

**somewhat
different**

Hannover Rück SE
Annual Report 2017

hannover **re**[®]

Key figures

in EUR million	2017	+/- previous year	2016	2015	2014	2013
Results						
Gross written premium	13,292.9	+11.5%	11,917.1	14,139.3	10,864.9	11,047.9
Net premium earned	10,208.9	+19.6%	8,534.8	10,178.6	8,481.3	8,209.5
Underwriting result	(12.7)		336.8	158.4	(15.0)	(4.7)
Allocation to the equalisation reserve and similar provisions	165.9		8.7	(136.1)	(277.6)	(267.7)
Investment result	1,197.5	-7.0%	1,287.0	1,695.9	1,580.8	1,116.6
Pre-tax profit	968.0	-22.0%	1,241.8	1,064.0	597.8	380.1
Profit for the financial year	843.4	-11.1%	949.2	905.8	421.2	367.2
Investments	34,460.8	-3.3%	35,646.3	41,338.2	41,912.3	33,203.3
Capital and reserves ¹	1,631.7		1,631.7	1,631.7	1,381.7	1,381.7
Subordinated liabilities	1,500.0		1,500.0	1,500.0	1,500.0	1,800.0
Equalisation reserve and similar provisions	2,892.1	-5.4%	3,058.0	3,066.7	2,930.6	2,653.0
Net technical provisions	27,334.6	-1.8%	27,822.1	27,218.3	29,594.4	25,031.3
Total capital, reserves and technical provisions	33,358.4	-1.9%	34,011.8	33,416.7	35,406.7	30,866.0
Number of employees	1,292	+2.0%	1,267	1,245	1,200	1,101
Retention	78.4%		72.4%	73.0%	79.3%	75.2%
Loss ratio ²	69.7%		69.0%	71.9%	71.0%	71.6%
Expense ratio ²	30.7%		25.9%	27.6%	28.3%	26.8%
Combined ratio ²	100.4%		94.9%	99.5%	99.3%	98.4%

¹ Excluding disposable profit

² Excluding life and health reinsurance

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Boards and officers

Executive Board

Ulrich Wallin

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

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

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

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

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

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

Chairman of the Supervisory Board International Insurance Company of Hannover SE, Hannover, Germany¹

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

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

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

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

Sven Althoff

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

Chairman of the Board of Directors Argenta Holdings Limited, London, United Kingdom

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

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

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

Member of the Supervisory Board International Insurance Company of Hannover SE, Hannover, Germany¹

Claude Chèvre

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

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

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

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

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

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

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

Member of the Supervisory Board Hannover Life Re AG, Hannover, Germany¹

Jürgen Gräber

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

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

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

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

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

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

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

Member of the Supervisory Board Talanx International AG, Hannover, Germany¹

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

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

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

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

Chairman of the Supervisory Board Hannover Life Re AG, Hannover, Germany¹

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

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

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

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

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

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

Member of the Supervisory Board Delvag Luftversicherungs-AG, Cologne, Germany¹**Roland Vogel****Member of the Executive Board Hannover Rück SE, Hannover, Germany****Member of the Executive Board E+S Rückversicherung AG, Hannover, Germany**

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

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

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

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

Deputy Chairman of the Supervisory Board Hannover Life Re AG, Hannover, Germany¹Deputy Chairman of the Supervisory Board Talanx Asset Management GmbH, Cologne, Germany¹

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

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

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

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

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

Member of the Supervisory Board International Insurance Company of Hannover SE, Hannover, Germany¹

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

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

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

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

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

Supervisory Board

Herbert K. Haas^{1, 2, 4}

Burgwedel, Germany

Chairman

Chairman of the Board of Management Talanx AG

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

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

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

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

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

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

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

Member of the Advisory Board Norddeutsche Landesbank Girozentrale, Hannover, Germany⁵

Dr. Klaus Sturany¹

Ascona, Switzerland

Deputy Chairman

Former member of the Executive Board of RWE AG

Member of the Supervisory Board Bayer AG, Leverkusen, Germany

Wolf-Dieter Baumgartl^{1, 2, 4}

Berg, Germany

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

Chairman of the Supervisory Board Talanx AG, Hannover, Germany

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

Member of the Administrative Board HDI Assicurazioni S.p.A., Rome, Italy⁵

Frauke Heitmüller⁶

Hannover, Germany

Employee

Otto Müller⁶

Hannover, Germany

Employee

Dr. Andrea Pollak⁴

Vienna, Austria

Independent Management Consultant

Chairwoman of the Supervisory Board Kuchen-Peter Backwaren GmbH, Hagenbrunn, Austria⁵

Deputy Chairwoman of the Supervisory Board Fronius International GmbH, Pettenbach, Austria⁵

Dr. Immo Querner

Celle, Germany

Member of the Board of Management Talanx AG**Member of the Board of Management HDI Haftpflichtverband der Deutschen Industrie V.a.G.**

Chairman of the Supervisory Board Talanx Asset Management GmbH, Cologne, Germany

Chairman of the Administrative Board Talanx Finanz (Luxembourg) S.A., Luxembourg⁵

Deputy Chairman of the Supervisory Board Ampega Investment GmbH, Cologne, Germany⁵

Deputy Chairman of the Supervisory Board Talanx Immobilien Management GmbH, Cologne, Germany⁵

Deputy Chairman of the Supervisory Board Talanx Reinsurance Broker GmbH, Hannover, Germany⁵

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

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

Member of the Supervisory Board Caplantic GmbH, Hannover, Germany⁵

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

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

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

Member of the Supervisory Board Tertia Handelsbeteiligungsgesellschaft mbH, Cologne, Germany⁵

Member of the Stock Exchange Council Frankfurter Wertpapierbörse (Deutsche Börse AG), Frankfurt am Main, Germany⁵

Member of the Board of Directors Talanx Re (Ireland) Limited, Dublin, Ireland⁵

Dr. Erhard Schipporeit^{2,3}

Hannover, Germany

Member of various Supervisory Boards

Member of the Supervisory Board BDO AG, Hamburg, Germany

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

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

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

Member of the Supervisory Board RWE AG, Essen, Germany

Member of the Supervisory Board SAP SE, Walldorf, Germany

Member of the Supervisory Board Talanx AG, Hannover, Germany

Maike Sielaff⁶

Burgwedel, Germany

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 Memberships of supervisory boards and comparable control boards required by law at other companies in Germany and abroad

⁶ Staff representative

Further information

Report by Hannover Rück SE on equality and pay equity for the 2016 reporting year

I. Description of measures to promote equality of women and men and their effects

Our company takes various steps to avoid disparities in the employment of women and men and to further promote the equality of women and men:

Work-Life-Balance

An important step towards promoting the equality of women and men is encouraging the greatest possible balance between professional and personal challenges. This facilitates, above all, the compatibility of career and family life in the interests of both sexes. With this in mind, we have already enshrined a healthy work-life balance in our Sustainability Strategy 2015 to 2017.

With a view to helping our employees to optimally harmonise their individual work and life circumstances, 289 members of staff at our Hannover location benefited from different, sometimes highly customised part-time models at the end of the year under review.

In order to assist with a smooth return during or after parental leave, we urge our managers to actively cultivate contact with their staff who are on parental leave, for example by inviting them to attend training activities or internal events.

Most notably, we have taken the following steps to make it easier for employees to return to work after parental leave:

Childcare assistance for employees' children in the company daycare facility: the nursery known as "HannoverReKids" is a largely company-funded in-house daycare centre with an operating permit to supervise a maximum of 30 infants up to their third birthday. The facility provides childcare on workdays from 7.30 am until 4.30 pm (with a late shift until 5.30 pm) and looks after children for the entire day so as to enable parents to make a prompt return to the workplace. The number of available places can be adjusted as necessary: no additional spaces were needed in 2016.

Flexitime without core hours: the flexitime working model enables all employees to adjust the beginning and end of their working day to fit the demands of the everyday office routine, on the one hand, and their own personal – and especially family – needs, on the other. As a general principle, employees may work between the hours of 7.00 am and 8.00 pm. It is not necessary to fully balance the time account by the end of each month. It is also permitted to accumulate overtime on the account.

Part-time employees retain any hours that they have built up on their time account, with no cap being imposed.

In consultation with an employee's supervisor, overtime may also be reduced by taking off entire days, provided this does not conflict with work requirements. There are no other restrictions.

Part-time and parental part-time arrangements: our company offers its employees extremely flexible part-time working arrangements and implements a very wide range of customised part-time models, in terms of both the number and distribution of hours. With regard to parental part-time working, on a case-by-case basis we also dispense with the need to comply with the minimum number of working hours envisaged by § 15 Federal Law on Parental Allowances and Parental Leave (BEEG) so as to assist with a more flexible career re-entry. Once their parental leave ends, mothers return to their job – which had only been filled on a temporary basis during their absence – in almost 100% of cases. Any subsequent increase in their activity level can also normally be handled on a very flexible basis.

Teleworking: the flexible model of alternating telework is another way in which the company promotes a healthy balance between professional and private life – and especially the compatibility of career and family.

Of the roughly 300 employees who participate in teleworking, almost exactly half are women.

Mentoring programme for women

Launched in 2013, the mentoring programme for women is another of the measures adopted for the advancement of women. We help female employees at our company to reflect on their professional development to date and encourage them to play an active part in shaping their career going forward. The second round of the programme took place in the years 2015/2016. Information events publicising a new, third round in 2017 were held at the end of 2016 and the internal application process was initiated.

Fostering the personal growth of the mentees can, among other things, contribute to their prospects for further professional advancement and promotion within the organisation.

Training/awareness-raising of managers

All new managers are required to attend a seminar covering the fundamentals of the employment relationship in labour law, which addresses inter alia the requirements of the General Act on Equal Treatment (AGG). Furthermore, a management seminar on "Gender-specific communication" is regularly offered as part of the training programme for executive staff, including in 2016.

Succession planning

Every two years a review of all managerial positions is carried out at the Hannover location and at selected international entities to verify the availability of appropriate successors. Human Resources Management in Hannover supports this process for the entire organisation, consisting of the companies Hannover Rück SE, E+S Rückversicherung AG and International Insurance Company of Hannover SE, and pays particularly close attention to female successors and high potentials. In 2016, with a quota of 16.3%, we were already close to achieving the target quota for women on the first and second levels of management set by the Executive Board at 16.8% by the year 2017. The company's managers promote attainment of this target by systematically supporting their female staff in day-to-day business and making a conscious effort to review the suitability of their female employees when positions need to be filled on higher hierarchical levels.

Proportion of women on the Executive Board and Supervisory Board

For 30 June 2017 we have set a target of zero for the proportion of women on the Executive Board. This is because the Executive Board currently consists exclusively of men and all existing Board contracts are valid beyond 30 June 2017. When a new member of the Executive Board is appointed, the Supervisory Board will give preference to a potential female candidate in the event of equal personal and professional qualifications.

