

somewhat
different

Hannover Rück SE

Annual Report
2019

hannover **re**[®]

Key figures

	2019	+/- previous year	2018	2017	2016	2015
in EUR million						
Results						
Gross written premium	18,072.9	+23.4%	14,640.8	13,292.9	11,917.1	14,139.3
Net premium earned	12,226.6	+17.4%	10,412.9	10,208.9	8,534.8	10,178.6
Underwriting result	(23.1)		(0.2)	(12.7)	336.8	158.4
Allocation to the equalisation reserve and similar provisions	(210.6)		25.3	165.9	8.7	(136.1)
Investment result	1,325.8	+7.6%	1,231.7	1,197.5	1,287.0	1,695.9
Pre-tax profit	799.8	-8.0%	869.7	968.0	1,241.8	1,064.0
Profit for the financial year	674.5	+1.4%	665.4	843.4	949.2	905.8
Investments	40,597.3	+10.1%	36,874.1	34,460.8	35,646.3	41,338.2
Capital and reserves ¹	1,631.7		1,631.7	1,631.7	1,631.7	1,631.7
Subordinated liabilities	2,250.0	+50.0%	1,500.0	1,500.0	1,500.0	1,500.0
Equalisation reserve and similar provisions	3,077.4	+7.3%	2,866.8	2,892.1	3,058.0	3,066.7
Net technical provisions	30,921.8	+7.8%	28,676.3	27,334.6	27,822.1	27,218.3
Total capital, reserves and technical provisions	37,880.9	+9.2%	34,674.8	33,358.4	34,011.8	33,416.7
Number of employees	1,464	+4.4%	1,402	1,292	1,267	1,245
Retention	69.7%		71.8%	78.4%	72.4%	73.0%
Loss ratio ²	71.2%		73.2%	69.7%	69.0%	71.9%
Expense ratio ²	30.1%		31.0%	30.7%	25.9%	27.6%
Combined ratio ²	101.3%		104.2%	100.4%	94.9%	99.5%

¹ Excluding disposable profit

² Excluding life and health reinsurance

Contents



Boards and officers	2
Note on the combined management report	6
Accounts	7
Balance sheet	8
Profit and loss account	12
Notes	14
Valuation of assets	14
Valuation of liabilities	15
Further accounting policies	16
Notes on assets	17
Notes on liabilities	24
Notes on the profit and loss account	29
Proposal for the appropriation of the disposable profit	32
Other notes	32
Independent Auditor's Report	35
Responsibility statement	42
Report of the Supervisory Board	43

Boards and officers

Executive Board

Jean-Jacques Henchoz (since 8 May 2019)

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

(from 1 April 2019 to 8 May 2019 full member of the Executive Board Hannover Rück SE)

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

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

Ulrich Wallin (until 8 May 2019)

Chairman of the Executive Board Hannover Rück SE, 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

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

Member of the Supervisory Board HDI Global Specialty SE, Hannover, Germany¹

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

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

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

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

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

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

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 Re Services Japan, Tokyo, Japan

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

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

Member of the Supervisory Board Proxalto Lebensversicherung AG, Munich, Germany

Member of the Supervisory Board Viridium Holding AG, Neu-Isenburg, Germany

Member of the Advisory Board Viridium Group GmbH & Co. KG, Neu-Isenburg, Germany

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

Chairman of the Board of Directors Glencar Insurance Company, Orlando, USA

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

Member of the Supervisory Board Delvag Luftversicherungs-AG, Cologne, Germany¹

Member of the Advisory Board Barmenia Versicherungsunternehmen, Wuppertal, Germany

Silke Sehm (since 6 March 2019)**Member of the Executive Board Hannover Rück SE, Hannover, Germany**

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

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

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

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

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

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

Deputy Chairman of the Supervisory Board Ampega Asset Management GmbH, Cologne, Germany

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

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 Mottaret Limited, St. Helier, Jersey

Member of the Supervisory Board HDI Global Specialty SE, Hannover, Germany¹

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

Torsten Leue^{1,2,3}

Hannover, Germany
(since 7 May 2018)⁶

Chairman

Chief Executive Officer of HDI Haftpflichtverband der Deutschen Industrie V.a.G., Hannover, Germany

Chief Executive Officer of Talanx AG, Hannover, Germany

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

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

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

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

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

Chairman of the Supervisory Board HDI Service AG, Hannover, Germany

Herbert K. Haas^{1,2,3}

Burgwedel, Germany
(since 24 May 2002)⁶

Deputy Chairman

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

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

Chairman of the Supervisory Board Talanx AG, Hannover, Germany

Natalie Bani Ardalan⁴

Springe, Germany
(since 8 May 2019)⁶

Employee

Frauke Heitmüller⁴

Hannover, Germany
(since 3 May 2012)⁶

Employee

Ilka Hundeshagen⁴

Hannover, Germany
(since 8 May 2019)⁶

Employee

Dr. Ursula Lipowsky²

Munich, Germany
(since 7 May 2018)⁶

Member of the Supervisory Board of the Association, Association of German Dioceses (VDD), Corporation under Public Law, Bonn, Germany

Member of the Supervisory Board Mecklenburgische Krankenversicherungs-AG, Hannover, Germany

Member of the Supervisory Board Mecklenburgische Lebensversicherungs-AG, Hannover, Germany

Member of the Supervisory Board Württembergische Lebensversicherung AG, Stuttgart, Germany

Dr. Michael Ollmann

Hamburg, Germany
(since 8 May 2019)⁶

Member of various Supervisory Boards

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

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

Dr. Andrea Pollak³

Vienna, Austria

(since 3 May 2011)⁶**Independent Management Consultant**Deputy Chairwoman of the Supervisory Board Fronius International GmbH, Pettenbach, Austria⁵**Dr. Immo Querner**

Celle, Germany

(until 8 May 2019)

Member of the Board of Management Talanx AG, Hannover, Germany**Member of the Board of Management HDI Haftpflichtverband der Deutschen Industrie V.a.G., Hannover, Germany**Chairman of the Supervisory Board Ampega Asset Management GmbH, Cologne, Germany⁵Chairman of the Supervisory Board Talanx Reinsurance Broker GmbH, Hannover, Germany⁵Chairman of the Administrative Board Talanx Finanz (Luxembourg) S.A., Luxembourg⁵

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

Deputy Chairman of the Supervisory Board Ampega Real Estate GmbH, Cologne, Germany⁵

Deputy Chairman of the Supervisory Board HDI 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 HDI International AG, Hannover, Germany

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

Member of the Supervisory Board Tertia Handelsbeteiligungsgesellschaft mbH, Cologne, Germany⁵Member of the Stock Exchange Council Frankfurter Wertpapierbörse (Deutsche Börse AG), Frankfurt, Germany⁵Member of the Board of Directors HDI Reinsurance SE, Dublin, Ireland⁵**Dr. Erhard Schipporeit¹**

Hannover, Germany

(since 3 May 2007)⁶**Member of various Supervisory Boards**

Member of the Supervisory Board BDO AG, Hamburg, 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 Talanx AG, Hannover, Germany

Maike Sielaff⁴

Burgwedel, Germany

(until 8 May 2019)

Employee¹ Member of the Standing Committee² Member of the Finance and Audit Committee³ Member of the Nomination Committee⁴ Staff representative⁵ Memberships of supervisory boards and comparable control boards required by law at other companies in Germany and abroad⁶ Date when member was first appointed/elected to the company's Supervisory Board, current term of office for the entire Supervisory Board commenced at the end of the Ordinary General Meeting on 8 May 2019

Combined management report

The management report of Hannover Rück SE and the Group management report are combined in accordance with § 315 (3) of the German Commercial Code (HGB) and published in the Group Annual Report 2019.

The annual financial statement and the management report of Hannover Rück SE – combined with the Group management report – for the 2019 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 2019

Assets

in EUR thousand

	2019			2018
A. Intangible assets				
I. Purchased franchises, trademarks, patents, licences and similar rights and assets		48,334		56,582
II. Prepayments on intangible assets		13,417		9,073
			61,751	65,655
B. Investments				
I. Land and buildings, rights to land and buildings, leasehold		30,850		31,940
II. Investments in affiliated companies and participating interests				
1. Shares in affiliated companies		7,467,536		7,236,713
2. Loans to affiliated companies		654,651		931,136
3. Participating interests		321,883		80,501
4. Loans to enterprises in which the company has a participating interest		83,333		–
			8,527,403	8,248,350
III. Other financial investments				
1. Shares, units or shares in investment funds and other variable-yield securities		1,590,335		1,490,221
2. Bearer debt securities and other fixed-income securities		20,587,443		17,925,006
3. Other loans				
a) Registered debt securities	348,233			334,024
b) Debentures and loans	392,924			388,719
		741,157		722,743
4. Deposits with banks		357,329		301,998
5. Other investments		10,301		23,169
			23,286,565	20,463,137
IV. Deposits with ceding companies			8,752,445	8,130,718
			40,597,263	36,874,145

