necessitated the involvement of a special purpose entity. The special purpose entities carry extreme mortality risks securitised by the cedants above a contractually defined retention and transfer these risks by way of a fixed/floating swap to a member company of the Hannover Re Group. The total amount of the contractually agreed capacities of the transactions is equivalent to EUR 3,544.4 million (EUR 3,079.4 million); an amount equivalent to EUR 2,483.4 million (EUR 1,887.0 million) had been taken up as at the balance sheet date. The variable payments to the special purpose entities that are guaranteed by the Hannover Re Group cover their payment obligations. Under some of the transactions the payments resulting from the swaps in the event of a claim are reimbursed by the parent companies of the cedants by way of compensation agreements. In this case the reimbursement claims from the compensation agreements are to be capitalised separately from and up to the amount of the provision.

Under IAS 39 these transactions are to be recognised at fair value as financial guarantees. To this end Hannover Re uses the net method, according to which the present value of the agreed fixed swap premiums is netted with the present value of the guarantee commitment. The fair value on initial recognition therefore amounted to zero. The higher of the fair value and the amount carried as a provision on the liabilities side pursuant to IAS 37 is recognised at the point in time when utilisation is considered probable. This was not the case as at the balance sheet date.

8.2 Related party disclosures

IAS 24 "Related Party Disclosures" defines related parties as group entities of a common parent, associated entities, legal entities under the influence of key management personnel and the key management personnel of the entity itself. Transactions between Hannover Rück SE and its subsidiaries, which are to be regarded as related parties, were eliminated through consolidation and are therefore not discussed in the notes to the consolidated financial statement. In the year under review the following significant business relations existed with related parties.

Talanx AG holds an unchanged majority interest of 50.22% in Hannover Rück SE. For its part, HDI-Haftpflichtverband der Deutschen Industrie Versicherungsverein auf Gegenseitigkeit, Hannover, (HDI), holds a stake of 79.0% in Talanx AG and therefore indirectly holds 39.7% (rounded) of the voting rights in Hannover Rück SE.

The business relationship between Hannover Rück SE and its subsidiary E+S Rückversicherung AG is based on a cooperation agreement. A retrocession by Hannover Rück SE to E+S Rückversicherung AG exists in property and casualty reinsurance. The exclusive responsibilities of E+S Rückversicherung AG for German business and of Hannover Rück SE for international markets have been preserved.

Companies belonging to the Talanx Group granted the Hannover Re Group insurance protection inter alia in the areas of public liability, building, contractors all risks, group accident and business travel insurance. Divisions of Talanx AG also performed services for us in the areas of taxes and general administration.

Talanx Reinsurance Broker AG grants Hannover Rück SE and E+S Rückversicherung AG a preferential position as reinsurers of cedants within the Talanx Group. In addition, Hannover Rück SE and E+S Rückversicherung AG are able to participate in the protection covers on the retention of Group cedants and share in the protection afforded by them. In certain circumstances Hannover Rück SE and E+S Rückversicherung AG are obliged to assume unplaced shares of the reinsurance of Group cedants from Talanx Reinsurance Broker AG.

The Hannover Re Group provides reinsurance protection for the HDI Group. To this extent, numerous underwriting business relations exist with related parties in Germany and abroad which are not included in Hannover Re's consolidation. This includes business both assumed and ceded at usual market conditions. For the year under review and the previous year these business relations can be broken down as follows:

Business assumed and ceded in Germany and abroad N 88

in EUR thousand	2015 Premium	2015 Underwriting result	2014 Premium	2014 Underwriting result
Business assumed				
Property and casualty reinsurance	579,410	(67,022)	462,040	27,104
Life and health reinsurance	158,803	23,909	156,206	27,905
	738,213	**(43,113)**	**618,246**	**55,009**
Business ceded				
Property and casualty reinsurance	(10,784)	(2,377)	(11,713)	(8,993)
Life and health reinsurance	(67,276)	(10,963)	(44,478)	(8,503)
	(78,060)	**(13,340)**	**(56,191)**	**(17,496)**
Total	**660,153**	**(56,453)**	**562,055**	**37,513**

The reinsurance relationships with related parties in the year under review are shown with their total amounts in the table.

In the context of a bond issue by Talanx AG the Group companies Hannover Rück SE and E+S Rückversicherung AG invested in a nominal amount of EUR 47.0 million in the issued bearer debt, which has a coupon of 3.125%. The carrying amount of the instrument, which is recognised under fixed-income securities held to maturity, was EUR 48.3 million (EUR 48.3 million) including accrued interest of EUR 1.3 million (EUR 1.3 million).

HDI Lebensversicherung AG, Cologne, participated in a nominal amount of EUR 50.0 million in the subordinated bond issued by Hannover Rück SE in September 2014 with a coupon of 3.375%.

Within the contractually agreed framework Talanx Asset Management GmbH performs investment and asset management services for Hannover Rück SE and some of its subsidiaries. Assets in special funds are managed by Ampega Investment GmbH. Talanx Immobilien Management GmbH performs services for Hannover Re under a number of management contracts.

In 2014 Hannover Rück SE reached an agreement with Talanx Asset Management GmbH that allows Talanx Asset Management GmbH to use software for checking sanctions lists.

Under long-term lease arrangements companies belonging to the Hannover Re Group rented out business premises in 2015 to Talanx Service AG, Hannover. In addition, lease agreements exist with Talanx Service AG for use of a portion of the space in our data-processing computer centre.

Furthermore, IT and management services were performed for Talanx Reinsurance Broker AG, Hannover, under service contracts.

Actuarial opinions with respect to the pension commitments given to staff are drawn up for Hannover Rück SE and E+S Rückversicherung AG by Talanx Pensionsmanagement AG and HDI Lebensversicherung AG under an actuarial service contract.

Talanx AG performs various services in the area of taxes for a number of investment vehicles of the Hannover Re Group in the asset classes of private equity and real estate. In this regard corresponding agreements have been concluded with altogether 14 Hannover Re companies.

Since 2012 a service agreement has existed between Hannover Rück SE and Talanx AG regarding the purchase of services for operation of data acquisition software.

Hannover Rück SE has concluded a service contract with Talanx Service AG in the area of flight services as well as a contract regarding the reciprocal provision of business continuity management services.

Remuneration and shareholdings of the management boards of the parent company

The remuneration of the active members of the Executive Board of Hannover Re amounted to altogether EUR 8.1 million (EUR 7.6 million). The total remuneration (excluding pension payments) of former members of the Executive Board and their surviving dependants stood at EUR 0.7 million (EUR 0.8 million). The pension payments to previous members of the Executive Board and their surviving dependants, for whom 16 (16) pension commitments existed, totalled EUR 1.6 million (EUR 1.5 million) in the year under review; altogether, a provision of EUR 25.0 million (EUR 28.8 million) has been set aside for these commitments.