Similarly, when it comes to selecting shareholder candidates to be proposed to the Annual General Meeting for election to the Supervisory Board, diversity is one of the criteria considered by the Supervisory Board. This has determined that by 30 June 2017 a target level of 30% is to be achieved for the proportion of women on the Supervisory Board. With a quota of 33%, this target had already been attained by the end of 2016.

II. Safeguarding pay equity for women and men

Once a year managers review the salaries of their employees with an eye to possible salary increases and promotion opportunities. Our members of staff are remunerated - without regard to gender - according to their specific tasks, their skills and qualifications and their performance. The individual promotion grades are subject to transparent criteria for promotion published in the company's internal intranet, which are similarly exclusively task-based and skills-oriented.

Furthermore, we stipulate in our Code of Conduct, which is applicable worldwide, that nobody may be disadvantaged on gender grounds.

III. Information pursuant to §21 Remuneration Transparency Act (EntgTranspG)

This information refers to the workforce of Hannover Rück SE employed in Germany.

Average total number of employees, broken down by gender

Employees	2016
Total	971
thereof male	496
thereof female	475

Average number of full-time and part-time employees, broken down by gender

Employees	2016
Full-time	777
thereof male	471
thereof female	306
Part-time	194
thereof male	25
thereof female	169

Note on the combined management report

The management report of Hannover Rück SE and the Group management report have been combined in accordance with § 315 (3) of the German Commercial Code (HGB) and published in the Group Annual Report 2017.

The annual financial statement and the management report of Hannover Rück SE – combined with the Group management report – for the 2017 financial year are submitted to the operator of the electronic Federal Gazette and published in the electronic Federal Gazette.

Accounts



Balance sheet as at 31 December 2017

Assets	2017				2016
in EUR thousand					
A. Intangible assets					
I. Purchased franchises, trademarks, patents, licences and similar rights and assets			56,596		66,914
II. Goodwill			–		567
III. Prepayments on intangible assets			12,788		8,878
				69,384	76,359
B. Investments					
I. Land and buildings, rights to land and buildings, leasehold			32,245		32,910
II. Investments in affiliated companies and participating interests					
1. Shares in affiliated companies		6,369,573			6,014,234
2. Loans to affiliated companies		685,276			756,493
3. Participating interests		80,569			72,059
4. Loans to enterprises in which the company has a participating interest		0			0
			7,135,418		6,842,786
III. Other financial investments					
1. Shares, units or shares in investment funds and other variable-yield securities		1,560,575			2,112,533
2. Bearer debt securities and other fixed-income securities		16,295,744			16,908,885
3. Other loans					
a) Registered debt securities	295,227				317,633
b) Debentures and loans	471,852				559,663
		767,079			877,296
4. Deposits with banks		658,750			548,674
5. Other investments		2,698			11,005
			19,284,846		20,458,393
IV. Deposits with ceding companies			8,008,330		8,312,224
				34,460,839	35,646,313

Liabilities	2017				2016
in EUR thousand					
A. Capital and reserves					
I. Subscribed capital			120,597		120,597
II. Capital reserve			880,608		880,608
III. Retained earnings					
1. Statutory reserve		511			511
2. Other retained earnings		630,000			630,000
			630,511		630,511
IV. Disposable profit			1,274,000		1,034,000
				2,905,716	2,665,716
B. Subordinated liabilities				1,500,000	1,500,000
C. Technical provisions					
I. Provision for unearned premiums					
1. Gross		2,288,921			2,238,851
2. Less: reinsurance ceded		376,533			383,212
			1,912,388		1,855,639
II. Life assurance provision					
1. Gross		8,922,089			9,122,399
2. Less: reinsurance ceded		1,119,818			1,412,627
			7,802,271		7,709,772
III. Provisions for outstanding claims					
1. Gross		21,478,319			22,361,955
2. Less: reinsurance ceded		4,152,677			4,384,645
			17,325,642		17,977,310
IV. Provision for bonuses and rebates					
1. Gross		724			737
2. Less: reinsurance ceded		559			544
			165		193
V. Equalisation reserve and similar provisions			2,892,078		3,058,021
VI. Other technical provisions					
1. Gross		293,403			284,529
2. Less: reinsurance ceded		(747)			5,346
			294,150		279,183
				30,226,694	30,880,118

Assets in EUR thousand	2017				2016
C. Receivables					
I. Accounts receivable arising out of reinsurance operations			2,447,831		2,221,988
from affiliated companies:					
519,927 (2016: 413,537)					
II. Other receivables			446,199		531,166
from affiliated companies:				2,894,030	2,753,154
338,390 (2016: 439,337)					
D. Other assets					
I. Tangible assets and stocks			18,628		15,902
II. Current accounts with banks, cheques and cash in hand			267,997		352,354
III. Sundry assets			6,199		16,473
				292,824	384,729
E. Prepayments and accrued income					
I. Accrued interest and rent			157,806		156,447
II. Other accrued income			7,457		5,994
				165,263	162,441
Total assets				37,882,340	39,022,996

Liabilities in EUR thousand	2017				2016
D. Provisions for other risks and charges					
I. Provisions for pensions and similar obligations			89,576		83,619
II. Provisions for taxation			167,102		322,403
III. Other provisions			115,271		125,345
				371,949	531,367
E. Deposits received from retrocessionaires				1,907,577	2,286,675
F. Other liabilities					
I. Accounts payable arising out of reinsurance operations			848,843		1,037,084
to affiliated companies:					
277,096 (2016: 278,778)					
II. Miscellaneous liabilities			121,561		122,032
thereof				970,404	1,159,116
from taxes:					
6,170 (2016: 3,113)					
for social security:					
157 (2016: 161)					
to affiliated companies:					
94,335 (2016: 76,500)					
G. Accruals and deferred income				-	4
Total liabilities				37,882,340	39,022,996

Profit and loss account for the 2017 financial year

in EUR thousand	2017 1.1.–31.12.		2016 1.1.–31.12.
I. Technical account			
1. Earned premiums, net of retrocession			
a) Gross written premiums	13,292,889		11,917,076
b) Retrocession premiums	2,873,996		3,291,555
		10,418,893	8,625,521
c) Change in the gross provisions for unearned premiums	(237,324)		(67,606)
d) Change in the provisions for unearned premiums, retrocessionaires' share	27,295		(23,147)
		(210,029)	(90,753)
		10,208,864	8,534,768
2. Allocated investment return transferred from the non-technical account, net of retrocession			237,271
		185,841	
3. Other technical income, net of retrocession			0
		0	
4. Claims incurred, net of retrocession			
a) Claims paid			
aa) Gross	8,708,751		8,481,897
bb) Retrocessionaires' share	1,803,681		2,459,556
		6,905,070	6,022,341
b) Change in provisions for outstanding claims			
aa) Gross	(917,817)		(1,074,527)
bb) Retrocessionaires' share	186,625		190,962
		(731,192)	(883,565)
		7,636,262	6,905,906
5. Changes in other technical provisions, net of retrocession			
a) Net life assurance provision		(176,234)	334,497
b) Other net technical provisions		(1,565)	(2,702)
		(177,799)	331,795
6. Bonuses and rebates, net of retrocession			30
		(139)	
7. Operating expenses, net of retrocession			
a) Gross acquisition expenses		3,230,311	2,525,380
b) Less: commissions and profit commissions received on retrocession		637,147	665,183
		2,593,164	1,860,197
8. Other technical charges, net of retrocession			902
		277	
9. Subtotal		(12,658)	336,799
10. Change in the equalisation reserve and similar provisions			8,724
		165,944	
11. Net technical result		153,286	345,523

in EUR thousand	2017 1.1.–31.12.			2016 1.1.–31.12.
Balance brought forward			153,286	345,523
II. Non-technical account				
1. Investment income				
a) Income from participating interests		27,097		37,192
thereof affiliated companies:				
20,097 (2016: 32,034)				
b) Income from other investments				
thereof affiliated companies:				
46,751 (2016: 40,658)				
aa) Income from land and buildings, rights to land and buildings, leasehold	4,084			3,348
bb) Income from other investments	653,915			741,067
		657,999		744,415
c) Appreciation on investments		13,672		25,875
d) Gains on the realisation of investments		286,357		161,229
e) Income from profit pools, profit and loss transfer agreements or partial profit and loss transfer agreements		317,808		416,290
			1,302,933	1,385,001
2. Investment charges				
a) Expenditure for the management of investments, interest expenditure and other investment expenditure		37,069		34,805
b) Depreciation		20,711		34,942
thereof impairments in accordance with § 253 (3) sentence 5 of the Commercial Code (HGB):				
5,980 (2016: 4,264)				
c) Losses on the realisation of investments		38,421		28,302
d) Expenses from loss transfer		9,200		–
			105,401	98,049
			1,197,532	1,286,952
3. Allocated investment return transferred to the technical account			(186,558)	(277,463)
			1,010,974	1,009,489
4. Other income			176,862	171,464
5. Other charges			373,123	284,704
			(196,261)	(113,240)
6. Profit or loss on ordinary activities before tax			967,999	1,241,772
7. Taxes on profit and income			121,124	288,027
8. Other taxes			3,475	4,513
			124,599	292,540
9. Profit for the financial year			843,400	949,232
10. Profit brought forward from previous year			431,014	85,163
11. Allocations to other retained earnings			414	395
12. Disposable profit			1,274,000	1,034,000

Notes

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

Valuation of assets

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

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

Property is valued at the purchase or construction cost less scheduled depreciation in accordance with the normal operational useful life. Impairments are taken only if the reduction in value will probably be permanent (§ 253 (3) Sentence 5 of the Commercial Code (HGB)).

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

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

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

Shares, units or shares in investment funds and other variable-yield securities as well as bearer debt securities and other fixed-income securities are valued according to the strict or modified lower-of-cost-or-market principle depending on the intended use. Securities intended for use on a continuing basis in the normal course of business activities are valued according to the modified lower-of-cost-or-market principle (§ 341 b (2) of the Commercial Code (HGB) in conjunction with § 253 (3)

of the Commercial Code (HGB)). Permanent impairments are recognised through profit or loss.

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

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

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

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

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

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

Valuation of liabilities

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

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

Where the provisions indicated by the ceding companies are not expected to be adequate, they are increased by appropriate additional amounts. Where no figures are available from cedants, the provisions are estimated in the light of the business experience to date. The results of new treaties are at least neutralised. In some cases, provisions are determined on an actuarial basis. If necessary, additional or complete estimates of the corresponding portfolio or profit elements including relevant retrocessions are carried out where ceding company accounts with substantial premium income are missing. Missing ceding company accounts with a low premium income are included in the following year. The estimated gross premium income for treaties of the 2017 underwriting year is 37.2% of the total volume.

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

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

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

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

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

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

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

The pension commitments are carried in the settlement amount required according to reasonable and prudent business judgement. They are discounted at 3.68% using the average interest rate for the last ten years published by the German Bundesbank pursuant to the Regulation on the Discounting of Provisions (RückAbzinsVO) with an assumed maturity of 15 years. The provision for pensions is calculated according to the projected unit credit method. A rate of compensation increase of 2.50% and pension indexation of 1.74% are assumed. Fluctuation probabilities are determined separately according to age and gender. The benefit adjustment based on surplus participations from insured pension commitments is recognised in an amount of 0.00%. The valuation is based on the decrement probabilities of the "2005G standard tables", enhanced by the risk experience observed in the portfolio. Compared to the previous year, most notably, the mortalities for current and future male pensioners as well as widows were reduced by 13% on average.