Liabilities

in EUR thousand

	2019		2018
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		1,377,000	1,336,000
			3,008,716
			2,967,716
B. Subordinated liabilities			
			2,250,000
			1,500,000
C. Technical provisions			
I. Provision for unearned premiums			
1. Gross	3,129,835		2,425,143
2. Less: reinsurance ceded	665,391		391,808
		2,464,444	2,033,335
II. Life assurance provision			
1. Gross	8,478,943		8,724,696
2. Less: reinsurance ceded	733,223		970,583
		7,745,720	7,754,113
III. Provisions for outstanding claims			
1. Gross	26,075,365		23,579,133
2. Less: reinsurance ceded	5,673,528		5,082,800
		20,401,837	18,496,333
IV. Provision for bonuses and rebates			
1. Gross	619		590
2. Less: reinsurance ceded	513		478
		106	112
V. Equalisation reserve and similar provisions		3,077,368	2,866,808
VI. Other technical provisions			
1. Gross	507,069		435,449
2. Less: reinsurance ceded	197,325		43,043
		309,744	392,406
			33,999,219
			31,543,107

Assets

in EUR thousand

	2019			2018
C. Receivables				
I. Accounts receivable arising out of reinsurance operations			3,657,608	2,720,599
from affiliated companies:				
398,787 (2018: 398,849)				
II. Other receivables			549,807	573,587
from affiliated companies:				
403,627 (2018: 486,002)				
			4,207,415	3,294,186
D. Other assets				
I. Tangible assets and stocks			18,005	19,066
II. Current accounts with banks, cheques and cash in hand			376,850	388,560
III. Sundry assets			19,474	9,862
			414,329	417,488
E. Prepayments and accrued income				
I. Accrued interest and rent			187,615	171,476
II. Other accrued income			8,958	8,968
			196,573	180,444
Total assets			45,477,331	40,831,918

Liabilities

in EUR thousand

	2019		2018
D. Provisions for other risks and charges			
I. Provisions for pensions and similar obligations		107,586	99,288
II. Provisions for taxation		110,578	169,039
III. Other provisions		127,418	133,813
			345,582
			402,140
E. Deposits received from retrocessionaires			3,203,822
			2,246,672
F. Other liabilities			
I. Accounts payable arising out of reinsurance operations		1,185,478	1,130,031
to affiliated companies:			
360,964 (2018: 372,660)			
II. Bonds		750,000	750,000
III. Miscellaneous liabilities		734,514	292,252
thereof			2,669,992
from taxes:			
69,099 (2018: 9,550)			
for social security:			
114 (2018: 283)			
to affiliated companies:			
548,864 (2018: 239,336)			
Total liabilities			45,477,331
			40,831,918

Profit and loss account for the 2019 financial year

in EUR thousand	2019 1.1.–31.12.		2018 1.1.–31.12.
I. Technical account			
1. Earned premiums, net of retrocession			
a) Gross written premiums	18,072,869		14,640,753
b) Retrocession premiums	5,469,582		4,126,615
		12,603,287	10,514,138
c) Change in the gross provisions for unearned premiums	(634,858)		(90,212)
d) Change in the provisions for unearned premiums, retrocessionaires' share	258,123		(10,985)
		(376,735)	(101,197)
		12,226,552	10,412,941
2. Allocated investment return transferred from the non-technical account, net of retrocession		137,460	203,602
3. Other technical income, net of retrocession		–	174
4. Claims incurred, net of retrocession			
a) Claims paid			
aa) Gross	10,720,395		9,538,956
bb) Retrocessionaires' share	3,127,475		2,598,078
		7,592,920	6,940,878
b) Change in provisions for outstanding claims			
aa) Gross	(1,980,037)		(1,681,575)
bb) Retrocessionaires' share	492,397		835,101
		(1,487,640)	(846,474)
		9,080,560	7,787,352
5. Changes in other technical provisions, net of retrocession			
a) Net life assurance provision		(177,570)	(149,703)
b) Other net technical provisions		(152)	5,233
		(177,722)	(144,470)
6. Bonuses and rebates, net of retrocession		40	(50)
7. Operating expenses, net of retrocession			
a) Gross acquisition expenses		5,079,270	3,670,208
b) Less: commissions and profit commissions received on retrocession		1,950,521	985,090
		3,128,749	2,685,118
8. Other technical charges, net of retrocession		86	23
9. Subtotal		(23,145)	(196)
10. Change in the equalisation reserve and similar provisions		(210,561)	25,270
11. Net technical result		(233,706)	25,074

in EUR thousand	2019 1.1. – 31.12.			2018 1.1. – 31.12.
Balance brought forward			(233,706)	25,074
II. Non-technical account				
1. Investment income				
a) Income from participating interests		75,338		82,447
thereof affiliated companies:				
73,311 (2018: 74,586)				
b) Income from other investments				
thereof affiliated companies:				
30,189 (2018: 41,954)				
aa) Income from land and buildings, rights to land and buildings, leasehold	3,469			5,225
bb) Income from other investments	700,394			685,719
		703,863		690,944
c) Appreciation on investments		50,259		1,208
d) Gains on the realisation of investments		251,624		214,752
e) Income from profit pools, profit and loss transfer agreements or partial profit and loss transfer agreements		331,573		460,667
			1,412,657	1,450,018
2. Investment charges				
a) Expenditure for the management of investments, interest expenditure and other investment expenditure		44,695		35,610
b) Depreciation		11,419		88,363
thereof impairments in accordance with § 253 (3) sentence 5 of the Commercial Code (HGB):				
8,173 (2018: 1,076)				
c) Losses on the realisation of investments		30,722		73,865
d) Expenses from loss transfer		–		20,500
			86,836	218,338
			1,325,821	1,231,680
3. Allocated investment return transferred to the technical account			(143,457)	(204,465)
			1,182,364	1,027,215
4. Other income			142,359	162,730
5. Other charges			291,263	345,311
			(148,904)	(182,581)
6. Profit or loss on ordinary activities before tax			799,754	869,708
7. Taxes on profit and income			115,363	198,563
8. Other taxes			9,898	5,790
			125,261	204,353
9. Profit for the financial year			674,493	665,355
10. Profit brought forward from previous year			702,865	671,014
11. Allocations to other retained earnings			358	369
12. Disposable profit			1,377,000	1,336,000

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 amortisation in accordance with the normal operational useful life.

Property is valued at the purchase or construction cost less 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 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 (§ 341b (2) of the Commercial Code (HGB) in conjunction with § 253 (3) of the Commercial Code (HGB)). Permanent impairments are recognised through profit or loss.

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. Bearer debt securities intended for use on a continuing basis in the nor-

mal course of business activities are valued at initial cost plus or minus cumulative amortisation according to § 341c (3) of the Commercial Code (HGB). Permanent impairments are recognised through profit or loss pursuant to § 253 (3) Sentence 5 of the Commercial Code (HGB).

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 § 341b 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.

Alternative investments, which are allocated to fixed assets, are valued using various models. 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 and the need to take a write-down is established using a standardised method. 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 transactions are established in the event of negative fair values as at the balance sheet date.

Deposits and cash at banks in current accounts, cash in hand, other assets, deposits and accounts receivable arising out of reinsurance operations, other receivables as well as prepaid expenses and accrued income are valued at the nominal amounts. Valuation adjustments are set up for default risks.

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

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 profit and loss items including relevant retrocessions are made 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 2019 is 36.4% 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 Accounting of Insurance Undertakings (RechVersV); the similar provisions are constituted in accordance with § 30 of the Regulation on the

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

Accounting of Insurance Undertakings (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 Accounting of Insurance Undertakings (RechVersV).

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

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

The pension commitments are carried in the settlement amount required according to reasonable and prudent business judgement. They are discounted at 2.71% 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 0.0%. The valuation is based on the decrement probabilities of the "2018G standard tables".

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 taxes are calculated using a tax rate of 32.63%. 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. No deferred taxes are recognised in view of the surplus of deferred tax assets.

The other provisions are established in the settlement amount required according to reasonable and prudent business judgement, in some cases on the basis of actuarial opinions. Provisions with a maturity of more than one year are dis-

counted 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 deposits received from retrocessionaires and other liabilities are valued at the settlement amounts.

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 items by setting up corresponding asset items 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 positions is recognised without regard to the purchase cost method or the imparity principle.

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

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

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 shareholders.

