somewhat different

14

Annual Report

hannover re®

Key figures

Figures in EUR million	2014	+/– previous year	2013	2012[1]	2011	2010
Results						
Gross written premium	14,361.8	+2.9%	13,963.4	13,774.2	12,096.1	11,428.7
Net premium earned	12,423.1	+1.6%	12,226.7	12,279.2	10,751.5	10,047.0
Net underwriting result	(23.6)		(83.0)	(96.9)	(535.8)	(185.1)
Net investment income	1,471.8	+4.3%	1,411.8	1,655.7	1,384.0	1,258.9
Operating profit (EBIT)	1,466.4	+19.3%	1,229.1	1,393.9	841.4	1,177.9
Group net income	985.6	+10.1%	895.5	849.6	606.0	748.9
Balance sheet						
Policyholders´ surplus	10,239.5	+16.8%	8,767.9	8,947.2	7,338.2	6,987.0
Equity attributable to shareholders of Hannover Rück SE	7,550.8	+28.2%	5,888.4	6,032.5	4,970.6	4,509.0
Non-controlling interests	702.2	+9.4%	641.6	681.7	636.0	608.9
Hybrid capital	1,986.5	-11.2%	2,237.8	2,233.0	1,731.6	1,869.1
Investments (excl. funds withheld by ceding companies)	36,228.0	+13.7%	31,875.2	31,874.4	28,341.2	25,411.1
Total assets	60,457.6	+12.1%	53,915.5	54,811.7	49,867.0	46,725.3
Share						
Earnings per share (basic and diluted) in EUR	8.17	+10.1%	7.43	7.04	5.02	6.21
Book value per share in EUR	62.61	+28.2%	48.83	50.02	41.22	37.39
Dividend	512.5[2]	+41.7%	361.8	361.8	253.3	277.4
Dividend per share in EUR	3.00+1.25[2,3]	+41.7%	3.00	2.60+0.40[3]	2.10	2.30
Share price at year-end in EUR	74.97	+20.2%	62.38	58.96	38.325	40.135
Market capitalisation at year-end	9,041.2	+20.2%	7,522.8	7,110.4	4,621.9	4,840.2
Ratios						
Combined ratio (property and casualty reinsurance)[4]	94.7%		94.9%	95.8%	104.3%	98.2%
Large losses as percentage of net premium earned (property and casualty reinsurance)[5]	6.1%		8.4%	7.0%	16.5%	12.3%
Retention	87.6%		89.0%	89.8%	91.2%	90.1%
Return on investment (excl. funds withheld by ceding companies)[6]	3.3%		3.4%	4.1%	4.1%	4.0%
EBIT margin[7]	11.8%		10.1%	11.4%	7.8%	11.7%
Return on equity (after tax)	14.7%		15.0%	15.4%	12.8%	18.2%

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

The Group worldwide

107

A complete list of our shareholdings is provided on page 163 et seq. of the notes. The addresses of the Hannover Re Group's branch offices and subsidiaries abroad are to be found in the section "Further information" on page 244 et seq.

Strategic business groups

108

Target Markets
- North America
- Continental Europe

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

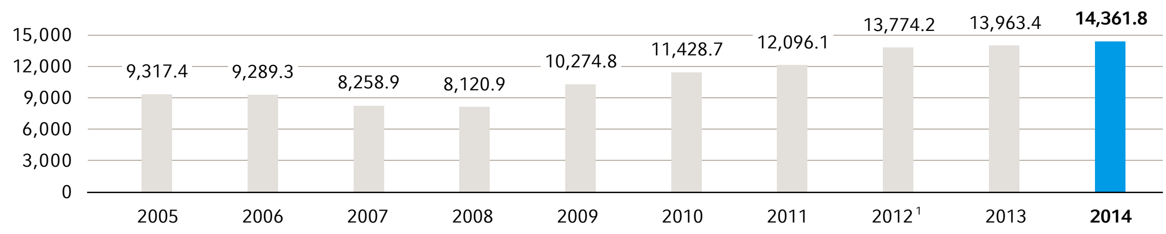
Global Reinsurance
- Worldwide Treaty Reinsurance
- Catastrophe XL (Cat XL)
- Structured Reinsurance and Insurance-Linked Securities

Financial Solutions

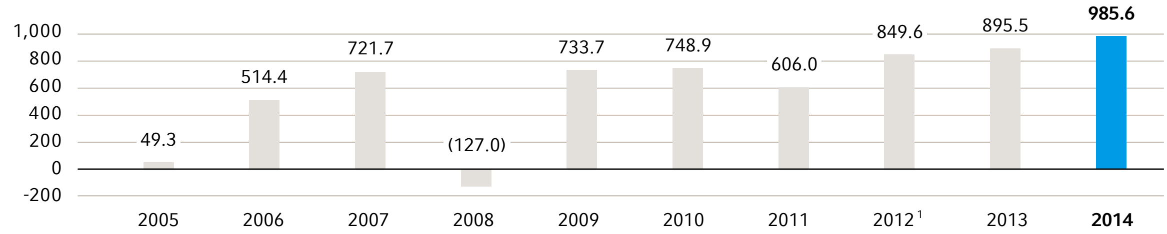
Risk Solutions
- Longevity
- Mortality
- Morbidity

An overview

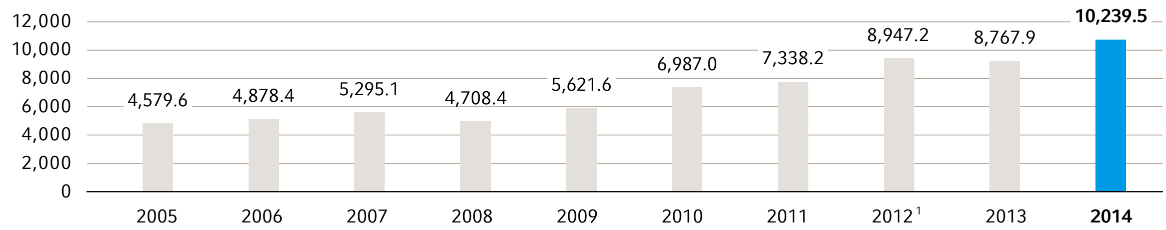
Gross premium I01*
in EUR million



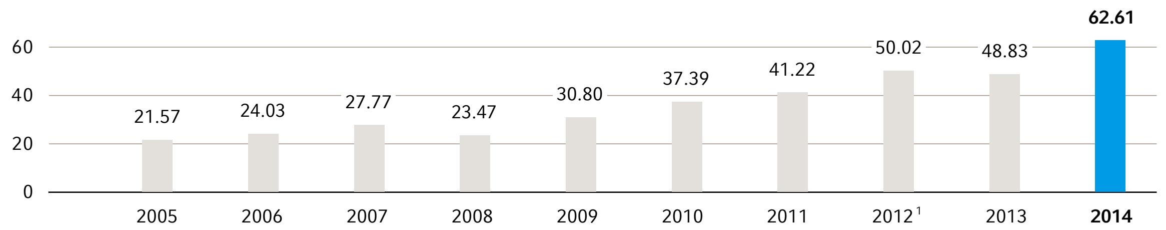
Group net income (loss) I02*
in EUR million



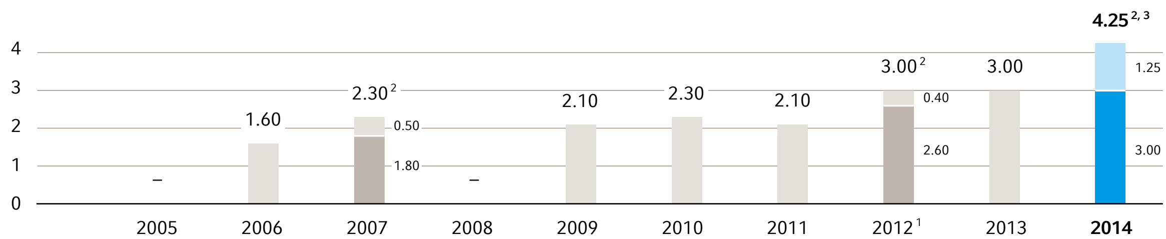
Policyholders' surplus I03*
in EUR million



Book value per share I04*
in EUR



Dividend I05*
in EUR



[1] Adjusted pursuant to IAS 8
[2] Dividend of EUR 3.00 plus special dividend of EUR 1.25 for 2014 as well as EUR 2.60 plus special dividend of EUR 0.40 for 2012 and EUR 1.80 plus special dividend of EUR 0.50 for 2007
[3] Proposed dividend

About us

Hannover Re, with gross premium of more than EUR 14 billion, is the third-largest reinsurer in the world.

We transact all lines of property & casualty and life & health reinsurance and are present on all continents with roughly 2,500 staff. The German business of the Hannover Re Group is transacted by our subsidiary E+S Rück.

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

Contents

* Graphs, tables and charts are numbered and listed on page 252 et seq.

Ulrich Wallin,
Chairman of the
Executive Board

Dear Shareholders,
Ladies and Gentlemen,

When we published our results for the first nine months of 2013 in November of that year we provided a first preview of our expectations for your company's performance in the 2014 financial year. At the same time, we had explained in considerable detail why we anticipated good results for 2014 despite a challenging climate characterised by significantly increased competition in property and casualty reinsurance and a protracted period of low interest rates. It is with great pleasure that I can now inform you that our performance in 2014 did indeed live up to these expectations – and in many areas actually surpassed them. Net income in life and health reinsurance improved, for example, by EUR 41 million or 25 percent. Despite the rather soft market, we also further boosted the underwriting profit in property and casualty reinsurance and not only recorded stable investment income, but even appreciably increased it in absolute terms. All this means that we surpassed the record result of 2013 by another 10 percent to deliver net income of EUR 986 million. Hannover Re's financial strength also developed favourably in the year under review. Shareholders' equity excluding non-controlling interests rose by 28 percent from EUR 5.9 billion to EUR 7.6 billion. The key factors here were a substantial increase in retained earnings due to the good result as well as a rise of more than EUR 1 billion in the valuation reserves. Despite this substantial surge in shareholders' equity, the return on equity remained virtually on a par with the previous year at 14.7 percent. The book value per share climbed to EUR 62.61, the first time it has exceeded the EUR 60 level.

This gratifying business development enables us in turn to distribute to you, our valued shareholders, an attractive dividend. The Supervisory Board and Executive Board will propose to the Annual General Meeting that you should be paid a dividend of EUR 3.00 and a special dividend of EUR 1.25 per share. This is a reflection of the fact that your company's capitalisation now comfortably exceeds the required capital. With this in mind, such a special dividend makes sense as a capital management measure. I would now like to explore below in greater detail the developments in our business groups of Property & Casualty reinsurance and Life & Health reinsurance as well as on the investments side.

The state of the market in property and casualty reinsurance continues to be fiercely competitive. With the supply of reinsurance capacity significantly exceeding demand, we are faced with what can only be described as a buyer's market. This is due not least to the very good results enjoyed by reinsurers in recent years and, furthermore, to the inflow of capital from so-called alternative markets. What is more, the healthy capital resources of most primary insurers have prompted a tendency for them to raise their retentions. As a consequence of these factors, covers to protect against losses from natural catastrophes – in particular – could only be placed at appreciable price mark-downs. Rate reductions were observed in many other reinsurance sectors too. In view of this general climate, we can be satisfied with the development of property and casualty reinsurance business at Hannover Re. Through disciplined underwriting and a concentration first and foremost on our renewal business, we succeeded in preserving the quality of our portfolio on a good level. We were further helped by the fact that we were able to purchase our reinsurance protection at more reasonable prices. Despite our quality-driven, prudent underwriting policy, we thus modestly increased the premium volume in property and casualty reinsurance to around EUR 8 billion.

The underwriting result additionally benefited from another decline year-on-year in the major loss incidence for 2014. This was due above all to the absence of large natural disasters, supported in particular by another benign hurricane season. An exceptional accumulation of major losses was, however, incurred in the aviation line. Despite this, expenditure on major losses – at EUR 426 million – was substantially lower than the figure of EUR 670 million that we had budgeted. On the one hand this gave us the latitude to maintain the very high confidence level of our loss reserves, while at the same time positively affecting the underwriting result. The combined ratio consequently improved to 94.7 percent after 94.9 percent in the comparable period. Combined with higher investment income in property and casualty reinsurance and improved other income, this caused the operating profit in property and casualty reinsurance to surge by an appreciable 12 percent to EUR 1.2 billion.

Turning now to life and health reinsurance, it is particularly gratifying here that after the somewhat disappointing experience in 2013 we were able, as expected, to generate substantially better results. While the international market environment was thoroughly challenging on account of stubbornly low interest rates, our partnership-based relationships with our clients and our global presence nevertheless enabled us to act on sufficient opportunities for sustainable growth. This is especially true of our sizeable growth in the field of reinsurance solutions for longevity risks relating to pension liabilities from annuity policies. We have traditionally written this business mainly in the United Kingdom. Now, however, we are seeing lively interest in such reinsurance solutions outside the United Kingdom as well. In the financial year just ended, for example, we reinsured a substantial block of pension commitments in France for the first time. In addition, we successfully sustained our growth in Asia, and here especially China, in Australia and in US mortality business. Gross premium in life and health reinsurance consequently grew by a pleasing 5 percent – adjusted for currency translation effects – to EUR 6.5 billion.

The operating profit (EBIT) in life and health reinsurance soared by 75 percent to EUR 264 million. The surge in the result compared to the previous year, which had been impacted by losses in Australian disability business and to some extent also in US mortality business, shows that the steps taken to improve profitability were effective. In addition, we booked a particularly pleasing profit contribution from our underwriting of financially oriented reinsurance covers in the United States.

Particularly bearing in mind that the general environment was by no means straightforward, we are thoroughly satisfied with the development of our investments. Our portfolio of assets under own management grew by an appreciable EUR 4 billion to EUR 36 billion. This was attributable to a continued very positive operating cash flow, a substantial rise in hidden reserves – especially for our fixed-income securities – and exchange rate effects. Despite falling interest rates around the world, we boosted net investment income by almost 4 percent to EUR 1.1 billion. It was highly gratifying to note that the operating investment result also increased by around 3 percent. Particularly important positive factors here were our increased exposure to real estate and income from private equity investments, thereby offsetting the declines in interest rates. The net return on our investments stood at 3.3 percent and thus beat the anticipated planned figure despite the considerably higher portfolio values. We consider the net investment income including interest on funds withheld and contract deposits of EUR 1.5 billion – equivalent to an increase of more than 4 percent – to be highly satisfactory.

Permit me, if I may, to close by taking a forward glance at the current financial year.

The general environment facing reinsurers continues to be highly challenging in 2015. Little has changed, whether it comes to the fierce competitive intensity in property and casualty reinsurance or the ongoing very low interest rates and their dampening effect on investment income. Nevertheless, we remain convinced that we can generate another good result in the current year, provided major losses do not come in significantly over budget and as long as capital markets are spared any distortions.

In property and casualty reinsurance it is our expectation that we can maintain the combined ratio – depending on the burden of major losses – on the level of recent years. In this regard, we should benefit from our good market position as a broadly diversified reinsurer as well as our low administrative expenses compared to our competitors. This was borne out by the treaty renewals as at 1 January 2015. Despite the soft market and associated rate erosion, we were able to preserve the good quality of our portfolio. In so doing, we were helped by the fact that we concentrated primarily on our renewal business; for the most part, our clients here recognise us as an enduring and reliable partner. In addition, we wrote new business selectively, most notably in North America and Asia, thereby enabling us to moderately enlarge our premium volume. Just as it was at the turn of the year, the market environment is expected to remain intensely competitive over the months ahead. It is nevertheless our expectation that we can keep our premium volume stable at unchanged exchange rates.

In life and health reinsurance we anticipate a further rise in profitability for the current year. Among other things, the substantial rate increases in Australian group business should leave a clearly positive mark on our results. Similarly, our US portfolio and the business written by our branch in Paris are expected to generate higher profits. Furthermore, we continue to identify healthy potential for growth, especially at our newly established branch in Canada. In Asia we are seeing promising signs, not only in China but also in Japan. For the coming year, therefore, we are looking to book slightly higher gross premium – adjusted for exchange rate effects – in life and health reinsurance.

In view of the substantially enlarged asset portfolio, we expect to be able to hold net income from investments under own management broadly stable. This will, however, mean a decrease in the net return on investment to an anticipated 3 percent.

When it comes to our total business, we expect the gross premium volume for the current year to remain stable or show low single-digit percentage growth after adjustment for exchange rate effects. We are targeting Group net income in the order of EUR 875 million. As always, these statements are subject to the proviso that major losses stay within the expected bounds of EUR 690 million and that there are no exceptionally adverse movements on capital markets.

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

Yours sincerely,

Ulrich Wallin
Chairman of the Executive Board

Executive Board of Hannover Rück SE

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

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

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

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

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

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

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

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

Coordination of Property & Casualty Business Group
Quotations
Retrocessions

The Hannover Re share

- Share price reaches new record high of EUR 75.92
- Proposed dividend of EUR 3.00 per share plus special dividend of EUR 1.25 per share surpasses strategic payout ratio
- Inclusion in FTSE4Good sustainability index achieved

Volatile equity markets deliver reduced overall return

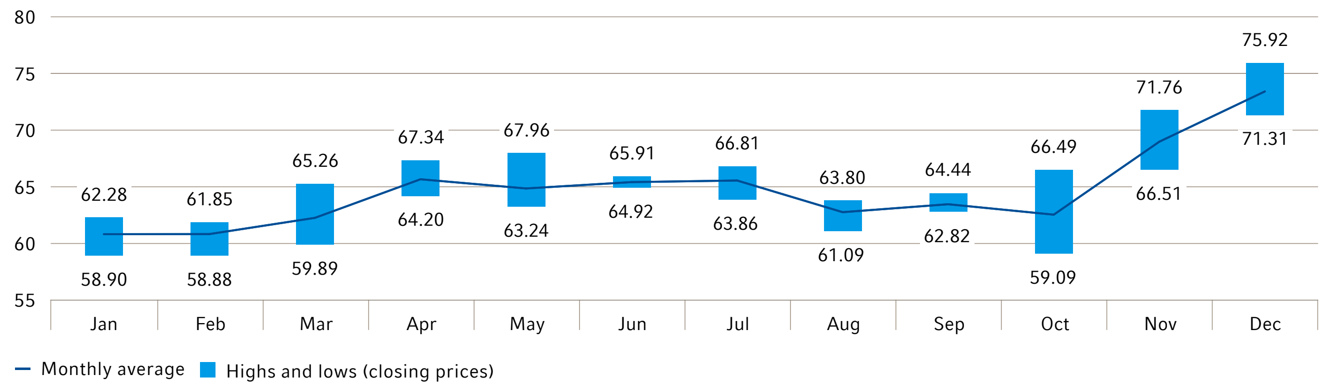
After the record year of 2013 investors had to settle for a more modest performance in 2014, especially on the German stock market. The international financial landscape remained under strain in the year just ended. Geopolitical crises, such as the clashes in the Russia-Ukraine conflict, as well as flashpoints in the Middle East, the sustained drop in the price of oil, poor economic data from Europe and the termination of the US Federal Reserve's bond-buying programme all served to trigger recurring uncertainty on markets throughout the year. At the same time, though, positive economic data from the US and an expansionary monetary policy on the part of the European Central Bank led to growing optimism in some areas. This was reflected in the volatility of movements on equity markets.

The German DAX stock index entered 2014 at a level of 9,552. On 9 June, after some initial ups and downs, the index passed the magic number of 10,000. Yet this new high proved impossible to sustain over the longer term. In October the index – comprised of Germany's 30 largest stocks – slipped back below 9,000, only to close the year after a fresh price rally in the fourth quarter at 9,806, i. e. a gain of some 2.7%. The performance of the MDAX was similarly volatile, which began the year at 16,574 points and closed 12 months later – after a rollercoaster ride – with a gain of 2.2% at 16,935. Driven by encouraging economic data, the Dow Jones ended 2014 at an outstanding level of 17,823, an increase of 7.5%.

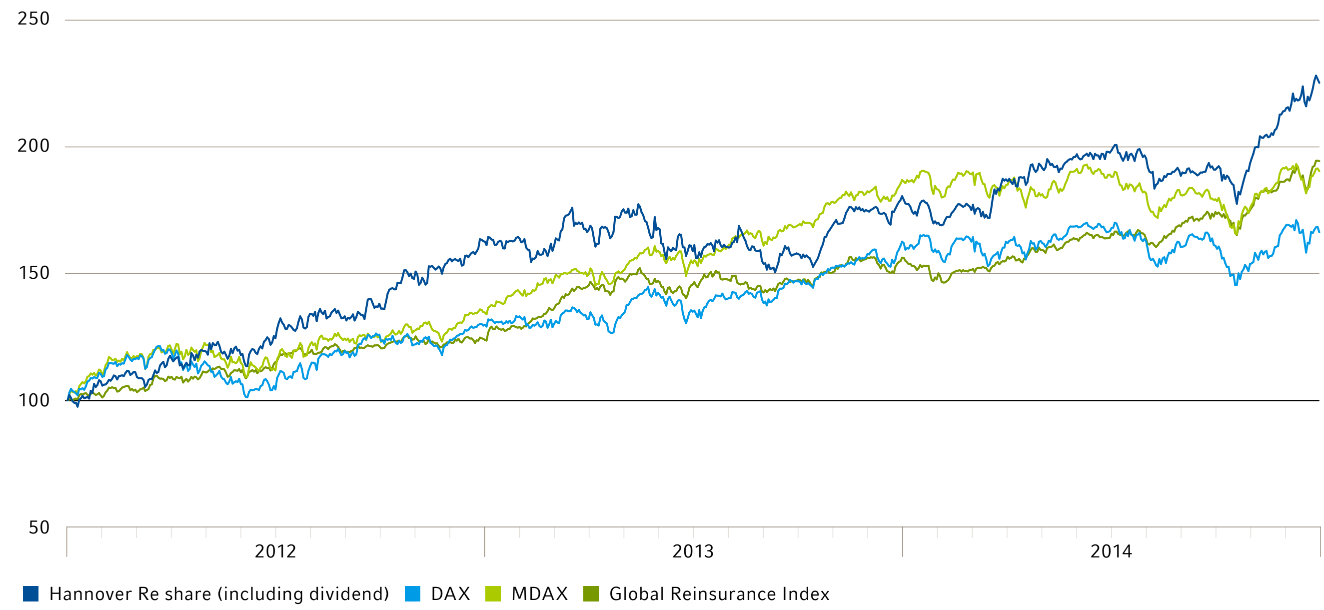
Hannover Re share reaches new all-time high of EUR 75.92

The Hannover Re share stood at EUR 62.38 as 2014 got underway. In the early weeks of the year the share moved lower, retreating to its lowest point of the year on 3 February 2014 at EUR 58.88. This slide was prompted by the challenging round of fiercely competitive renewals in property and casualty reinsurance and the associated rate erosion. The price rally that subsequently took hold was chiefly driven by a major loss experience that was significantly lower than expected overall as well as analyst expectations surrounding the sustained healthy profit outlook for Hannover Re. This latter assumption is based on the recognition that Hannover Re, thanks to its thoroughly comfortable capital resources and very conservatively calculated loss reserves, should be in a position to deliver good results even in a highly competitive market environment and despite reduced growth prospects. The company's robust capitalisation also triggered debate among investors as to the possibility of a higher payout ratio or a share repurchase programme. Against this backdrop the share ultimately soared to its new record high of EUR 75.92 on 23 December. On the back of its price rally in the fourth quarter the Hannover Re share closed the financial year with a gain of 20.2% at EUR 74.97, thereby delivering a performance of 25.8% including reinvested dividends. Over the year the Hannover Re share thus clearly outperformed its benchmark indices, namely the DAX (+2.7%) and MDAX (+2.2%), and also beat the Global Reinsurance (Performance) Index (+24.4%).

Highs and lows of the Hannover Re share 109
in EUR



Relative performance of the Hannover Re share I10
in %



In a three-year comparison the Hannover Re share delivered a performance (including reinvested dividends) of 125.2%. It therefore once again clearly outperformed the DAX (66.3%) and MDAX (90.2%) benchmark indices and the Global Reinsurance Index (94.3%).

Based on the year-end closing price of EUR 74.97, the market capitalisation of the Hannover Re Group totalled EUR 9.0 billion at the end of the 2014 financial year, an increase of EUR 1.5 billion or 20.2% compared to the previous year's figure of EUR 7.5 billion. According to the rankings drawn up by Deutsche Börse AG, the company placed ninth in the MDAX at the end of December with a free float market capitalisation of EUR 4,396.4 million. Measured by trading volume over the past twelve months, the share came in at number 11 in the MDAX with a volume of EUR 3,311.7 million. All in all, the Hannover Re Group thus continues to rank among the 40 largest listed companies in Germany.

With a book value per share of EUR 62.61 the Hannover Re share showed a price-to-book (P/B) ratio of 1.2 at the end of the year under review; compared to the average MDAX P/B ratio of 2.17 as at year-end the share thus continues to be very moderately valued.

Proposed dividend again above the strategic payout ratio

The Executive Board and Supervisory Board intend to propose to the Annual General Meeting on 6 May 2015 that a dividend of EUR 3.00 plus a special dividend of EUR 1.25 per share should be distributed. At around 52%, the proposed distribution thus surpasses the strategically planned payout ratio of 35% to 40% of Group net income after tax for the fourth year in succession. Based on the year-end closing price of EUR 74.97, this produces a dividend yield of 5.7%.