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

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

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

The other provisions are established in the settlement amount required according to reasonable and prudent business judgement, in some cases on the basis of actuarial opinions.

Further accounting policies

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

In order to reduce currency risks as far as possible, matching cover is extensively established for liability elements by setting up corresponding asset elements in the different currencies. In relation to specific currencies, foreign currency liabilities are combined with matching foreign currency assets into valuation units on the basis of offsetting opposing changes in value pursuant to § 254 of the Commercial Code (HGB) (portfolio hedges) and the result of currency conversion of these foreign currency items is recognised without regard to the purchase cost method or the imparity principle.

Provisions with a maturity of more than one year are discounted using the average market rate published by the German Bundesbank for the last seven years in accordance with their maturity.

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

The other liabilities are valued at the settlement amounts.

The remaining assets and liabilities outside the aforementioned valuation units have a maturity of less than one year and are measured in accordance with § 256 a of the Commercial Code (HGB).

In addition, the provisions for currency risks from past balance sheet dates are written back on a year-by-year basis.

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

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

Notes on assets

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

in EUR thousand		2016	2017						2016
		Book values 31.12.	Additions	Reclassifi- cation	Disposals	Write-ups	Deprecia- tion	Currency effects	Book values 31.12.
A.	Intangible assets								
	1. Purchased franchises, trademarks, patents, licences and similar rights and assets	66,914	2,313	3,957	–	–	16,558	(30)	56,596
	2. Goodwill	567	–	–	–	–	567	–	–
	3. Prepayments on intangible assets	8,878	7,867	(3,957)	–	–	–	–	12,788
	4. Total A.	76,359	10,180	–	–	–	17,125	(30)	69,384
B. I.	Land and buildings, rights to land and buildings, leasehold	32,910	375	–	–	–	1,040	–	32,245
B. II.	Investments in affiliated companies and partici- pating interests								
	1. Shares in affiliated companies	6,014,234	488,862	–	51,290	–	3,030	(79,203)	6,369,573
	2. Loans to affiliated companies	756,493	41,700	–	40,089	–	2,372	(70,456)	685,276
	3. Participating interests	72,059	8,574	–	–	–	64	–	80,569
	4. Loans to enterprises in which the company has a participating interest	0	–	–	–	–	–	–	0
	5. Total B. II.	6,842,786	539,136	–	91,379	–	5,466	(149,659)	7,135,418
B. III.	Other financial investments								
	1. Shares, units or shares in investment funds and other variable-yield securities	2,112,533	222,343	–	702,586	1,243	9	(72,949)	1,560,575
	2. Bearer debt securities and other fixed-income securities	16,908,885	6,238,695	–	5,587,482	12,429	14,195	(1,262,588)	16,295,744
	3. Other loans								
	a) Registered debt securities	317,633	42,804	–	56,993	–	–	(8,217)	295,227
	b) Debentures and loans	559,663	27	–	57,242	–	–	(30,596)	471,852
	4. Deposits with banks	548,674	171,430	–	–	–	–	(61,354)	658,750
	5. Other investments	11,005	–	–	8,307	–	–	–	2,698
	6. Total B. III.	20,458,393	6,675,299	–	6,412,610	13,672	14,204	(1,435,704)	19,284,846
Total		27,410,448	7,224,990	–	6,503,989	13,672	37,835	(1,585,393)	26,521,893

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

Land and buildings and rights to land and buildings

On 31 December 2017 the company had at its disposal six developed properties with commercial and other buildings in Hannover and near Paris as well as one floor of offices in Madrid. The book value of the floor of offices in Madrid amounted to EUR 705 thousand as at 31 December 2017. Four buildings in Hannover are for own use (book value: EUR 28,819 thousand).

Shares in affiliated companies and participations

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

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

List of shareholdings in 2017

Name and registered office of the company	Participation in %	Currency	Capital and reserves (\$ 266 (3) Commercial Code)	Result for the last financial year
Figures in currency units of 1,000				
Shares in affiliated companies				
Companies resident in Germany				
Hannover Rück Beteiligung Verwaltungs-GmbH, Hannover/Germany	100.00	EUR	2,341,925	–
holds 64.79% of the shares in: E+S Rückversicherung AG, Hannover/Germany		EUR	922,413	351,000
holds 20.00% of the shares in: WeHaCo Unternehmensbeteiligungs-GmbH ¹ , Hannover/Germany		EUR	89,440	16,232
holds 100.00% of the shares in: HR Verwaltungs-GmbH, Hannover/Germany		EUR	8	(4)
holds 100.00% of the shares in: Hannover Re (Bermuda) Ltd., Hamilton/Bermuda		USD	1,209,893	128,058
holds 95.00% of the shares in: Hannover ReTakaful B.S.C. (c), Manama/Bahrain		BHD	72,699	6,507
Hannover Life Re AG, Hannover/Germany	100.00	EUR	1,911,179	–
holds 100.00% of the shares in: Hannover Re (Ireland) Designated Activity Company, Dublin/Ireland		USD	1,426,073	(282,260)
holds 100.00% of the shares in: Hannover Life Reassurance Company of America, Orlando/USA		USD	411,166	45,624
holds 100.00% of the shares in: Hannover Life Reassurance Bermuda Ltd., Hamilton/Bermuda		USD	443,699	52,393
holds 100.00% of the shares in: Hannover Life Re of Australasia Ltd., Sydney/Australia		AUD	495,812	15,075

Name and registered office of the company	Participation in %	Currency	Capital and reserves (\$ 266 (3) Commercial Code)	Result for the last financial year
Figures in currency units of 1,000				
Hannover America Private Equity Partners II GmbH & Co. KG, Hannover/Germany	87.00	EUR	331,514	84,908
holds 100.00% of the shares in: HAPEP II Holding GmbH, Hannover/Germany		EUR	3,905	2,403
Hannover Re Euro PE Holdings GmbH & Co. KG, Hannover/Germany	74.99	EUR	299,017	59,712
HILSP Komplementär GmbH ² , Hannover/Germany	100.00	EUR	34	2
Hannover Insurance-Linked Securities GmbH & Co. KG ² , Hannover/Germany	100.00	EUR	20,382	6
FUNIS GmbH & Co. KG, Hannover/Germany	100.00	EUR	86,196	(4,303)
holds 100.00% of the shares in: Glencar Underwriting Managers, Inc. ¹ , Chicago/USA		USD	5,148	325
holds 100.00% of the shares in: Integra Insurance Solutions Limited, Bradford/United Kingdom		GBP	4,990	184
holds 55.00% of the shares in: HMIA Pty Ltd, Sydney/Australia ¹		AUD	1,069	1,081
holds 53.00% of the shares in: Svedea AB ¹ , Stockholm/Sweden		SEK	16,387	10,058
holds 30.00% of the shares in: Reaseguradora del Ecuador S.A. ¹ , Guayaquil/Ecuador		USD	16,865	1,977
holds 28.50% of the shares in: Energi, Inc. ¹ , Peabody/USA		USD	(65)	(20,941)
holds 20.00% of the shares in: Monument Insurance Group Limited, Hamilton/Bermuda		USD	628	(67)
holds 20.00% of the shares in: Trinity Underwriting Managers Ltd. ¹ , Toronto/Canada		CAD	(1,711)	29
International Insurance Company of Hannover SE, Hannover/Germany	100.00	EUR	168,845	–
holds 100.00% of the shares in: Inter Hannover (No.1) Limited, London/United Kingdom		GBP	(66)	–
holds 100.00% of the shares in: International Mining Industry Underwriters Limited, London/United Kingdom		GBP	225	–
Hannover Re Global Alternatives GmbH & Co. KG, Hannover/Germany	85.00	EUR	156,919	1,558
holds 100.00% of the shares in: HR US Infra Debt LP, George Town/Cayman Islands		USD	53,609	182
holds 100.00% of the shares in: PAG Real Estate Asia Select Fund Limited, George Town/Cayman Islands		USD	72,360	(669)
Oval Office Grundstücks GmbH, Hannover/Germany	50.00	EUR	628	15
Hannover Re Euro RE Holdings GmbH, Hannover/Germany	65.00	EUR	979,041	33,720
holds 99.99% of the shares in: HR GLL Central Europe GmbH & Co. KG, Munich/Germany		EUR	453,798	5,392
HAPEP II Komplementär GmbH, Hannover/Germany	50.00	EUR	41	3
Affiliated companies resident abroad				
Hannover Finance (Luxembourg) S.A., Luxembourg/Luxembourg	100.00	EUR	35,052	654
holds 20.66% of the shares in: Sureify Labs, Inc., Wilmington/USA		USD	622	(2,148)
Hannover Finance (UK) Limited, London/United Kingdom	100.00	GBP	2,694	(9)
holds 100.00% of the shares in: Hannover Services (UK) Limited, London/United Kingdom		GBP	893	126

Name and registered office of the company	Participation in %	Currency	Capital and reserves (\$ 266 (3) Commercial Code)	Result for the last financial year
Figures in currency units of 1,000				
Hannover Reinsurance Group Africa (Pty) Ltd., Johannesburg/South Africa	100.00	ZAR	206,527	111,707
holds 100.00% of the shares in: Hannover Life Reassurance Africa Limited, Johannesburg/South Africa		ZAR	534,324	39,302
holds 100.00% of the shares in: Hannover Reinsurance Africa Limited, Johannesburg/South Africa		ZAR	764,519	31,582
holds 100.00% of the shares in: Compass Insurance Company Limited, Johannesburg/South Africa		ZAR	214,943	28,611
holds 70.00% of the shares in: Lireas Holdings (Pty) Ltd., Johannesburg/South Africa		ZAR	209,880	22,943
Leine Investment General Partner S.à.r.l., Luxembourg/Luxembourg	100.00	EUR	877	327
holds 100.00% of the shares in: LI RE, Hamilton/Bermuda		USD	–	–
Hannover Finance, Inc., Wilmington/USA	100.00	USD	164,494	1,020
holds 100.00% of the shares in: Hannover Life Reassurance Company of America (Bermuda) Ltd., Hamilton/Bermuda		USD	10,370	2,193
Argenta Holdings Limited, London/United Kingdom	100.00	GBP	43,121	10,741
holds 100.00% of the shares in: Argenta Private Capital Limited, London/United Kingdom		GBP	6,827	4,026
holds 100.00% of the shares in: Argenta Syndicate Management Limited, London/United Kingdom		GBP	7,462	2,019
holds 100.00% of the shares in: Argenta Tax & Corporate Services Limited, London/United Kingdom		GBP	1,105	400
holds 100.00% of the shares in: Argenta Underwriting Asia Pte. Ltd., Singapore/Singapore		SGD	1,200	(340)
holds 100.00% of the shares in: Argenta Underwriting Labuan Ltd, Labuan/Malaysia		USD	75	(3)
holds 100.00% of the shares in: Argenta Underwriting No.1 Limited, London/United Kingdom		GBP	22	–
holds 100.00% of the shares in: Argenta Underwriting No.2 Limited, London/United Kingdom		GBP	4,971	656
holds 100.00% of the shares in: Argenta Underwriting No.3 Limited, London/United Kingdom		GBP	1,933	1,702
holds 100.00% of the shares in: Argenta Underwriting No.4 Limited, London/United Kingdom		GBP	(152)	–
holds 100.00% of the shares in: Argenta Underwriting No.7 Limited, London/United Kingdom		GBP	–	–
holds 100.00% of the shares in: Argenta Underwriting No.8 Limited, London/United Kingdom		GBP	(22)	(1)
holds 100.00% of the shares in: Argenta Underwriting No.9 Limited, London/United Kingdom		GBP	1,379	763