The total remuneration of the Supervisory Board of Hannover Re amounted to EUR 0.9 million (EUR 0.9 million). There are no pension commitments to former members of the Supervisory Board or their surviving dependants.

The members of the governing bodies did not receive any advances or loans in the year under review. Nor were there any other material reportable circumstances or contractual relationships as defined by IAS 24 between companies of the Hannover Re Group and the members of the governing bodies or their related parties in the year under review.

Furthermore, above and beyond the aforementioned remuneration as Supervisory Board members at Group companies, the members of the Supervisory Board were not in receipt of any remuneration or benefits for personally rendered services as defined by Item 5.4.6 Para. 3 of the German Corporate Governance Code.

All other information on the remuneration of the governing bodies, directors' dealings and shareholdings as well as the structure of the remuneration system for the Executive Board is contained in the remuneration report from page 103 onwards. This remuneration report is based on the recommendations of the German Corporate Governance Code and contains information which also forms part of the notes to the 2015 consolidated financial statement as required by IAS 24 "Related Party Disclosures". In addition, we took into account the more specific provisions of DRS 17 "Reporting on the Remuneration of Members of Governing Bodies". Under German commercial law, too, this information includes data specified as mandatory for the notes (§ 314 HGB) and the management report (§ 315 HGB). These details are discussed as a whole in the remuneration report. Consequently, we have not provided any further explanation in the notes.

8.3 Share-based payment

In the 2015 financial year the following share-based payment plans with cash settlement existed within the Hannover Re Group:

1. Stock Appreciation Rights Plan (in effect since 2000, cancelled in stages from 2011 onwards and currently being wound up)
2. Share Award Plan (valid since 2011)

Stock Appreciation Rights Plan

With effect from 1 January 2000 the Executive Board of Hannover Rück SE, with the consent of the Supervisory Board, introduced a virtual stock option plan that provides for the granting of stock appreciation rights to certain managerial staff. The content of the stock option plan is based solely on the Conditions for the Granting of Stock Appreciation Rights. All the members of the Group's management are eligible for the award of stock appreciation rights. Exercise of the stock appreciation rights does not give rise to any entitlement to the delivery of shares of Hannover Rück SE, but merely to payment of a cash amount linked to the performance of the Hannover Rück SE share.

The Conditions for the Granting of Stock Appreciation Rights were cancelled for all eligible recipients. Awarded stock appreciation rights continue to be exercisable until the end of their period of validity.

Stock appreciation rights were first granted for the 2000 financial year and were awarded separately for each subsequent financial year (allocation year) until cancellation of the plan, provided the performance criteria defined in the Conditions for the Granting of Stock Appreciation Rights were satisfied.

The maximum period of the stock appreciation rights is ten years, commencing at the end of the year in which they are awarded. Stock appreciation rights which are not exercised by the end of the 10-year period lapse. Stock appreciation rights may only be exercised after a waiting period and then only within four exercise periods each year. Upon expiry of a four-year waiting period a maximum 60% of the stock appreciation rights awarded for an allocation year may be exercised. The waiting period for each additional 20% of the stock appreciation rights awarded for this allocation year to a member of the managerial staff is one further year. Each exercise period lasts for ten trading days, in each case commencing on the sixth trading day after the date of publication of the quarterly report of Hannover Rück SE.

Upon exercise of a stock appreciation right the amount paid out to the entitled party is the difference between the basic price and the current market price of the Hannover Rück SE share at the time of exercise. In this context, the basic price corresponds to the arithmetic mean of the closing prices of the Hannover Rück SE share on all trading days of the first full calendar month of the allocation year in question. The current market price of the Hannover Rück SE share at the time when stock appreciation rights are exercised is determined by the arithmetic mean of the closing prices of the Hannover Rück SE share on the last twenty trading days prior to the first day of the relevant exercise period.

The amount paid out is limited to a maximum calculated as a quotient of the total volume of compensation to be granted in the allocation year and the total number of stock appreciation rights awarded in the year in question.

In the event of cancellation or termination of the employment relationship as a consequence of a termination agreement or a set time limit, a holder of stock appreciation rights is entitled to exercise all such rights in the first exercise period thereafter. Stock appreciation rights not exercised in this period and those in respect of which the waiting period has not yet expired shall lapse. Retirement, disability or death of the member of management shall not be deemed to be termination of the employment relationship for the purpose of exercising stock appreciation rights.

The allocations for the years 2007, 2009 to 2011 gave rise to commitments in the 2015 financial year shown in the following table. No allocations were made for the years 2005 or 2008.

Stock appreciation rights of Hannover Rück SE **N 89**

	Allocation year				
	2011	2010	2009	2007	2006
Award date	15.3.2012	8.3.2011	15.3.2010	28.3.2008	13.3.2007
Period	10 years	10 years	10 years	10 years	10 years
Waiting period	4 years	4 years	2 years	2 years	2 years
Basic price (in EUR)	40.87	33.05	22.70	34.97	30.89
Participants in year of issue	143	129	137	110	106
Number of rights granted	263,515	1,681,205	1,569,855	926,565	817,788
Fair value at 31 December 2015 (in EUR)	32.13	8.92	8.76	10.79	10.32
Maximum value (in EUR)	32.21	8.92	8.76	10.79	10.32
Weighted exercise price	–	8.92	8.76	10.79	10.32
Number of rights existing at 31 December 2015	247,342	704,365	62,968	10,799	–
Provisions at 31 December 2015 (in EUR million)	7.00	5.74	0.55	0.17	–
Amounts paid out in the 2015 financial year (in EUR million)	–	8.00	2.48	0.16	0.05
Expense in the 2015 financial year (in EUR million)	2.57	0.98	–	–	–

The existing stock appreciation rights are valued on the basis of the Black-Scholes option pricing model.

The calculations were based on the price of the Hannover Re share of EUR 109.95 as at the reference date of 17 December 2015, expected volatility of 23.48% (historical volatility on a five-year basis), an expected dividend yield of 2.86% and risk-free interest rates of 0.36% for the 2007 allocation year, 0.19% for the 2009 allocation year, 0.06% for the 2010 allocation year and 0.07% for the 2011 allocation year.

In the 2015 financial year the waiting period expired for 100% of the stock appreciation rights awarded in 2006, 2007 and 2009 and for 60% of those awarded in 2010.