Notes on assets

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

in EUR thousand		2018	2019						
	Book values 31.12.	Additions	Reclassi- fications	Disposals	Write-ups	Depre- ciation	Currency effects	Book values 31.12.	
A.	Intangible assets								
	1. Purchased franchises, trademarks, patents, licences and similar rights and assets	56,582	6,909	7,562	–	–	22,720	1	48,334
	2. Prepayments on intangible assets	9,073	11,906	(7,562)	–	–	–	–	13,417
	3. Total A.	65,655	18,815	–	–	–	22,720	1	61,751
B. I.	Land and buildings, rights to land and buildings, leasehold	31,940	8	–	–	88	1,186	–	30,850
B. II.	Investments in affiliated companies and participat- ing interests								
	1. Shares in affiliated companies	7,236,713	1,997,016	(71,548)	1,711,761	918	–	16,198	7,467,536
	2. Loans to affiliated companies	931,136	506	(78,645)	215,112	–	–	16,766	654,651
	3. Participating interests	80,501	196,109	71,548	29,775	3,500	–	–	321,883
	4. Loans to enterprises in which the company has a participating interest	–	–	–	–	–	–	4,688	83,333
	5. Total B. II.	8,248,350	2,193,631	–	1,956,648	4,418	–	37,652	8,527,403
B. III.	Other financial investments								
	1. Shares, units or shares in investment funds and other variable-yield securities	1,490,221	401,066	–	305,186	168	1,168	5,234	1,590,335
	2. Bearer debt securities and other fixed-income securities	17,925,006	12,959,822	–	10,786,052	41,936	8,173	454,904	20,587,443
	3. Other loans								
	a) Registered debt securities	334,024	82,697	–	71,125	–	–	2,637	348,233
	b) Debentures and loans	388,719	178	–	221	60	–	4,188	392,924
	4. Deposits with banks	301,998	10,010,882	–	9,963,041	–	–	7,490	357,329
	5. Other investments	23,169	10,301	–	450	–	–	(22,719)	10,301
	6. Total B. III.	20,463,137	23,464,946	–	21,126,075	42,164	9,341	451,734	23,286,565
Total		28,809,082	25,677,400	–	23,082,723	46,670	33,247	489,387	31,906,569

Land and buildings and rights to land and buildings

On 31 December 2019 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 671 thousand (EUR 688 thousand) as at 31 December 2019; the book value of the developed property near Paris was EUR 959 thousand (EUR 1,112 thousand). Five buildings in Hannover with a book value of EUR 29,220 thousand (EUR 28,576 thousand) are for own use.

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 2019

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	4,027,406	–
holds 64.79% of the shares in: E+S Rückversicherung AG, Hannover/Germany		EUR	918,847	128,000
holds 20.00% of the shares in: WeHaCo Unternehmensbeteiligungs-GmbH ¹ , Hannover/Germany		EUR	81,447	1,728
holds 100.00% of the shares in: Hannover Re (Bermuda) Ltd., Hamilton/Bermuda		USD	1,533,574	164,790
holds 100.00% of the shares in: Hannover Re (Ireland) Designated Activity Company, Dublin/Ireland		USD	697,296	106,124
holds 100.00% of the shares in: Hannover Life Reassurance Company of America, Orlando/USA		USD	552,826	70,119
holds 100.00% of the shares in: Hannover Life Reassurance Bermuda Ltd., Hamilton/Bermuda		USD	495,663	95,050
holds 100.00% of the shares in: Hannover Life Re of Australasia Ltd, Sydney/Australia		AUD	487,581	(10,838)
holds 95.00% of the shares in: Hannover ReTakaful B.S.C. (c), Manama/Bahrain		BHD	68,650	9,800
Hannover America Private Equity Partners II GmbH & Co. KG, Hannover/Germany	87.00	EUR	542,769	58,858
holds 100.00% of the shares in: HAPEP II Holding GmbH, Hannover/Germany		EUR	13,432	90

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 Re Euro PE Holdings GmbH & Co. KG, Hannover/Germany	74.99	EUR	362,071	53,321
HILSP Komplementär GmbH ² , Hannover/Germany	100.00	EUR	34	(1)
FUNIS GmbH & Co. KG, Hannover/Germany	100.00	EUR	95,810	37,702
holds 100.00% of the shares in: Integra Insurance Solutions Limited, Bradford/United Kingdom		GBP	6,621	1,105
holds 30.00% of the shares in: Reaseguradora del Ecuador S.A., Guayaquil/Ecuador		USD	18,560	3,798
holds 20.00% of the shares in: Monument Insurance Group Limited ¹ , Hamilton/Bermuda		GBP	161,669	61,357
holds 20.00% of the shares in: Trinity Underwriting Managers Ltd. ³ , Toronto/Canada		CAD	3	(1,274)
holds 15.00% of the shares in: SWISS INSUREVOLUTION PARTNERS Holding (CH) AG ¹ , Zurich/Switzerland		CHF	43,631	15,583
holds 15.00% of the shares in: SWISS INSUREVOLUTION PARTNERS Holding (FL) AG ¹ , Triesen/Liechtenstein		CHF	3,773	(31)
Inter Hannover (No.1) Limited, London/United Kingdom	100.00	GBP	–	–
U FOR LIFE SDN. BHD. ¹ , Petaling Jaya/Malaysia	100.00	MYR	(26,613)	(4,709)
Hannover Re Global Alternatives GmbH & Co. KG, Hannover/Germany	85.00	EUR	438,158	14,870
holds 100.00% of the shares in: PAG Real Estate Asia Select Fund Limited, George Town/Cayman Islands		USD	213,484	3,174
holds 99.99% of the shares in: HR US Infra Debt LP, George Town/Cayman Islands		USD	183,722	8,022
Hannover Re Euro RE Holdings GmbH, Hannover/Germany	65.00	EUR	1,018,585	110,205
holds 99.99% of the shares in: HR GLL Central Europe GmbH & Co. KG, Munich/Germany		EUR	180,430	33,305
HAPEP II Komplementär GmbH, Hannover/Germany	50.00	EUR	47	4
HDI Global Specialty SE, Hannover/Germany	49.78	EUR	251,149	(12,114)
holds 100.00% of the shares in: International Mining Industry Underwriters Limited ³ , London/United Kingdom		GBP	238	12
holds 53.00% of the shares in: Svedea AB, Stockholm/Sweden		SEK	68,781	48,708
Affiliated companies resident abroad				
Hannover Finance (Luxembourg) S.A., Luxembourg/Luxembourg	100.00	EUR	27,339	909
holds 20.69% of the shares in: Sureify Labs, Inc. ⁴ , Wilmington/USA		USD	(489)	(2,134)
Hannover Finance (UK) Limited, London/United Kingdom	100.00	GBP	656	(24)
holds 100.00% of the shares in: Hannover Services (UK) Limited, London/United Kingdom		GBP	927	(42)

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	251,982	100,171
holds 100.00% of the shares in: Hannover Life Reassurance Africa Limited, Johannesburg/South Africa		ZAR	828,141	108,856
holds 100.00% of the shares in: Hannover Reinsurance Africa Limited, Johannesburg/South Africa		ZAR	950,873	191,237
holds 100.00% of the shares in: Compass Insurance Company Limited, Johannesburg/South Africa		ZAR	265,807	55,512
holds 70.00% of the shares in: Lireas Holdings (Pty) Ltd., Johannesburg/South Africa		ZAR	299,437	85,508
Leine Investment General Partner S.à.r.l., Luxembourg/Luxembourg	100.00	EUR	1,457	587
holds 100.00% of the shares in: LI RE, Hamilton/Bermuda		USD	–	–
Hannover Finance, Inc., Wilmington/USA	100.00	USD	1,405,321	27,227
holds 100.00% of the shares in: Hannover Life Reassurance Company of America (Bermuda) Ltd., Hamilton/Bermuda		USD	1,616,067	166,255
holds 100.00% of the shares in: Glencar Insurance Company, Orlando/USA		USD	57,437	(1,580)
holds 100.00% of the shares in: Glencar Underwriting Managers, Inc., Chicago/USA		USD	4,702	(133)
holds 100.00% of the shares in: Kubera Insurance (SAC) Ltd, Hamilton/Bermuda		USD	702	(187)
Argenta Holdings Limited, London/United Kingdom	100.00	GBP	52,901	6,465
holds 100.00% of the shares in: Argenta Private Capital Limited, London/United Kingdom		GBP	4,102	2,139
holds 100.00% of the shares in: Argenta Syndicate Management Limited, London/United Kingdom		GBP	4,357	2,583
holds 100.00% of the shares in: Argenta Tax & Corporate Services Limited, London/United Kingdom		GBP	386	113
holds 100.00% of the shares in: Argenta Underwriting Asia Pte. Ltd., Singapore/Singapore		SGD	1,403	754
holds 100.00% of the shares in: Argenta Underwriting Labuan Ltd, Labuan/Malaysia		USD	78	–
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	1,347	48
holds 100.00% of the shares in: Argenta Underwriting No.3 Limited, London/United Kingdom		GBP	(276)	(742)
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	–	–

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.9 Limited, London/United Kingdom		GBP	552	(239)
holds 100.00% of the shares in: Argenta Underwriting No.10 Limited, London/United Kingdom		GBP	(18)	36
holds 100.00% of the shares in: Argenta Underwriting No.11 Limited, London/United Kingdom		GBP	(19)	11
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	3	–
Leine Investment SICAV-SIF, Luxembourg/Luxembourg	99.99	USD	114,319	2,316
Kaith Re Ltd., Hamilton/Bermuda	88.00	USD	101	(272)
Hannover Re Real Estate Holdings, Inc., Orlando/USA	86.50	USD	969,278	4,615
holds 100.00% of the shares in: HR US Infra Equity LP, Wilmington/USA		USD	58,948	(599)
holds 99.90% of the shares in: GLL HRE CORE Properties L.P., Wilmington/USA		USD	807,452	231
Hannover ReTakaful B.S.C. (c), Manama/Bahrain	5.00	BHD	68,650	9,800
Participations				
HANNOVER Finanz GmbH ¹ , Hannover/Germany	27.78	EUR	63,435	5,322
WeHaCo Unternehmensbeteiligungs-GmbH ¹ , Hannover/Germany	20.00	EUR	81,447	1,728
Meribel Mottaret Limited ⁵ , St. Helier/Jersey	18.92	EUR	–	–

¹ Financial year ending 31 December 2018

² Financial year ending 30 September 2019

³ Financial year ending 31 December 2017

⁴ Financial year ending 31 July 2018

⁵ Company was newly established in 2018. An annual financial statement is not yet available.