Name and registered office of the company	Participation in %	Currency	Capital and reserves (\$ 266 (3) Commercial Code)	Result for the last financial year
Figures in currency units of 1,000				
holds 100.00% of the shares in: Argenta Underwriting No.10 Limited, London/United Kingdom		GBP	(36)	(7)
holds 100.00% of the shares in: Argenta Underwriting No.11 Limited, London/United Kingdom		GBP	(32)	(7)
holds 100.00% of the shares in: Argenta No.13 Limited, London/United Kingdom		GBP	–	–
holds 100.00% of the shares in: Argenta No.14 Limited, London/United Kingdom		GBP	–	–
holds 100.00% of the shares in: Argenta No.15 Limited, London/United Kingdom		GBP	–	–
holds 100.00% of the shares in: Residual Services Limited, London/United Kingdom		GBP	–	–
Leine Investment SICAV-SIF, Luxembourg/Luxembourg	99.99	USD	64,430	1,113
Kaith Re Ltd., Hamilton/Bermuda	88.00	USD	554	(360)
Hannover Re Real Estate Holdings, Inc., Orlando/USA	86.50	USD	771,070	6,885
holds 100.00% of the shares in: HR US Infra Equity LP, Wilmington/USA		USD	–	–
holds 99.90% of the shares in: GLL HRE CORE Properties L. P., Wilmington/USA		USD	618,198	(328)
U FOR LIFE SDN. BHD. ¹ , Petaling Jaya/Malaysia	60.00	MYR	(21,304)	(8,638)
Hannover ReTakaful B. S.C. (c), Manama/Bahrain	5.00	BHD	72,699	6,507
Participations				
ITAS Vita S.p.A. ¹ , Trento/Italy	34.88	EUR	100,880	2,719
HANNOVER Finanz GmbH ¹ , Hannover/Germany	27.78	EUR	81,509	18,078
WeHaCo Unternehmensbeteiligungs-GmbH ¹ , Hannover/Germany	20.00	EUR	89,440	16,232

¹ Financial year ending 31 December 2016

² Financial year ending 30 September 2017

Key exchange rates

1 EUR corresponds to:	Exchange rates on 31.12.2017
AUD	1.53474
BHD	0.45230
GBP	0.88752
USD	1.19940
ZAR	14.81400

Investments in affiliated companies and participating interests

As at 31 December 2017 the company held shares in affiliated companies with a book value of EUR 6,369,573 thousand (EUR 6,014,234 thousand). Write-downs of EUR 8,385 thousand (EUR 55 thousand) were not taken on shares in affiliated companies with a book value of EUR 84,506 thousand (EUR 1,390 thousand) because the impairments in question are

purely temporary. Based on the assumption that impairments on loans to affiliated companies will not be permanent and are attributable to the underlying measurement parameters, write-downs of EUR 1,370 thousand (EUR 2,470 thousand) were not taken on a portfolio with a book value of EUR 62,531 thousand (EUR 63,489 thousand).

Other investments

Of the securities totalling EUR 1,560,575 thousand (EUR 2,112,533 thousand) shown under the “Other financial investments” in the item “Shares, units or shares in investment funds and other variable-yield securities”, an amount of EUR 1,524,576 thousand (EUR 2,045,308 thousand) was allocated to fixed assets. The fair value of these holdings amounted to EUR 1,854,672 thousand (EUR 2,477,842 thousand). Based on the assumption that the impairments will not be permanent, write-downs of EUR 3,632 thousand (EUR 9,341 thousand) were not taken on a portfolio with a book value of EUR 89,061 thousand (EUR 220,180 thousand). In the case of shares and investment fund certificates, a separate and standardised method is used to check the permanence of the impairment. For bond funds the permanence of the impairment is checked on the basis of the difference between the cost price and fair value. The permanence of the impairment for high-yield and emerging market funds is established on the basis of the difference between the cost price and fair value and depending on the ratings of the assets held within the funds. In the case of private equity, real estate investment and infrastructure funds, the permanence of the impairment is verified by referring to the difference between the cost price and fair value and making allowance for the investment structure (J-curve or core funds).

Altogether, bearer debt securities and other fixed-income securities with a book value of EUR 12,149,582 thousand (EUR 12,440,645 thousand) and a fair value of EUR 12,474,614 thousand (EUR 12,758,369 thousand) were allocated to fixed assets. Write-downs of EUR 89,659 thousand (EUR 124,673 thousand) were not taken on bearer debt securities with a book value of EUR 4,876,044 thousand (4,704,394 thousand). Given that there were no indications of issuer default, it is expected that the nominal value will be repaid in full upon maturity and hence a permanent impairment

is not anticipated. The holdings that were not written down to fair value relate inter alia to CDO/CLO investments. Model-based fair value measurement, making allowance for applicability criteria and verification of compliance with collateral tests of the respective higher tranches, is used to determine the sustainability of the book values.

Write-downs of EUR 3,009 thousand (EUR 3,557 thousand) were not taken on debentures with a book value of EUR 75,000 thousand (EUR 93,000 thousand) based on the premise that the nominal value will be repaid in full on maturity.

Based on determination of the fair value as at 31 December 2017, no requirement to recognise a permanent impairment on registered debt securities with a book value of EUR 12,361 thousand (EUR 0 thousand) was identified. There were no indications of issuer default, and hence write-downs of EUR 36 thousand (EUR 0 thousand) were not taken.

The portfolio includes a special fund launched for Hannover Re by an external manager. The company's share of the fund is 100.0%. The fund in question is a high yield fund investing principally in European fixed-income securities. An index composed of the iBoxx universe is used as the benchmark. For Hannover Re a total amount of EUR 14,474 thousand (EUR 18,396 thousand) was distributed in the year under review. The units can be returned at any time within at most five days. The fund units have a fair value of EUR 1,262,706 thousand (EUR 1,218,557 thousand) and a book value of EUR 1,112,037 thousand (EUR 1,058,557 thousand), producing unrealised gains of EUR 150,668 thousand (EUR 160,000 thousand).

Assets with a balance sheet value of EUR 6,542,655 thousand (EUR 6,594,756 thousand) are blocked in favour of companies.

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

The fair values of land and buildings are determined annually using the gross rental method in accordance with the Decree on the Principles for Determining the Market Value of Property (ImmoWertV) and the supplementary valuation guidelines. Income values or net asset values are determined for shares in affiliated companies and participating interests. In individual cases the amortised cost is taken as the fair value.

Shares, units or shares in investment funds, bearer debt securities and other securities are carried at market or stock exchange prices. These are obtained from publically available prices and bid prices as at the balance sheet date. In the

case of special investments for which there are no publically available prices, valuation is model-based using risk premiums, default rates, prepayment speed and recovery rates or at net asset value (NAV). The fair values of securities traded in illiquid markets as well as those of the sundry loans and loans to affiliated companies and participating interests are calculated on the basis of yield curves, taking into account the creditworthiness of the specific debtor and the currency of the loan.

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

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

in EUR thousand		2017		
		Book values 31.12.	Fair values 31.12.	Difference 31.12.
B. I.	Land and buildings, rights to land and buildings, leasehold	32,245	50,345	18,100
B. II.	Investments in affiliated companies and participating interests			
	1. Shares in affiliated companies	6,369,573	8,298,574	1,929,001
	2. Loans to affiliated companies	685,276	705,700	20,424
	3. Participating interests	80,569	86,185	5,616
	4. Loans to enterprises in which the company has a participating interest	0	0	0
	5. Total B. II.	7,135,418	9,090,459	1,955,041
B. III.	Other investments			
	1. Shares, units or shares in investment funds and other variable-yield securities	1,560,575	1,890,670	330,095
	2. Bearer debt securities and other fixed-income securities	16,295,744	16,730,262	434,518
	3. Other loans			
	a) Registered debt securities	295,227	328,951	33,724
	b) Debentures and loans	471,852	501,080	29,228
	4. Deposits with banks	658,750	657,297	(1,453)
	5. Other investments	2,698	2,698	–
	6. Total B. III.	19,284,846	20,110,958	826,112
Total		26,452,509	29,251,762	2,799,253

Other receivables

in EUR thousand	2017	2016
Receivables from affiliated companies	338,390	439,337
Receivables from reinsured pension schemes	62,914	60,528
Receivables from securities transactions	17,418	–
Receivables from the revenue authorities	14,385	27,064
Receivables from hedges	6,260	–
Interest and rent due	2,395	562
Receivables from representative offices	2,198	1,500
Other receivables	2,239	2,175
Total	446,199	531,166

Sundry assets

The sundry assets relate to tax refund claims in an amount of EUR 6,199 thousand (EUR 16,473 thousand).

Prepayments and accrued income

in EUR thousand	2017	2016
Accrued interest and rent	157,806	156,447
Accrued administrative expenses	6,976	5,588
Other	481	406
Total	165,263	162,441

Notes on liabilities

Subscribed capital

The company's subscribed capital remained unchanged as at 31 December 2017 in the amount of EUR 120,597 thousand. It is divided into 120,597,134 no-par-value registered shares.

Contingent capital of EUR 60,299 thousand is available. It can be used to grant shares to holders of convertible bonds and bonds with warrants as well as to convert participating bonds or profit-sharing rights. This contingent capital has a term until 9 May 2021.

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

Treasury shares

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

The company did not hold fully paid, no-par-value treasury shares as at 31 December 2017. Within the financial year just ended the company acquired shares for employees, which it subsequently sold to them.

	2017	
	Date of acquisition	Date of sale
	18 May	18 May
Number of shares	18,805	18,805
Amount of capital stock attributable to the shares (EUR)	18,805.00	18,805.00
Proportion of capital stock	0.02%	0.02%
Price (EUR)	107.38	84.35

Capital reserve

The company's capital reserve remained unchanged as at 31 December 2017 in the amount of EUR 880,608 thousand. The capital reserve refers solely to the amount generated upon the issue of shares in excess of the par value of the subscribed capital.