4,831 stock appreciation rights from the 2006 allocation year, 14,362 stock appreciation rights from the 2007 allocation year, 282,722 stock appreciation rights from the 2009 allocation year and 896,118 stock appreciation rights from the 2010 allocation year were exercised. The total amount paid out stood at EUR 10.7 million.

On this basis the aggregate provisions – included in the sundry non-technical provisions – amounted to EUR 13.5 million for the 2015 financial year (EUR 20.5 million). The expense totalled altogether EUR 3.6 million (EUR 7.8 million).

Share Award Plan

With effect from the 2011 financial year the Supervisory Board of Hannover Rück SE implemented a Share Award Plan for the members of the Executive Board of Hannover Re; this provides for the granting of stock participation rights in the form of virtual shares (referred to as "share awards"). The Executive Board of Hannover Re decided to adopt a Share Award Plan for certain management levels at Hannover Re as well with effect from the 2012 financial year.

The Share Award Plan replaces the cancelled Stock Appreciation Rights Plan. Please see our remarks under "Stock Appreciation Rights Plan" in this section. The share awards do not establish any claim against Hannover Re to the delivery of stock, but merely to payment of a cash amount in accordance with the conditions set out below.

The members of the Executive Board and management of Hannover Re who are eligible recipients under the Share Award Plan are those who have been allowed a contractual claim to the granting of share awards and whose service/employment relationship exists at the time when the share awards are granted and does not end through cancellation or a termination agreement on an effective date prior to expiry of the vesting period.

Share awards are granted separately for the first time for the 2011 financial year and then for each financial year (allocation year) thereafter.

The total number of share awards granted is based on the value per share of Hannover Rück SE. The value per share is established according to the unweighted arithmetic mean of the Xetra closing prices of the Hannover Re share. In the conditions applicable to members of the Executive Board a period of five trading days before to five trading days after the meeting of the Supervisory Board that approves the consolidated financial statement for the financial year just-ended is envisaged for the calculation. For senior executives a period of twenty trading days before to ten trading days after the meeting of the Supervisory Board that approves the consolidated financial statement for the financial year just-ended has been agreed. The total number of share awards granted is established by dividing the amount available for the granting of share awards to the respective eligible recipients by the value per share, rounded up to the next full share. For members of the Executive Board 20% and for senior executives 40% or 35% – according to management levels – of the defined variable remuneration shall be granted in the form of share awards.

The share awards are granted automatically without any requirement for a declaration. Following expiry of a vesting period of four years the value of one Hannover Re share calculated at the disbursement date is paid out for each share award. This value is calculated according to the provisions of the preceding paragraph.

The eligible recipient shall be paid an amount that corresponds to the sum total of the values of the share awards calculated at the disbursement date for which the vesting period of four years has expired. The amount is to be paid in the month after expiry of the determinative period for calculating the value per share according to the preceding paragraphs.

In addition, upon payment of the value of the share awards, a sum shall be paid out in the amount of the dividend insofar as dividends were distributed to shareholders. The amount of the dividend is the sum total of all dividends per share paid out during the term of the share awards multiplied by the number of share awards due for disbursement to the eligible recipient at the disbursement date. In the event of early disbursement of the share awards, the value of the dividends shall only be paid out for the period until occurrence of the event that triggers early disbursement. No pro rata allowance shall be made for dividends that have not yet been distributed.

In the event that the Board mandate or service relationship with the member of the Executive Board or the employment relationship with the manager ends, the eligible recipient shall retain his claims to payment of the value of already granted share awards after expiry of the applicable vesting period, unless such termination is based on resignation of office/voluntary termination on the part of the member of the Executive Board or voluntary termination on the part of the manager or dismissal by Hannover Re for a compelling reason. In the event of death the claims arising out of the already granted and/or still to be granted share awards pass to the heirs.

Any entitlement to the granting of share awards after leaving the company is excluded. This shall not apply with respect to claims to variable remuneration acquired (pro rata) in the last year of service of the eligible recipient in the event of exit from the company on account of non-reappointment, occurrence of the pensionable event or death.

The Share Award Plan of Hannover Rück SE gives rise to the amounts shown in the following table.

Share awards of Hannover Rück SE N 90

	Allocation year								
	2015	2014		2013		2012		2011	
	Probable allocation	Financial allocation 2015 for 2014	Probable allocation	Financial allocation 2014 for 2013	Probable allocation	Financial allocation 2013 for 2012	Probable allocation	Financial allocation 2012 for 2011	Probable allocation
Valuation date	30.12.2015	24.3.2015	30.12.2014	25.3.2014	30.12.2013	21.3.2013	28.12.2012	21.3.2012	30.12.2011
Value per share award in EUR	105.65	87.26	74.97	61.38	62.38	59.86	58.96	42.09	38.33
Number of allocated share awards in the allocation year									
Executive Board	9,355	12,172	13,308	16,631	14,418	16,452	16,053	22,232	24,390
Senior executives	65,107	85,460	85,159	99,783	91,660	102,900	100,531	–	–
Other adjustments [1]	–	(2,214)	–	(4,046)	–	(5,007)	–	–	–
Total	**74,462**	**95,418**	**98,467**	**112,368**	**106,078**	**114,345**	**116,584**	**22,232**	**24,390**

[1] The other adjustments result from originally granted share awards that have since lapsed.

Development of the provision for share awards of Hannover Rück SE N 91

in EUR thousand	Allocation year 2015	2014	2013	2012	2011	Total
Allocation 2011	–	–	–	–	289	289
Allocation 2012	–	–	–	1,839	409	2,248
Allocation 2013	–	–	1,426	1,442	285	3,153
Allocation 2014	–	1,534	2,364	2,549	529	6,976
Provision at 31 December of the previous year	**–**	**1,534**	**3,790**	**5,830**	**1,512**	**12,666**
Allocation 2015	1,658	3,102	4,288	5,020	1,036	15,104
Provision at 31 December of the year under review	**1,658**	**4,636**	**8,078**	**10,850**	**2,548**	**27,770**

The aggregate provision – recognised under the sundry non-technical provisions – amounted to EUR 27.8 million (EUR 12.7 million) as at the balance sheet date.

The personnel expense for share awards in the case of members of the Executive Board is spread on an accrual basis across the relevant term of the share awards or the shorter term of the service contracts; in the case of senior executives the personnel expense is spread across the relevant term of the share awards. The allocation of the financial year recognised in the expenditures on personnel totalled altogether EUR 15.1 million (EUR 7.0 million). This consists of the expense for share awards of the 2015 financial year as well as the dividend claim and the additionally earned portion of the share awards granted in earlier financial years. The value of the share awards finally granted is also influenced by movements in the share price. The sum total of the dividends included in the expenditures on personnel for earlier financial years amounted to EUR 1.4 million (EUR 0.8 million). The distributed dividend is recognised, with no allowance made for expected dividend payments. Dividend claims are recognised in the discounted amounts.