Key exchange rates

1 EUR corresponds to:	Exchange rates on 31.12.2019
AUD	1.59999
BHD	0.42190
GBP	0.85201
USD	1.11895
ZAR	15.73850

Investments in affiliated companies and participating interests

As at 31 December 2019 the company held shares in affiliated companies with a book value of EUR 7,467,536 thousand (EUR 7,236,713 thousand). Write-downs of EUR 21 thousand (EUR 62,941 thousand) were not taken on shares in affiliated companies with a book value of EUR 158 thousand (EUR 1,090,918 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 48 thousand (EUR 4,532 thousand) were not taken on a portfolio with a book value of EUR 22,845 thousand (EUR 178,404 thousand). Write-downs of EUR 0 thousand (EUR 13 thousand) were not taken on participating interests with a book value of EUR 0 thousand (EUR 18,188 thousand) because the impairments in question are purely temporary.

Other investments

The securities totalling EUR 1,534,455 thousand (EUR 1,490,221 thousand) shown under the “Other financial investments” in the item “Shares, units or shares in investment funds and other variable-yield securities” were allocated entirely to fixed assets. The fair value of these holdings amounted to EUR 1,836,790 thousand (EUR 1,751,716 thousand). Based on the assumption that the impairments will not be permanent, write-downs of EUR 9,967 thousand (EUR 6,542 thousand) were not taken on a portfolio with a book value of EUR 124,520 thousand (EUR 152,146 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 16,149,445 thousand (EUR 12,826,213 thousand) and a fair value of EUR 16,755,960 thousand (EUR 12,972,429 thousand) were allocated to fixed assets. Write-downs of EUR 51,285 thousand (EUR 106,181 thousand) were not taken on bearer debt securities with a book value of EUR 3,004,391 thousand (EUR 5,350,577 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

In the context of the acquisition of Generali Lebensversicherung AG by the Viridium Group, the shareholding structure was reorganised. In this connection Hannover Re sold its indirectly held participation in Viridium, realising income of EUR 99.5 million that was recognised in the investment result. At the same time Hannover Re participated indirectly in the Viridium Group including Generali Lebensversicherung AG through Meribel Mottaret Limited, St. Helier/Jersey, with the result that it holds a participating interest of 17.04%.

Effective 1 January 2019 Hannover Re sold 50.22% of the shares in International Insurance Company of Hannover SE, Hannover, to HDI Global SE, Hannover. The company was re-branded HDI Global Specialty SE in the context of the sale.

fair value measurement, making allowance for applicability criteria and verification of compliance with collateral tests of the respective higher tranches, is used to test for impairment of the carrying amounts.

Write-downs of EUR 0 thousand (EUR 1,787 thousand) were not taken on debentures with a book value of EUR 0 thousand (EUR 86,986 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 2019, no requirement to recognise a permanent impairment on registered debt securities with a book value of EUR 159,080 thousand (EUR 21,297 thousand) was identified. There were no indications of issuer default, and hence write-downs of EUR 2,407 thousand (EUR 740 thousand) were not taken.

The portfolio includes a special fund launched for Hannover Rück SE 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 Rück SE a total amount of EUR 10,358 thousand (EUR 12,622 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 1,397,152 thousand (EUR 1,326,799 thousand) and a book value of EUR 1,214,413 thousand (EUR 1,187,659 thousand), producing unrealised gains of EUR 182,739 thousand (EUR 139,140 thousand).

Assets with a balance sheet value of EUR 7,259,361 thousand (EUR 6,904,278 thousand) are blocked in favour of companies.

Current values pursuant to § 54 of the Regulation on the Accounting of Insurance Undertakings (RechVersV)

The current 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 current 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.

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

in EUR thousand

		2019		
		Book values 31.12.	Current values 31.12.	Difference 31.12.
B. I.	Land and buildings, rights to land and buildings, leasehold	30,850	52,999	22,149
B. II.	Investments in affiliated companies and participating interests			
	1. Shares in affiliated companies	7,467,536	11,676,882	4,209,346
	2. Loans to affiliated companies	654,651	673,665	19,014
	3. Participating interests	321,883	386,551	64,668
	4. Loans to enterprises in which the company has a participating interest	83,333	84,321	988
	5. Total B. II.	8,527,403	12,821,419	4,294,016
B. III.	Other investments			
	1. Shares, units or shares in investment funds and other variable-yield securities	1,590,335	1,893,460	303,125
	2. Bearer debt securities and other fixed-income securities	20,587,443	21,358,821	771,378
	3. Other loans			
	a) Registered debt securities	348,233	366,366	18,133
	b) Debentures and loans	392,924	414,360	21,436
	4. Deposits with banks	357,329	358,449	1,120
	5. Other investments	10,301	10,280	(21)
	6. Total B. III.	23,286,565	24,401,736	1,115,171
Total		31,844,818	37,276,154	5,431,336

Disclosures pursuant to § 55 (7) RechVersV

in EUR thousand

	31.12.2019
Market value determination from the year	
2018	3,440
2019	49,559
Total	52,999

Other receivables

in EUR thousand	2019	2018
Receivables from affiliated companies	403,627	486,002
Receivables from reinsured pension schemes	67,932	65,631
Receivables from the revenue authorities	62,864	9,721
Receivables from hedges	4,330	320
Receivables from representative offices	4,236	2,367
Deposits	2,618	1,769
Interest and rent due	1,356	1,253
Receivables from securities transactions	–	1,644
Other receivables	2,844	4,880
Total	549,807	573,587

Sundry assets

The sundry assets relate to tax refund claims in an amount of EUR 19,474 thousand (EUR 9,862 thousand).

Prepayments and accrued income

in EUR thousand	2019	2018
Accrued interest and rent	187,615	171,476
Accrued administrative expenses	8,958	8,589
Other	–	379
Total	196,573	180,444

Notes on liabilities

Subscribed capital

The company's subscribed capital remained unchanged as at 31 December 2019 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 time limit of 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 2019. Within the financial year just ended the company acquired shares for employees in the Group, which it subsequently sold to them.

	2019			
	Date of first acquisition	Date of first sale	Date of second acquisition	Date of second sale
	15 May	15 May	9 August	9 August
Number of shares	16,452	16,452	15	15
Amount of capital stock attributable to the shares (EUR)	16,452.00	16,452.00	15.00	15.00
Proportion of capital stock	0.01%	0.01%	0.0000%	0.0000%
Price (EUR)	128.34	128.34	139.14	139.14

Capital reserve

The company's capital reserve remained unchanged as at 31 December 2019 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 2019 in an amount of EUR 630,511 thousand. They were reduced by EUR 358 thousand due to the issue of employee shares and an amount of EUR 358 thousand was allocated to retained earnings from the 2019 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 33 thousand for the excess of fair value over historical

cost of the assets used to cover retirement benefit obligations less corresponding deferred tax liabilities. 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 8.8 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 702,865 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.

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.

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 9 October 2019 Hannover Re placed further subordinated debt in an amount of EUR 750 million on the capital market at a coupon of 1.125% and with a maturity date of 9 October 2039 as well as a first scheduled call option on 9 July 2029.

Provision for unearned premiums

in EUR thousand	2019		2018	
	gross	net	gross	net
Insurance line				
Fire	548,732	445,870	385,139	317,173
Casualty	668,197	552,299	465,716	400,828
Accident	97,717	45,342	79,542	73,584
Motor	526,189	442,008	456,058	397,984
Aviation	81,849	69,644	80,922	63,235
Life	264,253	225,588	175,521	159,844
Other lines	942,898	683,693	782,245	620,687
Total	3,129,835	2,464,444	2,425,143	2,033,335

Life assurance provisions

in EUR thousand	2019		2018	
	gross	net	gross	net
Insurance line				
Accident	12,329	(11,075)	13,033	(9,306)
Life	8,434,530	7,739,068	8,706,617	7,758,906
Other lines	32,083	17,727	5,046	4,513
Total	8,478,942	7,745,720	8,724,696	7,754,113

Provisions for outstanding claims

in EUR thousand	2019		2018	
	gross	net	gross	net
Insurance line				
Provision for reimbursements and surrenders (except annuities)				
Fire	3,518,319	2,563,882	3,013,712	2,097,659
Casualty	9,573,326	7,940,702	8,940,715	7,443,581
Accident	375,311	294,615	350,958	306,915
Motor	4,315,897	3,367,658	3,724,571	2,956,743
Aviation	998,254	726,979	1,013,385	763,284
Marine	1,264,537	853,995	1,364,669	939,736
Life	1,216,884	1,131,910	1,056,097	1,003,128
Other lines	4,729,406	3,383,613	4,063,300	2,880,517
	25,991,934	20,263,354	23,527,407	18,391,563
Separate value adjustment on retrocessions	–	56,618	–	54,602
	25,991,934	20,319,972	23,527,407	18,446,165
Provision for annuities				
Casualty	2,599	2,545	1,432	1,378
Accident	33,581	33,574	31,019	31,013
Motor	19,037	17,532	19,275	17,777
Life	28,214	28,214	–	–
	83,431	81,865	51,726	50,168
Total	26,075,365	20,401,837	23,579,133	18,496,333

The net run-off result in property and casualty insurance is positive overall and amounts to EUR 188.7 million or 1.1% (1.6%) relative to the original provision.