Retained earnings

The retained earnings were unchanged as at 31 December 2017 in an amount of EUR 630,511 thousand. They were reduced by EUR 414 thousand due to the issue of employee shares and an amount of EUR 414 thousand was allocated to retained earnings from the 2017 profit for the year. Pursuant to § 268 (8) Sentence 3 in conjunction with Sentence 1 of the Commercial Code (HGB) there is a restriction on distribution of EUR 31 thousand for the fair value of the assets designed

to cover retirement benefit obligations less corresponding deferred tax liabilities that is in excess of original cost. Based on the discounting of pension obligations with the average market interest rate of the last ten years compared to discounting with the average market interest rate of the last seven years, there is an additional restriction on distribution in an amount of EUR 8.4 million after allowance for deferred taxes.

Disposable profit

The disposable profit for the financial year includes a profit carried forward from the previous year of EUR 431,014 thousand.

Subordinated liabilities

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

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

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

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

Provision for unearned premiums

in EUR thousand	2017		2016	
	gross	net	gross	net
Insurance line				
Fire	421,647	341,652	404,188	314,272
Casualty	471,901	408,260	493,557	411,896
Accident	59,554	55,001	65,146	61,946
Motor	399,360	329,012	202,183	148,320
Aviation	83,038	63,719	105,886	79,640
Life	151,965	130,226	251,561	233,399
Other lines	701,456	584,518	716,330	606,166
Total	2,288,921	1,912,388	2,238,851	1,855,639

Life assurance provisions

in EUR thousand	2017		2016	
	gross	net	gross	net
Insurance line				
Accident	16,013	(4,495)	9,229	(13,245)
Life	8,893,481	7,795,010	9,086,597	7,697,639
Other lines	12,595	11,756	26,573	25,378
Total	8,922,089	7,802,271	9,122,399	7,709,772

Provisions for outstanding claims

in EUR thousand	2017		2016	
	gross	net	gross	net
Insurance line				
Provision for reimbursements and surrenders (except annuities)				
Fire	2,552,289	2,020,298	2,329,918	1,730,827
Casualty	8,186,948	6,757,036	9,107,505	7,483,634
Accident	354,244	297,299	337,321	301,923
Motor	3,112,129	2,616,808	2,689,205	2,187,506
Aviation	1,038,944	764,749	1,496,467	1,116,760
Marine	1,369,253	941,689	1,489,094	1,014,100
Life	1,192,637	1,138,989	1,586,739	1,525,447
Other lines	3,621,285	2,695,220	3,277,073	2,568,469
	21,427,729	17,232,088	22,313,322	17,928,666
Separate value adjustment on retrocessions	–	44,484	–	1,394
	21,427,729	17,276,572	22,313,322	17,930,060
Provision for annuities				
Casualty	1,615	1,567	1,504	1,463
Accident	30,790	30,784	29,398	29,392
Motor	18,185	16,719	17,731	16,395
	50,590	49,070	48,633	47,250
Total	21,478,319	17,325,642	22,361,955	17,977,310

The net run-off result in property and casualty insurance is positive overall and amounts to 5.5% (4.4%) relative to the original provision.

Equalisation reserve and similar provisions

in EUR thousand	2017			
	Position at 1.1.	Addition	Withdrawal and release	Position at 31.12.
Insurance line				
Equalisation reserve				
Fire	717,145	–	337,312	379,833
Casualty	571,468	308,002	–	879,470
Accident	24,907	–	24,907	–
Motor	411,167	–	60,661	350,506
Aviation	186,889	–	57,091	129,798
Marine	352,265	–	28,572	323,693
Other lines	666,336	52,280	3,558	715,058
	2,930,177	360,282	512,101	2,778,358
Provisions which are similar to the equalisation reserve – major risks –				
Fire	33,096	139	–	33,235
Casualty	36,955	251	3,185	34,021
Accident	–	–	–	–
Motor	754	159	–	913
Aviation	–	–	–	–
Marine	2,596	–	–	2,596
Other lines	54,443	367	11,855	42,955
Total	3,058,021	361,198	527,141	2,892,078

Other technical provisions

in EUR thousand	2017		2016	
	gross	net	gross	net
Type of provision				
Profit commission	286,696	287,356	279,082	273,706
Commissions	523	568	794	816
Premium cancellation	6,184	6,226	4,653	4,661
Total	293,403	294,150	284,529	279,183

Technical provisions – total

in EUR thousand	2017		2016	
	gross	net	gross	net
Insurance line				
Fire	3,409,188	2,802,085	3,506,937	2,830,722
Casualty	9,596,271	8,104,809	10,234,044	8,527,685
Accident	491,692	408,688	490,107	426,967
Motor	3,882,707	3,317,008	3,312,196	2,767,466
Aviation	1,262,444	967,237	1,800,510	1,392,428
Marine	1,700,368	1,272,656	1,848,777	1,373,232
Life	10,404,340	9,214,855	11,091,240	9,602,579
Other lines	5,128,525	4,094,872	4,782,681	3,957,645
	35,875,535	30,182,210	37,066,492	30,878,724
Separate value adjustment on retrocessions	–	44,484	–	1,394
Total	35,875,535	30,226,694	37,066,492	30,880,118

Provisions for other risks and charges

in EUR thousand	2017	2016
Provisions for pensions and similar liabilities	89,576	83,619
Provisions for taxation	167,102	322,403
Sundry provisions		
Provisions for outstanding remuneration payments	40,562	45,952
Provision for interest pursuant to § 233 a AO (Fiscal Code)	37,292	38,812
Provision for loss transfer	9,200	–
Provisions for annual accounts costs	4,712	4,200
Provisions for suppliers' invoices	1,933	801
Provisions for costs of legal action	913	1,056
Provision for partial retirement	674	1,642
Provision for currency risks	27	9,101
Other provisions	19,958	23,781
	115,271	125,345
Total	371,949	531,367

The difference between the discounting of the pension obligations with the average market interest rate of the last ten years compared to discounting with the average market interest rate of the last seven years – allowing for deferred tax liabilities – was EUR 12.5 million.

Assets and the corresponding expenses and income were offset pursuant to § 246 (2) Sentence 2 of the Commercial Code (HGB) with respect to the provisions for pensions and the provision for partial retirement. Pension liabilities and pension insurance policies were netted in an amount of EUR 325 thousand (EUR 486 thousand). The provision for partial retirement

of EUR 2,606 thousand (EUR 3,543 thousand) was netted with plan assets with a fair value of EUR 1,932 thousand (EUR 1,901 thousand) pursuant to § 246 (2) of the Commercial Code (HGB). In this connection income of EUR 42 thousand (EUR 16 thousand) was offset against total expenses of EUR 0 thousand (EUR 48 thousand).

The plan assets for partial retirement were measured on the basis of fair values pursuant to § 253 (1) Sentence 3 of the Commercial Code (HGB). The acquisition cost of the plan assets amounted to EUR 1,885 thousand (EUR 1,861 thousand).

Miscellaneous liabilities

in EUR thousand	2017	2016
Accounts due to affiliated companies	94,335	76,500
Liabilities from hedge accounting	8,763	10,153
Liabilities from interest and LOC	8,233	8,316
Liabilities in respect of the revenue authorities	6,170	3,113
Liabilities from securities transactions	1,682	4,191
Trade accounts payable	1,352	1,916
Liabilities in respect of permanent establishments	186	135
Liabilities from outstanding commitments to old-age pension scheme	180	–
Liabilities from option premiums	78	–
Liabilities from cash collateral received	10	17,242
Liabilities from leases	2	–
Other liabilities	570	466
	121,561	122,032
Total	121,561	122,032

Accruals and deferred income

in EUR thousand	2017	2016
Other accruals and deferred income	-	4
Total	-	4

Notes on the profit and loss account

Total insurance business

in EUR thousand	2017	2016	2017	2016	2017	2016	2017	2016
Insurance line	Gross written premium		Gross premium earned		Net premium earned		Technical result for own account	
Fire	1,963,367	1,625,486	1,903,621	1,619,216	1,342,061	572,286	214,669	269,169
Casualty	1,584,038	1,443,732	1,561,034	1,404,440	1,215,765	1,108,893	44,463	(207,772)
Accident	336,062	333,757	338,561	330,997	307,518	296,514	42,921	42,626
Motor	1,860,822	913,071	1,641,667	1,074,836	1,250,950	700,525	(186,965)	(53,234)
Aviation	238,078	273,026	250,245	298,544	168,418	202,511	255,702	16,065
Marine	343,249	378,650	343,249	378,650	200,648	222,446	(7,261)	192,426
Other lines	2,862,387	2,841,602	2,823,790	2,688,845	2,063,079	2,029,912	(239,570)	(10,717)
Total property and casualty	9,188,003	7,809,324	8,862,167	7,795,528	6,548,439	5,133,087	123,959	248,563
Life	4,104,886	4,107,752	4,193,398	4,053,942	3,660,425	3,401,681	29,327	96,960
Total insurance business	13,292,889	11,917,076	13,055,565	11,849,470	10,208,864	8,534,768	153,286	345,523

in EUR thousand	2017	2016
Gross claims incurred	9,626,568	9,556,424
Gross operating expenses	3,230,311	2,525,380
Reinsurance balance	219,248	(999)

In accordance with the disclosure required pursuant to § 27 (3) and (4) of the Regulation on the Presentation of Insurance Company Accounts (RechVersV), insurance contracts with the HDI property/casualty group are booked with a time delay of one month. The premium volume for 2017 amounts to altogether EUR 275.8 million. Of this, EUR 4.7 million relates to the month of December 2016.

The confirmation of balances with ceding companies from prior underwriting years additionally gave rise to written premium of EUR 10.7 million, claims incurred of EUR 9.1 million and operating expenses of EUR -2.1 million in the year under review. The underwriting result increased accordingly by EUR 17.6 million.