Annual General Meeting looks back on a successful financial year

The Annual General Meeting of Hannover Rück SE was held on 7 May 2014 in Hannover. Numerous shareholders, shareholder and bank representatives as well as guests took up the invitation of the Executive Board and Supervisory Board to attend the meeting in the HCC (Hannover Congress Centrum). Altogether, including postal ballots a good 72.4% of the share capital was represented.

In his address to shareholders Chief Executive Officer Ulrich Wallin took the opportunity to look back once more on the very pleasing 2013 financial year, in which the company had again surpassed the profit generated in the previous year. A very good underwriting performance in property and casualty reinsurance had put in place the cornerstone for the new record result of EUR 895.5 million. Against this backdrop, the Executive Board and Supervisory Board proposed to the Annual General Meeting that a gross dividend of EUR 3.00 per share should be distributed for the 2013 financial year. This proposal, together with all the other items on the agenda, was approved by the Annual General Meeting by a large majority. The Annual General Meeting re-elected the existing shareholder representatives as members of the Supervisory Board of Hannover Rück SE. All voting results and the attendance were published on the company's website following the Annual General Meeting. The next Annual General Meeting will be held in Hannover on 6 May 2015.

Need for information among our shareholders remains high

In light of the sustained competitive market environment, especially in property and casualty reinsurance, we noted further strong demand for information on the part of our investors in 2014. Our event activities were consequently stepped up to altogether 15 capital market conferences (previous year: 14) and 21 roadshows (18). Once again we concentrated on the financial centres of Frankfurt and London, which we visited at least once a quarter. Other destinations included the cities of Amsterdam, Dublin, Edinburgh, Geneva, Copenhagen, Los Angeles, Lugano, Luxembourg, Milan, Munich, Stockholm, Vienna and Zurich. In 2014 we also had the opportunity for the first time to meet interested investors in Lyon, Miami, Philadelphia, Singapore and Tokyo.

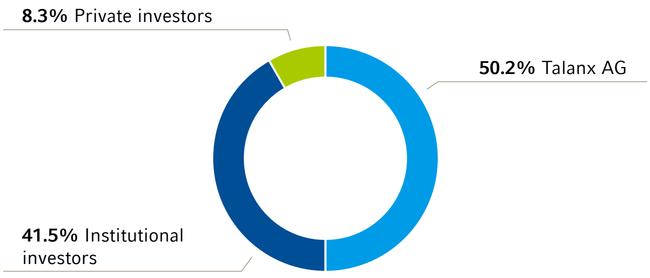
Hannover Re's 17th Investors' Day was held on 23 October 2014 in London. Around 40 analysts and institutional investors took up our invitation to engage in an intensive exchange of views with members of the Executive Board on the opportunities and risks associated with reinsurance business in the current market climate. On this occasion the focus was on, among other things, the 2014 review of the company's strategy as well as discussions revolving around the opportunities and challenges presented by a protracted low interest rate environment and at the same time soft reinsurance market, the general hallmark of which is an oversupply of capacity.

In addition, in the year just ended we again provided information about our achievements as a responsible enterprise in the form of a stand-alone sustainability report drawn up in accordance with the internationally recognised reporting standards of the Global Reporting Initiative (GRI). Based on this structured reporting format, which was presented for the third year in succession, Hannover Re's sustainability performance was also assessed by the rating agency Oekom Research. Our above-average fulfilment of industry-specific requirements was recognised with the award of "Prime" status. Furthermore, Hannover Re was added to the worldwide FTSE4Good Index Series for the first time in the year under review by the FTSE4Good Advisory Committee. Inclusion was based on our sustainability rating according to ESG (environmental, sustainability and governance) criteria in 2014.

Shareholding structure

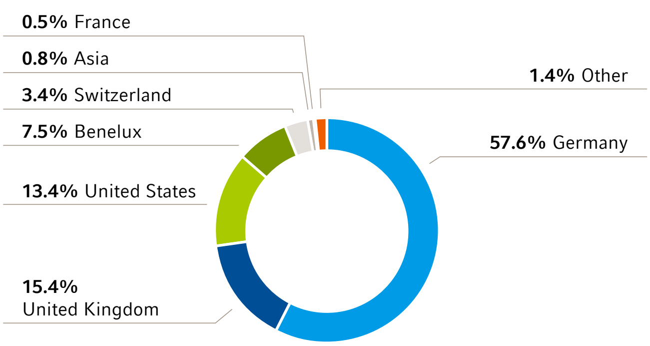
The shareholding of Talanx AG in Hannover Re was unchanged at 50.2%. The breakdown of the free float similarly remained virtually unchanged year-on-year. The stake held by private investors increased marginally by 0.5 percentage points to 8.3%, while the proportion in the hands of institutional investors decreased to 41.5%.

Shareholding structure as at 31 December 2014 I11



Based on the entries in the company's share register as at the end of the financial year, there were significant shifts within our free float away from foreign investors, particularly in the United States and Benelux countries, in favour of German shareholders: the proportionate holding in the United States fell by an appreciable 8.1 percentage points to 13.4%, while holdings in the United Kingdom and Benelux countries decreased by 1.0 percentage points and 2.5 percentage points to 15.4% and 7.5% respectively. The proportionate holdings in Switzerland, France and Asia similarly declined, albeit only marginally. The total shareholding in Germany, on the other hand, rose from 44.2% to 57.6%.

Shareholding structure by countries/regions as at 31 December 2014 (free float) [1] I12



[1] shares outstanding less Talanx holding

Analyst expectations slightly higher

In total, around 270 analyst recommendations were published for Hannover Re and the insurance sector in the 2014 financial year. By the end of the year 33 analysts had handed down opinions on Hannover Re: six analysts (eleven) recommended the Hannover Re share as "buy" or "overweight"; as in the previous year, altogether 20 opinions were a "hold", making this the most common, while "underweight" or "sell" recommendations were issued a total of seven (three) times. The analysts' average price target climbed slightly in the course of the year from EUR 63.18 at the outset to EUR 66.34 at year-end.

Basic information I13

Securities identification number	840 221
International Securities Identification Number (ISIN)	DE 000 840 221 5
Ticker symbols	
Bloomberg	HNR1
Thomson Reuters	HNRGn
ADR	HVRRY
Exchange listings	
Germany	Xetra, Frankfurt, Munich, Stuttgart, Hamburg, Berlin, Düsseldorf, Hannover (official trading: Xetra, Frankfurt and Hannover)
United States	American Depositary Receipts (Level 1 ADR program; 2 ADR = 1 share)
Market segment	Prime Standard
Index inclusion	MDAX
First listed	30 November 1994
Number of issued shares (as at 31 December 2014)	120,597,134
Common shares (as at 31 December 2014)	EUR 120,597,134.00
Share class	No-par-value registered shares

Key figures I14

in EUR	2014	2013	2012[1]	2011	2010
Number of shares in million	120.6	120.6	120.6	120.6	120.6
Annual low[2]	58.88	52.42	37.355	29.31	30.61
Annual high[2]	75.92	64.34	59.81	43.29	41.38
Year-opening price[2]	62.38	58.96	38.325	40.135	32.71
Year-ending price[2]	74.97	62.38	58.96	38.325	40.135
Market capitalisation at year-end in EUR million	9,041.2	7,522.8	7,110.4	4,621.9	4,840.2
Equity attributable to shareholders of Hannover Rück SE in EUR million	7,550.8	5,888.4	6,032.5	4,970.6	4,509.0
Book value per share	62.61	48.83	50.02	41.22	37.39
Earnings per share (basic and diluted)	8.17	7.43	7.04	5.02	6.21
Dividend per share	3.00+1.25[3, 4]	3.00	2.60+0.40[4]	2.10	2.30
Cash flow per share	16.01	18.45	21.87	20.92	13.94
Return on equity (after tax)[5]	14.7%	15.0%	15.4%	12.8%	18.2%
Dividend yield (after tax)[6]	5.7%	4.8%	5.1%	5.5%	5.7%
Price-to-book (P/B) ratio[7]	1.2	1.3	1.2	0.9	1.1
Price/earnings (P/E) ratio[8]	9.2	8.4	8.4	7.6	6.5
Price-to-cash flow (P/CF) ratio[9]	4.7	3.4	2.7	1.8	2.9

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

Our vision: Long-term success in a competitive business

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

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

1 We have ambitious profit and growth targets

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

2 We are a preferred business partner

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

3 We aim for successful employees

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

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

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

5 We manage risks actively

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

6 We maintain an adequate level of capitalisation

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

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

- Ensure a lower expense ratio than our competitors

8 We use information technology to achieve a competitive advantage

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

9 We are committed to sustainability, integrity and compliance

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

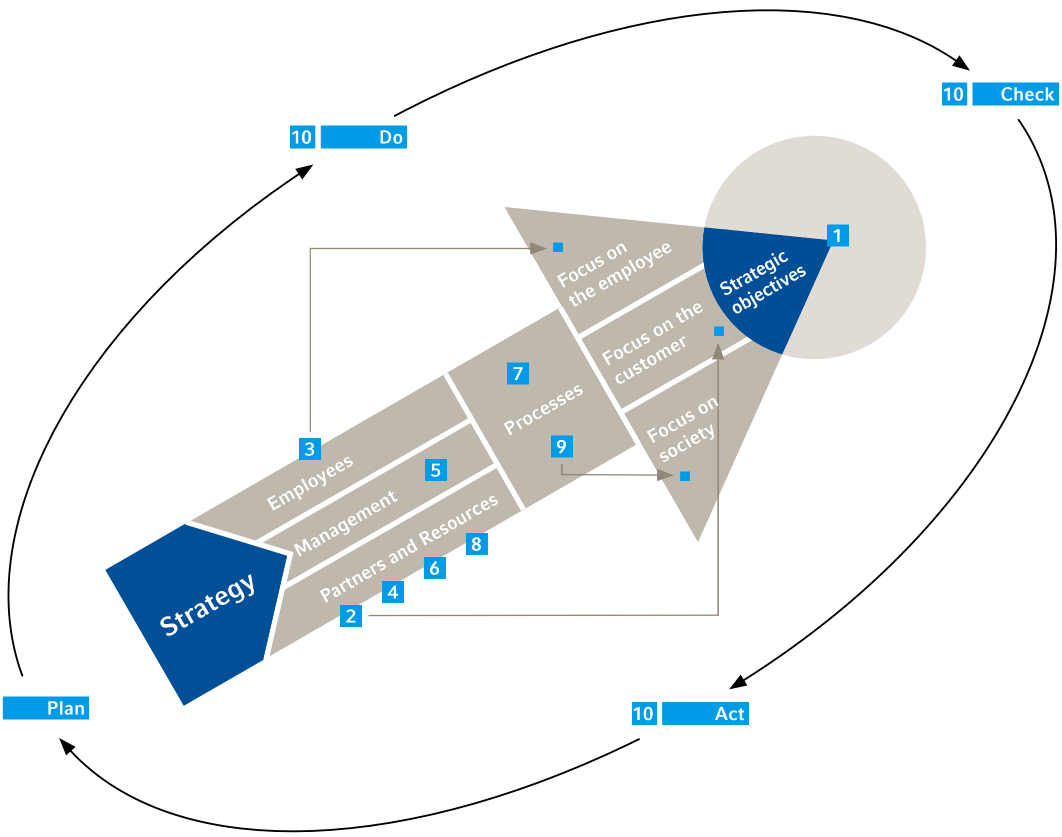
10 We strive for Performance Excellence and continuous improvement

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

Our strategy in practice

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

Performance Excellence I 15



Lifestyle concepts

The South African life insurance market remains an abundant source of innovative, consumer-centric benefit and process developments. At Hannover Re, we enjoy being at the forefront of such evolution through our long-term partnerships, which have seen us implement a number of lifestyle-orientated initiatives tailored to today's health-conscious and technology-savvy policyholders. These have included a first-to-market fully automated, non-intermediated underwriting process; partnerships in the health and wellness rewards space, providing health-improvement incentives to policyholders via premium discounts and rewards; and more recently, enabling social impact through life insurance purchases. These projects share the theme of catering to the millennial policyholders – digital natives who are health conscious and vested in addressing society's challenges. At Hannover Re, we actively seek to address evolving policyholder requirements, which serve to drive our cedant-specific solutions.

Dipa Dass works as a Manager, Client Management, in the area of "Life and health reinsurance South Africa"

Making natural disasters insurable

The increasing accumulation of values in high-risk areas, growing affluence, greater insurance densities and climate changes are leading to a rise in insured losses from natural perils all around the world. In order to ensure that such losses and damage can continue to be insured in the future, our scientists, actuaries and underwriters work hand-in-hand on the risk-appropriate assessment of natural hazards.

Our long-standing experience and excellent risk management enable us to strike a fair balance between risk acceptance and premium – to the benefit of our clients, the impacted regions and our company. In this way, coverage can continue to be provided going forward for losses caused by hurricanes, typhoons, earthquakes and other natural disasters.

Dr. Ole Hanekop works as a Senior Actuarial Analyst at Hannover Re in the field of natural hazards modelling

Combined management report

Foundations of the Group

Business model

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

With a gross premium volume of around EUR 14.0 billion, Hannover Re is the third-largest reinsurer in the world. We transact reinsurance in our Property & Casualty and Life & Health business groups.

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

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

Through the acceptance of largely uncorrelated reinsurance risks by our Property & Casualty and Life & Health business groups in all lines of business and based on our global presence, we are able to achieve efficient risk diversification. In conjunction with our capital management, this is the key to our comparatively low cost of capital.

With a view to securing our financial strength on a lasting basis, we steer our business with an eye to preserving a capital base that is commensurate with the long-term nature of our business opportunities. This goal is achieved through rigorous risk management aligned with our clearly defined risk appetite.

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

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

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

In life and health reinsurance we are recognised – as customer surveys confirm – as one of the top players and the leading provider of innovative solutions. We have achieved this standing by opening up new markets and by fulfilling future customer requirements through the identification and forecasting of emerging trends.

Management system

Value-based management

Our integrated system of enterprise management is central to the accomplishment of our strategic objectives. Located at its core are, first and foremost, our profit and growth targets, which are summarised for the Group and its business groups in the so-called target matrix. In addition to traditional performance indicators geared to the IFRS balance sheet, our system of strategic targets also includes economic targets derived from our internal capital model. The targets are regularly analysed and adjusted as necessary, for example in the context of the strategy review for the 2015 – 2017 cycle. Our focus is on long-term strategic target attainment.

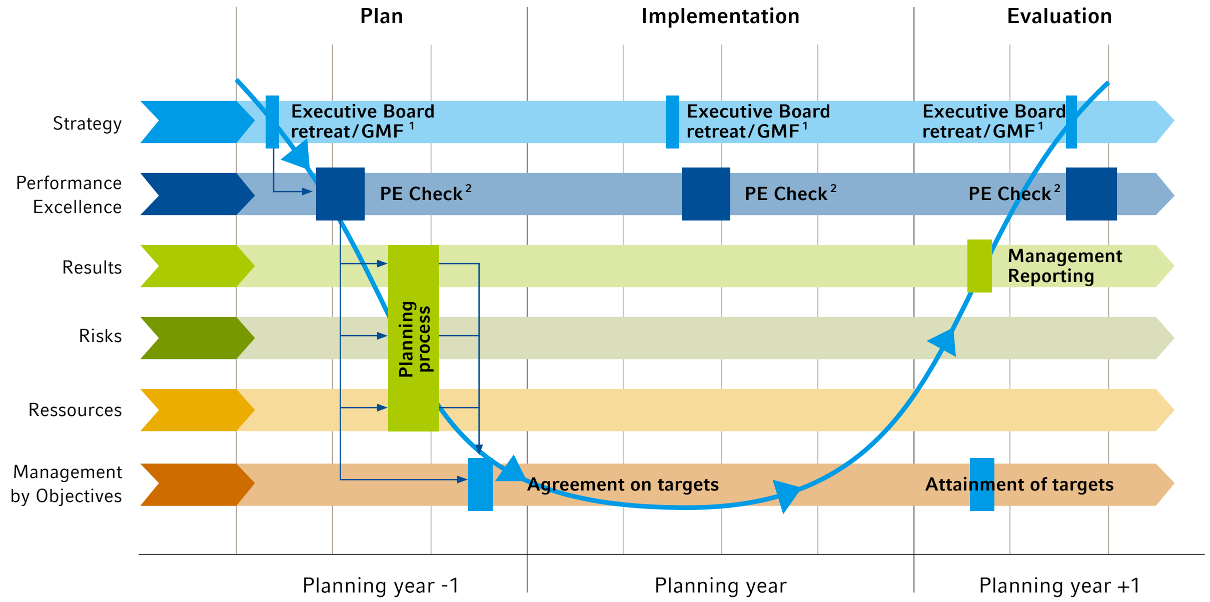
Target attainment **M 01**

Business group	Key data	Targets for 2014	Target attainment			
			2014	2013	2012 [1]	Ø 2012–2014 [2]
Group	Investment return [3]	≥ 3.2%	3.3%	3.4%	4.1%	3.6%
	Return on equity [4]	≥ 9.2%	14.7%	15.0%	15.4%	15.0%
	Growth in earnings per share (year-on-year comparison)	≥ 10%	10.1%	5.4%	40.2%	17.6%
	Value creation per share [5]	≥ 10%	34.4%	3.6%	26.4%	19.7%
Property & Casualty reinsurance	Gross premium growth [6]	3–5%	1.2%	3.5%	9.3%	4.6%
	Combined ratio	≤ 96% [7]	94.7%	94.9%	95.8%	95.1%
	EBIT margin [8]	≥ 10%	17.0%	15.5%	15.9%	16.1%
	xRoCA [9]	≥ 2%	10.7%	4.7%	6.0%	7.2%
Life & Health reinsurance	Gross premium growth [10]	5–7%	4.9%	5.1%	9.8%	6.6%
	Value of New Business (VNB) growth	≥ EUR 180 million	EUR 448 million	EUR 309 million	EUR 314 million	EUR 357 million
	EBIT margin [8, 11] Financial Solutions/Longevity	≥ 2%	5.0%	5.2%	5.0%	5.1%
	EBIT margin [8, 11] Mortality/Morbidity	≥ 6%	4.8%	1.2%	5.2%	3.8%
	xRoCA [9]	≥ 3%	7.5%	8.4%	-1.3%	5.0%

1 Adjusted pursuant to IAS 8
2 Average annual growth, otherwise weighted averages
3 Excluding effects from ModCo derivatives and inflation swaps
4 After tax; target value: 750 basis points above the 5-year average return on 10-year German government bonds
5 Growth in book value per share including dividends paid
6 Average over the reinsurance cycle at constant exchange rates
7 Including major loss budget of EUR 670 million
8 EBIT/net premium earned
9 Excess return on allocated economic capital
10 Organic growth only; annual average growth (5 years); at constant exchange rates
11 Reclassification of treaties

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

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



[1] The Global Management Forum (GMF) brings together senior managers of the Hannover Re Group from around the world for the purpose of defining strategic orientations.
[2] Verification and elaboration of contributions to the Group strategy

Planning process

The planning process spans the three levels of Results, Risks and Resources, which are closely interrelated. These three levels are planned by the responsible officers with central support and are reviewed and approved by the Executive Board. On the basis of the corporate strategy and the corresponding strategy contributions of all treaty/regional departments and service units, the planning is adopted by the Executive Board and subsequently communicated within the Group.

Management by Objectives

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

Management Reporting

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

Capital allocation

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

IVC – the decisive management ratio

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

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

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

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

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

Intrinsic Value Creation and excess return on capital allocated M 03

in EUR million	2014		2013			
	IVC	xRoCA	Reported IVC	Adjustment[1]	Final IVC	xRoCA
Property and casualty reinsurance	616.2	10.7%	295.5	(39.8)	255.7	4.7%
Life and health reinsurance	175.7	7.5%	226.6	2.0	228.6	8.4%
Investments[2]	615.5	26.2%	108.6	(10.5)	98.1	5.6%
Group	**1,401.5**	**12.0%**	**617.1**	**(48.2)**	**568.9**	**5.4%**

[1] Adjustment based on amended allocation of economic effects (property and casualty reinsurance/investments) and final MCEV calculation (life and health reinsurance)
[2] Income above risk-free after deduction of risk-appropriate cost of capital

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

In calculating the cost of capital, our assumption – based on a Capital Asset Pricing Model (CAPM) approach – is that the investor's opportunity costs are 450 basis points above the risk-free interest rate, meaning that value is created above this threshold. Our new strategic return on equity target of 900 basis points above risk-free – which comes into effect from 2015 onwards – thus already contains a substantial target value creation. We allocate equity sparingly and use equity substitutes to optimise our average cost of capital. At 5.6%, our average cost of capital is comparatively low.

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

Operational management system

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

Research and development

As a reinsurer, Hannover Re does not have its own R&D department but it does develop products and solutions for its own benefit and that of its clients as part of day-to-day business operations. By way of example, our move to give capital market players direct access to insurance risks as far back as the mid-1990s through our "K" transactions puts us among the industry pioneers. The intervening years have seen the evolution of a market for so-called insurance-linked securities, which is one of the fastest growing markets in the insurance sector. Another example of Hannover Re's development activities is the creation of its own internal model for risk management under Solvency II that caters to the requirements of various stakeholders (regulators, rating agencies, capital providers). Not only that, through our active involvement and the provision of financial assistance we support scientific initiatives geared to developing products, solutions or markets that will be crucial success factors going forward in the viability of any reinsurance undertaking.

Reinsurance business is founded on the comprehensive understanding and active management of risks. Our specialists therefore continuously analyse known risks with an eye to changes in their structure and probability of occurrence, while at the same time focusing on the early detection of newly emerging risks and working to provide our clients with appropriate solutions tailored to their needs (cf. here also the Opportunity report on page 98 et seq.).

Above and beyond this, Hannover Re makes systematic efforts to identify new business opportunities in order to achieve sustainable growth and strengthen the profitable development of the company. The goal is to generate new business and thereby support Hannover Re's profitable growth on a lasting basis. For further details please see the Opportunity report on page 98 et seq.

Eduardo Llorente Aguilera is a Senior Underwriter with Hannover Re working in the area of "Personal Accident, Sports and Entertainment/Contingency"

Sport and entertainment

Sport has grown into an important economic factor, as evidenced by the rising number of investors buying up football clubs from the richest leagues. Yet business success is dependent not only on sporting success but also on good risk management, especially when it comes to major events faced with the possibility of cancellation or relocation due to terrorist attacks, severe weather, boycotts, political unrest etc.

Hannover Re offers insurance solutions designed to minimise the uncertainties associated with risks, for example, in connection with the accident-related absence of sporting figures or the loss of income or profits due to weather events or other natural disasters.

Top-flight football clubs increasingly have a vested interest in protecting their balance sheets by taking out coverage for their human capital so as to be compensated for the equivalent value if one of their players is incapacitated due to accident or illness.

Karin Fröhling is a General Manager with responsibility for the longevity business written by Hannover Re worldwide

Regular premium annuity treaty

Retirement related liabilities substantially increased during the last years due to improved life expectancy and current low interest rates. For corporations offering occupational pensions and pension funds this is problematic as the uncertainty about future liabilities makes mergers and acquisitions difficult. In addition, corporations are frequently pressurised from shareholders to focus on their core business. Therefore, they are looking for a way to reduce their longevity risk. Hannover Re offers a solution that conserves the company's liquidity position while providing planning reliability about future liabilities: the regular premium annuity treaty. Hannover Re considers the diversification for its portfolio to be beneficial and is therefore able to offer competitive conditions to its clients for longevity transactions.

Report on economic position

Macroeconomic climate and industry-specific environment

- Global economy shows patchy growth; deflation concerns in Europe
- Sustained low interest rates remain a challenge for insurers
- Solvency II Directive set for Europe-wide implementation in 2016
- Modest losses from natural disasters

Macroeconomic climate

The global economy grew by 3.4% in 2014, a figure slightly higher than in the previous year (3.2%). From a medium-term perspective this represents a moderate growth rate. Within the year, however, the development of the world's economy can be split into two phases: after only a very restrained increase in output during the first six months of the year, it picked up sharply in the second half. Global trade also moved in step with output.

In advanced economies and economic regions the cyclical trend also varied rather widely: positive signals came out of the United States and United Kingdom. Thanks to the considerably brighter state of their labour markets, the expansionary trend in both countries gathered appreciable momentum. In the Eurozone, on the other hand, business activity picked up only marginally – after the economic recovery had actually ground to a complete halt in the spring – because there was no significant improvement in the basic framework conditions. Japan even slipped back into recession, although this is likely to be merely temporary.

Economic developments in emerging markets gave more grounds for satisfaction in 2014, although the underlying tendency remains muted. China and India saw the onset of a low-level revival during the course of the year. This was also true of Latin America, where Brazil turned the corner after sinking to an economic low point. While Russia did not experience the anticipated decline in total economic output thanks to a record grain harvest, the political crisis in relation to Ukraine cast an increasingly dark shadow over its investment climate.

United States

The US economy was able to put its upward trend on a stable footing: gross domestic product (GDP) recorded a growth rate of 2.2%, just as in the previous year. The economy in the US thus expanded more vigorously than virtually any other industrialised nation. Exports picked up, but other sectors of the economy also showed impressive gains. Along with increased investment by companies and higher consumer spending, the state also played its part in growth – boosting arms spending, for example, to an extent not seen for years. Gainful employment continued to rise on the labour market, causing the jobless rate to fall to its lowest level in a long time in October at 5.8%.