Equalisation reserve and similar provisions

in EUR thousand	2019			
	Position at 1.1.	Addition	Withdrawal and release	Position at 31.12.
Insurance line				
Equalisation reserve				
Fire	324,660	–	118,636	206,024
Casualty	824,995	199,370	–	1,024,365
Accident	13,310	9,134	–	22,444
Motor	377,853	110,969	–	488,822
Aviation	133,070	37,648	–	170,718
Marine	333,500	–	33,857	299,643
Other lines	750,429	76,946	61,536	765,839
	2,757,817	434,067	214,029	2,977,855
Provisions which are similar to the equalisation reserve – major risks –				
Fire	34,263	239	1,690	32,812
Casualty	24,088	228	8,396	15,920
Accident	–	–	–	–
Motor	1,059	44	–	1,103
Aviation	–	–	–	–
Marine	2,584	–	2,584	–
Other lines	46,997	3,991	1,310	49,678
Total	2,866,808	438,569	228,009	3,077,368

Other technical provisions

in EUR thousand	2019		2018	
	gross	net	gross	net
Type of provision				
Profit commissions	508,948	311,011	435,893	392,499
Commissions	(3,013)	(2,412)	(1,422)	(1,085)
Premium cancellation	1,134	1,145	–	–
Traffic accident victims' assistance	–	–	978	992
Total	507,069	309,744	435,449	392,406

Technical provisions – total

in EUR thousand	2019		2018	
	gross	net	gross	net
Insurance line				
Fire	4,413,408	3,340,401	3,807,950	2,817,660
Casualty	11,320,977	9,567,607	10,297,530	8,730,003
Accident	627,869	383,716	562,938	488,942
Motor	5,356,071	4,321,529	4,583,184	3,755,074
Aviation	1,256,270	971,163	1,232,840	964,133
Marine	1,571,448	1,158,791	1,706,374	1,280,453
Life	10,137,891	9,265,552	10,116,926	9,081,786
Other lines	6,585,265	4,933,842	5,724,076	4,370,454
	41,269,199	33,942,601	38,031,818	31,488,505
Separate value adjustment on retrocessions	–	56,618	–	54,602
Total	41,269,199	33,999,219	38,031,818	31,543,107

Provisions for other risks and charges

in EUR thousand	2019	2018
Provisions for pensions and similar liabilities	107,586	99,288
Provisions for taxation	110,577	169,039
Sundry provisions		
Provisions for outstanding remuneration payments	59,316	45,542
Provision for interest pursuant to § 233a AO (Fiscal Code)	36,845	34,916
Provision for anticipated losses	5,778	20,500
Provisions for annual accounts costs	4,565	3,447
Provisions for suppliers' invoices	2,832	1,498
Provision for partial retirement	1,923	1,051
Provisions for costs of legal action	894	917
Other provisions	15,266	25,942
	127,419	133,813
Total	345,582	402,140

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 8.8 million.

Assets and the associated 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 183 thousand (EUR 251 thousand). The provision for partial re-

tirement of EUR 2,357 thousand (EUR 2,132 thousand) was netted with plan assets with a fair value of EUR 652 thousand (EUR 1,081 thousand) pursuant to § 246 (2) of the Commercial Code (HGB). In this connection income of EUR 29 thousand (EUR 29 thousand) was offset against total expenses of EUR 4 thousand (EUR 57 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 1,484 thousand (EUR 1,914 thousand).

Miscellaneous liabilities

in EUR thousand	2019	2018
Accounts due to affiliated companies	548,864	239,336
Amounts due to revenue authorities	69,099	9,550
Liabilities from repurchase agreements	59,978	–
Liabilities from interest and LOC	21,090	14,174
Liabilities from hedge accounting	14,003	6,864
Liabilities from cash collateral received	10,762	15,610
Trade accounts payable	8,601	1,865
Liabilities from securities transactions	855	4,174
Liabilities from outstanding commitments to old-age pension scheme	238	72
Liabilities from leases	8	3
Liabilities from option premiums	–	1
Other liabilities	1,016	603
Total	734,514	292,252

Term repurchase agreements (repos) were entered into as a supplementary liquidity management tool. The asset portfolios exchanged in this context are fully collateralised. As at

the balance sheet date the liabilities from repos amounted to EUR 60.0 million.

Notes on the profit and loss account

Total insurance business

in EUR thousand	2019	2018	2019	2018	2019	2018	2019	2018
Insurance line	Gross written premium		Gross premium earned		Net premium earned		Technical result for own account	
Fire	2,937,280	2,213,293	2,788,789	2,276,098	1,762,536	1,345,941	(21,562)	(2,387)
Casualty	2,316,791	1,590,132	2,123,418	1,580,600	1,677,114	1,050,305	(197,832)	(130,694)
Accident	442,018	391,067	425,433	371,065	252,741	344,812	34,653	21,358
Motor	2,945,180	2,452,280	2,898,760	2,425,760	1,861,459	1,528,339	(156,348)	(204,037)
Aviation	257,670	225,375	258,399	230,625	173,797	159,057	10,172	15,280
Marine	453,540	329,307	453,540	329,307	174,862	194,461	140,149	66,049
Other lines	3,962,446	3,202,771	3,816,653	3,123,358	2,506,086	2,268,059	(137,550)	229,889
Total property and casualty	13,314,925	10,404,225	12,764,992	10,336,813	8,408,595	6,890,974	(328,318)	(4,542)
Life	4,757,944	4,236,528	4,673,019	4,213,728	3,817,957	3,521,967	94,612	29,616
Total insurance business	18,072,869	14,640,753	17,438,011	14,550,541	12,226,552	10,412,941	(233,706)	25,074

in EUR thousand	2019	2018
Gross claims incurred	12,700,432	11,220,531
Gross operating expenses	4,791,399	3,670,208
Reinsurance balance	(358,934)	(280,669)

In accordance with the disclosure required pursuant to § 27 (3) and (4) of the Regulation on the Accounting of Insurance Undertakings (RechVersV), insurance contracts with the HDI property/casualty group are booked with a time delay of one month. The premium volume for 2019 amounts to altogether EUR 822.6 million. Of this, EUR 0.7 million relates to the month of December 2018.

Investment charges

in EUR thousand	2019	2018
Fixed-income securities	38,438	156,641
Administrative expenses	31,718	29,176
Loss transfer	–	20,500
Land and buildings	3,296	3,635
Futures and options contracts, technical derivatives	4,366	2,418
Deposit, bank and consultancy fees	981	1,025
Shares and investment fund certificates	1,168	477
Shares in affiliated companies and participations as well as loans to affiliated companies and enterprises in which the company has a participating interest	456	339
Forward exchange transactions	5,389	277
Registered debt securities and sundry loans	–	165
Interest charges	118	96
Deposits with ceding companies	892	3,589
Other	14	–
Total	86,836	218,338

Other income

in EUR thousand	2019	2018
Exchange rate gains	71,144	95,957
Income from services rendered	25,292	21,507
Income from guarantees furnished	10,963	11,031
Separate value adjustments on accounts receivable and retrocessions	9,020	6,663
Income from the release of non-technical provisions	6,868	5,826
Income from reinsurance contracts	4,706	3,499
Allocated investment return	4,059	1,699
Interest pursuant to § 233a AO (Fiscal Code)	3,543	–
Income from tax refunds	1,379	9,344
Profit from clearing transactions	1,001	1,898
Reimbursement of expenses	330	445
Amounts realised	49	178
Income from discounting pursuant to § 277 (5) HGB (Commercial Code)	46	37
Miscellaneous income	3,959	4,646
Total	142,359	162,730

Other charges

in EUR thousand	2019	2018
Financing interest	90,272	88,132
Deposit interest	68,141	67,089
Expenses for the company as a whole	60,811	51,237
Exchange rate losses	30,772	73,105
Expenses from services rendered	26,053	22,122
Separate value adjustments on accounts receivable and retrocessions	7,886	25,139
Interest charges on old-age pension scheme	2,898	3,134
Expenses for letters of credit	1,758	1,805
Expenses from reinsurance contracts	1,139	959
Write-downs on accounts receivable	527	1,046
Interest charges from reinsurance transactions	213	55
Compounding of interest on provisions/expense from compounding pursuant to § 277 (5) HGB (Commercial Code)	47	78
Interest pursuant to § 233a AO (Fiscal Code)	–	1,000
Costs paid in advance	–	–
Miscellaneous interest and charges	6,743	11,272
	297,260	346,173
Less: Technical interest	5,997	862
Total	291,263	345,311

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 audit of the annual financial statement and management report as at 31 December 2019, the independent auditor reviewed the reporting package compiled in accordance with International Financial Reporting Standards

(IFRS) and drew up the review report on the quarterly financial statements. The solvency balance sheet as at 31 December 2019 was also audited. Furthermore, the independent auditor performed other assurance services in connection with the combined non-financial information statement.