Expenses for investments

in EUR thousand	2017	2016
Fixed-income securities	44,327	47,753
Administrative expenses	31,196	29,954
Loss transfer	9,200	–
Shares and investment fund certificates	7,856	14,232
Shares in affiliated companies and participations as well as loans to affiliated companies and enterprises in which the company has a participating interest	5,998	231
Land and buildings	3,135	2,495
Futures and options contracts, technical derivatives	2,305	2,059
Deposit, bank and consultancy fees	948	1,059
Forward exchange transactions	389	66
Interest charges	44	200
Registered debt securities and sundry loans	3	–
Total	105,401	98,049

Other income

in EUR thousand	2017	2016
Exchange rate gains	79,915	84,893
Separate value adjustments on accounts receivable and retrocessions	26,728	14,148
Income from services rendered	25,354	24,546
Income from guarantees furnished	14,562	8,530
Income from reinsurance contracts	10,032	10,851
Income from tax refunds	4,724	3,161
Release of non-technical provisions	5,348	14,446
Allocated investment return	3,791	3,251
Profit from clearing transactions	3,013	3,250
Reimbursement of expenses	324	591
Income from discounting pursuant to § 277 (5) HGB (Commercial Code)	57	14
Interest pursuant to § 233 a AO (Fiscal Code)	40	1,272
Amounts realised	1	47
Other income	2,973	2,464
Total	176,862	171,464

Other expenses

in EUR thousand	2017	2016
Exchange rate losses	118,832	63,397
Financing interest	72,046	72,294
Separate value adjustments on accounts receivable and retrocessions	59,473	19,695
Expenses for the company as a whole	42,250	47,357
Deposit interest	32,995	81,380
Expenses from services rendered	25,899	25,082
Interest charges on old-age pension scheme	6,616	3,319
Expenses from reinsurance contracts	4,243	6,048
Interest pursuant to § 233 a AO (Fiscal Code)	3,500	57
Expenses for letters of credit	2,086	2,978
Write-downs on accounts receivable	616	1,258
Interest charges from reinsurance transactions	414	326
Compounding of interest on provisions/expense from compounding pursuant to § 277 (5) HGB (Commercial Code)	55	85
Other interest and expenses	4,814	1,620
	373,839	324,896
Less: Technical interest	716	40,192
Total	373,123	284,704

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

In addition to the annual financial statement and management report as at 31 December 2017, the independent auditor reviewed the reporting package created in accordance with International Financial Reporting Standards (IFRS). The solvency balance sheet was also audited. As an integral part of the audit, project-supporting audits were performed on parts of the

accounting-related internal control system (ICS). Furthermore, other legal and contractual checks as well as voluntary reviews were conducted on risk management systems and corporate governance systems. The tax consultancy services encompass support provided for the preparation of tax returns and tax advice on specific matters. Moreover, the independent auditor provided consultancy services in connection with the initial adoption of new accounting principles and assisted with the implementation of regulatory requirements in a quality assurance capacity.

Expenses for personnel

in EUR thousand	2017	2016
1. Wages and salaries	121,371	127,165
2. Social security payments and expenses for welfare	19,323	18,844
3. Expenses for old-age pension scheme	3,853	1,442
Total	144,547	147,451

Proposal for the distribution of profits

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

Proposal for the distribution of profits

in EUR	2017
Payment of a dividend of EUR 3.50 on each eligible no-par value share	422,089,969.00
Payment of a special dividend of EUR 1.50 on each eligible no-par value share	180,895,701.00
Profit carried forward to new account	671,014,330.00
Disposable profit	1,274,000,000.00

Other notes

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

As security for technical liabilities, various financial institutions have furnished sureties for our company in the form of letters of credit. The total amount of the letters of credit, which also provide security for subsidiaries, was EUR 2,435.1 million (EUR 2,301.8 million) as at the balance sheet date.

Outstanding capital commitments with respect to special investments and shares in affiliated companies exist in the amount of EUR 735.7 million (EUR 823.8 million).

Under novation clauses in reinsurance contracts written by the subsidiaries with outside third parties we shall – in certain constellations – assume the rights and duties of the subsidiaries under the contracts. In the event of the contracts being transferred to Hannover Re, assets shall be transferred from the relevant subsidiary in the amount of the reserves. As at 31 December 2017 reserves equivalent to EUR 765,161 thousand (EUR 869,586 thousand) existed at the subsidiaries. No soft letters of comfort were provided in the financial

year. Hannover Re has provided guarantees of altogether USD 5,326.4 million to third parties for affiliated companies. The term of the guarantees is determined in each case by the secured liabilities of the affiliated company. Hannover Re receives guarantee commissions for this. In addition, guarantees of GBP 10.0 million and AUD 15.0 million were furnished. Furthermore, financial commitments to affiliated companies exist in an amount of USD 300.0 million and payment obligations to subsidiaries in South Africa based on the insurance and reinsurance contracts that they have written. A long-term compensation obligation in an amount of EUR 1,987 thousand exists with respect to HDI Unterstützungskasse.

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

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

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

The average size of the workforce was 1,289 in the year under review, of whom 112 were executive staff and 1,177 employees.

The remuneration report is provided in the combined management report of the company on pages 111 to 131 of the Group Annual Report. The total remuneration of the Executive Board of Hannover Re amounted to EUR 6.5 million (EUR 7.3 million). In the year under review 7,791 share awards with a fair value of EUR 0.8 million were granted to active members of the Executive Board. Pension payments to former members of the Executive Board and their surviving dependants amounted to EUR 1,058 thousand. A liability of EUR 13,788 thousand was recognised for current pensions of former members of the Executive Board. The remuneration of the Supervisory Board amounted to EUR 772 thousand (EUR 772 thousand).

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

The list of shareholdings is provided on pages 20 to 23.

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

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

On 7 November 2017 the Executive Board and Supervisory Board of Hannover Rück SE submitted an updated Declaration of Conformity pursuant to § 161 of the Stock Corporation Act (AktG) regarding compliance with the German Corporate Governance Code and made it permanently accessible on the company's website (www.hannover-re.com/200801/declaration-of-conformity).

The company combined opposing forward exchange transactions in notional amounts of ZAR 123.7 million (EUR 5.7 million), ZAR 1,367.0 (USD 94.7 million), USD 49.1 million (CAD 65.1 million), USD 275.9 million (EUR 227.4 million), CAD 33.1 million (USD 25.7 million), AUD 182.9 million (USD 140.2 million), GBP 49.7 million (USD 66.7 million), SGD 45.6 million (USD 32.8 million) and TWD 335.7 million (USD 11.2 million) into valuation units as at the balance sheet date pursuant to § 254 of the Commercial Code (HGB). The risk entered into vis-à-vis the counterparty is passed on in full – including the default risk – to five affiliated companies. In this context, the transactions with the affiliated companies constitute the underlying transactions and those with the counterparties outside the Group constitute the hedge instruments that make up the valuation unit. Both the interest rate risks and the currency risks of the underlying transactions are hedged by means of micro-hedging. The opposing effects from the valuation units are fully correlated and recognised in the balance sheet using the net hedge presentation method. The effectiveness of the micro-hedges is assessed using the critical term method. As at 31 December 2017 the underlying transactions show positive fair values of altogether EUR 17.5 million and negative fair values totalling EUR 2.0 million. The

forward exchange transactions, which were concluded in several tranches, have various maturity dates; the last transaction expires in 2022.

The company's portfolio also includes two forward exchange transactions in notional amounts of USD 45.0 million (HKD 349.7 million) and AUD 35.0 million (USD 27.2 million) with maturity dates in 2018 that are not combined into valuation units. Risks underlying the transactions are transferred to the Hong Kong branch and remain with Hannover Re in Germany respectively. The negative fair value of EUR 0.4 million (EUR 0.07 million) is carried in full on the liabilities side of the balance sheet as a provision for anticipated losses. The calculation is made on the basis of yield curves as well as spot and forward rates using the interest rate parity model.

In addition, a forward exchange transaction with a spread between the trade and interest value date that extends beyond 31 December 2017 was concluded in a notional amount of AUD 35.0 million (USD 27.3 million); this does not form part of the annual financial statement due to the value date accounting method. Based on the movement of AUD/USD as at the balance sheet date, a notional provision of EUR 0.1 million is required.

Hannover Re hedges against currency risks by matching foreign currency liabilities with foreign currency assets. The intention is that changes in the value of foreign currency liabilities (underlying) caused by movements in exchange rates will be offset by opposing changes in the value of the foreign currency assets (hedge instrument). Matched liabilities are combined with their matching assets per currency into a valuation unit which is recognised in the balance sheet in the context of portfolio hedges. The volume amounts to EUR 16,882.4 million.

The portfolio contains derivatives associated with the technical account in a nominal volume of EUR 24.6 million which relate to earthquake risks in Japan. The risks are offset by countertrade transactions.

The stock participation rights granted in the form of virtual shares (share awards) in an amount of EUR 19.1 million were hedged by equity swaps in the financial year. The hedge is effected at the level of tranches and on a rolling basis with a maturity of three months until the share awards are paid out after five years. The hedged risk amounts to EUR 4.7 million. The underlying and the hedge were combined in a single valuation unit pursuant to § 254 of the Commercial Code (HGB). The offsetting changes in value are not recognised in the profit and loss account (net hedge presentation method). The effectiveness derives from the parallelism between the payments from the equity swaps and the change in value of the Hannover Re share. Effectiveness is measured retrospectively through the change in value of equity swaps and share awards. In April 2017 share awards with a value of EUR 6.8 million were paid out. Hedging through equity swaps resulted in a positive earnings effect of EUR 3.4 million.

A permanent establishment of Hannover Re has invested deposits with ceding companies under a retrocession contract in an amount of USD 189.9 million in a structured security of a large European bank (underlying). In this contract the retrocessionaire furnished a capital and interest guarantee for the invested contract deposits (hedge). The hedged risk amounted to USD 2.7 million as at the balance sheet date. The underlying and hedge are combined into a valuation unit in the balance sheet in a micro-hedge relationship.

We received an adequate consideration for all transactions with affiliated companies according to the circumstances of which we were aware at the time when the transactions were effected. We incurred no losses requiring compensation as defined by § 311 (1) of the Stock Corporation Act (AktG). No events of special significance occurred after the balance sheet date that had a material impact on the results of operations, financial position or net assets of Hannover Re.

Hannover, 7 March 2018

Executive Board



Wallin



Althoff



Chèvre



Gräber



Dr. Miller



Dr. Pickel



Vogel

Independent Auditor's Report

to Hannover Rück SE, Hannover

Statement on the audit of the annual financial statement and the combined management report

Audit opinions

We have audited the annual financial statement of Hannover Rück SE, Hannover – comprising the balance sheet as at 31 December 2017 and the profit and loss account for the financial year from 1 January to 31 December 2017 as well as the notes to the financial statement, including the summary of major accounting policies. In addition, we audited the combined management report of Hannover Rück SE for the financial year from 1 January 2017 to 31 December 2017. In accordance with German statutory requirements, we did not audit the content of the disclosures identified as unaudited that are contained in the combined management report, the non-financial information statement and the declaration on corporate governance, which are contained in the section "Non-financial information statement" and in the section "Enterprise management" within the combined management report, or the report by Hannover Rück SE on equality and pay equity for the 2016 reporting year, which is contained in the section "Report by Hannover Rück SE on equality and pay equity for the 2016 reporting year".

In our opinion, based on the findings of the audit,

- the attached annual financial statement complies in all material respects with the requirements of German

commercial law applicable to insurance undertakings and gives a true and fair view of the net assets and financial position of the company as at 31 December 2017 as well as its results of operations for the financial year from 1 January to 31 December 2017 in accordance with German generally accepted accounting principles, and

- the attached combined management report provides an accurate view overall of the position of the company. In all material respects this combined management report is consistent with the annual financial statement, complies with German legal requirements and suitably presents the opportunities and risks of future development. Our audit opinion on the combined management report does not extend to the non-financial information statement, the declaration on corporate governance, the disclosures contained in the combined management report that are identified as unaudited or the report by Hannover Rück SE on equality and pay equity for the 2016 reporting year.

Pursuant to § 322 Para. 3 Sentence 1 Commercial Code (HGB), we confirm that our audit did not give rise to any reservations concerning the correctness of the annual financial statement and the combined management report.