Europe

While the Eurozone economy recovered in 2014, it remained weak overall. After the decline of the previous year (-0.4%), modest growth of 0.8% was recorded in 2014. Two key factors in the persistently unsatisfactory development of the economy were the protracted sluggish growth in Italy (-0.4%) and the fact that Germany's uptick came very late in the year. In France, too, economic output climbed only marginally (+0.4%). In crisis-ridden Greece the recovery was sustained (+1.0%) and in Spain, too, the economy began to rally (+1.3%). The European labour market continued to stabilise, although unemployment was still high at 11.6% and the disparities between individual countries were in some cases considerable. The rise in consumer prices was again smaller than in the previous year at just 0.5%.

Growth in Europe was supported by further monetary policy measures taken by the European Central Bank (ECB) in June and September of 2014 as well as by the sharp drop in the price of oil towards year-end.

Germany

Buoyed by the mild winter weather, the economy in Germany got off to a good start in 2014. However, the investment climate soon began to cool appreciably during the spring. It was not until the end of the year that signs of a recovery began to emerge again. For the year as a whole gross domestic product grew by 1.5%. Private consumption was a major driver of the upswing, with low interest rates and modest energy prices further helping to boost consumption. The overall economic development was also helped by foreign trade: exports grew more strongly than imports during the six summer months. All in all, though, it was the domestic economy that remained the most significant growth engine. The recovery on the labour market was sustained over the year as a whole, with the working population reaching a record level of 43.1 million in November (+1.0%).

Prices in Germany continued to trend higher in 2014, although low energy costs put a significant brake on inflation. Consumer prices rose by 1.0%. On the domestic producer side prices for intermediate, capital and consumer goods moved higher, while the upsurge in the cost of construction work was sustained. The increase in residential property prices was comparatively moderate.

Asia

After showing marked weakness in the first half of 2014, production rallied in most major emerging economies in the second half of the year. In China the recovery had already set in during the spring, although the full-year growth figure of 7.4% was moderate by that country's standards. What is more, it was assisted by temporary economic policy stimuli. On the market side the Chinese economy benefited from particularly lively foreign demand; it came under strain, on the other hand, from the downturn on the property market. This depressed prices for residential accommodation and curtailed the impetus for higher consumer prices.

India extended its growth rate year-on-year to 5.9%, although the pace of the increase in industrial output was already slowing towards year-end.

In Japan the hike in value-added tax in the spring prompted a steep drop in demand among consumers, which dissipated only hesitantly as the year progressed. Business activity was also noticeably depressed, slumping particularly sharply in the second quarter of 2014. This prompted the central bank to resort once more to monetary policy measures. By year-end the signs were again pointing towards recovery. All in all, growth came in at 0.2% for 2014.

Capital markets

The lingering effects of the Euro debt crisis on capital markets were merely indirect in 2014. Markets were considerably more influenced, especially towards year-end in the Eurozone, by concerns among market players that deflation might take hold. The expansionary monetary policy pursued by central banks in our main currency areas (euro and US dollar) was therefore maintained. The European Central Bank (ECB) trimmed the main interest rate for Euroland twice in the course of the year from 0.25% to the current level of 0.05%, while the US Federal Reserve left key interest rates unchanged in the low range of 0.00% to 0.25% – where they have been since 2008. It should, however, be noted that the Federal Reserve discontinued its supportive purchases on the US bond market in the fourth quarter, whereas the ECB put just such a bond-buying programme on the table at year-end for the Euro government bond market. Over the year as a whole German and UK government bonds saw sometimes marked declines in yields across all maturities. The yield on ten-year German government bonds, for example, retreated from 1.9% to 0.5% in the course of the year. These declines were facilitated by the anticipation of impending active market intervention by the ECB as well as by considerable liquidity in the markets and the search for safe investment opportunities. In the case of US Treasuries, isolated modest yield rises could be observed only in the short- to medium-term maturity segments; here too, however, longer maturities saw yields drop. The return on ten-year US Treasuries, for example, fell from 3.0% to 2.2% over the course of the year. This decline can be attributed primarily to muted inflation expectations. As for the European nations with higher risk premiums that have been the focus of so much attention in recent years, the picture was largely one of recovery. Greek government bonds reflected emerging uncertainties at the end of the year about the country's future economic policy with rising yields. Risk premiums on investment grade corporate bonds in our main currency areas decreased somewhat as the year progressed. The picture in the sub-Investment grade segment was a mixed one. The declines in yields that ultimately ensued were fuelled principally by the interest rate component.

Major equity markets moved higher in the course of the year, in some cases soaring to new record highs, although only the US market was able to book appreciable price gains over the year as whole. In contrast, European indices were, if anything, left treading water year-on-year. Here, too, markets were influenced by the continued expansionary monetary policy pursued by central banks and by the quest among investors for high-return investments. Ultimately, though, the elevated price levels could only partially be explained by the underlying fundamentals. The development of the world's economy continues to be subject to a broad range of uncertainties and risks. Most notably, the global patchwork of differing economic developments and local flashpoints such as in Ukraine may be mentioned as causal factors here. These disparities are being further exacerbated by the precipitous fall in the price of oil, which has a beneficial economic effect on countries with a large appetite for energy but jeopardises the budgets of oil-producing nations.

The euro dropped sharply year-on-year against the US dollar from USD 1.38 to USD 1.22. It similarly depreciated considerably against the pound sterling as well as the Australian and Canadian dollar, especially in the second half of the year. This can be attributed in large measure to the prevailing low level of returns offered by the euro area, but also reflects the minimal expectations as to a recovery any time soon.

For more detailed remarks on the development of Hannover Re's investments please see the "Investments" section on page 52 et seq.

Industry-specific environment

The tense economic climate and the associated economic policy measures still in place in some areas again shaped the landscape for the international insurance industry in 2014: faced with protracted low interest rates, particularly great importance attaches to preserving the value of investments and the stability of returns.

The interest rate situation continued to be reflected in the technical pricing of premiums on primary and reinsurance markets. Discipline was once again the order of the day in 2014 so as to offset further declines in investment income.

With investors searching for higher-return investments, the market for insurance-linked securities (ILS) once again attracted very substantial (re)insurance capacity: additional alternative capital here came up against an unchanged level of demand. Pressure on prices and conditions consequently intensified still further, especially in natural catastrophe business.

In addition, (re)insurers were heavily preoccupied in the year under review with the impending implementation of the Solvency II Directive – which is now planned for 2016. Most significantly, the preparations for the new requirements presented companies with considerable challenges: in 2014, for example, a stress test was conducted under Solvency II conditions by the European regulator EIOPA (European Insurance and Occupational Pensions Authority) – supported inter alia by Germany's Federal Financial Supervisory Authority (BaFin) – as a form of dress rehearsal for insurance undertakings. The participants on the German side included property/casualty as well as life and health insurers. It was evident from the test that the reinsurance industry, in particular, meets and in some cases comfortably surpasses all requirements to the necessary extent.

The announced reform of the UK Pensions Act by the Chancellor of the Exchequer in March of the year under review caused a stir in that country's pensions market. For the longevity (re)insurance industry, it means that the current tried and tested insurance solutions will have to be reworked and modified in line with the changed conditions and requirements.

Generally speaking, though, the favourable development of longevity business in Europe – including for example in France, Spain and Scandinavia – has given grounds for satisfaction. Stronger demand for reinsurance protection in this segment has reaffirmed our expectation that due to shifts in demographics the insurance market for longevity risks offers a promising business potential which extends well beyond the borders of the United Kingdom.

In 2014 the industry incurred relatively slight insured losses from extreme weather events. A winter storm that impacted Japan in February was the most expensive natural catastrophe for the (re)insurance sector, measured by the total economic losses. In Europe storm Ela, which swept across France, Belgium and western Germany over the Pentecost weekend, caused the heaviest losses.

Business development

- Highest Group net income in Hannover Re's history
- Very good result in property and casualty reinsurance
- Major loss expenditure well below the expected level
- Pleasing development in life and health reinsurance
- Very good investment income despite challenging conditions
- Further strengthening of capital base
- Return on equity surpasses target at 14.7%

We are thoroughly satisfied with the development of our business in the year under review. We further improved on the record profit of 2013 and – at EUR 985.6 million – achieved the highest ever Group net income in company history. This is especially gratifying in view of the fact that market conditions for reinsurers in the financial year just ended were even more challenging than in the comparable period and the protracted low level of interest rates has curtailed opportunities to generate returns on the investment side.

Please find below a brief summary of the development of our two business groups – Property & Casualty and Life & Health reinsurance – and our investments. More detailed information is to be found on pages 35 to 53.

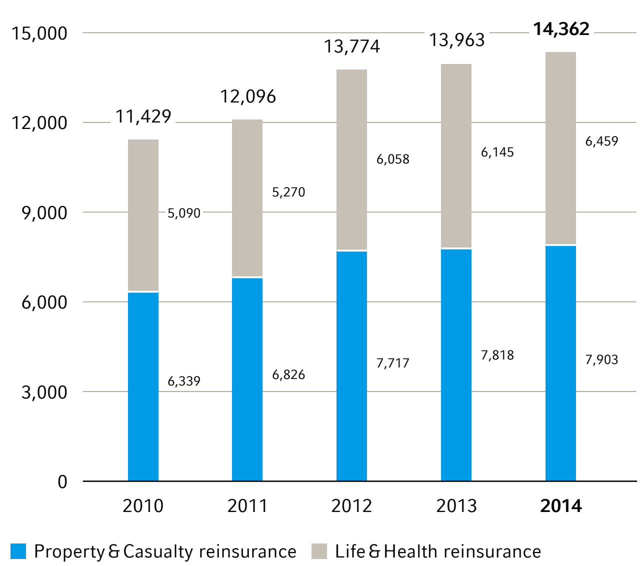
Property & Casualty reinsurance

We are highly satisfied overall with the development of our business in property and casualty reinsurance, even though competition was even more intense than in the previous year. Despite our selective underwriting policy, we were able to modestly grow our premium income. Gross premium increased by 1.1% as at 31 December 2014 to EUR 7.9 billion (previous year: EUR 7.8 billion). At constant exchange rates the increase would have been 1.2%.

Investment income from assets under own management for property and casualty reinsurance rose by 7.4% year-on-year to reach EUR 823.2 million (EUR 766.2 million). This was assisted inter alia by an improved result from the fair value development of the inflation swaps, which stood at -EUR 28.8 million after -EUR 41.0 million in the comparable period, and higher realised gains. We use inflation swaps to help hedge inflation risks associated with part of the loss reserves in our technical account.

The underwriting result was also thoroughly gratifying at EUR 351.5 million (EUR 335.5 million). With major loss expenditure coming in well below the expected level, the combined ratio of 94.7% showed another slight improvement on the previous year's very good figure (94.9%). The operating profit (EBIT) as at 31 December 2014 climbed by 12.2% to EUR 1,190.8 million (EUR 1,061.0 million). The EBIT margin amounted to 17.0% (15.5%), thereby comfortably beating the target of at least 10% and reflecting the outstanding performance in property and casualty reinsurance. Group net income in property and casualty reinsurance reached EUR 829.1 million (EUR 807.7 million), the highest figure to date in the company's history. This represents an increase of 2.7% on the previous year.

Gross premium by business group M 04
in EUR million



Life & Health reinsurance

As anticipated, our life and health reinsurance business showed a pleasing development in the financial year just ended. Despite the fresh challenges faced by life and health reinsurance as a consequence of the appreciable increase in international competition and the strained state of capital and financial markets, we boosted our gross premium volume by 5.1% to EUR 6.5 billion (EUR 6.1 billion). Adjusted for exchange rate effects, the growth of 4.9% was within the bounds of our expectations for 2014. The planned target of more than EUR 180 million for the Value of New Business was clearly surpassed in the year under review at EUR 448.4 million. For more detailed information in this regard and on the Market Consistent Embedded Value (MCEV) please see the MCEV Report published separately on our website.

Investment income improved slightly by 0.4% to EUR 614.2 million (EUR 611.5 million). Of this, EUR 258.5 million (EUR 269.1 million) was attributable to assets under own management; the remaining EUR 355.7 million (EUR 342.4 million) derived from securities deposited with ceding companies.

The operating profit (EBIT) normalised in the reporting period and reached a level of EUR 263.8 million (EUR 150.5 million). The sharp rise of 75.3% year-on-year was due largely to reduced strengthening of reserves as well as lower losses in Australian disability business. The EBIT margin for mortality and morbidity business consequently developed favourably in the reporting period compared to the previous year, but at 4.8% it still fell short of our 6% target. Financial solutions and longevity business, on the other hand, which delivered EBIT margins of 6.5% and 2.9% respectively, comfortably beat their 2% target and clear reflected the pleasing profitability of the underlying business.

The normalised and generally positive business development in life and health reinsurance caused Group net income for this business group to improve substantially on the previous year's performance: it came in at EUR 205.0 million (EUR 164.2 million) for the financial year just ended, thereby boosting the relative contribution made to overall Group net income.

Investments

Bearing in mind the protracted low interest rate environment, we are thoroughly satisfied with the development of our total investments as at 31 December 2014. The portfolio of investments under own management stood at EUR 36.2 billion, a level comfortably higher than at the end of the previous year (31 December 2013: EUR 31.9 billion). The increase derived in large measure from the currency revaluation of our holdings in US dollars and pound sterling. Additional factors were the positive operating cash flow as well as a further increase in the hidden reserves for our fixed-income securities due to declining yields on government bonds in our main currency areas.

Despite the sustained low level of interest rates, ordinary investment income excluding interest on funds withheld and contract deposits came in at EUR 1,068.4 million, a slightly higher level than in the previous year (EUR 1,041.3 million). Interest on funds withheld and contract deposits improved to EUR 376.1 million (EUR 357.3 million).

Net realised gains on investments as at 31 December 2014 rose sharply to EUR 182.5 million (EUR 144.2 million), contrasting with negative fair value changes of -EUR 33.3 million (-EUR 27.1 million) in our financial assets measured at fair value through profit or loss. Write-downs were again taken in only a minimal volume in the year under review, the vast bulk of them being due to scheduled depreciation on real estate. Although conditions on financial markets remained challenging, income from assets under own management surpassed the previous year's level to reach a pleasing EUR 1,095.8 million (EUR 1,054.5 million). The resulting annual return (excluding ModCo derivatives and inflation swaps) amounted to 3.3% (3.4%). It thus came in slightly higher than our anticipated figure of 3.2%; this was due to higher net realised gains in connection with the change in reporting currency at our Bermuda subsidiaries and the redemption of a bond issued in 2004. Steps taken to act on opportunities for realising gains in the real estate sector were also a positive factor here. Investment income including interest on funds withheld and contract deposits consequently increased to EUR 1,471.8 million (EUR 1,411.8 million), a gain of 4.3%.

Total result

The gross premium in our total business increased slightly by 2.9% as at 31 December 2014 to EUR 14.4 billion (EUR 14.0 billion). At constant exchange rates the increase would have been 2.8%. We thus achieved our guidance, which had anticipated stable to slightly higher gross premium volume in the original currencies. The level of retained premium retreated slightly to 87.6% (89.0%), while net premium earned rose by 1.6% to EUR 12.4 billion (EUR 12.2 billion). At unchanged exchange rates growth would have come in at 1.5%.

We are absolutely satisfied with the development of our results for the 2014 financial year. The operating profit (EBIT) improved by a further substantial 19.3% on the very good previous year to reach EUR 1,466.4 million (EUR 1,229.1 million). Despite the broadly challenging environment, both in reinsurance business and on capital markets, we generated the highest Group net income in our company's history at EUR 985.6 million (EUR 895.5 million). Along with the healthy investment income, this was driven by a very good result in property and casualty reinsurance and the considerably improved performance of life and health reinsurance. Earnings per share for the Hannover Re Group amounted to EUR 8.17 (EUR 7.43).

The equity attributable to shareholders of Hannover Re also developed favourably in the year under review: in view of the increase in retained earnings, sharply higher valuation reserves and positive movements in exchange rates, shareholders' equity grew by a substantial 28.2% relative to the position at year-end 2013 to reach EUR 7.6 billion (EUR 5.9 billion). Despite this vigorous increase, we generated another very good return on equity of 14.7% (15.0%). This figure is clearly in excess of our minimum target of 9.2%. The book value per share also rose substantially: it reached EUR 62.61 for 2014 compared to EUR 48.83 at the end of the previous year; this is the highest book value per share in the company's history.

The total policyholders' surplus, consisting of shareholders' equity, non-controlling interests and hybrid capital, amounted to EUR 10.2 billion (EUR 8.8 billion) as at 31 December 2014.

Business development in the year under review **M 05**

	Forecast 2014	Target attainment 2014
Gross premium growth (Group)	stable to slightly higher gross premium volume[1]	+2.8% at constant exchange rates +2.9% not adjusted for currency effects
Gross premium growth for Property & Casualty reinsurance	stable[1]	+1.2% at constant exchange rates +1.1% not adjusted for currency effects
Gross premium growth for Life & Health reinsurance	growth in the low to mid-single-digit percentage range[1, 2]	+4.9% at constant exchange rates +5.1% not adjusted for currency effects
Return on investment[3]	≈ 3.2%	3.3%
Group net income	≈ EUR 850 million[4]	EUR 985.6 million

1 At constant exchange rates
2 Organic growth only
3 Excluding inflation swaps and ModCo derivatives
4 Assuming stable capital markets and/or major loss expenditure in 2014 that does not exceed EUR 670 million

Overall assessment of the business position

The Executive Board of the Hannover Re Group is satisfied with the development of business in 2014. Not only did the company achieve its targets for important key indicators such as the operating profit (EBIT) and Group net income, return on equity and combined ratio, in some cases it also clearly surpassed them. The investment income and the generated return on investment developed successfully bearing in mind the continued low level of interest rates. Group net income reached the highest level ever recorded in the company's history. The company's shareholders' equity also showed a very pleasing increase, as a consequence of which the total policyholders' surplus now stands at a new record high. At the time of preparing the management report, the business position of the Hannover Re Group remains highly favourable and its financial strength has been further strengthened.

Results of operations

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

Property & Casualty reinsurance

- Highest-ever Group net income of EUR 829.1 million
- Major loss expenditure significantly below expectations at EUR 425.7 million
- Pleasing combined ratio of 94.7%
- Currency-adjusted premium growth of +1.2% according to plan

Accounting for 55% of our premium volume, Property & Casualty reinsurance is Hannover Re's largest business group. Effective 1 September 2014 we reorganised the responsibilities in property and casualty reinsurance owing to a change on the Executive Board, as a result of which the composition of our Board areas of responsibility – "Target markets", "Specialty lines worldwide" and "Global reinsurance" – differs somewhat from the previous year in terms of markets and regions.

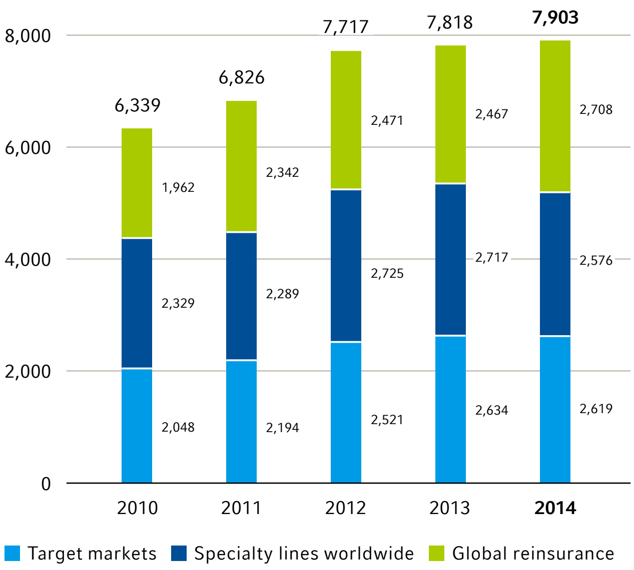
Key figures for Property & Casualty reinsurance M 06

in EUR million	2014	+/– previous year	2013	2012[1]	2011	2010
Gross written premium	7,903.4	+1.1%	7,817.9	7,717.5	6,825.5	6,339.3
Net premium earned	7,011.3	+2.1%	6,866.3	6,854.0	5,960.8	5,393.9
Underwriting result	351.5	+4.8%	335.5	272.2	(268.7)	82.4
Net investment income	843.6	+8.0%	781.2	944.5	845.4	721.2
Operating result (EBIT)	1,190.8	+12.2%	1,061.0	1,091.4	599.3	879.6
Group net income	829.1	+2.7%	807.7	685.6	455.6	581.0
Earnings per share in EUR	6.88	+2.7%	6.70	5.68	3.78	4.82
EBIT margin[2]	17.0%		15.5%	15.9%	10.1%	16.3%
Retention	90.6%		89.9%	90.2%	91.3%	88.9%
Combined ratio[3]	94.7%		94.9%	95.8%	104.3%	98.2%

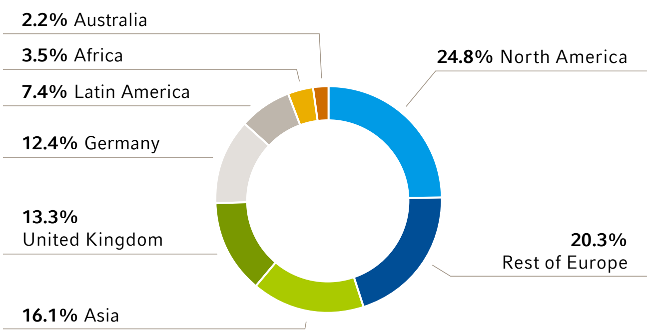
1 Adjusted pursuant to IAS 8
2 Operating result (EBIT)/net premium earned
3 Including expenses on funds withheld and contract deposits

Property & Casualty reinsurance at a glance

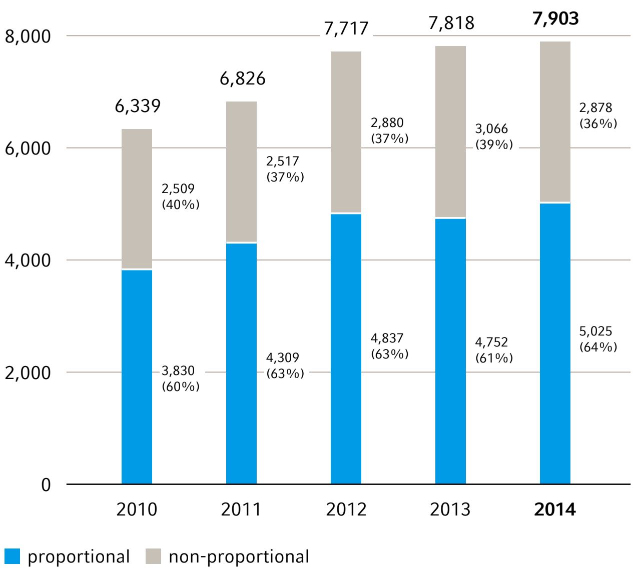
Gross written premium in P&C reinsurance M 07
in EUR million



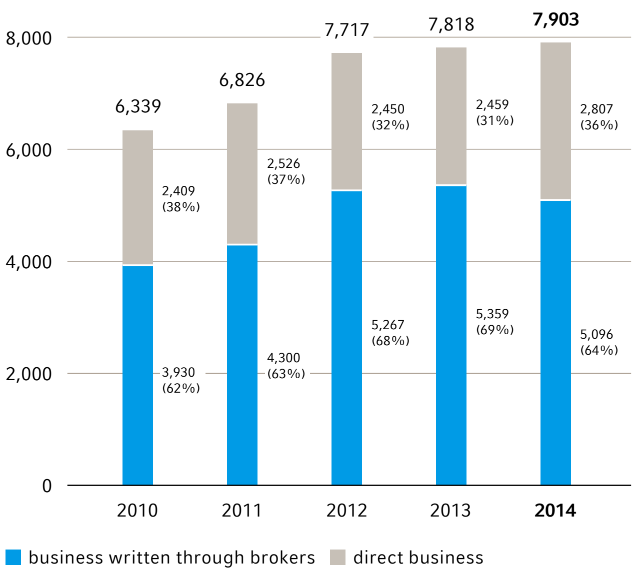
Geographical breakdown of gross written premium in 2014 M 08



Breakdown of proportional and non-proportional treaties by volume M 09
in % and in EUR million



Breakdown into business written through brokers and direct business M 10
in % and in EUR million



In many property and casualty reinsurance markets competition intensified still further in the year under review. This was driven by the renewed absence of market-changing major losses as well as the tendency among ceding companies to carry more risks in their retention thanks to their healthy capital resources. As a further factor, additional capacities from the market for catastrophe bonds (ILS) and alternative capacities, especially in US natural catastrophe business, led to appreciable price erosion.

Hannover Re counters this fiercely competitive climate with a profit-oriented underwriting policy and is thus well placed to handle the challenging market conditions. In regions and lines where prices failed to satisfy our profitability requirements we systematically reduced our shares. In areas where margins were commensurate with the risks we expanded our business. This strategy of active cycle management enables us – despite soft market conditions – to preserve the high rate quality of our portfolio. Overall, Hannover Re again benefited from its enduring customer relationships as well as its position as one of the world's leading and most financially robust reinsurance groups.