8.4 Staff and expenditures on personnel

Staff

The average number of staff at the companies included in the consolidated financial statement of the Hannover Re Group during the reporting period was 2,553 (2,475). As at the balance sheet date altogether 2,568 (2,534) staff were employed by the Hannover Re Group, with 1,337 (1,289) employed in Germany and 1,231 (1,245) working for the consolidated Group companies abroad.

Personnel information **N 92**

	2015					2014	
	31.3.	30.6.	30.9.	31.12.	Average	31.12.	Average
Number of employees (excluding Board members)	2,550	2,548	2,564	2,568	2,553	2,534	2,475

Nationality of employees in 2015 **N 93**

	German	USA	UK	South African	Australian	Swedish	Irish	Other	Total
Number of employees	1,237	287	169	146	95	95	47	492	2,568

Expenditures on personnel

The expenditures on insurance business, claims expenses (claims settlement) and expenditures on the administration of investments include the following personnel expenditures:

Personnel expenditures **N 94**

in EUR thousand	2015	2014
a) Wages and salaries	246,391	224,659
	246,391	**224,659**
b) Social security contributions and expenditure on provisions and assistance		
ba) Social security contributions	23,037	21,290
bb) Expenditures for pension provision	25,430	22,816
bc) Expenditures for assistance	4,784	4,616
	53,251	**48,722**
Total	**299,642**	**273,381**

8.5 Earnings per share and dividend proposal

Calculation of the earnings per share **N 95**

	2015	2014
Group net income in EUR thousand	1,150,725	985,649
Weighted average of issued shares	120,597,026	120,596,954
Basic earnings per share in EUR	9.54	8.17
Diluted earnings per share in EUR	9.54	8.17

The earnings per share is calculated by dividing the net income attributable to the shareholders of Hannover Rück SE by the weighted average number of shares outstanding within the period under review.

Neither in the year under review nor in the previous reporting period were there any dilutive effects.

The weighted average of the issued shares was, as in the previous year, slightly lower than the value of the shares in circulation on the balance sheet date. In the context of the employee share option plan Hannover Re acquires treasury shares and sells them at a later date to eligible employees. The weighted average number of shares does not include 12,922 (21,608) treasury shares pro rata temporis for the duration of the holding period. For further details please see our comments in Section 6.13 "Shareholders' equity and treasury shares".

There were no other extraordinary components of income which should have been recognised or disclosed separately in the calculation of the earnings per share.

The earnings per share could potentially be diluted in future through the issue of shares or subscription rights from the authorised or conditional capital.

Dividend per share

A dividend of EUR 512.5 million (EUR 361.8 million) was paid in the year under review for the 2014 financial year.

It will be proposed to the Annual General Meeting on 10 May 2016 that a dividend of EUR 3.25 per share as well as a special dividend of EUR 1.50 per share should be paid for the 2015 financial year. This corresponds to a total distribution of EUR 572.8 million. The dividend proposal does not form part of this consolidated financial statement.

8.6 Lawsuits

Member companies of the Hannover Re Group are involved in judicial and supervisory procedures as well as in arbitration proceedings as part of the conduct of insurance and reinsurance business. Depending upon the subject matter of the procedure, the Hannover Re Group sets aside provisions for the amount in dispute in such proceedings – for the most part in the technical account and in exceptional cases as a charge to other income and expenses – if and to the extent that the resulting commitments are likely to materialise and their amount can be estimated with sufficient accuracy. The provision established in each case covers the expense that can be expected in our assessment as at the balance sheet date.

Neither the outcome nor the duration of pending procedures can be definitively foreseen at the time when provisions are established. The final liabilities of Hannover Re may diverge considerably from the constituted provisions because the assessment of probability and the quantification of these uncertain liabilities in large measure require estimates that may prove not to be accurate as the proceedings in question continue to progress. This is also true of procedures for which no provisions were established. Insofar as a commitment exists under such procedures as at the balance sheet date that may possibly but will probably not result in a loss, the Hannover Re Group estimates this potential loss – where practicable – and reports a contingent liability. For estimation purposes Hannover Re takes into account a number of factors. These include, among others, the nature of the claim, the status of the procedure concerned, decision of courts and arbitration bodies, prior settlement discussions, experience from comparable cases as well as expert opinions and the assessments of legal advisers and other experts. If a provision has been established for a particular procedure, a contingent liability is not recognised.

The lawsuits pending in the year under review and as at the balance sheet date were not material for the Hannover Re Group either individually or combined. Furthermore, no contingent liabilities from lawsuits were to report as at the balance sheet date.

8.7 Contingent liabilities and commitments

Hannover Rück SE has secured by subordinated guarantee the subordinated debts issued by Hannover Finance (Luxembourg) S.A. in the 2010 and 2012 financial years in amounts of EUR 500.0 million each. A subordinated debt issued in 2005 by Hannover Finance (Luxembourg) S.A. with a volume of EUR 500.0 million, which was also secured by a subordinated guarantee, was redeemed on 1 June 2015 at the first scheduled call date.

The guarantees given by Hannover Rück SE for the subordinated debts attach if the issuer fails to render payments due under the bonds. The guarantees cover the relevant bond volumes as well as interest due until the repayment dates. Given the fact that interest on the bonds is partly dependent on the capital market rates applicable at the interest payment dates (floating rates), the maximum undiscounted amounts that can be called cannot be estimated with sufficient accuracy. Hannover Rück SE does not have any rights of recourse outside the Group with respect to the guarantee payments.

As security for technical liabilities to our US clients, we have established two trust accounts (master trust and supplemental trust) in the United States. They amounted to EUR 3,511.5 million (EUR 3,173.7 million) and EUR 27.2 million (EUR 24.4 million) respectively as at the balance sheet date. The securities held in the trust accounts are shown as available-for-sale investments. In addition, we furnished further collateral to ceding companies in an amount of EUR 1,810.3 million

(EUR 979.1 million) in the form of so-called "single trust funds". This amount includes a sum equivalent to EUR 1,281.2 million (EUR 329.1 million) which was furnished by investors as security for potential reinsurance obligations from ILS transactions.

As part of our business activities we hold collateral available outside the United States in various blocked custody accounts and trust accounts, the total amount of which in relation to the Group's major companies was EUR 2,775.8 million (EUR 2,694.0 million) as at the balance sheet date.