The tax consultancy services encompass tax advice provided on specific matters.

Expenses for personnel

in EUR thousand	2019	2018
1. Wages and salaries	149,248	132,897
2. Social security payments and expenses for welfare	21,454	20,618
3. Expenses for old-age pension scheme	13,138	12,011
Total expenses	183,840	165,526

Proposal for the appropriation of the disposable profit

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

Proposal for the appropriation of the disposable profit

in EUR	2019
Payment of a dividend of EUR 4.00 on each eligible no-par value share	482,388,536.00
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	713,715,763.00
Disposable profit	1,377,000,000.00

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, a senior bond of EUR 750.0 million and subordinated debt of EUR 750.0 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 2,359.7 million (EUR 1,909.2 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 405.1 million (EUR 742.3 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 2019 reserves equivalent to EUR 5,049.3 million (EUR 952.7 million) existed at the subsidiaries. No soft letters of comfort were provided in the financial year.

Hannover Re has provided guarantees of altogether USD 5,996.4 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, a guarantee of GBP 10.0 million was furnished. Furthermore, financial commitments to affiliated companies exist in an amount of

USD 400.0 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 3,380 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 1,423 in the year under review, of whom 87 were executive staff and 1,336 employees.

The remuneration report is provided in the combined management report of the company on pages 126 to 146 of the Group Annual Report. The total remuneration of the Executive Board of Hannover Re amounted to EUR 9.3 million (EUR 6.8 million). In the year under review 6,181 share awards with a fair value of EUR 1.1 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 1,460 thousand. A liability of EUR 20,432 thousand was recognised for current pensions of former members of the Executive Board. The remuneration of the Supervisory Board amounted to EUR 780 thousand (EUR 788 thousand).

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

The list of shareholdings is provided on pages 18 to 21.

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 5 November 2019 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 1,196.8 million (USD 75.9 million), USD 368.0 million (EUR 326.9 million), CAD 16.5 million (USD 12.5 million), AUD 142.4 million (USD 97.8 million), GBP 97.3 million (USD 128.6 million), SGD 25.0 million (USD 18.4 million), USD 38.0 (TWD 1,145.7), JPY 9,430.0 million (USD 86.7 million), HKD 242.9 million (USD 31.0 million), CNH 221.0 million (USD 31.4 million) and JPY 6,704.8 million (EUR 55.0 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 four 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 2019 the underlying transactions show positive fair values of altogether EUR 9.5 million and negative fair values totalling EUR 1.6 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 nine forward exchange transactions in notional amounts of AUD 57.1 million (USD 39.4 million), AUD 696.3 million (EUR 429.2 million), USD 14.0 million (IDR 200.5 billion), USD 14.0 million (PHP 725.1 million), USD 8.0 million (KRW 9.5 billion) and USD 69.0 million (INR 5.2 billion) with maturity dates in 2020 that are not combined into valuation units. Risks underlying the transac-

tions are transferred to the branch in Malaysia or remain with Hannover Re in Germany. The negative fair values of EUR 0.55 million (USD 0.62 million) and EUR 4.838 million (AUD 7.74 million) are 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, forward exchange transactions with a spread between the trade and interest value date that extends beyond 31 December 2019 was concluded in notional amounts of AUD 28.3 million (USD 19.8 million) and USD 27.0 million (EUR 23.9 million); these do not form part of the annual financial statement due to the value date accounting method. In view of the AUD/USD and USD/EUR exchange rate movements as at the balance sheet date, a theoretical positive fair value is determined; it is not necessary to recognise a provision for anticipated losses.

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 25,876.3 million.

The portfolio contains derivatives associated with the technical account in a nominal volume of EUR 21.7 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 12.1 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 12.2 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 2019 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 2.3 million.

A permanent establishment of Hannover Re has invested deposits with ceding companies amounting to USD 189.9 million arising out of a retrocession contract in a structured se-

curity 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 15.8 million as at the balance sheet date. The underlying and hedge are combined into a valuation unit in the balance sheet in a micro-hedge relationship.

We received an adequate consideration for all transactions with affiliated companies according to the circumstances of which we were aware at the time when the transactions were effected. We incurred no disadvantages 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, 6 March 2020

Executive Board



Henchoz



Althoff



Chèvre



Dr. Miller



Dr. Pickel



Sehm



Vogel

Independent Auditor's Report

(this auditor's report is issued on financial statements prepared in German language)

To Hannover Rück SE, Hannover

Report on the audit of the annual financial statements and of the management report

Audit Opinions

We have audited the annual financial statements of Hannover Rück SE, Hannover, which comprise the balance sheet as at 31 December 2019, and the statement of profit and loss for the financial year from 1 January to 31 December 2019, and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of Hannover Rück SE, which is combined with the group management report, for the financial year from 1 January to 31 December 2019. In accordance with the German legal requirements, we have not audited the content of those parts of the management report listed in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Company

Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the

as at 31 December 2019 and of its financial performance for the financial year from 1 January to 31 December 2019 in compliance with German Legally Required Accounting Principles, and

- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of those parts of the management report listed in the "Other Information" section of our auditor's report.

Pursuant to § [Article] 322 Abs. [paragraph] 3 Satz [sentence] 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2019. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

- (1) Measurement of premium reserves
- (2) Measurement of provisions for claims outstanding in the property reinsurance business segment
- (3) Calculation of estimated gross premium

Our presentation of these key audit matters has been structured in each case as follows:

- (a) Matter and issue
- (b) Audit approach and findings
- (c) Reference to further information

Hereinafter we present the key audit matters:

(1) Measurement of premium reserves

- (a) In the Company's annual financial statements premium reserves amounting to EUR 8,478.9 million (18.6% of total assets) are reported under the "Technical provisions" balance sheet item. The premium reserve was recognized primarily for the reinsurance activities in the life and health reinsurance segments.

The premium reserve in accordance with German commercial law is measured by using actuarial methods to derive the present value of future benefits to cedants, less the present value of premiums still to be paid by cedants in accordance with the German commercial law principles of prudence and realization in accordance with the relevant requirements of German commercial and regulatory law. Depending on the structure of the relevant policy and the regular business, the calculation is based either on a combination of available cedant settlements, where necessary adjusted to account for estimates of the course of the policy for settlement periods not yet settled or based on model-driven own calculations of the premium reserve. The measurement also takes into account estimates of valuation parameters, particularly with respect to the biometric accounting bases to be recognized such as probabilities for mortality and longevity, where applicable including trends, invalidity and socioeconomic factors such as assumed behaviors on the part of the policyholders (e.g. cancellation).

The estimate of the sufficiency of the reported premium reserves, the estimates made in the absence of cedant set-

tlements as well as model-driven calculations of the premium reserve is subject to considerable scope for judgment on the part of the executive directors and the associated uncertainties in the estimations made.

Against this background and due to the material significance of the amount of the premium reserves for the assets, liabilities and financial performance of the Company as well as the complexity of the underlying calculations, this matter was of particular significance in the context of our audit.

- (b) Given the significance of premium reserves, as part of our audit we assessed together with our actuaries the methods used by the Company and the assumptions made by the executive directors. The assessment was based on our industry expertise and experience, among other things.

For the purposes of the assessment, we also evaluated the design and effectiveness of the controls established by the Company for the purpose of calculating and recording the premium reserves. We focused in particular on controls designed to ensure that new products and policies are correctly classified and that changes in assumptions are correctly implemented in the systems.

Based on the controls testing, we carried out additional analytical and substantive audit procedures relating to the measurement of the premium reserves. In our tests of details procedures, we evaluated the correct and proper use

of the available cedant settlements for calculating the premium reserves. Thereby, we also assessed the appropriateness of the material assumptions by analyzing how the actuarial methods applied were derived. In particular, we examined whether sufficient collateral was factored into the valuation according to criteria of German commercial law and whether it was necessary to strengthen reserves. Furthermore, we analyzed the development of premium reserves as compared to the previous year, particularly in light of the fact that the assumptions correspond to the currently available cedant information, current business developments and our expectations based on market observations.

Based on our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors for measuring the premium reserves are appropriate overall.

- (c) The Company's disclosures on the premium reserve are contained in the sections "measurement of equity and liabilities" and "notes to equity and liabilities" of the notes to the financial statements. Disclosures on risks are contained in the Company's management report in the section "Report on risks and opportunities", subsection "Technical risks of personal reinsurance".

(2) Measurement of provisions for claims outstanding in the property reinsurance business segment

- (a) In the annual financial statements of the Company provisions for unsettled claims amounting to EUR 26,075.4 million (57.3% of total assets) are reported under the "Technical provisions" balance sheet item. A significant portion of the gross provision for unsettled claims is attributable to property reinsurance. Pursuant to § 341g HGB provisions must be recognized for obligations incurred as a result of claims incurred but not yet settled by the end of the financial year ("claims provisions").

this provision for the assets, liabilities and financial performance of the Company, the measurement of this provision was of particular significance in the context of our audit.