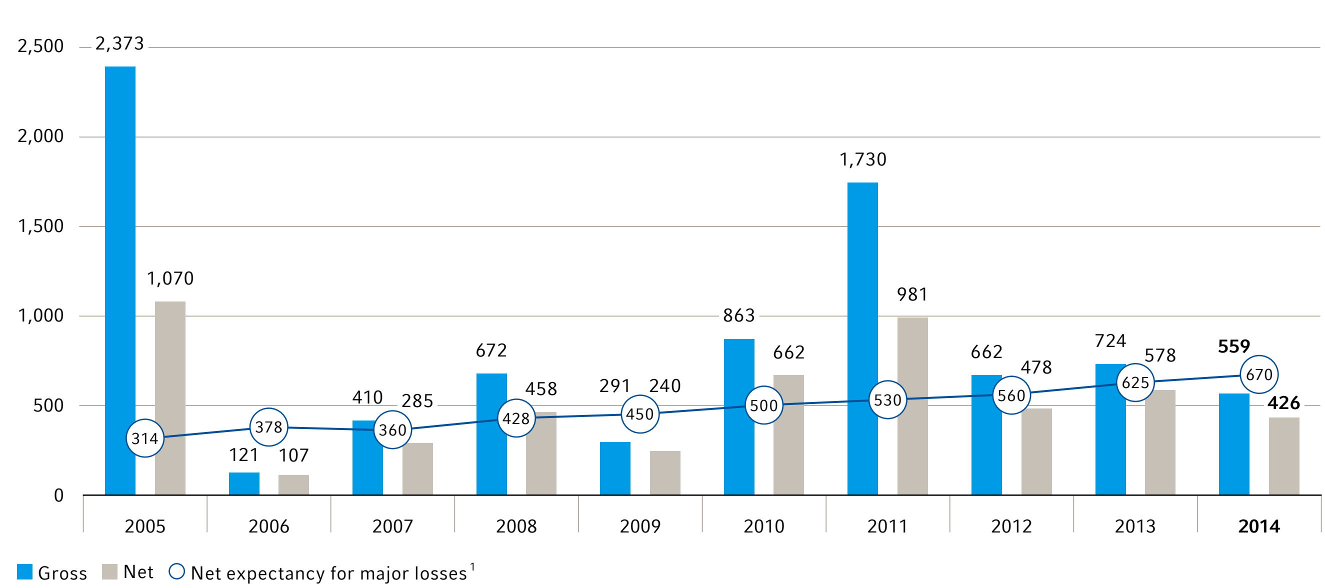
We are broadly satisfied with the outcome of the various rounds of treaty renewals during the year under review. The largest business volume was renewed on 1 January 2014, the date when almost two-thirds of our treaties in traditional reinsurance were renegotiated. Thanks to our underwriting discipline we were for the most part able to achieve adequate margins. Rate increases were booked above all under loss-impacted programmes: this was especially true of catastrophe covers in Germany and Canada as well as marine business, which had incurred significant losses in 2012 and 2013. We acted on opportunities for further growth in the markets of Asia, Latin America as well as Central and Eastern Europe. On the other hand, rate reductions had to be accepted for property catastrophe business in the United States and in the aviation line owing to very good underwriting results from the previous year. Although property and casualty reinsurance as a whole was overshadowed by soft market conditions and rate erosion, we nevertheless also discerned some positive signals in the second half of the year.

The total gross premium volume for our Property & Casualty reinsurance business group climbed in the year under review – not least thanks to new business opportunities – by a modest 1.1% to EUR 7.9 billion (previous year: EUR 7.8 billion); at constant exchange rates growth would have reached 1.2%. We had anticipated a broadly stable currency-adjusted premium volume. The level of retained premium rose to 90.6% (89.9%). Net premium earned increased by 2.1% to EUR 7.0 billion (EUR 6.9 billion); growth would have also been 2.1% at constant exchange rates.

As in the previous year, the burden of major losses that we incurred in 2014 remained moderate. The year under review was, however, one of heavy losses for the aviation line. A number of crashes involving passenger aircraft cost hundreds of lives. In addition, several planes were destroyed on the ground at Tripoli airport.

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

M 11



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

Even though the hurricane season in North America and the Caribbean again passed off thoroughly innocuously, the year under review still saw a number of natural catastrophe events. In Western Europe the heaviest losses were caused by storm Ela, with a net strain of EUR 49.1 million for Hannover Re's account. These and other major losses (see also page 88) resulted in net loss expenditure for our company totalling EUR 425.7 million (EUR 577.6 million), a figure well below our expected level of EUR 670 million.

We improved further on the good combined ratio of the previous year (94.9%) to post a figure of 94.7% in the year under review, once again comfortably beating the target mark of 96%. The underwriting result including administrative expenses also showed another modest improvement to reach EUR 351.5 million (EUR 335.5 million).

Investment income in the Property & Casualty reinsurance group climbed in the year under review by a very pleasing 8.0% to EUR 843.6 million (EUR 781.2 million). The operating profit (EBIT) increased by 12.2% to EUR 1,190.8 million, clearly demonstrating that profitability was maintained on a high level even in such a competitive environment. Group net income for the Property & Casualty reinsurance business group, which had been positively influenced by a tax effect in the previous year, improved again to EUR 829.1 million (EUR 807.7 million); this is the highest figure ever recorded. Earnings per share stood at EUR 6.88 (EUR 6.70) for this business group.

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

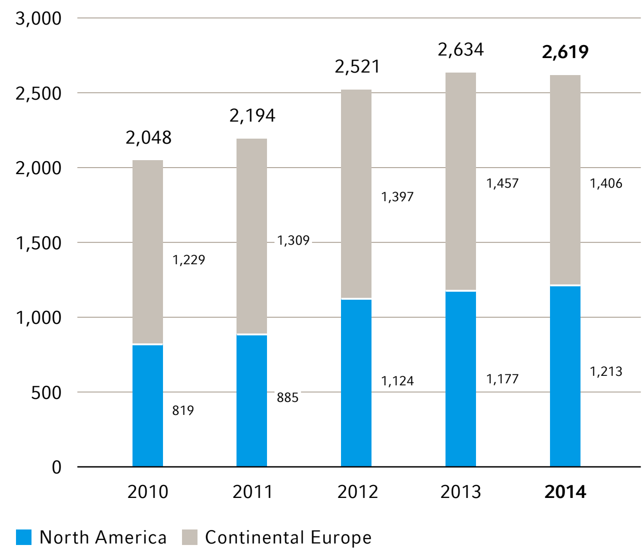
Property & Casualty reinsurance: Key figures for individual markets and lines in 2014 M 12

	Gross premium 2014 in EUR million	Change in gross premium relative to previous year	Gross premium 2013 in EUR million	EBIT in EUR million	Combined ratio	Maximum tolerable combined ratio (MtCR)
Target markets	**2,619.4**	**-0.6%**	**2,634.2**	**507.6**	**92.5%**	**95.9%**
North America	1,213.4	3.1%	1,177.3	258.2	91.8%	95.1%
Continental Europe	1,406.1	-3.5%	1,456.9	249.4	93.1%	96.5%
Specialty lines worldwide	**2,575.6**	**-5.2%**	**2,716.8**	**169.4**	**100.2%**	**95.9%**
Marine	280.6	-4.1%	292.7	85.7	67.2%	94.2%
Aviation	364.0	-9.4%	401.7	(2.4)	112.1%	97.3%
Credit, surety and political risks	531.4	-10.3%	592.5	87.2	92.2%	96.0%
UK, Ireland, London market and direct business	442.0	-21.2%	561.2	(12.8)	110.3%	95.5%
Facultative reinsurance	957.6	10.2%	868.7	11.8	103.9%	95.8%
Global reinsurance	**2,708.4**	**9.8%**	**2,466.9**	**513.8**	**91.6%**	**95.9%**
Worldwide treaty reinsurance	1,480.7	0.2%	1,477.6	225.6	98.5%	98.1%
Catastrophe XL (Cat XL)	310.0	-16.6%	371.5	185.6	39.3%	75.5%
Structured reinsurance and Insurance-linked securities	917.7	48.6%	617.8	102.6	94.1%	99.4%

Target markets

We classify North America and Continental Europe as target markets. The premium volume remained virtually unchanged at EUR 2,619.4 million (EUR 2,634.2 million). This puts us in line with our planning. The combined ratio improved to 92.5% (100.4%), as a consequence of which the operating profit (EBIT) rose very substantially to EUR 507.6 million (EUR 277.2 million).

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



North America

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

After pausing for breath in the first half of 2014, the US economy picked up the pace of growth again as the year progressed, hence also pushing up the premium volume in the original market. Given the continued absence of significant natural catastrophe events in the United States, the combined ratio for the reinsurance market was once again better than that of the primary market.

The rate increases that have prevailed in the original market since 2011 flagged appreciably over the course of the year under review. In most lines, however, increases of 1% to 2% were still recorded. In some property insurance lines the trend turned negative. This was especially true of large programmes, whereas under small and mid-sized programmes the situation remained relatively stable. Casualty business in the original market continued to see rate increases, albeit at a declining pace. Conditions here for the most part remained unchanged. Sporadic rate increases were observed in Canada on the back of the flood losses in 2013, but overall rates here were flat or softened slightly.

Intense competition was the hallmark of the US property reinsurance market in the year under review. An absence of market-changing major losses coupled with reduced reinsurance cessions on the part of primary insurers led to further rate cuts, sometimes running into double-digit percentages. Only for loss-impacted programmes were modestly positive price adjustments recorded. Some softening in conditions could also be observed, for example in the form of longer hours clauses or poorer reinstatement conditions.

Rates in the US catastrophe XL market came under additional pressure due to the inflow of capital from alternative markets and the sustained decline in prices – a reflection of the favourable loss experience for US hurricanes.

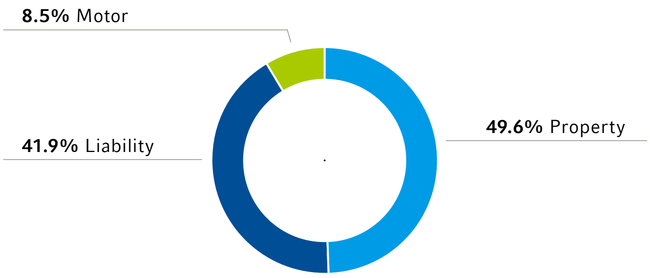
The pressure on rates similarly intensified in US casualty business in the year under review. Under proportional programmes conditions also deteriorated for reinsurers. This included instances of coverage extensions, more limits of liability or increased cost reimbursements.

Even though no particularly notable loss events occurred in the casualty sector, the greater awareness of cyber-risks – given the topicality of this issue – will trigger stronger demand in this area.

Hannover Re is very well positioned in the North American market and thanks to its excellent rating, its financial standing and its experience the company is a valued partner for its clients. This is especially important in long-tail liability business. Access to the entire market spectrum enables us to optimally diversify our portfolio: we write business in the United States and Canada with some 600 clients.

On the claims side North America experienced a number of smaller natural catastrophe events, which resulted in merely moderate losses for reinsurers. This was particularly the case with the hurricane season, which again passed off thoroughly benignly in the year under review. We incurred a loss from only one event. In addition, Hannover Re booked a major loss of EUR 15.8 million for net account from a fire loss.

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

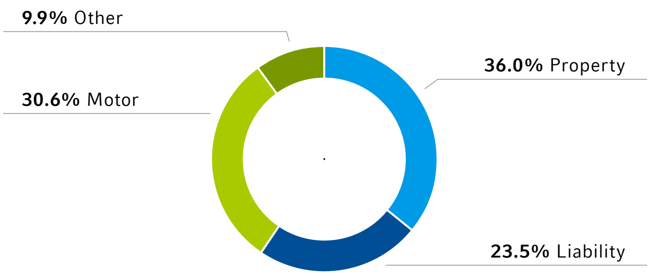


Despite the competitive climate and our margin-oriented underwriting policy, the gross premium for our business in North America rose slightly to EUR 1,213.4 million (EUR 1,177.3 million). The combined ratio improved in the year under review to 91.8% (93.1%). The operating profit (EBIT) climbed to EUR 258.2 million (EUR 236.4 million), a performance with which we are highly satisfied.

Continental Europe

We group together the markets of Northern, Eastern and Central Europe as Continental Europe. The largest single market here is Germany. The premium volume for our business in Continental Europe in the year under review came in at EUR 1,406.1 million (EUR 1,456.9 million). The combined ratio stood at 93.1% (106.1%). The operating profit (EBIT) improved to EUR 249.4 million (EUR 40.7 million).

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



Germany

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

The state of property and casualty insurance in Germany revealed a clear dichotomy in the year under review: whereas the premium quality in retail lines improved, especially in motor and homeowners business, industrial lines – above all fire insurance – were fiercely competitive. A further factor is that loss ratios here have been rising steadily since 2010, yet underwriting profits have not been generated market-wide since 2011. Despite slight premium increases in industrial fire business in 2013 and 2014, it remained the case that in the year under review – with a combined ratio well in excess of 100% – the market showed no effects of the efforts made to restore business to profitability. Against this backdrop, we are adhering to a highly selective underwriting approach.

The impact of moves to rehabilitate the motor own damage line was curtailed in the face of heavy losses from storm Ela in June – which also left its mark on homeowners insurance – as well as belatedly reported claims from the storms of the previous year. Yet the line closed in the black for the first time since 2007. Given the increased frequency of extreme weather events in Germany and the associated higher loss expenditure, there is now greater awareness of the resulting risks. Using highly specialised analysis programmes, we assist our customers with the individual exposure mapping of their own damage portfolios and draw on these insights to develop bespoke reinsurance solutions.

Motor liability insurance continued to stabilise in the year under review on the back of tariff increases. Allowing for the run-off from previous years, the combined ratio for the year as a whole is likely to reach a level of 96% market-wide. General liability business in Germany will similarly see the technical income statement close in positive territory.

Once again we made personal accident business a special focus of our attention. In the year under review, for example, we successfully completed development work on our functional disability insurance product for children. Children aged four or older now have access to comprehensive accident and disability coverage encompassing an accident annuity, an annuity for diminished organ function, pension benefits due to the loss of one or more basic skills and pension benefits based on a need for long-term care from care level 1 or higher (LTC annuity). With the aid of the "EsmerIT" underwriting tool that we have developed in-house and make available to our ceding companies free of charge, quick and uncomplicated underwriting can be performed directly at the point of sale.

The loss situation in Germany was once again notable in the year under review for a number of extreme weather events. The largest such loss event was storm Ela in June 2014, which cost the German insurance industry some EUR 650 million.

Rest of Continental Europe

European markets are still intensely competitive; this is true not only of countries in Central and Eastern Europe but also of most mature markets such as France. Along with difficult economic conditions, surplus capacities put the insurance industry under strain; rate reductions and poorer conditions were therefore once again a feature of the French market, especially in the industrial lines. We nevertheless succeeded in maintaining our market share, in part by increasing our shares with selected cedants and also by writing additional business in less competitive lines. Hailstorm Ela caused sizeable losses in France and Belgium as well, both in the property lines and in motor own damage.

Despite a slow economic recovery in Spain and Portugal, the insurance industry is still suffering from a contraction in premium volume. With this in mind, the margins that can be generated are limited.

In Northern European countries the competition was less intense in retail lines than in large industrial programmes, where rates were under pressure. In terms of losses, the region was impacted by another series of extreme weather events in the year under review after experiencing several violent storms in 2013.

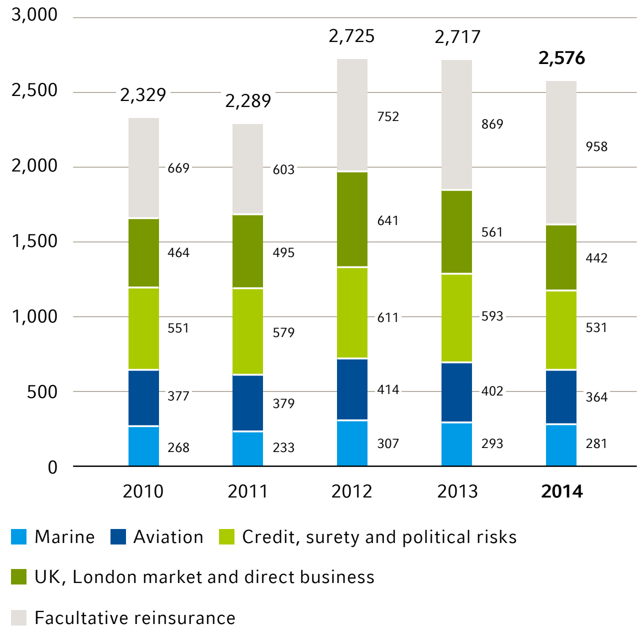
Developments in Central and Eastern Europe varied: compared to Western European primary markets, growth rates here are still better than average. Competition therefore remains intense and original rates in most markets are under pressure. On the reinsurance side, however, it was again possible to obtain risk-appropriate rates and conditions in the year under review and hence we were able – as forecast – to enlarge our premium volume. On the claims side the region was impacted by numerous small and mid-sized events. In addition, more sizeable losses resulted from an explosion at a refinery in Russia, flooding in Southeast Europe and a hailstorm in Bulgaria.

Specialty lines worldwide

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

The premium volume for specialty lines contracted in the year under review from EUR 2,716.8 million to EUR 2,575.6 million. The combined ratio deteriorated from 93.0% to 100.2%. The operating profit (EBIT) for specialty lines fell to EUR 169.4 million (EUR 339.6 million).

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



Marine

After years of heavy expenditure on major losses such as the wrecked cruise ship "Costa Concordia" and Superstorm Sandy, which had led to marked rate increases, marine business now finds itself at the onset of a soft market phase. In the case of offshore energy risks, where the last significant major losses date back even further, the rate decline was consequently even more appreciable.

Unlike in other lines, alternative capital – originating for example from hedge funds – does not directly influence the price trend in the marine and offshore energy market. This is because the medium- to long-term nature of many products as well as the fact that loss amounts sometimes takes years to finalise diminish the appeal of this business for investors. To this extent, the additional capacity in the marine market derives from reinsurers who are looking for, among other things, greater diversification effects relative to their other property and casualty lines. Prices came under further pressure because large insurance groups are increasingly purchasing their reinsurance on a centralised basis, as a result of which the total ceded premium volume has contracted.

Surplus capacities were especially prevalent in the hull market in the year under review. Cargo covers, which had long been rather profitable for most ceding companies, proved less attractive in the financial year just ended. Declining profitability was evident in the energy offshore segment: after the low loss burdens and associated good results recorded in recent years, rates here saw marked decreases running into double-digit percentages.

Hannover Re's underwriting policy remains unswerving in its focus on selective diversification of the portfolio, both regionally and in terms of individual lines. We continue to take a restrictive approach to writing offshore energy risks in the Gulf of Mexico on account of the considerable potential for natural hazards exposure.

Gross premium for our marine portfolio contracted by 4.1% to EUR 280.6 million (EUR 292.7 million).

The loss situation in the year under review was dominated above all by the removal of the wreck of the "Costa Concordia", which led to a significantly increased market loss of around EUR 1.5 billion. In view of this, we strengthened our reserves by an additional EUR 23 million to almost EUR 82 million in total. The loss expenditure for the wrecked container vessel "Rena" similarly came in higher than originally estimated.

The underwriting result for our marine business was a clear improvement on the previous year. The combined ratio decreased to 67.2% (78.3%). The operating profit (EBIT) reached a satisfactory level of EUR 85.7 million (EUR 66.0 million).

Aviation

Compared to previous years, the year under review was a very costly one for the international aviation (re)insurance industry. Several hundred people perished in crashes involving two passenger aircraft operated by Malaysia Airlines as well as two other passenger planes in Mali and Indonesia. Not only that, armed clashes in Libya caused considerable damage to Tripoli airport in the reporting period.

The sum total of airline losses far exceeded the corresponding annual premium. Despite this, the ensuing rate increases fell short of expectations owing to both existing and new capacities. Depending on the risk, original business in the airline segment presented a very mixed picture that ranged from stable premiums to significant rate increases. Nor could a single unambiguous trend be discerned in general aviation business, although further rate declines under existing business were largely avoided. Given recent loss events, expectations for price increases were especially high when it came to war covers. While we did observe premium increases in this segment, they did not match up to our expectations.

In terms of our underwriting strategy, we retained a clear focus on non-proportional business; we operate here as one of the market leaders, contrasting with the selective approach that we adopt in our underwriting of proportional business.

The premium volume for our total aviation portfolio contracted sharply to EUR 364.0 million (EUR 401.7 million).

The largest single loss for our company in the year under review – coming in at EUR 63.4 million for net account – was the event in Tripoli. Reflecting these loss expenditures, the underwriting result – after years of robust profitability – posted a marked decline in the year under review. The combined ratio slipped to 112.1% (78.8%). The operating result (EBIT) consequently deteriorated to -EUR 2.4 million (EUR 101.0 million).

Credit, surety and political risks

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

With the global economy showing tepid growth and faced with continued difficult economic conditions, the level of insolvencies remained consistently high. Only in a few countries, including Germany, did numbers come down. Despite this challenging overall situation, a disciplined underwriting policy made it possible to hold claims rates in credit insurance on a good level. This led into a growing risk appetite and hence reduced reinsurance cessions on the primary insurance side. All in all, moderate erosion in reinsurance rates could be observed.

Although the prevalence of mid-sized losses in the surety line was considerably diminished in the year under review compared to 2012 and 2013, the losses recorded in previous years failed to bring about a fundamental improvement in conditions owing to the intensely competitive climate. Under loss-free programmes conditions came under pressure, and a trend towards rising retentions was evident.

Despite greater risk awareness, the claims burden in the area of political risks remained minimal. Prices in this line consequently moved moderately lower.

Having substantially enlarged our credit and surety portfolio in 2009 and 2010, we see no reason – given the current capacity surplus and the associated diminished appeal of treaty conditions – to further expand our market share. We continued to follow through on our strategy of boosting the proportion of the total portfolio deriving from business with political risks.

Total gross premium income contracted by 10.3% in 2014 to EUR 531.4 million (EUR 592.5 million).

Our results in the area of credit, surety and political risks were satisfactory. We did not incur any major losses in 2014 and basic losses were also lower overall. The crisis in Ukraine only gave rise to relatively minor loss events in the year under review. The combined ratio improved to 92.2% (94.5%). The operating profit (EBIT) was boosted to EUR 87.2 million (EUR 64.6 million).

United Kingdom, London market and direct business

Traditional reinsurance

We are largely satisfied with the reinsurance business that we write in the United Kingdom and on the London market. While fierce competition raged in the primary sector with rate reductions running into double-digit percentages, especially in motor insurance, conditions on the reinsurance side were more favourable. In non-proportional motor business it was possible to push through further rate hikes in 2014 – building on appreciable increases in the previous year –, although these levelled off towards year-end. Rates in the other property lines broadly remained stable or slipped slightly lower. As planned, we expanded our portfolio in the United Kingdom.

Direct business

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

Compared to 2013, the economic climate in the United Kingdom once again failed to show any significant improvement. The brisk competition among insurers and reinsurers writing business in this market continued to intensify. Inevitably, this was reflected in a declining rate level in many lines. Most lines suffered under rate erosion, including not only motor insurance but also private homeowners insurance and commercial covers for small and mid-sized businesses. We responded by further trimming our exposures from agency acceptances in these areas in 2014.

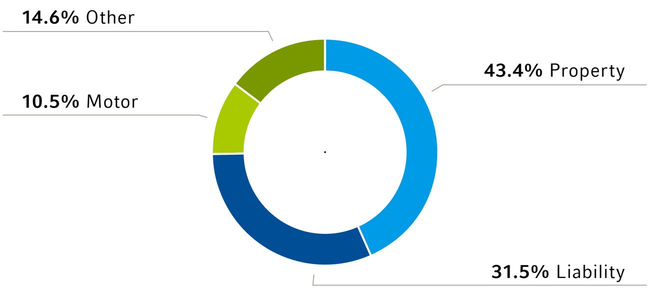
Inter Hannover's business written in Sweden again performed satisfactorily overall in 2014 despite a number of sizeable losses in the aviation sector. The development of business at the branches in Australia and Canada – markets which are highly competitive – was in line with expectations.

The gross premium booked from the United Kingdom, London market and direct business contracted from EUR 561.2 million to EUR 442.0 million. The combined ratio stood at 110.3% (105.9%). The operating result (EBIT) slipped into negative territory at -EUR 12.8 million (EUR 6.8 million).

Facultative reinsurance

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

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



In facultative reinsurance, too, the story was one of excess capacity and hence lively competition. This state of affairs was exacerbated by the fact that many reinsurance customers raised their retentions. Thanks to our very good rating, however, we were frequently able to stand up to this price war because many primary insurers and brokers prefer to cooperate with reinsurers who have proven their long-term reliability.

In the year under review we stepped up our involvement in Latin American markets and in Turkey. Driven also in part by increased acceptances in very new segments such as renewables, our premium volume consequently remained stable overall. Particularly long and solid partnerships proved advantageous in that we were able to preserve a large portion of the portfolio at viable prices.

Rate movements – while generally trending lower – varied from market to market. The spectrum ranged from moderate reductions of 5% to 10% to as much as 50% or more.

Price drops were most marked in property business, as in the case of fire and construction risks, and in the energy lines. Less significant decreases were recorded in liability business and in specialty lines such as personal accident and sports covers.