The securities held in the blocked custody accounts and trust accounts are recognised predominantly as available-for-sale investments.

As security for our technical liabilities, various financial institutions have furnished sureties for our company in the form of letters of credit. The total amount as at the balance sheet date was EUR 3,064.6 million (EUR 2,899.1 million). The standard market contractual clauses contained in some of the underlying letter of credit facilities regarding compliance with stipulated conditions are explained in greater detail in the "Financial position" section of the management report, page 59 et seq., on the information pursuant to § 315 Para. 4 German Commercial Code (HGB) as well as in Section 6.12 "Debt and subordinated capital" on other financial facilities.

In addition, we put up own investments with a book value of EUR 57.9 million (EUR 78.9 million) as collateral for existing derivative transactions. We received collateral with a fair value of EUR 6.9 million (EUR 12.9 million) for existing derivative transactions.

As security for liabilities in connection with participating interests in real estate companies and real estate transactions the usual collateral under such transactions has been furnished to various banks, the amount of which totalled EUR 592.7 million (EUR 574.3 million) as at the balance sheet date.

Outstanding capital commitments with respect to alternative investments exist on the part of the Group in an amount of EUR 837.1 million (EUR 716.3 million). These primarily involve as yet unfulfilled payment obligations from investment commitments given to private equity funds and venture capital firms.

The application of tax regulations may not have been resolved at the time when tax items are brought to account. The calculation of tax refund claims and tax liabilities is based on what we consider to be the regulations most likely to be applied in each case. The revenue authorities may, however, take a differing view, as a consequence of which additional tax liabilities could arise in the future.

Hannover Re enters into contingent liabilities as part of its normal business operations. A number of reinsurance treaties concluded by Group companies with outside third parties include letters of comfort, guarantees or novation agreements under which Hannover Rück SE guarantees the liabilities of the subsidiary in question or enters into the rights and obligations of the subsidiary under the treaties if particular constellations materialise.

8.8 Long-term commitments

Several Group companies are members of the association for the reinsurance of pharmaceutical risks and the association for the insurance of German nuclear reactors. In the event of one of the other pool members failing to meet its liabilities, an obligation exists to take over such other member's share within the framework of the quota participation.

8.9 Rents and leasing

Leased property

Future leasing commitments N 96

in EUR thousand	Payments
2016	10,828
2017	8,334
2018	7,282
2019	5,684
2020	5,184
Subsequent years	7,940

Operating leasing contracts produced expenditures of EUR 10.8 million (EUR 9.3 million) in the year under review.

Rented property

Altogether, non-cancellable contracts will produce the rental income shown below in subsequent years:

Rental income N 97

in EUR thousand	Payments to be received
2016	87,568
2017	80,398
2018	71,910
2019	65,928
2020	59,314
Subsequent years	117,727

Rental income totalled EUR 87.8 million (EUR 76.2 million) in the year under review. The rental income resulted principally from the renting out of properties by the Group's real estate companies.

8.10 Fee paid to the auditor

The appointed auditor of the consolidated financial statement of Hannover Re as defined by § 318 German Commercial Code (HGB) is KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG AG). The expense recognised for the fees paid to KPMG AG and worldwide member firms of KPMG International (KPMG) in the year under review can be broken down as follows:

Fee paid to the auditor N 98

	2015		2014	
in EUR thousand	KPMG worldwide	thereof KPMG AG	KPMG worldwide	thereof KPMG AG
Services relating to auditing of the financial statements	7,124	1,603	6,271	1,415
Other assurance services	534	428	515	407
Tax consultancy services	614	152	882	460
Other services	3,253	3,242	1,462	1,411
Total	**11,525**	**5,425**	**9,130**	**3,693**

The auditor responsible for performance of the audit engagement as defined by § 24a Para. 2 of the Professional Charter for Accountants/Certified Auditors (Berufssatzung WP/VBP) is Mr. Florian Möller. He served as the engagement partner responsible for the audit of the annual and consolidated financial statements for the first time as at 31 December 2015.

8.11 Events after the balance sheet date

No significant events occurred after the balance sheet date.

Hannover, 8 March 2016

Executive Board

Wallin	Althoff	Chèvre	Gräber
Dr. Miller	Dr. Pickel	Vogel	

Auditors' report

We have audited the consolidated financial statements prepared by Hannover Rück SE, Hannover – comprising the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement and notes to the consolidated financial statements – as well as the combined management report of the company and the Group for the business year from 1 January to 31 December 2015. The preparation of the consolidated financial statements and the combined management report in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Para. 1 HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (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 consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group 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 consolidated 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 annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements comply with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Para. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The combined management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Hannover, 8 March 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft

Jungsthöfel	Möller
Wirtschaftsprüfer	Wirtschaftsprüfer

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Hannover, 8 March 2016

Executive Board

Wallin	Althoff	Chèvre	Gräber
Dr. Miller	Dr. Pickel	Vogel	

Supervisory Board

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 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.

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 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.

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.

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."

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.

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

Supervisory Board of Hannover Rück SE

Herbert K. Haas [1, 2, 4]
Burgwedel
Chairman
Chairman of the Board of Management of Talanx AG
Chairman of the Board of Management of HDI Haftpflichtverband der Deutschen Industrie V.a.G.

Dr. Klaus Sturany [1]
Ascona, Switzerland
Deputy Chairman
Former member of the Executive Board of RWE AG

Wolf-Dieter Baumgartl [1, 2, 4]
Berg
Former Chief Executive Officer of Talanx AG and HDI Haftpflichtverband der Deutschen Industrie V.a.G.

Frauke Heitmüller [5]
Hannover
Employee

Otto Müller [5]
Hannover
Employee

Dr. Andrea Pollak [4]
Vienna, Austria
Independent management consultant

Dr. Immo Querner
Celle
Member of the Board of Management of Talanx AG
Member of the Board of Management of HDI Haftpflichtverband der Deutschen Industrie V.a.G.

Dr. Erhard Schipporeit [2, 3]
Hannover
Member of various supervisory boards

Maike Sielaff [5]
Burgwedel
Employee

1 Member of the Standing Committee
2 Member of the Finance and Audit Committee
3 Independent financial expert on the Finance and Audit Committee
4 Member of the Nomination Committee
5 Staff representative

Details of memberships of legally required supervisory boards and comparable control boards at other domestic and foreign business enterprises are contained in the individual report of Hannover Rück SE.