- (b) Given the significance of claims provisions, as part of our audit we assessed together with our actuaries the methods used by the Company and the assumptions made by the executive directors. The assessment was based on our industry expertise and experience, among other things.

The claims provisions under property reinsurance are estimated taking into account cedant information based on empirical values. The claims provision in accordance with German commercial law is measured based on actuarial methods, which require a sufficiently long data history and stability of the observed data. The mathematical methods use assumptions concerning premiums, ultimate loss ratios and run-off patterns, which are based on an expert estimate derived from past experience. The executive directors calculate the amount of the claims provision in accordance with German commercial law taking into account the results of the actuarial methods and other factors in relation to uncertainties. The technical provisions, and therefore in particular the claims provisions must ensure that the Company as an insurer is able to fulfil permanently its obligations (particularly principle of prudence) and that the principle of accounting consistency is complied with.

Among other things, we evaluated the appropriateness of the design of the process for recognizing reserves as well as carried out functional tests in order to assess the effectiveness of the internal controls. We focused in particular on controls designed to ensure that the data used are appropriate and complete and that the calculation process is subject to a sufficient form of quality assurance.

The determination of the claims provision required the use of judgments, estimates and assumptions by the executive directors. Minor changes to those assumptions or to the methods used may have a material impact on the measurement of this provision. Against this background and also due to the material significance of the amount of

Based on the controls testing, we carried out additional analytical and substantive audit procedures relating to the measurement of the claims provision. In light of the significance of the claims provision for the overall business of the Company, our internal measurement specialists assessed the appropriateness of the methods used by the Company. Furthermore, our internal measurement specialists evaluated the models used by the Company and assumptions made by the executive directors based on industry expertise and experience with recognized actuarial practice. In particular, we examined whether sufficient collateral was factored into the valuation according to criteria of German commercial law and whether it was necessary to strengthen reserves. Thereby, we verified the valuation methods for consistency of use.

Based on our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors with respect to the claims provisions are appropriate overall.

- (c) The Company's disclosures on the property reinsurance claims provisions are contained in the sections "measure-

(3) Calculation of estimated gross premium

- (a) In its annual financial statements, the Company reported gross premiums of EUR 18,072.9 million in the income statement.

Acquired reinsurance premiums are accounted for in accordance with the terms and conditions of the reinsurance policies. In the absence of settlements of cedants, the Company made supplementary or complete estimates of the contributions. Of the total gross premiums recognized, approximately EUR 6,582.1 million (36.43%) were estimated. The estimates were based on assumptions and are therefore subject to considerable uncertainties and scope for judgment.

Due to the material significance of the amount of the estimated premiums for the assets, liabilities and financial performance of the Company as well as the considerable scope for judgment on the part of the executive directors and the associated uncertainties in the estimations made, this matter was of particular significance in the context of our audit.

- (b) For the assessment of the estimated gross premium, we first conducted a design testing of the contribution and estimation process. In that connection, we identified the

ment of equity and liabilities" and "notes to equity and liabilities" of the notes to the financial statements. Disclosures on risks are contained in the Company's management report in the section "Report on risks and opportunities", subsection "Technical risks of property reinsurance".

material key controls and analyzed their design. Based on that analysis, we conducted a functional testing regarding the effectiveness of the key controls implemented in the process and assessed the appropriateness of the material assumptions by verifying and analyzing the calculating method for deriving the estimated gross premium.

In context of our tests of details procedures, we critically questioned the material assumptions underlying an estimate and had the Company explain to us the reasons for such estimates. Based on information on the contributions expected in the previous year, we reconciled the expectations against the actual results and thus were able to draw conclusions as to the quality of the estimates.

Based on our audit procedures, we were able to satisfy ourselves that the calculation procedures applied by the executive directors to derive the estimated gross premium are appropriate overall.

- (c) The Company's disclosures on the estimated gross premium are contained in the sections "measurement of equity and liabilities" and "notes to the income statement" of the notes to the financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the management report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section “Enterprise management” of the management report
- the non-financial statement pursuant to § 289b Abs. 1 HGB and § 315b Abs. 1 HGB included in section “Combined non-financial information statement” of the management report
- the disclosures contained in the management report and marked as unaudited regarding Solvency II reporting

The other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited annual finan-

cial statements, the audited management report and our auditor’s report.

Our audit opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management Report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company’s position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company’s financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness

of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the supervisory board on 6 March 2019. We were engaged by the supervisory board on 26 June 2019. We have been the auditor of the Hannover Rück SE, Hannover, without interruption since the financial year 2018.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Mathias Röcker.

Hannover, 9 March 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Mathias Röcker
Wirtschaftsprüfer

ppa. Dennis Schnittger
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, 6 March 2020

Executive Board



Henchoz



Althoff



Chèvre



Dr. Miller



Dr. Pickel



Sehm



Vogel

Report of the Supervisory Board of Hannover Rück SE

In our function as the Supervisory Board we considered at length during the 2019 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. A further meeting was a constituent meeting of the Supervisory Board held following the General Meeting. In addition, the Supervisory Board adopted two resolutions in the reporting period by a written procedure. All the Supervisory Board members attended the Supervisory Board meetings held in 2019 in person. Two representatives of the Federal Financial Supervisory Authority attended one meeting on a routine basis. We were informed by the Executive Board in writing and orally on the basis of the quarterly statements about the course of business as well as the position of the company and the Group. With regard to reports on topics that fall under the responsibility of key functions, we had an opportunity to engage directly in a dialogue with the respective key function holders, who attended parts of the meetings as guests. The quarterly reports with the components of the financial statements and the key figures for the

Hannover Re Group constituted an important source of information for the Supervisory Board. We also regularly held discussions without the presence of the Executive Board, inter alia regarding personnel matters on the level of the Executive Board.

We received an analysis of the 2018 results in property & casualty and life & health reinsurance as well as a presentation from the Executive Board covering the profit expectations for the 2019 financial year and the operational planning for the 2020 financial year. In addition, the Chairman of the Supervisory Board was constantly kept informed 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 2019 financial year.

Key points of deliberation

At its meeting on 6 March 2019 the Supervisory Board discussed the audited annual and consolidated financial statements as well as the Executive Board's proposal for the appropriation of the disposable profit for the 2018 financial year. In this regard, as in the previous year, the Executive Board described all material indicators from the technical and non-technical accounts as well as key data on the investment side. The independent auditor directly presented the results of the audit and elaborated on the audit procedure. The Executive Board outlined the prospects for the current 2019 financial year and we discussed the major insights from the compliance, audit and risk reports. Among the steps taken as part of the annual revision of the investment guidelines, adjustments were made inter alia with respect to certain formal and procedural clarifications for the asset managers and specifications regarding limit calculations were described in greater detail. Additionally, the already defined budget for the "impact investment funds" variant of the private equity asset class was included in the procedural stipulations and the thresholds contained in the guidelines. At the recommendation of the Finance and Audit Committee, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft – following its initial appointment in 2017 – was again awarded the man-

date to audit the annual financial statements. In preparation for the Annual General Meeting on 8 May 2019, the agenda and the proposal for the election of new shareholder representatives was discussed and approved by the Supervisory Board. In this context consideration was given to the competencies within the entire Supervisory Board as well as aspects relating to diversity and the independence of the members of the Supervisory Board. In concrete terms, the Supervisory Board deliberated on the election of Dr. Michael Ollmann, who also attended the meeting for this purpose as a guest. Furthermore, after extensive consideration and in accordance with the recommendation of the Standing Committee, we appointed Ms. Silke Sehm as a member of the company's Executive Board to succeed Mr. Jürgen Gräber, whose long-standing commendable service on the Executive Board of Hannover Re was singled out for special praise. We approved the resulting amendment to the schedule of responsibilities within the Executive Board. In addition, 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 2018 financial year. In this context, as usual, we factored the findings of external surveys

into our deliberations for the purpose of making a market comparison.

On 6 May 2019 the Executive Board reported to us on the first quarter of 2019 and we explored the overall results of the previous year in greater detail; in this regard the Executive Board presented relevant analyses regarding the quality of the loss reserves in property and casualty reinsurance and the intrinsic value creation (IVC). In addition to the outlook for the current financial year, the examination of the Own Risk and Solvency Assessment (ORSA) and the capitalisation under Solvency II constituted further key points of deliberation. Following up on this, the structure of the Regular Supervisory Report (RSR) and its differences and overlaps relative to the ORSA were explained. We also received a report on the return on investment as compared with peer companies and a detailed report on non-US life business. Lastly, a resolution was adopted that created the basis for issuance of subordinated capital later in the year. In view of the personnel changes on the Executive Board that had already been approved in the previous year, under which Mr. Jean-Jacques Henchoz was initially appointed as a member of the Executive Board and subsequently also as Chief Executive Officer, further adjustments to the schedule of responsibilities for the Executive Board were then approved.

Following the General Meeting on 8 May 2019, at which the shareholder representatives were elected, we came together for a constituent meeting. This was also attended for the first time by the employee representatives who had been newly elected by the workforce, namely Ms. Natalie Bani Ardalan, Ms. Ilka Hundeshagen and Ms. Frauke Heitmüller (re-elected). At the meeting we chose from among our ranks the Chairman and Deputy Chairman as well as the members of the Finance and Audit Committee, the Standing Committee and the Nomination Committee (composition shown on page 4 to 5). In this regard, particular emphasis was placed on ensuring that the necessary expertise, experience and independence are preserved on the committees.