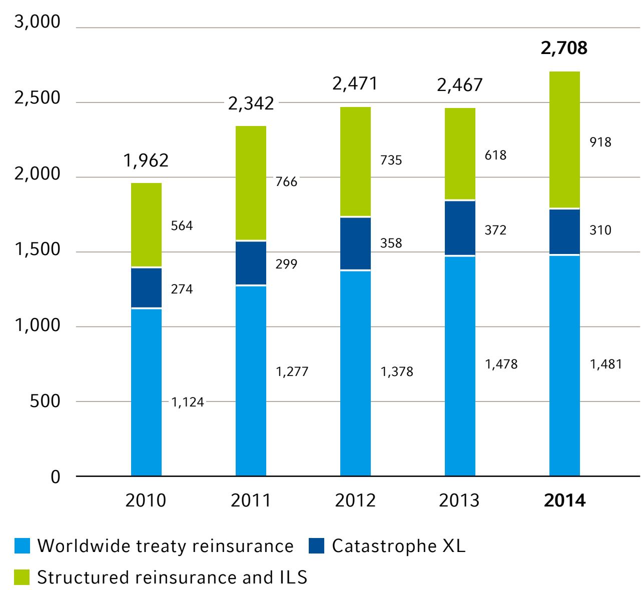
Despite the soft market, we are broadly satisfied with the development of our total facultative portfolio in the year under review: we grew and continued to diversify our business. Our premium volume increased to EUR 957.6 million (EUR 868.7 million). Virtually no major losses were recorded, but there was an accumulation of mid-sized losses – which also impacted our portfolio. As a result, the combined ratio climbed to 103.9% (94.7%). The operating profit (EBIT) fell well short of the previous year's figure at EUR 11.8 million (EUR 101.1 million).

Global reinsurance

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

The premium volume increased in the year under review by 9,8% to EUR 2,708.4 million (EUR 2,466.9 million). This is in line with our forecast of continuous and stable growth. The combined ratio deteriorated slightly from 90.8% to 91.6%. The operating profit (EBIT) improved from EUR 444.3 million to EUR 513.8 million.

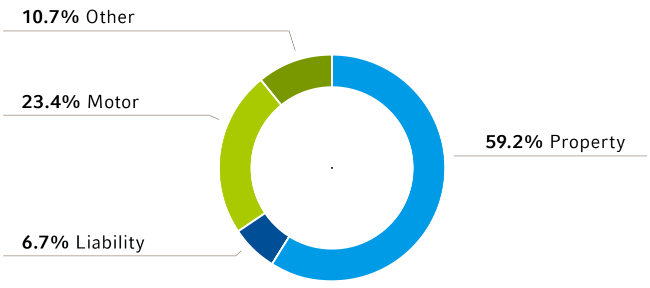
Property & Casualty reinsurance: Breakdown of gross written premium in global reinsurance **M 18**
in EUR million



Worldwide treaty reinsurance

We were satisfied with the development of our worldwide treaty reinsurance portfolio. The gross premium volume nudged higher in line with our expectations to reach EUR 1,480.7 million (EUR 1,477.6 million). The combined ratio deteriorated from 95.0% to 98.5%. The operating profit (EBIT) increased to EUR 225.6 million (EUR 217.9 million).

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



Asia-Pacific region

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

In Japan, a key market for our company, continued market consolidation led to a contraction in ceded reinsurance premiums – a trend which also impacted Hannover Re. Thanks to our broadly diversified product range and our long-standing loyalty to our Japanese cedants, however, we successfully set ourselves apart from our competitors. Conditions came under pressure after the light losses incurred in both 2012 and 2013, but they are still adequate. Our premium volume was down slightly as planned.

Aside from one snowstorm, catastrophe covers – an important area of business for Japan – did not suffer any notable loss events in the year under review. We did, however, set aside an appreciable reserve for a pharmaceutical claim in the casualty line, which had been spared losses for many years. Against this backdrop we were satisfied with the performance of our Japanese portfolio.

The Chinese insurance market again delivered double-digit percentage growth in the year under review. Hannover Re, which is present in the country with a locally licensed branch, was able to successfully pursue the strategy that it had followed in previous years – namely consolidating its business relationships with selected clients. The development of our Chinese portfolio received a boost from discussions surrounding the adoption of a nuanced system of solvency requirements (C-ROSS), which will benefit local reinsurance placements going forward. All in all, the market remained highly competitive, as reflected not only in original business but also in conditions for reinsurance treaties. Our selective underwriting policy nevertheless enabled us to further enlarge the premium volume. Given the absence of sizeable losses, we are satisfied with the result in the year under review.

In South and Southeast Asia we were again able to significantly improve our market penetration. Almost all the primary markets in this region are growing disproportionately strongly compared to the more mature Asian markets. Key drivers here are, above all, the rising insurance density and urbanisation.

Our portfolio in many parts of this region consists predominantly of property, motor and accident business. We further scaled back the proportion of catastrophe-exposed business in the year under review because, in our assessment, the considerable capacity surplus on the reinsurance side had resulted in conditions that were no longer commensurate with the risks.

The service company established in India last year, which concentrates its efforts exclusively on the growing segment of microinsurance, has gained a good footing in the market. This segment already recorded growth in the year under review and will play an even greater role for us going forward.

Despite a number of loss events, we are thoroughly satisfied with the development and performance of our business in South and Southeast Asian markets. The result came under strain from floods in Pakistan and India as well as a cyclone that impacted India, typhoons in the Philippines and a large fire at a semiconductor factory in Thailand. The premium volume from this region once again surged vigorously in the year under review.

Other Asian markets such as Korea, Taiwan and Hong Kong delivered a pleasing result with stable or slightly lower premium income.

Australia and New Zealand looked set to close with a very good result as the year progressed, only for the Greater Brisbane area to be hit by a severe hailstorm in November. With primary insurers carrying higher retentions, however, this event led to a merely moderate strain for our company as a reinsurer. Other than that, the year passed off relatively benignly as far as natural catastrophes were concerned. In common with other market players, we were nevertheless compelled in the year under review to strengthen our IBNR reserve for the New Zealand earthquakes of 2010 and 2011. Based on our good market position, we were able to assert our status as the third-largest property and casualty reinsurer in Australia. Despite this, our premium volume declined slightly in the year under review – a reflection of the ongoing market consolidation, sustained pressure on conditions and our selective underwriting policy.

South Africa

Our business in South Africa is written through our subsidiary Hannover Reinsurance Africa Limited. This market is notable for what is still a relatively low insurance density; most vehicles on public roads, for example, are uninsured. While a large section of the population has not taken out any insurance for property damage or bodily injury, the situation with respect to commercial undertakings is nevertheless comparable with that of industrial nations.

The insurance market only grew in step with inflation in the year under review. Competition remains intense, thereby curtailing profitability. The underwriting result for the insurance market nevertheless closed in marginally positive territory in 2014. A number of major losses occurred in the reporting period, primarily impacting reinsurers – and hence also our subsidiary Hannover Re Africa. Yet the company was still able to generate a modestly positive business result thanks to its disciplined underwriting approach.

We also write direct business in South Africa. These activities are conducted through Compass Insurance Company Limited, a subsidiary for so-called agency business. Although primary insurers were certainly able to push through rate increases for existing business based on a higher level of retained premium, it cannot be assumed that general hardening of the market has set in. What is more, the industry suffered a number of substantial major losses in the year under review. Despite the difficult environment prevailing in the South African market overall, Compass Insurance Company Limited succeeded in delivering a positive result.

Latin America

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

Most Latin American markets have enjoyed very vigorous growth in recent years and are still showing solid gains. The strong demand for reinsurance covers remains undiminished owing to the considerable exposure to natural catastrophe risks. Nevertheless, premium growth has been somewhat curbed in certain countries due to a number of different factors, including local market regulation, adverse exchange rate effects and higher retentions carried by primary insurers.

Movements in reinsurance rates varied; prices differed regionally from country to country and also by lines. Particularly in property business, larger Latin American markets experienced sometimes marked premium erosion of 10% to 15% under non-proportional treaties and an increase in commissions for proportional covers. We were nevertheless able to act on business opportunities that satisfied our margin requirements. In niche markets where we are market leader there was no decline in prices. In casualty business, where particularly great importance is attached to a reinsurer's know-how and very good rating, we made the most of growth opportunities in all our markets and stepped up our acceptances.

We succeeded in preserving our market leadership in Argentina despite the restrictions placed on foreign reinsurers. In the English-speaking Caribbean we have been able to enlarge our market share in recent years, while staying firmly focused on the profitability of the business.

The losses and damage caused by natural disasters in the year under review were largely attributable to the earthquake in Chile and hurricane Odile, which swept across Mexico. The resulting strains for the (re)insurance industry were nevertheless moderate. Hannover Re recorded a net loss of EUR 18.8 million from the hurricane.

Overall, we are highly satisfied with the development of our business in Latin America.

Agricultural risks

Lower prices for corn, soya, wheat and other products in the year under review led to reduced sums insured and hence to a moderate premium decline for agricultural risks. Driven by rising demand for food and with extremes of weather becoming increasingly common, we nevertheless continue to see this area as a growth market. Index-linked products are taking on greater importance relative to traditional multi-risk insurance policies.

Rates and conditions remained broadly stable on the primary insurance side. Prices in reinsurance business came under pressure due to new market players; still, the influence of alternative capital on the US market fortunately remained limited.

Hannover Re continues to be one of the largest providers of agricultural covers and also plays an active role in product development. We entered into cooperative ventures with governments and international organisations in the year under review with a view to expanding protection for agricultural risks.

We were successful in our efforts to further diversify the portfolio mix in terms of both countries and lines of business; a contributory factor here, for example, was an enlarged proportion of microinsurance products.

We are satisfied with the development of our agricultural risks business. The losses incurred by Hannover Re were moderate overall: sizeable hail events occurred inter alia in Southeast Europe and the United States. In Turkey much of the apricot and hazelnut crop was destroyed by frost. In each case the resulting strains were in the low single-digit million euros. We did not incur any major losses.

Retakaful business

We write retakaful business, i. e. reinsurance transacted in accordance with Islamic law, both on the Arabian Peninsula and in Southeast Asia. We are present in Bahrain with a dedicated subsidiary for this business and also maintain a branch responsible for writing traditional reinsurance in the Arab world. All in all, we are satisfied with the development of our business.

The member states of the Gulf Cooperation Council (GCC) – namely Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates – posted further robust growth in the year under review. Investments in infrastructure projects are delivering substantial economic stimuli. These major construction projects are reliant primarily on government funding.

Bearing in mind that takaful and retakaful markets have become intensely competitive, brisker premium growth is offset by lower rates. New international providers on the reinsurance markets served to keep up the pressure on rates. On the other hand, the influence of alternative capital (ILS) in the region continues to be negligible.

Hannover Re has been present in Bahrain with its subsidiary since 2006 and is strongly positioned in retakaful business. The largest single market for our company is still Saudi Arabia, where we enjoyed further growth in the year under review. Our branch established in 2014 in Labuan, Malaysia, delivered additional growth impetus. Industrial fire business, where we similarly succeeded in expanding our portfolio, is the largest single line.

In view of the highly competitive state of the markets, we are not currently guided by any specific premium targets but focus instead on preserving the profitability of our portfolio. Nevertheless, we believe that the retakaful market will continue to generate dynamic growth rates going forward.

The largest loss event for our company in the year under review was a fire which caused extensive damage to a large bakery plant in Saudi Arabia.

Catastrophe XL (Cat XL)

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

As expected, catastrophe business became even more competitive in the year under review in most markets, and especially in the United States. The principal drivers here were the continued absence of major losses, additional capacities from the capital markets and reduced reinsurance cessions from ceding companies enjoying a healthy level of capitalisation. Overall, rates declined in almost all markets in the financial year just ended, albeit not always as sharply as they did in the United States. In markets where alternative capital is not a factor – such as Latin America – rates also slipped back, but on a more moderate scale. In regions that had been impacted by major losses, such as Europe and Canada, the price level was in large measure maintained in the treaty renewals as at 1 January 2014; indeed, improved rates were actually obtained under some programmes.

As in the previous years, losses were very much on the moderate side for both insurers and reinsurers; there were no major natural disasters resulting in heavy losses. Neither the storms in Europe and Canada nor the earthquake in Chile had any implications for pricing on account of the relatively slight market losses. The largest single loss incurred by our company from natural catastrophe business was the low pressure area known as Ela, which swept across France, Belgium and Germany causing net loss expenditure of EUR 49.1 million. The hurricane season in the United States and the Caribbean also passed off comparatively quietly in the year under review. Only hurricane Gonzalo, which primarily impacted Bermuda, resulted in loss expenditure for Hannover Re's account.

Bearing in mind the enormous competition over property catastrophe covers, our subsidiary in Bermuda wrote business extremely selectively and reduced its premium volume. On the other hand, we booked growth in the liability and specialty lines, where more adequate prices could be obtained.

The gross premium volume for our global catastrophe business contracted by 16.6% in the year under review to EUR 310.0 million (EUR 371.5 million). The combined ratio improved to 39.3% (49.5%). The operating profit (EBIT) came in at EUR 185.6 million (EUR 188.2 million).

Structured reinsurance and Insurance-linked securities

Structured reinsurance

Hannover Re is one of the largest providers in the world of structured reinsurance solutions. These products are designed, among other things, to optimise the cost of capital for our ceding companies.

As forecast, demand for bespoke alternative reinsurance solutions continued to grow in the year under review. This trend also extends to aggregate excess of loss covers, which protect the net retention of our clients against a large number of basic losses in lower layers.

Structured reinsurance is benefiting from growth impetus associated in particular with preparations for the adoption of Solvency II in the European Union as well as with the implementation of risk-based capital requirements in various other countries.

In keeping with our objective we pressed ahead with the enlargement of our customer base and further improved the regional diversification of our portfolio in the year under review. We also stepped up our involvement in the area of corporate captives. Quota share arrangements in motor business designed to provide solvency relief continued to enjoy brisk demand.

The premium volume for the area of Advanced Solutions / structured reinsurance increased in the year under review. Results were good and lived up to our expectations.

Insurance-linked securities (ILS)

Demand on the capital market for ILS products shows no signs of easing. Thus, for example, we were able to renew our "K cession" – a modelled quota share cession consisting of non-proportional reinsurance treaties in the property, catastrophe, aviation and marine (including offshore) lines that we have placed inter alia on the ILS market for 20 years now – on an unchanged level of roughly USD 320 million for 2014.

Yet in addition to using the capital market to protect our own property catastrophe risks, we also transfer risks to it in a structured and packaged form on behalf of our cedants. Not only that, we take the role of investor ourselves by investing in catastrophe bonds.

The year under review, in common with the two previous years, brought another strong inflow of cash into the ILS market. In the first place, investors value the low correlation with other financial assets and the associated diversification, while at the same time they also find the market for insurance risks relatively appealing in comparison with other investments. As a result, there has been no let-up in the lively demand for catastrophe bonds among investors. Prices for these bonds have consequently fallen considerably. At the same time, though, the issuance of catastrophe bonds has become a more attractive proposition. The volume of new issues in the market was once again higher at USD 8.7 billion (USD 7.7 billion).

The available funds currently exceed by far the opportunities for new investments in catastrophe bonds. This has prompted investors to look for other means of investing in the reinsurance sector. So-called collateralised reinsurance programmes again enjoyed particularly strong growth in the year under review and surpassed the volume of funds invested in catastrophe bonds. Under collateralised reinsurance business the investor assumes reinsurance risks that are normally collateralised in the amount of the limit of liability.

Hannover Re's product range encompasses the entire spectrum of activities typically associated with the ILS market. We thereby offer investors optimised and customised access to the capital market. In the year under review, for example, we successfully transferred windstorm risks with a volume of USD 400 million to the capital market for the Texas Windstorm Insurance Association (TWIA) in the form of a catastrophe bond.

In the year under review we continued to expand our cooperation with selected managers of investor funds in the area of collateralised reinsurance business and thereby generated attractive margins. When it comes to investing in catastrophe bonds, on the other hand, we showed restraint on account of the sharp decline in prices.

Life & Health reinsurance

- Growth expectations for currency-adjusted gross premium achieved at 4.9%
- First transaction for longevity risks in France successfully completed
- Results from Australian disability business on the expected level
- Profit targets accomplished

Our strategic business group of Life & Health reinsurance accounted for 45% (previous year: 44%) of Group gross premium in the financial year just ended. This clearly shows the significant role played by these lines in Hannover Re's overall portfolio. Thanks to partnership-based business relationships with our customers, our expertise and our worldwide presence, we not only identify trends and new markets; we also shape them and generate sustained, profitable growth.

Total business

The international market climate in life and health reinsurance was influenced by a number of different effects in the reporting period just ended. In mature insurance markets such as the United States, Germany, the United Kingdom, France and Scandinavia the pressure on companies to consolidate increased. The strained state of capital and financial markets was also a factor in the generally moderate development of routine business in these regions. Turning to the major emerging and growth markets, the implementation of regulatory measures has been – and continues to be – stepped up, thereby increasingly opening up fresh business opportunities. This is especially evident in Asia. The growing prevalence of regulatory changes consistently poses new challenges for the entire international insurance sector. In many instances established product solutions have to be reworked or even entirely redesigned in order to satisfy the new requirements for all parties concerned. With this in mind, the development of Hannover Re's life and health reinsurance business was very pleasing.

Our gross premium income for the year under review totalled EUR 6,458.7 million (EUR 6,145.4 million). This represents an increase of 5.1%. With growth of 4.9% adjusted for exchange rate fluctuations, we almost achieved the anticipated currency-adjusted gross premium growth of 5% to 7%. The level of retained premium developed as planned in the financial year just ended to stand at 83.9% (87.7%). Net premium improved slightly by 1.0% to EUR 5,411.4 million (EUR 5,359.8 million). Adjusted for exchange rate effects, the change in net premium would have been 0.7%.

Investment income in life and health reinsurance consists of two earnings components: on the one hand, from our assets under own management and, secondly, from securities deposited with ceding companies. In the financial year just ended income of EUR 258.5 million (EUR 269.1 million) was generated from the assets under own management, while the income from securities deposited with ceding companies came in at EUR 355.7 million (EUR 342.4 million). Taken together, the investment income in life and health reinsurance climbed by a modest 0.4% to EUR 614.2 million (EUR 611.5 million). This performance is especially gratifying in view of the protracted low level of interest rates and the correspondingly strained state of capital markets.

The development of the operating result (EBIT) was highly pleasing. Compared to the previous year – which had been substantially impacted by losses in Australian disability business – EBIT surged by a significant 75.3% and has now normalised relative to 2013 at EUR 263.8 million (EUR 150.5 million).

In the following section we discuss in detail developments in life and health reinsurance. Our business is split into the reporting categories of financial solutions and risk solutions. Reflecting the differentiation by biometric risks, risk solutions is further divided into longevity, mortality and morbidity and hence corresponds to the breakdown used within our internal risk management system.

Key figures for Life & Health reinsurance M 20

in EUR million	2014	+/– previous year	2013	2012 [1]	2011	2010
Gross written premium	6,458.7	+5.1%	6,145.4	6,057.9	5,270.1	5,090.1
Net premium earned	5,411.4	+1.0%	5,359.8	5,425.6	4,788.9	4,653.9
Investment income	614.2	+0.4%	611.5	685.1	512.6	508.2
Claims and claims expenses	4,636.2	+7.7%	4,305.7	4,023.5	3,328.6	3,135.8
Change in benefit reserve	28.6	-80.5%	146.5	529.4	619.7	653.5
Commissions	946.4	-19.0%	1,169.0	1,098.0	985.8	1,022.8
Own administrative expenses	175.7	+12.1%	156.7	144.1	130.6	118.7
Other income/expenses	25.1		(42.9)	(36.7)	(19.2)	53.0
Operating result (EBIT)	263.8	+75.3%	150.5	279.0	217.6	284.4
Net income after tax	205.0	+24.8%	164.2	222.5	182.3	219.6
Earnings per share in EUR	1.70	+24.8%	1.36	1.84	1.51	1.82
Retention	83.9%		87.7%	89.3%	91.0%	91.7%
EBIT margin [2]	4.9%		2.8%	5.1%	4.5%	6.1%

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

Financial solutions

We categorise reinsurance solutions that focus on our clients' capital and liquidity management and thereby assist them with – among other things – new business financing and/or help to optimise their capital or solvency structure as financial solutions. There is less emphasis on the transfer of biometric risks with this form of reinsurance, although it is always present.

Hannover Re is equipped with long-standing expertise in the financial solutions business segment and ranks as one of the leading providers in a number of markets, including the United States. A special hallmark of our business philosophy is that we make virtually no use of standardised reinsurance solutions. Particularly when it comes to financial solutions transactions, we offer financing solutions as well as concepts designed to provide relief for capital and reserves that are individually tailored to our customers' needs. This has enabled us to further enlarge our portfolio and generate a pleasing profit contribution. The rigorous and complex supervisory requirements in the US insurance market, which is one of the most highly developed in the world, are the key factor driving the stable strong demand for financial solutions and the pleasing development of this business segment. In addition, we again significantly expanded our financial solutions business in Asia – most notably in Japan and China. Not only that, we are also enjoying successes on the African continent, where we assumed a substantial portfolio of life insurance policies from a leading South African client. Traditional new business financing arrangements in Europe – including Southern and Eastern Europe – were another key driver of this segment in the reporting period just ended. We benefited here from lively demand for individual, innovative financing solutions.

All in all, against the backdrop of the developments described above, gross premium contracted by 16.7% owing to a strictly profit-oriented underwriting policy. We deliberately relinquished premium volume in cases where we were unable to fully satisfy our margin requirements. The gross premium for the year under review amounted to EUR 1,295.2 million (EUR 1,554.3 million), equivalent to 20.1% of the total gross premium income booked in life and health reinsurance. The operating result (EBIT) of EUR 74.6 million fell well short of the previous year's figure (EUR 128.5 million).

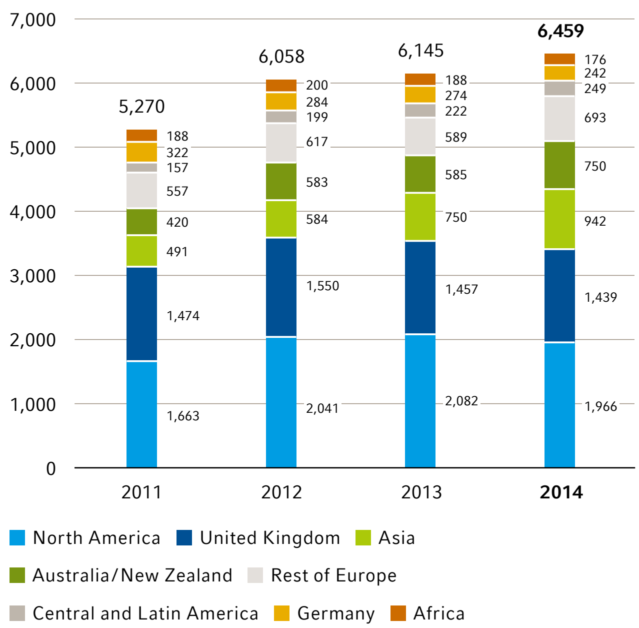
Longevity

Our longevity reporting category encompasses all annuity and pension reinsurance business, insofar as the material risks here are longevity risks. With few exceptions we predominantly cover policies in the pay-out phase.