Further information

Branch offices and subsidiaries of the Hannover Re Group abroad

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Managing Director ASI:
Kathrin Scherff

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Eric Arnst

Glossary

Accumulation loss: sum of several individual losses incurred by various policyholders as a result of the same loss event (e.g. windstorm, earthquake). This may lead to a higher loss for the direct insurer or reinsurer if several affected policyholders are insured by the said company.

Acquisition cost, deferred (DAC): cost of an insurance company that arises from the acquisition or the renewal of an insurance contract (e.g. commission for the closing, costs of proposal assessment and underwriting etc.). Capitalisation results in a distribution of the cost over the duration of the contract.

Aggregate excess of loss treaty: a form of excess of loss treaty reinsurance under which the reinsurer responds when a ceding insurer incurs losses on a particular line of business during a specific period (usually 12 months) in excess of a stated amount.

Alternative risk financing: use of the capacity available on the capital markets to cover insurance risks, e.g. through the securitisation of natural catastrophe risks.

American Depositary Receipt (ADR): share certificates written by US banks on foreign shares deposited there. The ADRs are traded instead of the foreign shares. In the United States Hannover Re has enabled trading on the OTC (over-the-counter) market through an ADR Level 1 program. New capital cannot be raised and the ADR is not listed on a US exchange under a Level 1 program. The main advantage of an ADR Level 1 program compared to higher-level programs is that there is no requirement for accounting or financial reporting in accordance with US GAAP.

Basic losses: Losses that occur frequently in a foreseeable amount, i.e. where the underlying risks are associated with relatively high probabilities of occurrence and usually low loss amounts.

Benefit reserves: value arrived at using mathematical methods for future liabilities (present value of future liabilities minus present value of future incoming premiums), primarily in life and health insurance.

Block assumption transaction (BAT): proportional reinsurance treaty on a client's life or health insurance portfolio, by means of which it is possible, inter alia, for our clients to realise in advance the future profits so as to be able to efficiently ensure the attainment of corporate objectives, e.g. in the areas of financial or solvency policy.

Capital asset pricing model (CAPM): the CAPM is used to explain the materialisation of prices/returns on the capital market based on investor expectations regarding the future probability distribution of returns. Under this method, the opportunity cost rate for the shareholders' equity consists of three components – a risk-averse interest rate, a market-specific risk loading and an enterprise-specific risk assessment, the beta coefficient. The cost of shareholders' equity is therefore defined as follows: risk-averse interest rate + beta * enterprise-specific risk assessment.

Cash flow statement: statement on the origin and utilisation of cash and cash equivalents during the accounting period. It shows the changes in liquid funds separated into cash flows from operating, investing and financing activities.

Cedant: direct insurer or reinsurer which passes on (also: cedes) shares of its insured or reinsured risks to a reinsurer in exchange for premium.

Cession: transfer of a risk from the direct insurer to the reinsurer.

Claims and claims expenses: sum total of paid claims and provisions for loss events that occurred in the business year; this item also includes the result of the run-off of the provisions for loss events from previous years, in each case after the deduction of own reinsurance cessions.

Coinsurance Funds Withheld (CFW) Treaty: type of coinsurance contract where the ceding company retains a portion of the original premium at least equal to the ceded reserves. Similar to a ➙ Modco contract the interest payment to the reinsurer reflects the investment return on an underlying asset portfolio.

Combined ratio: sum of the loss ratio and expense ratio.

Confidence (also: probability) level: the confidence level defines the probability with which the defined amount of risk will not be exceeded.

Contribution margin accounting level 5 (DB 5): this level of contribution margin accounting constitutes the clear profit after earning the discounted claims expenditure plus all external and internal costs including the cost of capital.

Corporate Governance: serves to ensure responsible management and supervision of enterprises and is intended to foster the trust of investors, clients, employees and the general public in companies.

Critical illness coverages: cf. ➙ dread disease coverages

DB 5: cf. ➙ contribution margin accounting level 5

Deposit accounting: an accounting method originating in US accounting principles for the recognition of short-term and multi-year insurance and reinsurance contracts with no significant underwriting risk transfer. The standard includes inter alia provisions relating to the classification of corresponding contract types as well as the recognition and measurement of a deposit asset or liability upon inception of such contracts.

Deposits with ceding companies/deposits received from retrocessionaires (also: funds held by ceding companies/funds held under reinsurance treaties): collateral provided to cover insurance liabilities that a (re-)insurer retains from the liquid funds which it is to pay to a reinsurer under a reinsurance treaty. In this case, the retaining company shows a deposit received, while the company furnishing the collateral shows a deposit with a ceding company.

Derivatives, derivative financial instruments: these are financial products derived from underlying primary instruments such as equities, fixed-income securities and foreign exchange instruments, the price of which is determined on the basis of an underlying security or other reference asset. Notable types of derivatives include swaps, options and futures.

Direct business: business focused on narrowly defined ➝ portfolios of niche or other non-standard risks.

Direct (also: primary) insurer: company which accepts risks in exchange for an insurance premium and which has a direct contractual relationship with the policyholder (private individual, company, organisation).

Discounting of loss reserves: determination of the present value of future profits through multiplication by the corresponding discount factor. In the case of the loss reserves this is necessary because of the new profit calculation methods for tax purposes applicable to German joint-stock corporations.

Diversification: orientation of business policy towards various revenue streams in order to minimise the effects of economic fluctuations and stabilise the result. Diversification is an instrument of growth policy and risk policy for a company.

Dread disease (also: critical illness) coverages: personal riders on the basis of which parts of the sum insured which would otherwise only become payable on occurrence of death are paid out in the event of previously defined severe illnesses.

Earnings per share, diluted: ratio calculated by dividing the consolidated net income (loss) by the weighted average number of shares outstanding. The calculation of the diluted earnings per share is based on the number of shares including subscription rights already exercised or those that can still be exercised.

Earnings retention: non-distribution of a company's profits leading to a different treatment for tax purposes than if profits were distributed.

Excess of loss treaty: cf. ➝ non-proportional reinsurance

Excess return on capital allocated (xRoCA): describes the ➝ IVC in relation to the allocated capital and shows the relative excess return generated above and beyond the weighted cost of capital.

Expense ratio: administrative expenses (gross or net) in relation to the (gross or net) premium earned.

Exposure: level of danger inherent in a risk or portfolio of risks; this constitutes the basis for premium calculations in reinsurance.

Facultative reinsurance: participation on the part of the reinsurer in a particular individual risk assumed by the direct insurer. This is in contrast to ➝ obligatory (also: treaty) reinsurance.

Fair value: price at which a financial instrument would be freely traded between two parties.