On 7 August 2019 the Executive Board reported on the first half of 2019; in this context, as usual, it described the material indicators from the technical and non-technical accounts and outlined the attainment status of the strategic objectives. The outlook for the current financial year was followed by a discussion of the key insights from the risk report. Hannover

Re's activities in the insurance-linked securities (ILS) market, on which we received a detailed report, were another major focus of the August meeting. In addition, we considered a strategic transaction relating to a participating interest. We also received the audit report on the solvency balance sheet. With an eye to the self-assessment of the Supervisory Board's areas of expertise that had once more been carried out, the Supervisory Board decided that the extensive list of topics which goes beyond the regulatory requirements will be used again in 2020.

At the last meeting of the year on 5 November 2019, we deliberated at length on the key preliminary results in the business performance together with the outlook for the current financial year. We were provided with the report on employee capacities. The Executive Board also presented to us the operational planning for 2020; we considered this in detail and subsequently approved the annual/results planning submitted to us. We discussed the latest insights from the risk report and were informed of the status of major pending legal proceedings. In addition, the 100-day report by the Chief Executive Officer on the strategic orientation of Hannover Re and the measures for ensuring profitability during the P&C underwriting process were focal points of our deliberations. The capital increase at a subsidiary was approved in advance. As in every year, the full Supervisory Board considered the adequacy of the remuneration system for the members of the Executive Board. Based on the findings of the "Fit & Proper" self-assessment that had been conducted among the Supervisory Board members and against the backdrop of the new composition of the Supervisory Board, we engaged in an extensive exchange of views on a development plan for the entire Supervisory Board. It was again the case this year that the individual members of the Supervisory Board attended numerous advanced training measures in relation to various core topics and competencies. We also decided to update the policy regarding the specialist and personal requirements for members of the Supervisory Board. Furthermore, we dedicated a significant part of our discussion to corporate governance issues and in this regard we approved the revised diversity concept and the updated Declaration of Conformity (see also further information below).

As in every year, we were regularly briefed on the work of the Supervisory Board committees.

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, with one resolution adopted by a written procedure, and the Standing Committee met three times. The Chairman of the Supervisory Board updated the full Supervisory Board on the major delib-

erations of the committee meetings at its next meeting and provided an opportunity for further questions.

The Finance and Audit Committee considered inter alia the consolidated 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 it discussed with the independent auditors their reports on these financial statements. As in the previous years, 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, the risk reports and the compliance report 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. The audit concentrations of the independent auditors for the 2019 financial year were defined. The Committee continued to be provided with ongoing detailed reports on the recognition and measurement of the risk-oriented book of US life reinsurance business acquired in 2009 from Scottish Re as well as on the rate increases that had been initiated and/or implemented. The measures for ensuring profitability during the P&C underwriting process – which were also subsequently reported to the full Executive Board – were discussed in detail and the Committee was able to obtain a good understanding of the established, transparent system. Furthermore, the Committee examined in detail Han-

nover Re's activities in the insurance-linked securities (ILS) market.

The Standing Committee considered, in the first place, the appointment of Ms. Silke Sehm as a member of the Executive Board, in which regard Ms. Sehm – who had already worked for Hannover Re for many years – also attended part of the meeting as a guest. As in the previous years, among other things, the adequacy of the system of remuneration for the members of the Executive Board was reviewed, the variable remuneration of the members of the Executive Board for the 2018 financial year was determined based on the findings pertaining to attainment of their respective targets and the remuneration for the Board members who were due for review was examined. More specific consideration was also given to the occupational pension commitments in the adequacy 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. In addition, the individual objectives of the members of the Executive Board for 2020 were defined.

Corporate Governance

The Government Commission on the German Corporate Governance Code (DCKG) adopted an extensive revision of the German Corporate Governance Code in May 2019, although this had not entered into force by year-end. We nevertheless devoted considerable attention to the topic of corporate governance and the proposed changes. For example, the Supervisory Board updated the diversity concept in the year under review (cf. page 124 et seq. of the combined management report in the Group Annual Report) and reported on the manner of its implementation as well as the results achieved in the financial year. The diversity on the Supervisory Board and Executive Board was increased accordingly in the financial year and steps were initiated to bring about a further improvement in the coming years.

We considered the report by the Executive Board on non-financial matters (cf. page 70 et seq. of the combined management report in the Group Annual Report) and examined it. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft also audited the information statement with limited assurance in accordance with the audit standard ISAE 3000 (Revised) (see here the Independent Auditor's Report on page 35 et seq.).

In addition, the Supervisory Board received a report on the design of the remuneration schemes as well as the compli-

ance, internal audit and risk reports. The Supervisory Board further noted that at least three of its members – namely Dr. Andrea Pollak, Dr. Ursula Lipowsky and Dr. Michael Ollmann – are to be considered independent members of the Supervisory Board.

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 as amended on 7 February 2017, the Supervisory Board decided not to fully 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 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 the Group Annual Report as part of the Declaration on Corporate Governance (cf. page 120 et seq.). Further information on the topic of corporate governance is available on the website of Hannover Rück SE.

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 PricewaterhouseCoopers GmbH 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 26 June 2019 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, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft issued unqualified audit certificates. It was also determined that the annual financial statement contains the information pursuant to § 289f German Commercial Code (HGB). The Finance and Audit Committee discussed the 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 reviews. The audit reports were distributed to all the members of the Supervisory Board and explored 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 PricewaterhouseCoopers GmbH Wirtschaftsprü-

fungsgesellschaft and given the following unqualified audit certificate:

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

1. the factual details of the report 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 2019 – and have no objections in this regard; nor do we have any objections to the statement made by the Executive Board at the end of the report on relations with affiliated companies.

The Supervisory Board 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 2019 is in accordance with that of the Executive Board.

Changes on the Supervisory Board and the Executive Board

Changes occurred in the composition of the Supervisory Board, its committees and the Executive Board in the year under review. The term of office of the company's Supervisory Board expired pursuant to § 10 (3) of the Articles of Association of Hannover Rück SE at the end of the General Meeting on 8 May 2019. At the suggestion of the Nomination Committee and bearing in mind the targets for the composition of the Supervisory Board, the former Supervisory Board therefore proposed the following persons for election as representatives of the shareholders of the company with effect from the end of the Annual General Meeting on 8 May 2019 for the period until the end of the General Meeting that ratifies the actions taken for the 2023 financial year, although at most for a term of six years:

- Herbert K. Haas
- Torsten Leue
- Dr. Ursula Lipowsky
- Dr Michael Ollmann
- Dr. Andrea Pollak
- Dr. Erhard Schipporeit

The resolution was adopted by the General Meeting as proposed. Dr. Immo Querner was therefore not re-elected to the Supervisory Board, from which he stepped down at the end of the General Meeting. We are grateful to him for his valuable contributions to the discussions and for his highly valued expertise.

Furthermore, in accordance with the provisions of the SE Participation Act (SEBG) the following employee representatives were elected to the Supervisory Board by the workforce with effect from the end of the Annual General Meeting on 8 May 2019:

- Natalie Bani Ardalan
- Frauke Heitmüller
- Ilka Hundeshagen

Mr. Otto Müller and Ms. Maike Sielaff thus routinely stepped down from the Supervisory Board at this time. The Supervisory Board would like to express its sincere thanks for their good cooperation and the conscientious fulfilment of their duties on the Supervisory Board over the past few years.

On 6 March 2019, following the sudden and entirely unexpected passing of Mr. Jürgen Gräber on 9 November 2018, Ms. Silke Sehm was appointed to the Executive Board. In this connection changes arose in the Board responsibilities for property and casualty reinsurance, which we discussed in conjunction with the appointment and the implementation of which we approved in the context of the revised schedule of

responsibilities for the Executive Board. In addition to the areas of structured reinsurance and insurance-linked securities, Ms. Sehm now bears responsibility for French-speaking markets in Europe and the Nordic countries as well as Central and Eastern Europe and the company's natural catastrophe business. In appointing Ms. Sehm, the Standing Committee and subsequently the full Supervisory Board were able to form a good picture of her extensive personal and specialist competencies. We wish Ms. Sehm every success in her new role and look forward to continued good cooperation going forward.

Mr. Henchoz, who had already been appointed by the Supervisory Board in the previous year, commenced his duties as a member of the Executive Board on 1 April 2019 and as Chief Executive Officer with effect from the end of the Annual General Meeting on 8 May 2019. His predecessor, Mr. Ulrich Wallin, retired at this time. The Supervisory Board greatly appreciated working with Mr. Wallin. We believe that his vast expertise and experience, combined with his prudent leadership of the company, were essential ingredients in Hannover Re's success in recent years.

Word of thanks to the Executive Board and members of staff

The good result generated by Hannover Rück SE for the 2019 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, 10 March 2020

The Supervisory Board

Leue

Haas

Bani Ardalan

Heitmüller

Hundeshagen

Dr. Lipowsky

Dr. Ollmann

Dr. Pollak

Dr. Schipporeit

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