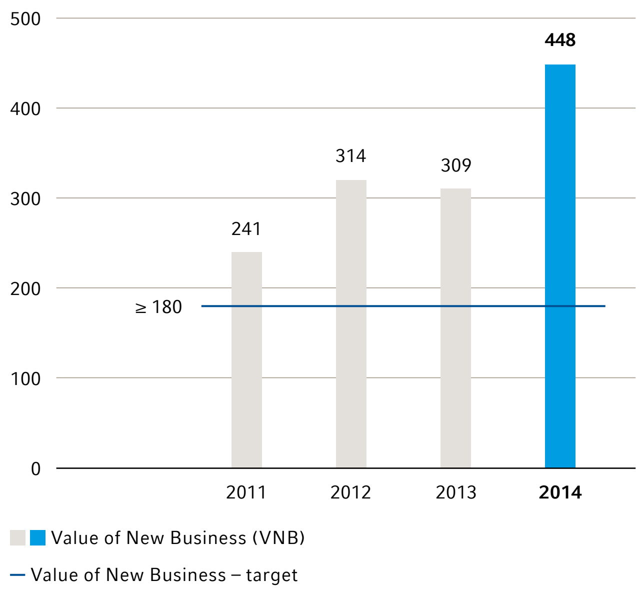
Our portfolio consists principally of enhanced annuities on a single premium basis as well as large-volume annuity blocks with regular premium payments, in return for which we take over the annuity payments that will become due in the future. In the United Kingdom, which continues to be our largest longevity market by premium volume, demand has become more selective and competition more intense. Thanks to our market leadership, our decades of experience and our extensive database, we are well positioned and were able to act on profitable business opportunities despite growing competition. In the financial year just ended, reflecting the global demographic trend, we received an increased number of specific inquiries concerning the transfer of longevity portfolios outside the United Kingdom. Our international know-how was evidenced by our closing of the first reinsurance treaty for longevity risks

Life & Health reinsurance at a glance

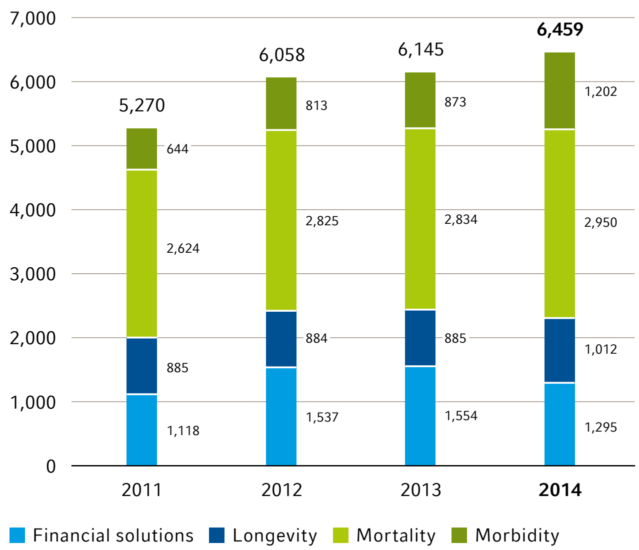
Breakdown of gross premium by markets M21
in EUR million



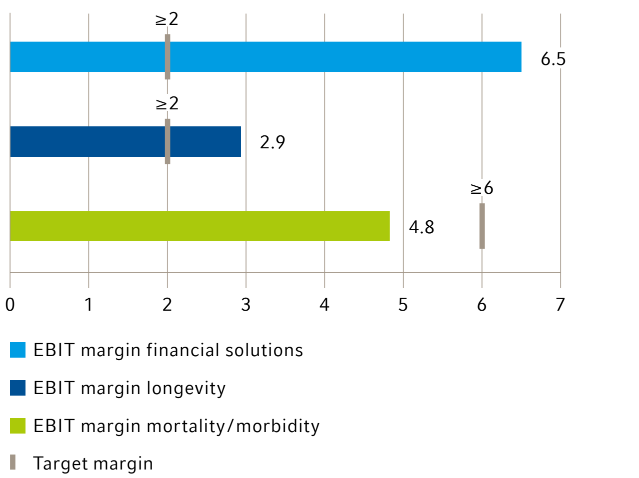
Value of New Business (VNB) growth M22
in EUR million



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



EBIT-margin per reporting category vs. target margins 2014 M24
in %



in France. Under this transaction we assumed pension liabilities in the order of EUR 750 million from a leading French insurer. In the European market Solvency II-oriented covers are a particular focus of interest. In the US market new, far more conservative assumptions relating to mortality improvement have been published, adding impetus to the local longevity market. Notwithstanding the general demand for longevity products in various regions of the world, we have observed increased demand for reinsurance solutions in which the cash flows are geared to the performance of a contractually defined index. In view of this broad range of favourable developments, we were able to boost our gross premium for international longevity business to a pleasing EUR 1,012.0 million (EUR 884.7 million). This increase was carried over in a corresponding profit contribution (EBIT) of EUR 23.7 million (-EUR 17.2 million).

Mortality and morbidity

In the following section we present a consolidated account of the mortality and morbidity reporting categories. In view of the fact that in the international (re)insurance markets these two risk types are frequently covered as part of the same business relationship or even under the same reinsurance treaty, it makes sense to consider them together.

Mortality

The mortality reporting category encompasses our mortality-exposed business, which traditionally constitutes the core business of life and health reinsurance and accounts for the largest share of our total life and health reinsurance portfolio. The risk that we assume as a reinsurer is that the actually observed mortality may diverge negatively from the expected mortality. The US mortality market ranks as one of our most important markets. We are present here with our subsidiary and have been an established and sought-after business partner for more than 30 years.

Our new business in the US developed broadly as we had anticipated. The positive performance of large parts of our existing business was cancelled out by elevated risk experiences in the in-force portfolio covering policies from before 2005. On balance, this business fell somewhat short of our expectations.

In the European market the appeal of traditional, fixed-income risk-oriented products such as life insurance has further diminished owing to the low interest rate environment. Particularly for the German reinsurance market, growth in the area of mortality-exposed risk solutions remains limited. The development in Southern Europe, where mortality business has remained on a consistently high level despite the generally strained economic situation, should therefore be viewed in a correspondingly favourable light. The high quality of bancassurance and credit life business in Italy goes hand in hand with the prudent approach to lending adopted by banks since the outbreak of the financial crisis. Sharia-compliant retakaful reinsurance, an area in which we have further expanded our portfolio and our market leadership, also continued to fare well. Similarly, in Eastern Europe and Asia we achieved a pleasing enlargement of our mortality business in the reporting period just ended. Particularly in certain Latin American countries, the basic conditions for writing reinsurance business have become more challenging due to the exertion of political influence. Nevertheless, we succeeded in boosting our business to a gratifying extent and maintained our leading position in most countries. We were thus able to increase the gross premium for our worldwide mortality business to EUR 2,949.5 million (EUR 2,833.5 million). At 45.7%, the mortality portfolio consequently contributes the lion's share of our total gross premium income from life and health reinsurance (EUR 6.5 billion).

Morbidity

Morbidity business refers to the risk of deterioration in a person's state of health due to disease, injury or infirmity. This reporting category is notable for extensive product diversity, ranging from strict (any occupation) disability and occupational disability to long-term care insurance.

On the whole, morbidity business normalised in 2014 after the adverse impacts of Australian disability risks in the previous year. The intensive efforts undertaken market-wide to counteract the elevated risk experiences brought about the first positive movements: it will, however, likely taken further time before the underlying treaties deliver consistently profitable results. It is nevertheless gratifying to note the reversal of the unfavourable trend, which suggests the onset of an encouraging upswing in results going forward. Other regions of the world, for the most part, are meanwhile playing a positive part in the growth of morbidity business. In the Netherlands, for example, we have assumed appreciable premium volumes under disability risk coverage. Demand for disability policies was similarly strong in Asian markets. In Korea we recorded poorer than anticipated risk experiences for our assumed morbidity business. The general rise in demand for long-term rate guarantees for such risks therefore necessitates a more selective underwriting policy. In the Indian market the growth of microinsurance business in the health insurance sector was very pleasing. These developments are reflected in highly gratifying premium growth of 37.7%. Gross premium income in the financial year surged sharply to EUR 1,202.1 million (EUR 872.9 million).

Taken together, we generated significant growth in the operating result for the reporting categories of mortality and morbidity: EBIT rose to EUR 165.5 million (EUR 39.2 million).

Quite aside from the development of business in the various reporting categories of our Life & Health reinsurance business group, there were further pleasing developments to note: the service component – as in many other sectors too – is taking on ever greater importance. We are actively responding to this trend and successfully supported our customers in the year under review with, among other things, our expertise in the field of automated underwriting. When it comes to medical underwriting, our newly launched newsletter "ReCent" puts the spotlight on current and relevant topics in health and medicine. In addition, our customers are benefiting from a revision of our underwriting manual, which assists primary insurers with risk assessment. We have also made promising progress in the development of alternative, Web-based sales channels in life insurance, the first positive effects of which on our business should be felt in the next few years. Issues such as "big data", the use of information and technological advances continue to be of growing interest to the (re)insurance industry.

Investments

- Return on investment somewhat better than forecast at 3.3%
- Ordinary income slightly higher despite low interest rates
- Sharp rise in valuation reserves

Ordinary investment income excluding interest on funds withheld and contract deposits showed a pleasing development to reach EUR 1,068.4 million (previous year: EUR 1,041.3 million) despite the continued low level of interest rates. Interest on funds withheld and contract deposits improved slightly on the previous year to EUR 376.1 million (EUR 357.3 million). Net realised gains on disposals were considerably higher than in the previous year at EUR 182.5 million (EUR 144.2 million). This was due in part to the change in reporting currency at our Bermuda subsidiaries, the redemption of our bond issued in 2004 and regrouping moves as part of regular portfolio management, although we also acted on opportunities in the real estate sector.

We recognise a derivative for the credit risk associated with special life reinsurance treaties (ModCo) under which securities deposits are held by cedants for our account; the performance of this derivative in the year under review gave rise to negative fair value changes recognised in income of EUR 6.8 million, as against positive fair value changes recognised in income of EUR 7.4 million in the previous year. The inflation swaps taken out to hedge part of the inflation risks associated with the loss reserves in our technical account produced negative fair value changes of EUR 28.8 million (-EUR 41.0 million) over the course of the year. These fair value changes are recognised in income as a derivative pursuant to IAS 39. We assume an economically neutral development for these two items, and hence the volatility that can occur in specific reporting periods has no bearing on the actual business performance. Altogether, the negative changes in the fair values of our financial assets recognised at fair value through profit or loss amounted to EUR 33.3 million (EUR 27.1 million).

Investment income M 25

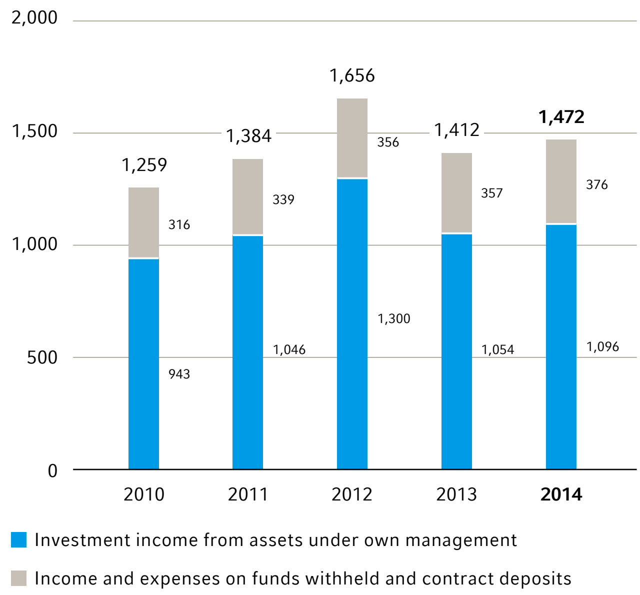
in EUR million	2014	+/– previous year	2013	2012	2011	2010
Ordinary investment income[1]	1,068.4	+2.6%	1,041.3	1,088.4	966.2	880.5
Result from participations in associated companies	1.0	-91.7%	12.5	10.4	3.1	3.9
Realised gains/losses	182.5	+26.6%	144.2	227.5	179.6	162.0
Appreciation	0.1	-60.8%	0.3	2.7	36.8	27.2
Depreciation, amortisation, impairments[2]	27.7	+42.6%	19.4	21.7	31.0	23.8
Change in fair value of financial instruments[3]	(33.3)		(27.1)	89.3	(38.8)	(39.9)
Investment expenses	95.3	-2.1%	97.3	96.4	70.3	67.4
Net investment income from assets under own management	1,095.8	+3.9%	1,054.5	1,300.2	1,045.5	942.5
Net investment income from funds withheld	376.1	+5.2%	357.3	355.5	338.5	316.4
Total investment income	**1,471.8**	**+4.3%**	**1,411.8**	**1,655.7**	**1,384.0**	**1,258.9**

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

Impairments and depreciation totalling just EUR 27.7 million (EUR 19.4 million) were taken. Scheduled depreciation on directly held real estate amounted to EUR 18.5 million (EUR 14.0 million), a reflection of how we have stepped up our involvement in this sector. The vast bulk of impairments – totalling EUR 5.8 million – were attributable to alternative investments (EUR 3.5 million). These write-downs contrasted with write-ups of altogether EUR 0.1 million (EUR 0.3 million).

Our investment income (including interest on funds withheld and contract deposits) came in at EUR 1,471.8 million, a slightly higher level than in the previous year (EUR 1,411.8 million). This can be attributed principally to the stable ordinary income combined with higher realised gains. Of this amount, income from assets under own management accounted for EUR 1,095.8 million (EUR 1,054.5 million). This produces an average return (excluding effects from inflation swaps and ModCo derivatives) of 3.3%; that this figure is somewhat higher than our forecast of 3.2% reflects among other things increased realised gains on fixed-income securities as well as the fact that we acted on opportunities to realise gains in the real estate sector. Parallel to the rising investment income, the valuation reserves in the investment portfolio for our available-for-sale asset holdings rose by EUR 971.2 million to EUR 1,724.0 million.

Investment income M 26
in EUR million



Financial position and net assets

- Risk-appropriate investment policy
- High-quality diversified investment portfolio to be maintained
- Broadly stable asset allocation
- Shareholders' equity sharply higher thanks to excellent Group net income, interest rate reductions and exchange rate effects

Investment policy

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

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

With these goals in mind we engage in active risk management based on balanced risk/return analyses. In this context we are guided by centrally implemented investment guidelines and the insights of dynamic financial analysis. In light of the current market situation and requirements on the liabilities side investment ranges are defined on this basis, within which operational portfolio management is carried out. These measures are intended to safeguard the generation of an appropriate level of return. In so doing, we pay strict attention to compliance with our clearly defined risk appetite, which is reflected in the risk capital allocated to the investments and establishes the foun-

Investment portfolio M 27

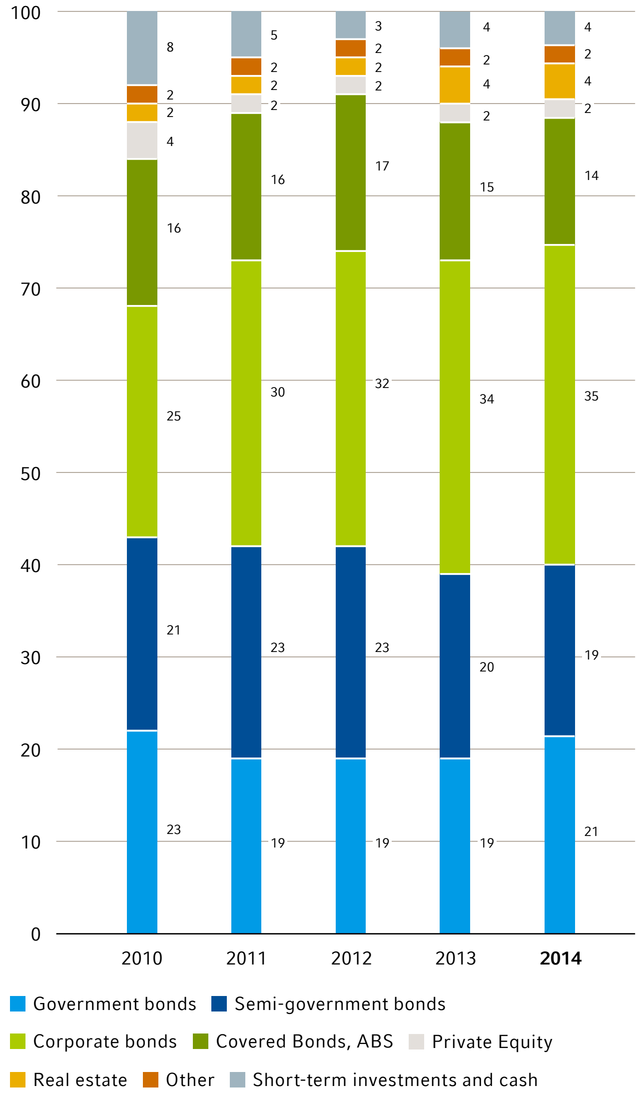
in EUR million	2014	2013	2012	2011	2010
Investments under own management	36,228	31,875	31,874	28,341	25,411
Funds withheld	15,919	14,343	14,751	13,342	12,636
Total	**52,147**	**46,219**	**46,625**	**41,683**	**38,047**

dation for the asset allocation of the entire Hannover Re Group and the individual portfolios. In addition, we ensure that we are able to meet our payment obligations at all times. Within the scope of our asset/liability management (ALM) the allocation of investments by currencies and maturities is determined by the technical liabilities. The modified duration of our bond portfolio is geared largely to the technical liabilities.

By adjusting the maturity pattern of our fixed-income securities to the expected payment patterns of our liabilities we reduce the economic exposure to the interest rate risk. In the current reporting period we slightly increased the modified duration of our fixed-income portfolio, as a result of which it stood at 4.6 (previous year: 4.4) as at 31 December 2014. Furthermore, through active and regular management of the currency spread in our fixed-income portfolio we bring about extensive matching of currencies on the assets and liabilities sides of the balance sheet, as a consequence of which fluctuations in exchange rates have only a limited effect on our result.

At year-end 2014 we held 36.9% (40.7%) of our investments in euro, 41.4% (38.0%) in US dollars, 8.5% (8.3%) in pound sterling and 5.2% (4.9%) in Australian dollars.

Breakdown of investments under own management M 28
in %



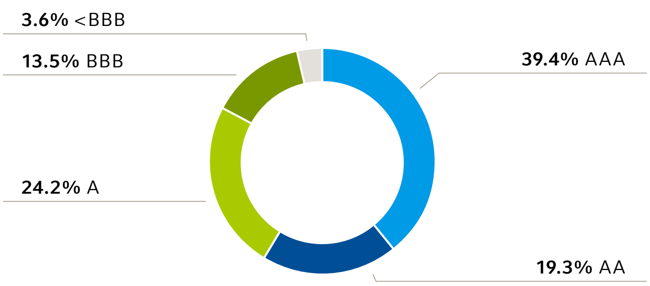
Investments

Our portfolio of assets under own management grew considerably more strongly than expected in the course of 2014; it closed significantly higher than the previous year's level at EUR 36.2 billion (EUR 31.9 billion). This was based in part on a rise in the valuation reserves against the backdrop of the observed yield declines on government bonds in our main currency areas. Above all, though, the weakness of the euro against the major investment currencies substantially accentuated this effect; the cash flow was once again gratifyingly positive.

Compared to the previous year, we kept the allocation of our assets to the individual classes of securities largely unchanged. We merely moved to further slightly increase the share attributable to real estate as part of the strategic expansion of this asset category and scaled back the proportion of covered bonds in favour of corporate bonds. In all other classes we made only minimal changes in the context of regular portfolio maintenance.

The portfolio of fixed-income securities excluding short-term assets rose to EUR 32.0 billion (EUR 28.3 billion). Hidden reserves for available-for-sale fixed-income securities recognised in shareholders' equity totalled EUR 1,246.4 million (EUR 426.4 million). This reflects the yield decreases observed in the course of the reporting period, especially in the area of government bonds in our main currency areas. As to the quality of the bonds – measured in terms of rating categories –, the proportion of securities rated "A" or better remained on a consistently high level as at year-end at 82.9% (83.0%).

Rating of fixed-income securities M 29



Holdings of alternative investment funds increased slightly. As at 31 December 2014 an amount of EUR 684.9 million (EUR 574.3 million) was invested in private equity funds, a further EUR 551.5 million (EUR 402.9 million) predominantly in high-yield bonds and loans; in addition, altogether EUR 373.7 million (EUR 252.1 million) was invested in structured real estate investments. The uncalled capital with respect to the aforementioned alternative investments totalled EUR 716.3 million (EUR 598.5 million).

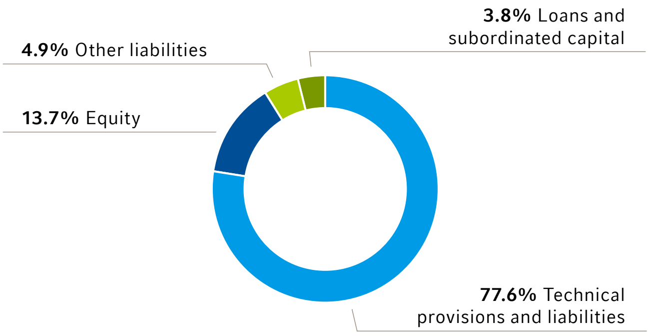
We were again able to increase our real estate allocation somewhat in the course of the year. Various properties in Germany and Central/Eastern Europe were acquired for this purpose; further projects are under review, and the real estate allocation will therefore keep rising steadily as planned. Despite selective sales in the course of the reporting period, it currently stands at 3.9% (3.6%).

At the end of the year under review we held a total amount of EUR 1.3 billion (EUR 1.2 billion) in short-term investments and cash. Funds withheld amounted to EUR 15.9 billion (EUR 14.3 billion).

Analysis of the capital structure

The capital structure and the composition of the liabilities of Hannover Re are shaped by our activity as a reinsurer. By far the largest share is attributable to technical provisions and liabilities. Further elements are equity and equity substitutes, which help to substantially strengthen our financial base and optimise our cost of capital. The following chart shows our capital structure as at 31 December 2014, split into equity, loans and subordinated capital, technical provisions and other liabilities, in each case as a percentage of the balance sheet total.

Capital structure as at 31 December 2014 M 30



The technical provisions and liabilities shown above, which include funds withheld/contract deposits and reinsurance payable, make up 77.6% (78.4%) of the balance sheet total and are more than covered by our investments, (assets-side) funds withheld/contract deposits, accounts receivable and reinsurance recoverables.

The equity including non-controlling interests at 13.7% (12.1%) of the balance sheet total as well as the loans and – especially – subordinated capital at altogether 3.8% (4.6%) of the balance sheet total represent our most important sources of funds.

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

Management of policyholders' surplus

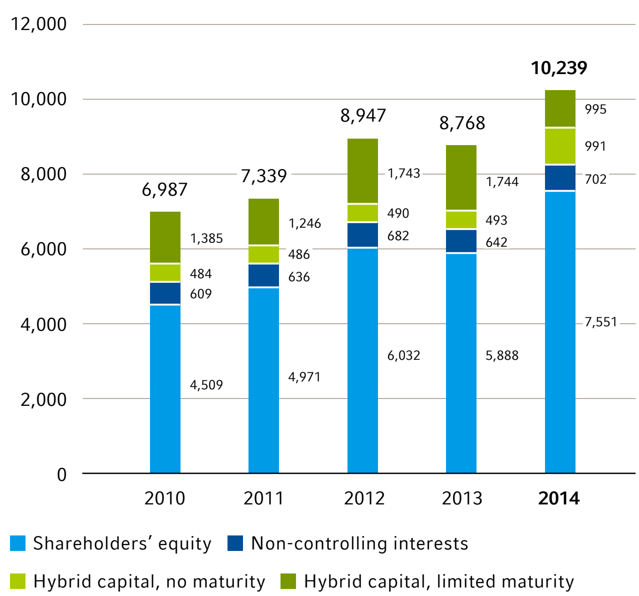
The preservation of its capital is a key strategic objective for Hannover Re. In the 2014 financial year and in recent years hybrid capital was issued as an equity substitute in order to keep the cost of capital on a low level. The policyholders' surplus is a key management ratio in the context of Hannover Re's comprehensive capital management. The policyholders' surplus is defined as follows:

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

The policyholders' surplus totalled EUR 10,239.5 million (EUR 8,767.9 million) as at the balance sheet date, an increase of 16.8% in the year under review due to changes in cumulative other comprehensive income and the rise in retained earnings.

Hannover Re uses "Intrinsic Value Creation" (IVC) as its central value-based management tool. With the aid of this tool we apply the principles of economic allocation of equity and efficient use of debt as an equity substitute in order to achieve the lowest possible weighted cost of capital. This concept as well as the objectives and principles in accordance with which we conduct our enterprise management and capital management are described in greater detail in our remarks on value-based management on page 21 et seq. of this report.

Development of policyholders' surplus M 31
in EUR million



Hannover Re is guided in its capital management by the requirements and expectations of the rating agencies that assess the Group with an eye to its targeted rating. Furthermore, while making appropriate allowance for business policy considerations and factors that influence market presence, the allocation of capital to the Group's operational companies is based upon the economic risk content of the business group in question. The Group companies are also subject to national capital and solvency requirements. All Group companies met the applicable local minimum capital requirements in the year under review. Adherence to these capital requirements is continuously monitored by the responsible organisational units on the basis of the latest actual figures as well as the corresponding planned and forecast figures. If, despite the capital allocation mechanisms described above, a scenario occurs in which there is a danger of minimum capital requirements being undershot, suitable options are immediately discussed and measures set in motion to counteract such an eventuality. From the Group perspective we manage Hannover Re's solvency using our internal capital model, which is described in greater detail on page 75 et seq. of the opportunity and risk report.

Amortised cost of our subordinated bonds M 32

in EUR million	Issue date	Coupon in %	2014	2013
Hannover Finance (Luxembourg) S.A., subordinated debt, EUR 750 million; 2004/2024	26.2.2004	5.75	–	749.6
Hannover Finance (Luxembourg) S.A., subordinated debt, EUR 500 million; 2005/undated	1.6.2005	5.00	497.7	493.3
Hannover Finance (Luxembourg) S.A., subordinated debt, EUR 500 million; 2010/2040	14.9.2010	5.75	498.4	498.2
Hannover Finance (Luxembourg) S.A., subordinated debt, EUR 500 million; 2012/2043	20.11.2012	5.00	496.9	496.7
Hannover Rück SE, subordinated debt, EUR 500 million; 2014/undated	15.9.2014	3.375	493.5	–
Total			**1,986.5**	**2,237.8**

Group shareholders' equity

In view of the very favourable result, the development of the shareholders' equity of the Hannover Re Group was highly pleasing. Compared to the position as at 31 December 2013, it surged by an appreciable EUR 1,722.9 million – or 26.4% – in the year under review to EUR 8,253.0 million. After adjustment for non-controlling interests, it rose by EUR 1,662.3 million to EUR 7,550.8 million. The book value per share increased accordingly by 28.2% to EUR 62.61. The changes in shareholders' equity were shaped chiefly by the following developments:

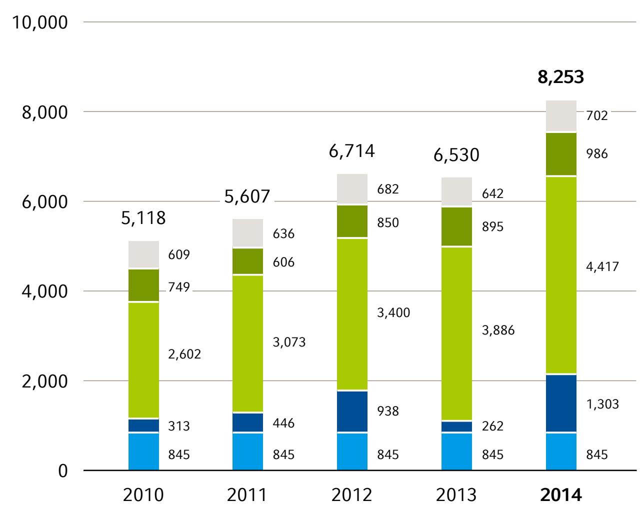
Net unrealised gains on investments stood at EUR 1,169.3 million, a sharp rise of EUR 635.5 million compared to the beginning of the year under review. This increase was mainly due to gains realised on corporate and government bonds as a consequence of the reduced interest rate level.