Financial Solutions: refers to reinsurance transactions which – in addition to the transfer of biometric risks – also include financing components. They generally employ the future profits contained in a block of new or inforce business to enable a ceding company to achieve a desired financial objective. Such reinsurance solutions provide direct insurers with an alternative means of accessing capital in order, for example, to pursue new lines of business or increase capital reserves.

Funds held by ceding companies/funds held under reinsurance treaties: cf. ➝ deposits with ceding companies/deposits received from retrocessionaires

Goodwill: the excess of the cost of an acquired entity over the net of the amounts assigned to assets acquired and liabilities assumed.

Gross/Retro/Net: gross items constitute the relevant sum total deriving from the acceptance of direct insurance policies or reinsurance treaties; retro items constitute the relevant sum total deriving from own reinsurance cessions. The difference is the corresponding net item (gross – retro = net, also: for own account).

Hybrid capital: debt structure which because of its subordination bears the character of both debt and equity

IBNR (Incurred but not reported) reserve: provision for claims which have already occurred but which have not yet been reported.

Impairment: extraordinary amortisation taken when the present value of the estimated future cash flow of an asset is less than its book value.

Inflation swap: derivative financial instrument to hedge inflation risks, under which a fixed cash flow is swapped for a variable cash flow dependent on the inflation trend.

International Securities Identification Number (ISIN): ten-character universal code used to identify securities internationally. It is prefixed by a country code that specifies the country where the issuer entity is legally registered or in which it has legal domicile, e. g. DE = Germany.

Intrinsic value creation (IVC): the IVC is calculated according to the following formula: real operating value creation = adjusted operating profit (EBIT) – (capital allocated x weighted cost of capital). IVC is a tool of value-based enterprise management used to measure the accomplishment of long-term targets on the level of the Group, the individual business groups and the operating units (profit centres).

Investment grade: investment grade ratings are awarded to companies and assigned to securities that have a low risk profile. They contrast with non-investment-grade ratings, which by definition include speculative elements and therefore entail a significantly higher risk.

IVC: cf. ➝ Intrinsic Value Creation

Issuer: private enterprise or public entity that issues securities, e. g. the federal government in the case of German Treasury Bonds and a joint-stock corporation in the case of shares.

Leader: if several (re-)insurers participate in a contract, one company assumes the role of leader. The policyholder deals exclusively with this lead company. The lead (re-)insurer normally carries a higher percentage of the risk for own account.

Letter of credit (LOC): bank guarantee; at the request of the guaranteed party, the bank undertakes to render payment to the said party up to the amount specified in the LOC. This method of providing collateral in reinsurance business is typically found in the USA.

Life and health (re-)insurance: collective term for the lines of business concerned with the insurance of persons, i. e. life, pension, health and personal accident insurance.

Life business: this term is used to designate business activities in our life and health reinsurance business group.

Longevity risk: in general terms, the actuarial risk that a person receiving regular living benefits – such as annuities or pensions – lives longer than expected.

Loss, economic: total loss incurred by the affected economy as a whole following the occurrence of a loss. The economic loss must be distinguished from the insured loss.

Loss, insured: the insured loss reflects the total amount of losses covered by the insurance industry (insurers and reinsurers).

Loss ratio: proportion of loss expenditure (gross or net) relative to the (gross or net) premium earned.

Major loss: loss which has special significance for the direct insurer or reinsurer due to the amount involved; it is defined as a major loss in accordance with a fixed loss amount or other criteria (in the case of Hannover Re more than EUR 10 million gross).

Major loss budget: modelled loss expectancy for business with natural perils exposure with respect to net losses larger than EUR 10 million plus the average of the past 10 years for man-made net losses larger than EUR 10 million.

Mark-to-market valuation: the evaluation of financial instruments to reflect current market value or ➝ fair value.

Matching currency cover: coverage of technical liabilities in foreign currencies by means of corresponding investments in the same currency in order to avoid exchange-rate risks.

Modified Coinsurance- (Modco) treaty: type of reinsurance treaty where the ceding company retains the assets with respect to all the policies reinsured and also establishes and retains the total reserves on the policies, thereby creating an obligation to render payments to the reinsurer at a later date. Such payments include a proportional share of the gross premium plus a return on the assets.

Morbidity risk: in general terms, the actuarial risk that a person receiving health, disability or long-term-care benefits triggered by illness, malfunctioning of body parts, injury or frailty experiences a higher or longer than expected morbidity or disability leading to a higher payment amount, higher frequency or longer duration.

Mortality risk: in general terms, the actuarial risk that a person upon whose death a benefit is payable lives shorter than expected. From a (re)insurer's perspective, this is the risk that the observed mortality experience in an underlying portfolio deviates from what had previously been calculated on the basis of actuarial assumptions.

Net: cf. ➝ Gross / Retro / Net

Non-proportional reinsurance: reinsurance treaty under which the reinsurer assumes the loss expenditure in excess of a particular amount (➝ priority) (e. g. under an excess of loss treaty). This is in contrast to ➝ proportional reinsurance.

Obligatory (also: treaty) reinsurance: reinsurance treaty under which the reinsurer participates in a ➝ cedant's total, precisely defined insurance portfolio. This is in contrast to facultative reinsurance.

Other securities, available-for-sale: securities that cannot be clearly allocated to the "trading" or "held-to-maturity" portfolios; these securities can be disposed of at any time and are reported at their fair value at the balance sheet date. Changes in fair value are not recognised in the statement of income.

Other securities, held-to-maturity: investments in debt securities that can and are intended to be held to maturity. They are measured at amortised cost.

Other securities, trading: securities that are held principally for short-term trading purposes. They are measured at their fair value at the balance sheet date

(Insurance) Pool: a risk-sharing partnership under civil law formed by legally and economically independent insurers and reinsurers in order to create a broader underwriting base for particularly large or unbalanced risks. The members undertake to write certain risks only within the scope of the insurance pool. They include such risks – while maintaining their commercial independence – in the insurance pool against a commission fee. Each insurer participates in the profit or loss of the insurance pool according to its proportionate interest. Reinsurance is often ceded or accepted in order to further diversify the risk. Pools can be divided into two types: coinsurance pools, in which all members take the role of primary insurers according to their interests, and reinsurance pools, in which a primary insurer writes the risks and then spreads them among the participating insurers by way of reinsurance.

Portfolio: a) all risks assumed by an insurer or reinsurer in a defined sub-segment (e. g. line of business, country) or in their entirety; b) group of investments defined according to specific criteria.

Premium: agreed remuneration for the risks accepted from an insurance company. Unlike the earned premiums, the written premiums are not deferred.