Basis of the audit opinions

We conducted our audit of the annual financial statement and the combined management report in conformity with § 317 Commercial Code (HGB) and the EU Audit Regulation (No. 537/2014) with due regard to German generally accepted standards for the auditing of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Our responsibility according to these requirements and principles is described more extensively in the section of our audit report entitled "Responsibility of the auditor for the auditing of the annual financial statement and the combined management report". We are independent of the company in conformity

with the requirements of European law as well as German commercial law and professional standards and we fulfilled our other German professional duties in conformity with these requirements. Furthermore, we confirm pursuant to Article 10 (2) letter f) EU Audit Regulation that we did not provide any prohibited non-audit services as defined by Article 5 (1) EU Audit Regulation. We are of the opinion that the audit evidence obtained is sufficient and appropriate to serve as a basis for our audit opinions on the annual financial statement and the combined management report.

Audit matters of particular importance in the auditing of the annual financial statement

Audit matters of particular importance are those matters that, in our professional judgement, are of the greatest significance to our audit of the annual financial statement for the financial year from 1 January 2017 to 31 December 2017. These matters were considered in the context of our audit of the annual

Measurement of the life assurance provision

With regard to the accounting policies please see the explanatory remarks in the notes on page 17 as well as page 28 for further breakdowns of the life assurance provision. Risk

The risk for the annual financial statement

The company reports a life assurance provision of EUR 8,922.1 million (roughly 23.6% of the balance sheet total) in its annual financial statement.

The measurement of the life assurance provision is based upon the principle of commercial prudence and is derived from the present value of future benefits payable less the present value of future premiums still to be paid. The actuarial bases used are chosen in accordance with the provisions of commercial law and supervisory requirements. Hannover Rück SE carries over the values from the statements of account of ceding companies or performs its own measurement, insofar as sufficient data

Our approach in the audit

In our audit of the life assurance provision we deployed our own actuaries as part of the audit team. In particular, we performed the following principal audit procedures:

- We surveyed the process used to calculate the life assurance provision, identified significant controls that are performed and tested them with an eye to their design and effectiveness. We devoted particularly close attention to the process in which the adequacy of the reported life assurance provision is checked and assumptions are made regarding any strengthening of the reserves that may be necessary.

Our conclusions

The measurement of the life assurance provision is adequate in accordance with the provisions of commercial law and

Measurement of the provision for outstanding claims in property and casualty reinsurance

With regard to the accounting policies please see the explanatory remarks in the company's notes on page 17 as well as page 28 for further breakdowns of the provision for outstanding

financial statement as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters. The presentation below follows the breakdown of the balance sheet items in the annual financial statement.

information is provided in the company's combined management report on pages 92 and 93.

are available. In cases where Hannover Rück SE arrives at the assessment that the reported technical provisions according to the Commercial Code are not adequate, additional reserves are constituted on the basis of its own assumptions.

Uncertainties exist primarily with regard to the estimation of the measurement parameters, particularly in relation to the biometric actuarial bases that are to be considered realistic – such as probabilities for mortality, the mortality trend or disability as well as socioeconomic factors such as the assumed behaviour of policyholders, e.g. cancellation.

- We assessed the adequacy of the material assumptions by analysing the actuarial methods used to arrive at them. In addition, we examined whether sufficient safety margins are built into the reserves according to the criteria of commercial law.
- We compared the results expected by the company for individual business units with the actual results and were thus able to draw conclusions about the quality of estimation.
- We analysed the development of the life assurance provision compared to the previous year and assessed this with an eye to the current business development.

supervisory requirements. The calculation parameters are appropriate overall and were applied in a balanced manner.

claims. Risk information is provided in the combined management report on pages 88 to 91.

The risk for the annual financial statement

The gross provision for outstanding claims amounts to EUR 21,478.3 million (roughly 56.7% of the balance sheet total). A major part of the gross provision for outstanding claims is attributable to property and casualty reinsurance.

The provision for outstanding claims in property and casualty reinsurance is arrived at from the information provided by the prior insurers and by following actuarial procedures using statistical methods that necessitate a sufficiently long data history and stability of the observed data. This includes assumptions regarding premiums, ultimate loss ratios, run-off periods, factors and speed that are built upon past experience. Taking into account the results of the actuarial procedures and further information in relation to the uncertainties associated with the calculations, management finally determines the amount of the provision for outstanding claims. The provision for outstanding claims for the purposes of commercial law is to be measured

in observance of the principle of prudence. Large losses are considered separately in the measurement of the provision.

The measurement of the provision for outstanding claims is subject to uncertainties and is highly discretionary. Particularly in the case of large losses such as those caused by hurricane events, it may take a sizeable period of time until all loss advices have been received from ceding companies. Insofar as sufficient loss advices have not yet been received, the reserves for these large losses are estimated on the basis of internal analyses of the market loss and the impact on the company itself based on the existing covers. In accordance with the principles of commercial law, the estimation cannot be risk-neutral in the sense of an equal weighting of opportunities and risks, but rather it must observe the principle of accounting prudence (§ 341e Para. 1 Sentence 1 Commercial Code (HGB)).

Our approach in the audit

In auditing the provision for outstanding claims in property and casualty reinsurance, we used our own actuaries as part of the audit team and performed the following major audit procedures:

- We surveyed the process for calculating the provisions, identified material controls and tested them for adequacy and effectiveness. The controls encompass both the completeness and correctness of the data used and the qualitative and quantitative elements of the valuation.
- We assessed the plausibility of the material assumptions used – including loss ratios. We devoted particularly close attention to the calculation of the IBNR reserve.
- With regard to the losses from the hurricane events Harvey, Irma and Maria, we assessed the assumptions in relation to the loss amount based on interviews and inspection of documentation and, to the extent possible, compared them with externally available information.
- We performed independent reserve calculations for significant segments that we selected on the basis of risk considerations. In this regard, we established a point estimate (best estimate) in each case using actuarial methods and compared them with the company's calculations.
- We assessed the adjustments made by management to the actuarially calculated estimations based on prudent commercial judgement with an eye to their adequacy by inspecting the underlying documentation and qualitative justifications. In addition, we interviewed the company's actuaries.
- We analysed the actual development of the provision for outstanding claims booked in the previous year on the basis of the run-off results in order to draw conclusions about the quality of estimation.

Our conclusions

The methods used and the underlying assumptions for the measurement of the provision for outstanding claims in property and casualty reinsurance are appropriate overall.

Calculation of the estimated gross premium

With regard to the accounting policies please see the explanatory remarks in the notes on page 17 as well as page 31 for further breakdowns of the item.

The risk for the annual financial statement

The company reports gross written premium of EUR 13,292.9 million in its annual financial statement.

Premiums for reinsurance assumed are recognised according to the terms and conditions of the reinsurance treaties. Where statements of account from ceding companies are missing,

the company has made supplementary or complete estimates of the premiums. Of the total gross written premium, around EUR 4,945.0 million is estimated; this corresponds to a share of 37.2%. The estimate is based on assumptions and is subject to considerable uncertainty and therefore highly discretionary.

Our approach in the audit

We conducted the following principal audit procedures, in particular:

- We surveyed the process for calculating premiums. In this context, we devoted particularly close attention to the sub-process "calculation of estimated premiums", identified the material controls performed and tested them with an eye to their design and effectiveness.

- We assessed the adequacy of the material assumptions by analysing the methods used to derive them; this was done especially with an eye to whether the assumptions reflect the current business development.
- We compared the premiums expected by the company in the previous year with the actual figures and thus drew conclusions about the quality of estimation.

Our conclusions

The methods used and the underlying assumptions for estimating the premiums are adequate and on the whole balanced.

Other information

The legal representatives are responsible for the other information. The other information encompasses:

- the non-financial information statement,
- the declaration on corporate governance,
- the disclosures identified as unaudited that are contained in the combined management report,
- the report by Hannover Rück SE on equality and pay equity for the 2016 reporting year, and
- the other parts of the Annual Report, with the exception of the audited annual financial statement and the combined management report as well as our audit report.

Our audit opinions on the annual financial statement and on the combined management report do not extend to the other information, and hence we do not express an audit opinion or draw any other form of audit conclusion in this regard.

In connection with our audit our responsibility is to read the other information and assess whether the other information

- shows material inconsistencies with the annual financial statement, the combined management report or knowledge that we obtained as part of the audit or
- appears to be materially misstated in other respects.

Responsibility of the legal representatives and of the Supervisory Board for the annual financial statement and the combined management report

The legal representatives are responsible for preparation of the annual financial statement, which in all material respects is in conformity with the requirements of German commercial law applicable to insurance undertakings, and for ensuring that the annual financial statement gives a true and fair view of the net assets, financial position and results of operations of the company in accordance with German generally accepted accounting principles. In addition, the legal representatives are responsible for the internal controls that they have determined to be necessary in accordance with German generally accepted accounting principles in order to facilitate preparation of an annual financial statement that is free of material misstatements, whether intended or unintended.

In preparing the annual financial statement, the legal representatives are responsible for assessing the capacity of the company to continue business operations. Furthermore, they are responsible for declaring facts and circumstances connected with the continuation of business operations, where relevant. In addition, they are responsible for financial reporting on the basis of the accounting principle of continuation of

business operations, provided this does not conflict with actual or legal circumstances.

Moreover, the legal representatives are responsible for the preparation of the combined management report, which overall gives an accurate view of the position of the company and in all material respects is consistent with the annual financial statement, complies with German legal requirements and suitably reflects the opportunities and risks of future development. The legal representatives are also responsible for the safeguards and measures (systems) that they considered necessary in order to facilitate the preparation of a combined management report in conformity with applicable German legal requirements and in order to be able to provide sufficient appropriate evidence for the statements contained in the combined management report.

The Supervisory Board is responsible for monitoring the financial reporting process used by the company for drawing up the annual financial statement and the combined management report.

Responsibility of the auditor for the auditing of the annual financial statement and the combined management report

Our objective is to obtain reasonable assurance as to whether the annual financial statement as a whole is free of material – intended or unintended – misstatements and whether overall the combined management report gives an accurate view of the company's position and in all material respects is consistent with the annual financial statement as well as with the insights gained from the audit, is in conformity with German legal requirements and suitably presents the opportunities and risks of future development; it is also our goal to provide an audit report that contains our audit opinions on the annual financial statement and on the combined management report.

Reasonable assurance is a high degree of assurance, but not a guarantee, that an audit performed in conformity with § 317 Commercial Code (HGB) and the EU Audit Regulation and with due regard to German generally accepted standards for the auditing of financial statements promulgated by the Institute of Public Auditors in Germany (IDW) always detects a material misstatement. Misstatements may be due to fraud or error and are considered to be material if it could reasonably be expected that individually or as whole they influence the economic decisions made by users on the basis of this annual financial statement and combined management report.