The reserve for currency translation adjustment climbed significantly by EUR 436.7 million from -EUR 246.3 million to EUR 190.5 million as a consequence of exchange rate movements of foreign currencies against the euro in the financial year. The rise in the reserve for currency translation adjustment resulted principally from the marked depreciation of the euro against the US dollar.

Non-controlling interests in shareholders' equity increased by EUR 60.6 million to EUR 702.2 million as at 31 December 2014. This rise was attributable primarily to the non-controlling interests in E+S Rückversicherung AG in an amount of EUR 50.3 million.

The Group net income for 2014 attributable to the shareholders of the Hannover Re Group climbed to EUR 985.6 million (EUR 895.5 million). The non-controlling interest in the profit generated in the year under review totalled EUR 79.5 million (EUR 43.8 million).

Development of Group shareholders' equity M 33
in EUR million



Financing and Group debt

In addition to the financing effect of the changes in shareholders' equity described above, debt financing on the capital market is a key component of Hannover Re's financing. It was essentially composed of subordinated bonds issued to ensure lasting protection of our capital base – in part also in observance of rating requirements. The total volume of debt and subordinated capital stood at EUR 2,270.3 million (EUR 2,465.0 million) as at the balance sheet date.

Our subordinated bonds supplement our equity with the aim of reducing the cost of capital and also help to ensure liquidity at all times. In the year under review we cancelled and repaid at the first scheduled call date the subordinated debt of EUR 750.0 million issued in 2004 by Hannover Finance (Luxembourg) S.A. In addition, we issued new perpetual subordinated debt with a nominal volume of EUR 500.0 million on the European capital market through Hannover Rück SE. As at the balance sheet date altogether four subordinated bonds had been placed on the European capital market through Hannover Rück SE and Hannover Finance (Luxembourg) S.A.

The table on the previous page presents an overview of the amortised cost of our subordinated bonds.

Several Group companies have also taken up long-term debt – principally in the form of mortgage loans – amounting to EUR 283.9 million (EUR 227.1 million).

For further explanatory information please see our remarks in the notes to this report, Section 6.12 "Debt and subordinated capital", page 210 et seq., and Section 6.13 "Shareholders' equity and treasury shares", page 214.

Letters of credit have been furnished by various financial institutions as collateral for our technical liabilities. Both bilateral agreements and an unsecured syndicated guarantee facility existed as at the balance sheet date with a number of financial institutions for this purpose. We report in detail on existing contingent liabilities in the notes, Section 6.12 "Debt and subordinated capital" in our remarks on other financial facilities, page 213, and Section 8.7 "Contingent liabilities and commitments", page 234 et seq.

Analysis of the consolidated cash flow statement

Liquidity

We generate liquidity primarily from our operational reinsurance business, investments and financing measures. Regular liquidity planning and a liquid investment structure ensure that Hannover Re is able to make the necessary payments at all times. Hannover Re's cash flow is shown in the consolidated cash flow statement on page 144 et seq.

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

Consolidated cash flow statement M 34

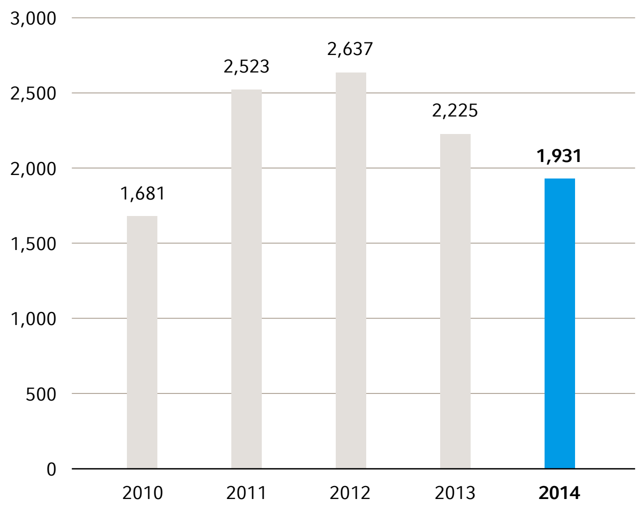
in EUR million	2014	2013
Cash flow from operating activities	1,930.9	2,225.5
Cash flow from investing activities	(1,195.3)	(1,761.5)
Cash flow from financing activities	(647.6)	(347.7)
Exchange rate differences on cash	46.0	(41.7)
Change in cash and cash equivalents	**134.0**	**74.6**
Cash and cash equivalents at the beginning of the period	642.9	572.2
Change in cash and cash equivalents according to cash flow statement	134.0	74.6
Changes in the consolidated group [1]	(4.0)	(3.8)
Cash and cash equivalents at the end of the period	**772.9**	**642.9**

[1] Cf. the explanatory remarks in the "Consolidation" section of the notes

Cash flow from operating activities

The cash flow from operating activities, which also includes inflows from interest received and dividend receipts, amounted to EUR 1,930.9 million in the year under review as opposed to EUR 2,225.5 million in the previous year. The decrease of EUR 294.6 million in the net inflow year-on-year – despite the modest rise in net premium – was attributable mainly to increased losses paid for hailstorm Andreas as well as for US mortality and senior health insurance business.

Cash flow from operating activities M 35
in EUR million



Cash flow from investing activities

Making allowance for dividend payments and financing measures, the high cash flow from operating activities recorded in the year under review – as in the previous year – was for the most part invested in an amount of EUR 1,195.3 million (EUR 1,761.5 million) in additional investments while at the same time preserving the asset structure. The area of fixed-income securities saw particularly elevated activity compared to the previous year, attributable in part to the regrouping of the investment portfolio from EUR into USD at our subsidiaries in Bermuda and partly also to our repurchase and issuance of new subordinated debt.

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

Cash flow from financing activities

With dividend payments remaining roughly unchanged at EUR 403.4 million (EUR 410.3 million), the cash flow from financing activities decreased from -EUR 347.7 million to -EUR 647.6 million. The change was due to subordinated debt of EUR 493.5 million placed in the year under review as well repayment of the EUR 750 million subordinated debt issued by Hannover Finanz (Luxemburg) S.A. at the first scheduled redemption date. The taking up of long-term debt by HR GLL Central Europe GmbH & Co. KG, Munich, in an amount of EUR 77.3 million in the previous year resulted in a further change of -EUR 53.8 million in the cash inflow.

Overall, allowing for the changes in the consolidated group, the cash and cash equivalents therefore increased year-on-year by EUR 130.0 million to EUR 772.9 million.

For further information on our liquidity management please see 97 of the risk report.

Financial strength ratings

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

Financial strength ratings of the Hannover Re Group M 36

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

Financial strength ratings of subsidiaries M 37

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

Issue ratings of issued debt

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

Issue ratings of issued debt M 38

	Standard & Poor's	A.M. Best
Hannover Rück SE, subordinated debt, EUR 500 million; 2014/undated	A	a
Hannover Finance (Luxembourg) S.A., subordinated debt, EUR 500 million; 2012/2043	A	a+
Hannover Finance (Luxembourg) S.A., subordinated debt, EUR 500 million; 2010/2040	A	a+
Hannover Finance (Luxembourg) S.A., subordinated debt, EUR 500 million; 2005/undated	A	a

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

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

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

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

Talanx AG, Riethorst 2, 30659 Hannover, holds altogether 50.2% (rounded) of the company's voting rights, with 12.0% (rounded) thereof held indirectly. HDI-Haftpflichtverband der Deutschen Industrie Versicherungsverein auf Gegenseitigkeit, Riethorst 2, 30659 Hannover, which holds a stake of 79.0% in Talanx AG, therefore indirectly holds 39.7% (rounded) of the voting rights in the company.

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

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

The powers of the Executive Board with respect to the issue and repurchase of shares are defined in the Articles of Association of Hannover Rück SE as well as in §§ 71 et seq. Stock Corporation Act. In this connection the Annual General Meeting authorised the Executive Board on 4 May 2010 pursuant to § 71 Para. 1 Number 8 Stock Corporation Act to acquire treasury shares on certain conditions for a period of five years, ending on 3 May 2015.

The following paragraphs explain major agreements concluded by the company that are subject to reservation in the event of a change of control, inter alia following a takeover bid, and describe the resulting effects. The letter of credit lines extended to Hannover Rück SE contain standard market change-of-control clauses that entitle the banks to require early repayment if Talanx AG loses its majority interest or drops below the threshold of a 25% participation or if a third party acquires the majority interest in Hannover Rück SE. For details of the letter of credit lines please see our explanatory remarks on other financial facilities in the notes, Section 6.12 "Debt and subordinated capital", page 213.

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

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

Information on Hannover Rück SE

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

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

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

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

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

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

Results of operations

The 2014 financial year was a very pleasing one for Hannover Rück SE. The gross premium of Hannover Rück SE in total business contracted by a modest 1.7% to EUR 10.9 billion (previous year: EUR 11.1 billion). The level of retained premium increased from 75.2% to 79.3%. Net premium earned grew by 3.3% to EUR 8.5 billion (EUR 8.2 billion).

The underwriting result for total business (before changes in the equalisation reserve) declined in the year under review from -EUR 4.7 million to -EUR 15.0 million. An amount of EUR 277.6 million (EUR 267.7 million) was allocated to the equalisation reserve and similar provisions.

Condensed profit and loss account of Hannover Rück SE M 39

in EUR thousand	2014	2013
Earned premiums, net of retrocession	8,481,296	8,209,507
Allocated investment return transferred from the non-technical account, net of retrocession	442,194	194,599
Other technical income, net of retrocession	23	425
Claims incurred, net of retrocession	6,801,306	6,254,293
Changes in other technical provisions, net of retrocession	166,116	21,669
Bonuses and rebates, net of retrocession	48	1,963
Operating expenses, net of retrocession	2,301,759	2,171,507
Other technical charges, net of retrocession	1,533	3,121
Subtotal	**(15,017)**	**(4,684)**
Change in the equalisation reserve and similar provisions	(277,646)	(267,717)
Net technical result	**(292,663)**	**(272,401)**
Investment income	1,739,563	1,385,550
Investment charges	158,722	268,993
Allocated investment return transferred to the technical account	(567,810)	(247,895)
Other income	161,566	109,866
Other charges	284,151	325,993
Profit or loss on ordinary activities before tax	**597,783**	**380,134**
Taxes on profit and income and other taxes	176,546	12,973
Profit for the financial year	**421,237**	**367,161**
Profit brought forward from previous year	94,208	89,209
Withdrawals from other retained earnings	–	–
Allocations to other retained earnings	445	370
Disposable profit	**515,000**	**456,000**

Major loss expenditure in the year under review was lower than in 2013. Although the hurricane season once again passed off unremarkably, a number of natural catastrophe events were recorded. In Western Europe, for example, the low pressure area Ela caused extensive damage. The resulting net strain for Hannover Re's account was EUR 15.9 million. For the aviation line the year under review was a particularly costly one. The largest single loss derived from attacks on Tripoli airport, for which we have set aside net reserves of EUR 47.9 million. The total net expenditure incurred by Hannover Rück SE from major losses was EUR 257.0 million (EUR 283.2 million).

Ordinary investment income including deposit interest comfortably exceeded the previous year's level to reach EUR 1,589.6 million (EUR 1,304.8 million). This was due principally to increased income from the similarly enlarged volume of deposits with ceding companies and higher distributions from our investment holding companies. Net gains of EUR 104.0 million (EUR 43.5 million) were realised on disposals. Write-downs of EUR 92.9 million (EUR 186.7 million) were taken on investments. The decrease is for the most part attributable to extraordinary income booked in the previous year on shares in affiliated companies and fixed-income securities. The write-downs contrasted with write-ups of EUR 30.5 million (EUR 14.4 million) that were made on assets written down in previous periods in order to reflect increased fair values. Provisions for contingent losses of EUR 19.9 million (EUR 21.7 million) were established due to lower fair values of some of our inflation swaps. They were opposed by reversals of provisions for contingent losses constituted for technical derivatives in an amount of EUR 1.9 million (EUR 6.1 million).

All in all, our net investment result improved to EUR 1,580.8 million (EUR 1,116.6 million).

The profit on ordinary activities increased to EUR 597.8 million (EUR 380.1 million). The year under review closed with a profit for the year of EUR 421.2 million (EUR 367.2 million).

Development of the individual lines of business

The following section describes the development of the various lines of business. We would like to point out that with effect from the beginning of the year under review the exchange of business under joint underwriting arrangements between Hannover Rück SE and E+S Rückversicherung AG was discontinued. In property and casualty reinsurance, however, a retrocession from Hannover Rück SE to E+S Rückversicherung AG has been maintained. The proportion of Hannover Rück SE's gross written premium attributable to business accepted from E+S Rückversicherung AG stood at -0.1% (3.7%) in the year under review and relates to the run-off of the 2013 and prior underwriting years.

Fire

Total gross premium income for the fire line contracted by 5.6% in the 2014 financial year to EUR 1,298.2 million (EUR 1,375.7 million). The net loss ratio improved in the year under review from 64.0% to 61.4%. The underwriting profit climbed to EUR 140.3 million (EUR 105.3 million). An amount of EUR 186.6 million (EUR 148.4 million) was allocated to the equalisation reserve and similar provisions.

Fire M 40

in EUR million	2014	2013
Gross written premium	1,298.2	1,375.7
Loss ratio (%)	61.4	64.0
Underwriting result (net)	140.3	105.3

Casualty

Gross premium in casualty business fell by 4.3% to EUR 1,174.7 million (EUR 1,228.0 million). The loss ratio increased from 96.6% to 104.5%. The underwriting result consequently slipped back to -EUR 276.0 million (-EUR 209.8 million). An amount of EUR 88.7 million was withdrawn from the equalisation reserve and similar provisions in the year under review; the withdrawal in the previous year had totalled EUR 34.2 million.

Casualty M 41

in EUR million	2014	2013
Gross written premium	1,174.7	1,228.0
Loss ratio (%)	104.5	96.6
Underwriting result (net)	(276.0)	(209.8)

Accident

Gross premium decreased by 12.8% to EUR 316.0 million (EUR 362.2 million). Profitability was gratifying: the very good loss ratio of 52.8% in the previous year was maintained fairly stable in the year under review at 57.4%. The underwriting result came in at a very pleasing EUR 32.2 million, after EUR 31.9 million in the previous year. An amount of EUR 2.9 million was allocated to the equalisation reserve and similar provisions, following an allocation of EUR 2.5 million in the previous year.

Accident M 42

in EUR million	2014	2013
Gross written premium	316.0	362.2
Loss ratio (%)	57.4	52.8
Underwriting result (net)	32.2	31.9

Motor

The gross premium volume for the motor line climbed by a very substantial 44.0%% to EUR 941.7 million (EUR 653.8 million) following the assumption of a large motor quota share arrangement in China. The loss ratio improved to 39.1% (78.9%). The underwriting result consequently increased sharply year-on-year to EUR 138.2 million (-EUR 21.2 million). An amount of EUR 69.3 million was allocated to the equalisation reserve and similar provisions in the year under review, after a withdrawal of EUR 37.2 million in the previous year.

Motor M 43

in EUR million	2014	2013
Gross written premium	941.7	653.8
Loss ratio (%)	39.1	78.9
Underwriting result (net)	138.2	(21.2)

Aviation

Gross premium volume contracted by 10.6% in 2014 from EUR 384.5 million to EUR 343.6 million. Losses incurred in the year under review – in contrast to previous years – were exceptionally heavy. Against this backdrop the loss ratio deteriorated from 50.9% to 102.1%. The underwriting result came in at -EUR 60.7 million (EUR 66.1 million). Following an allocation of EUR 34.0 million in the previous year, an amount of EUR 34.4 million was withdrawn from the equalisation reserve and similar provisions in the year under review.

Aviation M 44

in EUR million	2014	2013
Gross written premium	343.6	384.5
Loss ratio (%)	102.1	50.9
Underwriting result (net)	(60.7)	66.1

Marine

Gross written premium climbed by 4.7% to EUR 433.8 million (EUR 414.4 million). The net loss ratio deteriorated from 49.4% to 62.2%. The underwriting result consequently retreated from EUR 75.5 million to EUR 39.4 million. Among the key factors here the most notable was the increased market loss associated with the wreck of the "Costa Concordia" owing to the costly salvage operation. With this in mind we set aside additional reserves. The originally estimated loss expenditure in connection with a wrecked container vessel had also risen. An amount of EUR 91.3 million (EUR 123.3 million) was allocated to the equalisation reserve and similar provisions.

Marine M 45

in EUR million	2014	2013
Gross written premium	433.8	414.4
Loss ratio (%)	62.2	49.4
Underwriting result (net)	39.4	75.5

Life

Gross premium income in the life line grew by 4.8% in the financial year just ended to EUR 4.1 billion (EUR 3.9 billion). The business climate in the largely saturated insurance markets of Western Europe was highly challenging. The steady premium erosion observed in particular in connection with a number of large treaties was therefore sustained in the year under review. In Asian markets, on the other hand, the premium development was pleasing and played a correspondingly positive part in the increased gross premium volume.

The underwriting result improved appreciably on the previous year's figure of -EUR 53.6 million to reach -EUR 19.5 million. Most strikingly, the steps that we have taken to stabilise results in Australian disability business clearly bore fruit in the year under review. In general terms, our portfolio developed very much in line with our expectations, with longevity business performing even better than anticipated.

Irrespective of the business development, the gross premium volume and the underwriting result were also influenced by, among other things, the discontinuation of the reciprocal exchange of business between Hannover Rück SE and E+S Rückversicherung AG effective 1 January 2014.

Life M 46

in EUR million	2014	2013
Gross written premium	4,082.0	3,893.5
Underwriting result (net)	(19.5)	(53.6)

Other lines

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

The total premium volume in the other lines fell by 16.8% to EUR 2.3 billion (EUR 2.7 billion). The loss ratio improved slightly to 74.1% (76.0%). The underwriting result closed at -EUR 8.9 million, after EUR 1.0 million in the previous year. An amount of EUR 50.6 million (EUR 31.0 million) was allocated to the equalisation reserve and similar provisions.

Other lines M 47

in EUR million	2014	2013
Gross written premium	2,274.9	2,735.8
Loss ratio (%)	74.1	76.0
Underwriting result (net)	(8.9)	1.0

Assets and financial position

Balance sheet structure of Hannover Rück SE M 48

in EUR thousand	2014	2013
Assets		
Intangible assets	75,731	73,438
Investments	41,912,302	33,203,262
Receivables	2,405,397	2,029,910
Other assets	362,095	386,231
Prepayments and accrued income	200,717	200,150
Total assets	**44,956,242**	**35,892,991**
Liabilities		
Subscribed capital	120,597	120,597
Capital reserve	880,608	880,608
Retained earnings	380,511	380,511
Disposable profit	515,000	456,000
Capital and reserves	**1,896,716**	**1,837,716**
Subordinated liabilities	1,500,000	1,800,000
Technical provisions	32,524,999	27,684,284
Provisions for other risks and charges	452,714	319,702
Deposits received from retrocessionaires	7,308,422	3,219,018
Other liabilities	1,273,391	1,032,271
Total liabilities	**44,956,242**	**35,892,991**

Our portfolio of assets under own management grew in the year under review to EUR 23.0 billion (EUR 20.8 billion). This corresponds to an increase of 10.6% and can be attributed above all to the very positive operating cash flow and the appreciation of key foreign currencies against the euro, although the increase in the fair values of fixed-income securities in connection with the observed yield declines on government bonds in our main currency areas also played a role. The balance of unrealised gains on fixed-income securities and bond funds increased to EUR 891.3 million (EUR 414.7 million).

Deposits with ceding companies, which are shown under the investments, totalled EUR 18.9 billion (EUR 12.4 billion) in the year under review.

Our capital and reserves – excluding the disposable profit – stood at EUR 1,381.7 million (EUR 1,381.7 million). The total capital, reserves and technical provisions – comprised of the capital and reserves excluding disposable profit, the subordinated liabilities, the equalisation reserve and similar provisions as well as the net technical provisions – grew during the year under review to EUR 35,406.7 million (EUR 30,866.0 million). Based on the increase in the total capital, reserves and technical provisions, the balance sheet total of Hannover Rück SE grew to EUR 45.0 billion (EUR 35.9 billion).

A dividend of EUR 3.00 per share, equivalent to EUR 361.8 million (EUR 361.8 million), was paid in the year under review for the 2013 financial year.

It will be proposed to the Annual General Meeting on 6 May 2015 that a dividend of EUR 3.00 plus a special dividend of EUR 1.25 per share should be paid for the 2014 financial year. This corresponds to a total distribution of EUR 512.5 million. The dividend proposal does not form part of this consolidated financial statement.

Risks and opportunities

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

Other information

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

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

Outlook

In view of the interrelations between the parent company and the Group companies and the former's large share of business within the Group, we would refer here to our remarks contained in the section entitled "Outlook for 2015" on page 136, which also reflect in particular the expectations for Hannover Rück SE. In terms of the dividend for the current financial year, we envisage a payout ratio in the range of 35% to 40% of the IFRS Group net income. This ratio may increase in light of capital management considerations if the present comfortable level of capitalisation remains unchanged.

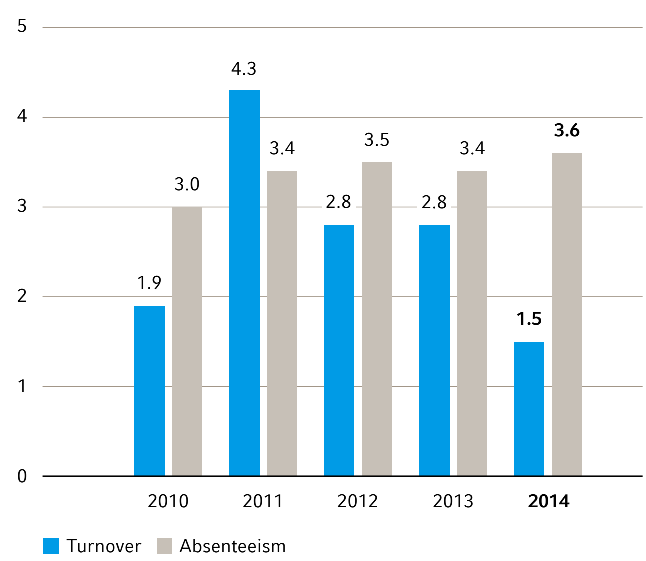
Other success factors

Our staff

Key personnel ratios

The Hannover Re Group employed 2,534 staff as at 31 December 2014 (previous year: 2,419). The turnover ratio at Home Office in Hannover of 1.5% (2.8%) was well below the level of the previous year. The rate of absenteeism – at 3.6% – was slightly higher than in the previous year (3.4%). The turnover ratio and rate of absenteeism continue to be below the average expected across the industry as a whole.

Staff turnover/absenteeism Hannover Home Office M 49
in %



Further steps taken to support the advancement of women

In the year under review, as in prior years, we continued to step up our activities in relation to diversity management and especially the advancement of women. In the period from March 2013 to March 2014 we held a mentoring programme for women as part of a pilot scheme. Five mentee/mentor tandems worked on specific issues facing each of the mentees at regular meetings. Following its conclusion we evaluated the programme and its results. It was pleasing to see the thoroughly positive evaluation both as regards the scheme's implementation and in relation to the cooperation between mentee and mentor; the clearly evident personal growth of the mentees was similarly highly gratifying. This mentoring programme was also perceived – as had been intended – as a special sign of appreciation and an intensive personnel development measure in the context of the advancement of women. The Executive Board therefore decided to continue with this programme. Preparations were made for the next round in September 2014 with two company-wide information events aimed at the target group. The application and selection phase took place in the fourth quarter of 2014, and another five mentee/mentor tandems are set to enter the mentoring programme at the beginning of 2015.

In January 2014 the advancement of women was also a topical focus of our regularly held Executive Meeting. The centrepiece here was a keynote presentation, supported by outside speakers, on the themes of "glass ceilings" and "gender-specific communication". These topics, and the resulting implications for the advancement of women, were explored in practical terms for our senior managers. We tapped into this momentum by launching our new in-house executive training session on the subject of "gender-specific communication". The aim of these two days of training, which are highly practically oriented, is to make our senior managers more aware of the differences in communication behaviour between women and men. The two seminar events held in the year under review were well received and it is envisaged that they will again form part of our internal training programme in 2015.

The advancement of women was also the subject of a number of decentralised events. For example, various parts of the company used their retreats to explore the opportunities, consequences and limits of this topic by way of presentations and discussions.

In conclusion, it can be stated that the general perception of the advancement of women within the company has changed for the better.