Present value of future profits (PVFP): intangible asset primarily arising from the purchase of life and health insurance companies or portfolios. The present value of expected future profits from the portfolio assumed is capitalised and amortised according to schedule.

Price earnings ratio (PER): a valuation ratio of a company's share price compared to its per-share earnings.

Primary insurer: cf. ➝ direct insurer

Priority: direct insurer's loss amount stipulated under ➝ non-proportional reinsurance treaties; if this amount is exceeded, the reinsurer becomes liable to pay. The priority may refer to an individual loss, an ➝ accumulation loss or the total of all annual losses.

Probability level: cf. ➝ confidence level

Property & Casualty business: by way of distinction from operations in our Life & Health reinsurance business group, we use this umbrella term to cover our business group comprised essentially of property and casualty reinsurance, specialty lines and structured reinsurance products.

Property and casualty (re-)insurance: collective term for all lines of business which in the event of a claim reimburse only the incurred loss, not a fixed sum insured (as is the case in life and personal accident insurance, for example). This principle applies in all lines of property and casualty insurance.

Proportional reinsurance: reinsurance treaties on the basis of which shares in a risk or ➝ portfolio are reinsured under the relevant direct insurer's conditions. ➝ Premiums and losses are shared proportionately on a pro-rata basis. This is in contrast to non-proportional reinsurance.

Protection cover: protection of segments of an insurer's portfolio against major losses (per risk / per event), primarily on a non-proportional basis.

Provision: liability item as at the balance sheet date to discharge obligations which exist but whose extent and / or due date is / are not known. Technical provisions, for example, are for claims which have already occurred but which have not yet been settled, or have only been partially settled (= provision for outstanding claims, abbreviated to: claims provision).

Provision for unearned premiums (also: unearned premium reserve): premiums written in a financial year which are to be allocated to the following period on an accrual basis. This item is used to defer written premiums.

Purchase cost, amortised: the cost of acquiring an asset item including all ancillary and incidental purchasing costs; in the case of wasting assets less scheduled and / or special amortisation.

Quota share reinsurance: form of proportional reinsurance under which the reinsurer assumes a contractually set percentage share of the written risk. Since the insurer is responsible for acquisition, pricing, policy administration and claims handling, the administrative expenditure for the reinsurer is very low. The latter therefore participates in the aforementioned expenses through payment of a reinsurance commission. This commission can amount to 15% to 50% of the original premium depending upon the market and cost situation.

Rate: percentage rate (usually of the premium income) of the reinsured portfolio which is to be paid to the reinsurer as reinsurance premium under a ➝ non-proportional reinsurance treaty.

Reinsurer: company which accepts risks or portfolio segments from a → direct insurer or another reinsurer in exchange for an agreed premium.

Reserve ratio: ratio of (gross or net) technical provisions to the (gross or net) premiums.

Retention: the part of the accepted risks which an insurer/reinsurer does not reinsure, i.e. shows as → net (retention ratio: percentage share of the retention relative to the gross written premiums).

Retrocession (also: Retro): ceding of risks or shares in risks which have been reinsured. Retrocessions are ceded to other reinsurers in exchange for a pro-rata or separately calculated premium (cf. → Gross/Retro/Net).

Risk, insured: defines the specific danger which can lead to the occurrence of a loss. The insured risk is the subject of the insurance contract.

Securitisation instruments: innovative instruments for transferring reinsurance business to the capital markets with the goal of refinancing or placing insurance risks.

Segment reporting: presentation of items in the balance sheet and income statement split according to functional criteria such as business sectors and regions.

Spread loss treaty: treaty between an insurer and a reinsurer that covers risks of a defined portfolio over a multi-year period.

Structured entity: entity with specific characteristics not bound to a particular legal form that is used to conduct closely defined activities or to hold assets and for which the traditional concept of consolidation – based on voting rights – is often inadequate for determining who exercises control over the entity.

Structured products: reinsurance with limited potential for profits and losses; the primary objective is to strive for risk equalisation over time and to stabilise the → cedant's balance sheet.

Structured reinsurance: reinsurance with limited potential for profits and losses. In most cases customers strive for risk equalisation over time or solvency relief, both of which have a stabilising effect on the ceding company's balance sheet.

Surplus reinsurance: form of proportional reinsurance under which the risk is not spread between the insurer and reinsurer on the basis of a previously agreed, set quota share. Instead, the insurer determines a maximum sum insured per risk up to which it is prepared to be liable. Risks that exceed the ceding company's retention (surpluses) are borne by the reinsurer. The reinsurer's lines thus vary according to the level of the retention and the sum insured of the reinsured contract. The reinsurer's liability is generally limited to a multiple of the ceding company's retention.

Surplus relief treaty: a reinsurance contract under which a reinsurer assumes (part of) a ceding company's portfolio in order to relieve strain on the insurer's policyholders' surplus.

Survival ratio: reflects the ratio of loss reserves to paid losses under a specific contract or several contracts in a balance sheet year.

Technical result: balance of income and expenditure allocated to the insurance business and shown in the technical statement of income.

Treaty reinsurance: cf. → obligatory reinsurance

Underwriting: process of examining, accepting or rejecting (re-)insurance risks and classifying those selected in order to charge the proper premium for each. The purpose of underwriting is to spread the risk among a pool of (re-)insureds in a manner that is equitable for the (re-)insureds and profitable for the (re-)insurer.

Unearned premium reserve: cf. → provision for unearned premiums

Value of in-force business (VIF): present value of expected future profit flows from the portfolio of in-force retained business, discounted by a currency-specific risk discount rate. It is determined in accordance with local accounting principles.

xRoCA: cf. → Excess Return on Capital Allocated

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10 March 2016
Annual financial statements 2015
Annual Results Press Conference, Hannover
Analysts' Meeting, Frankfurt

10 May 2016
Interim Report 1/2016
Annual General Meeting
Hannover Congress Centrum
Theodor-Heuss-Platz 1–3
30175 Hannover, Germany

4 August 2016
Interim Report 2/2016

20 October 2016
19th international Investors' Day, London

10 November 2016
Interim Report 3/2016

2 February 2017
Conference Call: Property and casualty treaty renewals

9 March 2017
Annual financial statements 2016
Annual Results Press Conference, Hannover
Analysts' Meeting, London

10 May 2017
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19 October 2017
20th international Investors' Day, Frankfurt

8 November 2017
Interim Report 3/2017

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A printed version of the Hannover Re Group's Annual Report is also available in German. The report can additionally be accessed online in English and German as an HTML version and downloaded in PDF format.

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