During the audit we exercise our due discretion and maintain a fundamentally critical attitude. In addition,

- we identify and assess the risks of material – intended or unintended – misstatements in the annual financial statement and in the combined management report, plan and conduct audit procedures in response to these risks and obtain audit evidence that is sufficient and appropriate to serve as a basis for our audit opinions. The risk of material misstatements not being detected is greater with fraud than with error, because fraud may involve fraudulent collaboration, falsifications, wilful incompleteness, misleading representations or the bypassing of internal controls.
- we obtain an understanding of the internal control system relevant to the audit of the annual financial statement and the safeguards and measures relevant to the audit of the combined management report in order to plan audit procedures that are appropriate under the existing circumstances, albeit not with the aim of providing an audit opinion on the effectiveness of these company systems.
- we assess the adequacy of the accounting policies applied by the legal representatives as well as the reasonableness of the estimated values presented by the legal representatives and associated disclosures.

- we draw conclusions regarding the adequacy of the accounting principle of continuation of business operations applied by the legal representatives as well as, on the basis of the audit evidence obtained, regarding whether material uncertainty exists in connection with events or circumstances that can raise significant doubts about the capacity of the company to continue business operations. If we conclude that material uncertainty exists, we are required in the audit report to draw attention to the associated disclosures in the annual financial statement and in the combined management report or, if these disclosures are inadequate, to modify our audit opinion. We arrive at our conclusions on the basis of the audit evidence obtained until the date of our audit report. Future events or circumstances may, however, result in the company no longer being able to continue its business operations.
- we assess the overall presentation, the structure and the content of the annual financial statement including the disclosures as well as whether the annual financial statement presents the underlying business transactions and events in such a way that the annual financial statement in compliance with German generally accepted accounting principles gives a true and fair view of the net assets, financial position and results of operations of the company.
- we assess the consistency of the combined management report with the annual financial statement, its conformity with the law and the view of the position of the company that it conveys.
- we conduct audit procedures with respect to the forward-looking statements presented by the legal

representatives in the combined management report. In particular, based on sufficient suitable audit evidence we verify the major assumptions taken as a basis by the legal representatives for the forward-looking statements and assess the proper derivation of the forward-looking statements from these assumptions. We do not provide an independent audit opinion on the forward-looking statements or on the underlying assumptions. There is a considerable unavoidable risk that future events may differ substantially from the forward-looking statements.

We discuss with those charged with governance, among other things, the planned scope and the timetable of the audit as well as significant audit findings, including any deficiencies in the internal control system that we identify during our audit.

We provide to those charged with governance a declaration to the effect that we complied with the relevant independence requirements, and we discuss with them all relationships and other matters that can reasonably be assumed to affect our independence as well as the safeguards implemented in this respect.

We determine from among the matters that we discussed with those charged with governance those matters that were most relevant to the current reporting period in the audit of the annual financial statement and therefore constitute the particularly important audit matters. We describe these matters in the audit report, unless laws or other legal provisions prevent public disclosure of the matter.

Miscellaneous statutory and other legal requirements

Other information pursuant to Article 10 EU Audit Regulation

We were selected as the auditor of the financial statement by the Supervisory Board on 8 March 2017. We received the audit mandate from the Chairman of the Supervisory Board on 12 May 2017. We have served as the auditor of the financial statement of Hannover Rück SE without interruption for more than 25 years.

We declare that the audit opinions contained in this audit report are consistent with the additional report to the Audit Committee in accordance with Article 11 EU Audit Regulation ("Additional report to the audit committee").

Lead engagement partner

The lead engagement partner for the audit is Mr. Florian Möller.

Hannover, 7 March 2018

KPMG AG
Wirtschaftsprüfungsgesellschaft

Signed: Möller
Wirtschaftsprüfer

Signed: Bock
Wirtschaftsprüfer

Responsibility statement

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

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

Hannover, 7 March 2018

Executive Board



Wallin



Althoff



Chèvre



Gräber



Dr. Miller



Dr. Pickel



Vogel

Report of the Supervisory Board of Hannover Rück SE

In our function as the Supervisory Board we considered at length during the 2017 financial year the position and development of the company and its major subsidiaries. We advised the Executive Board on the direction of the company and monitored the management of business on the basis of written and verbal reports from the Executive Board. The Supervisory Board of Hannover Rück SE held four regular meetings in order to adopt the necessary resolutions after appropriate discussion. With the exception of one meeting that one member of the Supervisory Board did not attend, all nine Supervisory Board members took part in each of the Supervisory Board meetings held in 2017. Two representatives of the Federal Financial Supervisory Authority participated in one meeting on a routine basis. In addition, we were informed by the Executive Board in writing on the basis of the quarterly statements and orally about the course of business and the position of the company and the Group. The quarterly reports with the components of the financial statements and key figures for the Hannover Re Group constituted an important source of information for the Supervisory Board.

Key points of deliberation

As in every year, we were regularly updated on the work of the Supervisory Board committees and given a description of the major pending legal proceedings. A further key point of deliberation was the examination of the various reports in accordance with Solvency II such as the Own Risk and Solvency Assessment (ORSA), the regulatory reporting and especially the capitalisation under Solvency II. In the context of the annual review of the Investment Guidelines, these were expanded to include, inter alia, infrastructure investments (debt and equity) on the assumption that the underlying "New Product Process" is approved by the Executive Board. A peer comparison report on the return on investment was also received. Extensive consideration was given to the EU audit reform and the review of the transition phase between auditors. The approval of the

Committees of the Supervisory Board

Of the committees formed by the Supervisory Board within the meaning of § 107 Para. 3 Stock Corporation Act (AktG), the Finance and Audit Committee met on four occasions, the Standing Committee met twice and the Nomination 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.

We received an analysis of the 2016 results in property & casualty and life & health reinsurance as well as a presentation from the Executive Board covering the profit expectations for the 2017 financial year and the operational planning for the 2018 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 Stock Corporation Act (AktG) were required in the 2017 financial year.

revised strategy of the Hannover Re Group was another major area of the Supervisory Board's work. In addition, the Supervisory Board decided on the specialist and personal requirements for the Executive Board and Supervisory Board and compared them with the self-assessment of the Supervisory Board's expertise that had been carried out. The Supervisory Board also examined the need for further training both for the Supervisory Board as a whole and for individual members of the Supervisory Board. As in every year, the full Supervisory Board considered the adequacy of the remuneration system for the members of the Executive Board. The variable remuneration of the members of the Executive Board was defined on the basis of the findings with respect to attainment of the respective targets for the 2016 financial year.

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

retrocession structure of the Hannover Re Group and the accumulated prefinancing volume in life reinsurance including a comparison of the expected return flows with the repayments actually made, the risk reports, the compliance report and the report on adherence to Corporate Governance principles were discussed and reports on the major subsidiaries were received and considered. In addition, the Committee examined the investment structure and investment income – including the stress tests with regard to the investments and their implications for net income and the equity base – and defined the audit concentrations for the 2017 financial year. The Committee was provided with detailed reports on the recognition and measurement of the risk-oriented book of US life reinsurance business acquired in 2009 from Scottish Re. The Committee also considered various M & A projects. Furthermore, the Committee prepared various resolutions to be adopted by the Supervisory Board, including a resolution on the next steps to be taken in connection with the EU audit reform.

Consideration of the EU audit reform was a major point of emphasis in the work of the Finance and Audit Committee. In this connection the Finance and Audit Committee validated the report on the conclusions drawn by the company in the selection process for choosing a new auditing firm and made an appropriate recommendation regarding the future auditing firm. Furthermore, a primary concern was the review of the transition phase between the existing and future auditing firm. The Finance and Audit Committee subsequently assured itself – including through direct dialogue with the auditors in the

Corporate Governance

The Government Commission on the German Corporate Governance Code (DCKG) made changes to the German Corporate Governance Code in 2017. The Supervisory Board consequently examined the revised version of the German Corporate Governance Code as amended 7 February 2017 and in this connection approved corresponding changes to the Corporate Governance Principles of Hannover Rück SE. Among other things, a reference was inserted to the regularly performed efficiency review of the Supervisory Board's work. In addition, the Supervisory Board implemented various requirements arising out of Section 5.4.1 of the Code regarding the composition of the Supervisory Board and approved a diversity concept. It was possible to omit the reporting on shareholdings of members of the Executive Board and Supervisory Board from the Corporate Governance Principles because legal standards now exist for reporting on the shareholdings of members of these bodies.

We considered the report by the Executive Board on non-financial matters (cf. page 64 et seq. of the combined management report) and examined it with the support of a knowledgeable external consultant with an eye to lawfulness, regularity and expediency.

context of a meeting – that the change of auditing firm will take place in an orderly fashion. It is envisaged that the new auditing firm will audit the individual and consolidated financial statements of the company for the 2018 financial year.

The Standing Committee dealt among other things with the adequacy of the system of remuneration for the members of the Executive Board, the determination of the variable remuneration of the members of the Executive Board for the 2016 financial year on the basis of the findings with respect to attainment of their respective targets and the examination of the remuneration for the Board members who were due for review. In all these matters the Committee drew up corresponding recommendations for the full Supervisory Board. The Committee deliberated at length on the medium- and long-time succession arrangements for the Executive Board and recommended to the full Supervisory Board the reappointment of Dr. Michael Pickel and Dr. Klaus Miller.

The Nomination Committee began its deliberations over suitable candidates for the upcoming by-election of two shareholder representatives to the Supervisory Board in the coming year. When recommending candidates for nomination, the Committee takes into account the legal and supervisory stipulations, the goals set by the Supervisory Board itself for the composition of the body as well as the guidelines regarding the specialist and personal requirements for the members of the Supervisory Board, which the latter had approved in updated form in the year under review.

In addition, the Supervisory Board received a report on the design of the remuneration schemes as well as the compliance, internal audit and risk reports.

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 Section 4.2.3 Para. 2 regarding caps on the amount of variable compensation elements in management board contracts, in Code Section 4.2.3 Para. 4 concerning a cap on severance payments in management board contracts, in Code Section 5.3.2 Para. 3 Sentence 3 concerning the Chair of the Audit Committee and in Code Section 5.3.2 Para. 3 Sentence 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 Stock Corporation Act (AktG) 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 chose the auditor and the Chairman of the Supervisory Board awarded the audit mandate. The auditor's independence declaration was received. Along with the audit concentrations of the German Financial Reporting Enforcement Panel (DPR), the additional audit concentrations defined by the European Securities and Markets Authority (ESMA) also formed part of the scope of the audit. The mandate for the review report by the independent auditors on the Half-yearly Financial Report as at 30 June 2017 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 Stock Corporation Act (AktG) (Report on relations with affiliated companies)

– in each case drawn up as at 31 December 2017 – 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 2017 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. Dr. Michael Pickel and Mr. Klaus Miller were reappointed as members of the Executive Board.

Word of thanks to the Executive Board and members of staff

The good result generated by Hannover Rück SE for the 2017 financial year was made possible by the exceptional performance of the Executive Board and the members of staff working

for the company and the Group. The Supervisory Board would like to express its recognition and special appreciation to the Executive Board and all the employees for their efforts.

Hannover, 8 March 2018

For the Supervisory Board

Herbert K. Haas
Chairman

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

www.hannover-re.com

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

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

Tel. +49 511 5604-2343

Fax +49 511 5604-1648 or order them online at

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