Improvements to our blended learning processes launched

Since 2012 we have offered a state-of-the-art form of in-house specialist skills enhancement for Home Office and for our colleagues around the world with our blended learning programmes – i. e. the combination of electronic learning methods with tutorial support. With a view to satisfying the increasingly demanding requirements that will be placed on our internal training going forward as well as on the reliable controlling of instructional activities, we launched a project in the year under review aimed at rolling out our own learning management system. The goal is to give our employees worldwide a readily available overview of training opportunities, facilitate rapid access to the existing tuition programmes and training documents and enhance administrative processes by means of appropriate workflows. The first step during the initial phase of the project, which was carried out in 2014, was to record and revise our internal training processes. Building on this foundation, we selected a learning management system that met our requirements and ensured – by way of an elaborate proof of concept – that it was tailored to our needs. Following successful completion of this project phase, the selected programme is now being launched.

Personnel development measures systematically expanded

As part of the systematic expansion of our personnel development measures, we also made the further training of our professionally seasoned staff a particular point of emphasis. In this respect, the most recent employee survey had highlighted specific requirements to which we responded with the newly designed seminars "Primary insurance know-how for reinsurers" and "Confident decision-making in complex situations". These targeted learning incentives put our experts in an even stronger position as they strive to keep pace with changing (market) requirements and continue to act with assurance in the face of growing complexity. Not only that, by means of these offerings we foster the important inclination towards lifelong learning.

The effects of shifting demographics are making themselves felt in our company, just as they are in the wider world. For this reason another focus of our attention when it comes to updating our training programme is on aspects of health and performance capability as well as on supporting our staff in the later phase of their working life. To this end, we introduced a seminar to share knowledge about health impacts on business performance and raise awareness of resilience factors. Participants get to know their own personal resources that can sustain them in a healthy lifestyle and help them to preserve their long-lasting performance potential. Another newly launched seminar is aimed specially at members of staff who will be retiring in the next few years. Entitled "Purposefully shaping the transition to retirement", it helps these employees to tackle their final years with the company proactively and prepare for retirement. On the one hand, then, this seminar leverages sources of potential for the company, while at the same time expressing the considerable esteem in which we hold such members of staff for their many years of dedication.

We have been heartened by the favourable response to all these measures and feel strengthened in our desire to continue along this path.

Breakdown of employees by country M50

	2014	2013
Germany	1,289	1,219
USA	285	280
United Kingdom	200	208
South Africa	164	164
Australia	100	85
Sweden	89	89
China	70	56
Malaysia	53	43
France	52	50
Ireland	48	50
Bahrain	45	42
Bermuda	43	43
Colombia	26	25
Italy	11	12
Canada	11	5
Korea	10	9
Japan	9	10
India	8	8
Spain	7	7
Mexico	6	6
Taiwan	4	4
Brazil	4	4
Total	**2,534**	**2,419**

Word of thanks to our staff

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

Sustainability at Hannover Re

The sustainability strategy of the Hannover Re Group

As a leading player in the reinsurance industry, the commercial success of Hannover Re is crucially dependent on the correct assessment of present and emerging risks. In the process of evaluating risks we are faced today with growing complexity as a consequence of the increasing importance attached to various aspects of sustainability. In some instances these also have direct strategic and operational relevance to our reinsurance products and our investments. Our goal, therefore, is to achieve economic success on the basis of a profit-oriented business model – while at the same time acting in accordance with the needs of our staff and the company and giving due consideration to conservation of the environment and natural resources.

With this in mind, in 2011 we drew up a Sustainability Strategy for Hannover Re in which we explicitly committed to our strategic objective of sustainable value creation. This Sustainability Strategy is based on the implementation of all compliance requirements and fleshes out in more concrete terms the higher-level corporate strategy of the Hannover Re Group. We systematically adhered to this Sustainability Strategy in the 2014 financial year. The inclusion of Hannover Re in the internationally recognised sustainability index FTSE4Good in the fourth quarter of 2014 is a testament to our achievements.

Sustainable action is not, however, something which is static; rather, it must take place dynamically and in accordance with changing environmental circumstances. In conformity with the Group Strategy, therefore, our sustainability considerations are regularly reviewed every three years and revised as necessary. Going forward, our refined Sustainability Strategy for the years 2015 to 2017 defines the following four action fields as well as specific goals and measures:

- Governance and dialogue
- Product responsibility
- Successful employees
- Environmental protection and social commitment

For details of Hannover Re's new Sustainability Strategy please see www.hannover-re.com/sustainability/index.html.

Governance and dialogue

As an internationally operating company, Hannover Re bears responsibility in various senses. This is true of its compliance with relevant laws and regulations, but also applies to its relationship with staff, shareholders, the public at large and the cultures within which the company operates. In this respect, the Group Strategy, our Corporate Governance principles and the defined Code of Conduct form the basis of our enterprise management. As a European company (SE) based in Germany, the formal framework that shapes our corporate governance is determined by national (German) law. Consequently, the company's management structure is composed of three bodies: the Executive Board, the Supervisory Board and the General Meeting. Their interaction is regulated by law and by the company's articles of association.

In addition to our continuous engagement with the changing legal framework conditions, since 2003 we have provided an annual Declaration of Conformity with the German Corporate Governance Code (DCKG); this is published on our corporate website and can also be found on page 101 et seq. of the present Annual Report. The Corporate Governance principles of

Hannover Rück SE are also subject to regular review and fulfil the recommendations of the currently valid version of the German Corporate Governance Code. Furthermore, given that the trust of our stakeholder groups and an immaculate reputation are vital to the success of our company, we make every effort to cultivate an active dialogue with representatives of the capital market and society as a whole as well as with our clients and staff.

In 2014 Hannover Re's sustainability performance was again evaluated by the rating agency Oekom Research; our company was awarded "Prime" status in recognition of its above-average fulfilment of industry-specific requirements. In addition, Hannover Re was added to the worldwide FTSE4Good Index Series in the financial year just ended by the FTSE4Good Advisory Committee. The company's inclusion was based on its sustainability rating according to ESG (environmental, social and governance) criteria for 2014. We have thus achieved another major objective of our Sustainability Strategy.

In the year just ended we again reported on our achievements as a responsible enterprise in the form of a stand-alone Sustainability Report. In this regard we follow the currently applicable and internationally recognised guidelines of the Global Reporting Initiative (GRI); we fulfil Application Level B – the intermediate level of transparency – as defined by the GRI.

Our detailed Sustainability Report can be accessed at www.hannover-re.com/sustainability/index.html

Product responsibility

As one of the world's leading reinsurers, we essentially bear responsibility for two specialist areas when it comes to our core business: in the first place for our reinsurance business, and secondly for the management of our investments.

Our range of reinsurance products and services is geared to the needs of the market and our clients. Hannover Re is active in virtually all lines of reinsurance business. Our products range from traditional reinsurance to complex individual solutions for risk transfer and the optimisation of our clients' capital requirements. In response to changing social challenges, new economic, social and ecological risks – known as emerging risks – are increasingly reflected in our risk assessment. Examples of emerging risks include demographic change, the formation of megacities, shortages of resources, climate change and its impacts on global development (natural disasters, environmental damage) as well as pandemics and risks associated with technological progress (such as cyber-risks). We use all internally and externally acquired insights in order to be able to offer better or innovative (re)insurance solutions.

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

Successful employees

Given that our employees are absolutely crucial to the success of our company, we have defined strategic principles for our human resources management. In order to ensure that we are always perceived as an attractive employer by our existing staff and potential new junior recruits, we pay special attention to their skills and further growth. The health and well-being of our staff are also vital to the sustainable development of our business. The focus of our efforts is therefore on the prevention of disease, e. g. through medical check-ups by the company physician, workplace inspections, advice and treatment relating to matters of general medicine as well as a range of sporting opportunities designed to promote a healthy lifestyle.

We also stress the importance of enabling our employees to strike the right balance between their career and private life. Consequently, we offer individually customisable part-time and telecommuting models as well as flexitime working arrangements with no core hours. By offering such flexibility we want to help our employees organise their daily routine in various stages of life such as starting a family or preparing for retirement. One of the cornerstones of our successful business activities, along with skills and commitment, is the high degree of diversity in our workforce – since this is vital to safeguarding our high global quality standard.

Environmental protection and social commitment

Hannover Re makes every effort to keep negative environmental impacts of its business operations as low as possible. With this in mind, we focus in particular on reducing carbon dioxide (CO_2) emissions from our electricity consumption and the heating of our premises as well as those caused by business travel. Our goal is to operate on a climate-neutral basis at Hannover Home Office by the year 2015. In addition, we are committed to the economical and environmentally friendly use of (raw) materials such as paper and water in our offices. Major steps taken towards achieving this goal were the changeover to power generated from purely renewable sources, the installation of a photovoltaic system on the roof of our main office building in Hannover and the implementation of an environmental management system. Shortly after its launch in 2012 this was successfully certified according to DIN EN ISO 14001; its conformity was recertified in the context of the 2014 maintenance audit.

Hannover Re's carbon dioxide emissions at its German location in 2014 amounted to 7,798 (previous year: 7,203) tonnes, some 8.3% more than in the previous year. This is equivalent to per capita CO_2 emissions of 6.0 tonnes (+2.4% compared to the previous year).

In 2014, as in previous years, we compensated for our unavoidable CO_2 emissions of 7,514 (6,859) tonnes caused by airline travel by making voluntary offsetting payments to the international organisation "atmosfair" and thereby supported selected climate protection projects in developing and emerging countries. No offsetting payments had to be made in the financial year just ended for emissions resulting from rail travel because Hannover Re participates in Deutsche Bahn's corporate customer programme under which every kilometre of train travel within Germany is powered by 100% green energy.

In the financial year just ended, as in prior years, we reported on our climate strategy and our measures to reduce carbon dioxide emissions as part of the international initiative overseen by the Carbon Disclosure Project (CDP).

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

Resources consumed at Hannover Home Office M 51

	2014[3]	2013[3]	2012[3]	2011[2]	2010[1]
Number of staff	1,289	1,219	1,164	1,110	1,089
Electricity (in kWh)	8,969,975	9,114,482	8,802,262	8,214,917	8,055,429
Heat (in kWh)	2,748,014	3,359,694	2,319,854	1,859,119	2,383,918
Water (in l)	15,176,000	15,778,000	14,961,000	14,464,500	14,722,000
Paper (in sheets)	7,551,200	8,502,060	8,766,000	9,172,180	9,074,300
Waste (in kg)	193,760	214,250	205,790	257,400	297,000
Business trips (in km)	20,447,867	18,185,062	16,654,504	17,658,598	16,018,500
CO_2 emissions[4] (in kg)	7,798,000	7,203,000	4,984,000	8,123,000	7,685,000

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

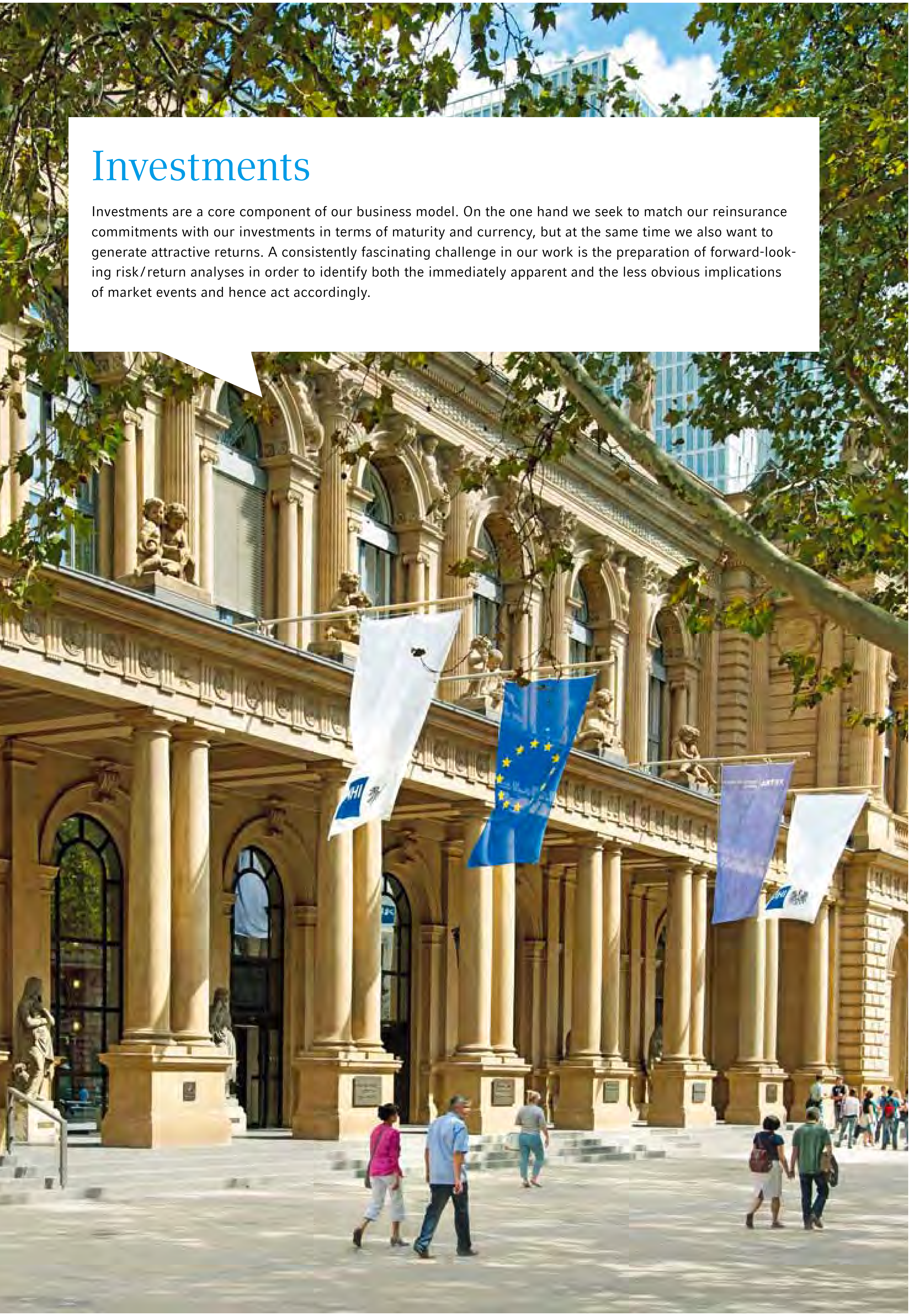
Hannover Re's commitment to society has a long tradition. The company has been active as a sponsor of culture and social projects since its founding in 1966. Today, we concentrate our non-profit activities on the areas of art and music as well as research and learning. We also support the voluntary social engagement of our members of staff. Our involvement encompasses not only projects in Germany but also activities at our international locations.

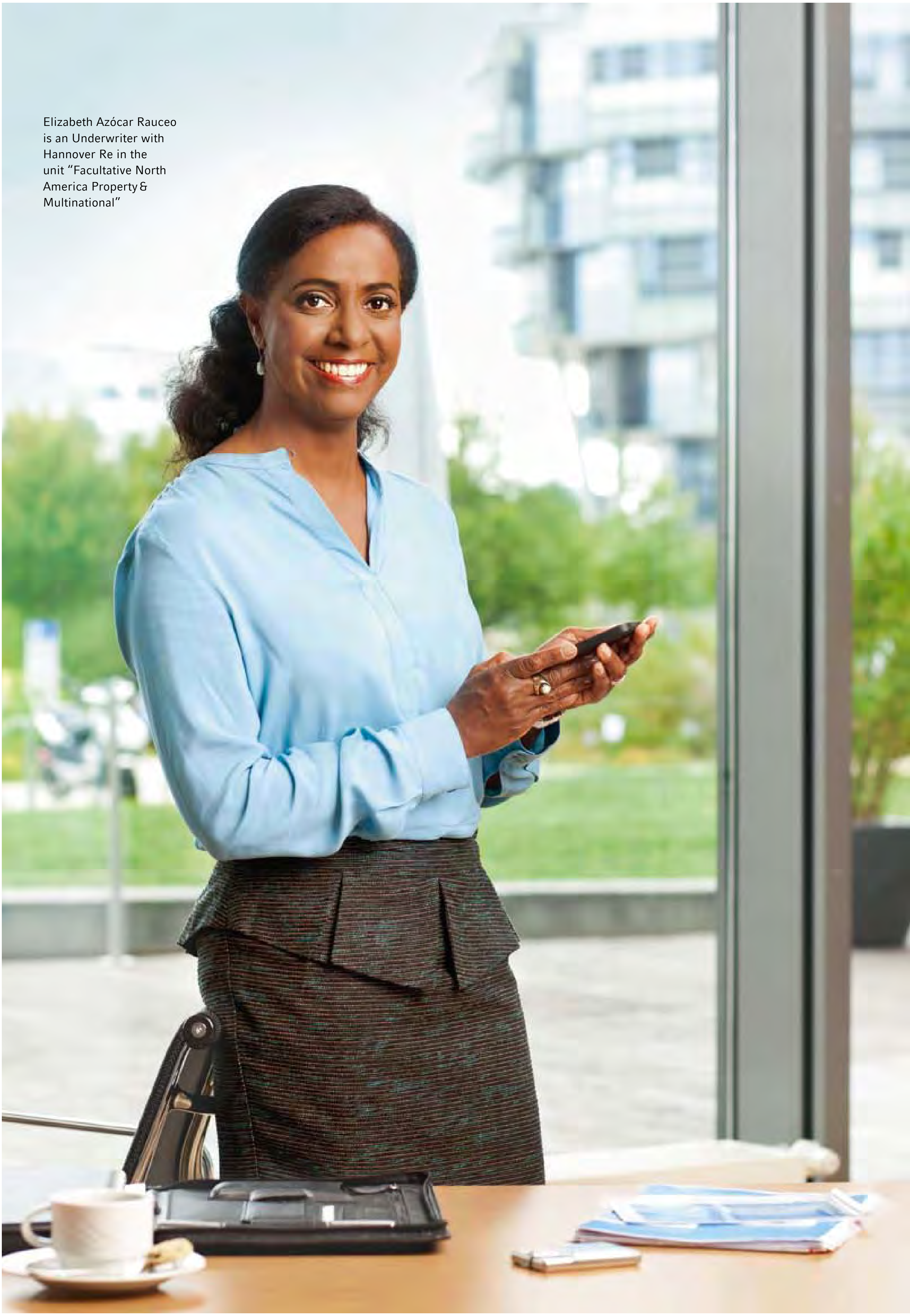
More detailed information on our social commitment can be found at www.hannover-re.com/sustainability/index.html

Gerald Segler is the Director in charge of "Investment and Collateral Management" at Hannover Re

Investments

Investments are a core component of our business model. On the one hand we seek to match our reinsurance commitments with our investments in terms of maturity and currency, but at the same time we also want to generate attractive returns. A consistently fascinating challenge in our work is the preparation of forward-looking risk/return analyses in order to identify both the immediately apparent and the less obvious implications of market events and hence act accordingly.





Elizabeth Azócar Rauceo is an Underwriter with Hannover Re in the unit “Facultative North America Property & Multinational”

Facultative business – North America

Facultative reinsurance refers to the coverage of significant individual risks outside of obligatory reinsurance. In particular, insurers tend to reinsure complex risks of large undertakings with sizeable operating facilities spanning several countries or extensive production processes on an individual risk basis so as to spread the risk exposure worldwide. Our clients, for example, reinsure insurance risks associated with financial groups, real estate companies, undertakings in the food industry, rail operators, municipalities, semiconductor and IT manufacturers, carmakers or airline companies on a facultative basis.

A key element of the risk analysis focuses on the existing assets, usually in the form of property. These may be endangered by human or technical failure or by natural events; insurers reinsure them on an individual risk basis in order to spread the risk exposure globally. Extensive in-depth know-how, especially in the natural sciences and risk modelling, is needed in order to provide facultative reinsurance. Hannover Re has vigorously expanded its facultative business and can offer customers a more comprehensive service combined with growing reinsurance capacity.

Opportunity and risk report

Risk report

- We are well capitalised, and our available capital comfortably exceeds the required capital
- We are convinced that our Group-wide risk management system gives us a transparent overview of the current risk situation at all times and that we are optimally prepared for Solvency II

Strategy implementation

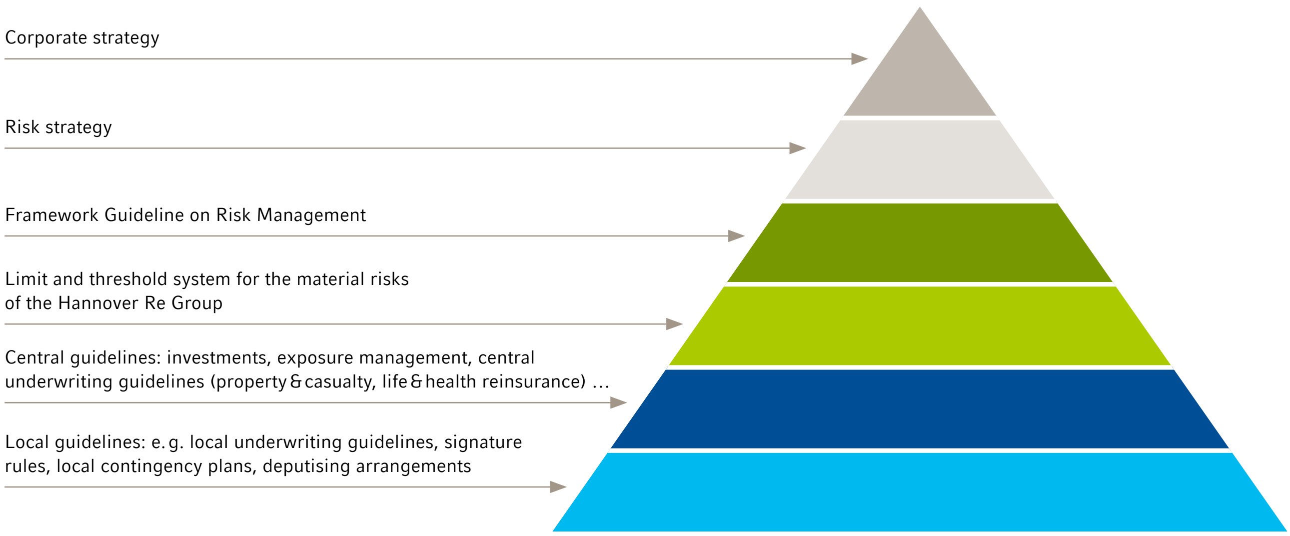
In the course of the last financial year we revised our corporate strategy. It encompasses ten fundamental strategic principles which safeguard the realisation of our vision "Long-term success in a competitive business" across the various divisions. For further information on the corporate strategy and the strategic principles in detail please see the section entitled "Our strategy" on page 12 et seq. The following principles of the corporate strategy constitute the key strategic points of departure for our Group-wide risk management:

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

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

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

Implementation of strategy M 52



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

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

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

Strategic targets for the risk position M 53

	Limit	2014
Probability of positive Group net income	>90%	95.4%
Probability of complete loss of shareholders' equity	<0.03%	0.01%
Probability of complete loss of economic capital	<0.03%	<0.01%

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

Regulatory developments: Solvency II is a reform of insurance supervision law in Europe, the implementation of which on 1 January 2016 poses enormous challenges for the entire (re) insurance industry. Along with redefining capital requirements, Solvency II places additional demands on companies' internal management systems and on the information to be disclosed by undertakings to the regulator and the public at large. Further more specific aspects of Solvency II were defined in 2014, and among other things there is a new draft of the delegated act. Hannover Re has been progressively implementing the new requirements in recent years. Our internal target capitalisation with a confindence level of 99.97% comfortably exceeds the target level of 99.5% under Solvency II. The core functions of Solvency II – the risk management function, the actuarial function, the compliance function and the internal audit function – have been implemented along existing processes and organisational structures at Hannover Re. Additional staff had to be taken on and extra systems deployed as part of the launch phase, first and foremost in order to be able to meet internal and external reporting requirements.

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

Above and beyond this, further capital requirements for large, internationally operating (re)insurance groups are to be anticipated in the future. These requirements are under development by the IAIS and the Financial Stability Board (FSB).

Solvency II: Hannover Re is well prepared M 54

Solvency II

Pillar 1

Quantitative requirements
- Capital requirements (SCR / MCR *)
- Own funds (solvency balance sheet)
- Standard model and internal model

Pillar 2

Qualitative requirements
- Internal controls, risk management and key functions
- Internal risk assessment
- Supervisory review procedure

Pillar 3

Disclosure requirements
- to the regulator and the public
- with the goal of market transparency and market discipline

Hannover Re

Hannover Re will seek approval of a partial internal model. Internal and external risk quantification is therefore largely consistent.

Hannover Re has long had in place an internal control system, the necessary key functions and extensive risk management. Additional requirements arising out of Solvency II have been implemented progressively in recent years.

We support our clients in their preparations for Solvency II through the flexible design of our products and by sharing experiences.

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

Capital market environment: Another major external influencing factor is the protracted low level of interest rates, especially with an eye to the return on our investments. For further information please see the "Investments" section of the management report on page 52 et seq.

Risk capital

In the interests of our shareholders and clients we strive to ensure that our risks remain commensurate with our capital resources. Our quantitative risk management provides a uniform framework for the evaluation and steering of all risks affecting the company as well as of our capital position. In this context, the internal capital model is our central tool. The internal capital model of the Hannover Re Group is a stochastic enterprise model. It covers all subsidiaries and business groups of the Hannover Re Group. The central variable in risk and enterprise management is the economic capital, which is calculated according to market-consistent measurement principles and in many respects corresponds to the own funds under Solvency II. Hannover Re's internal capital model reflects all risks that influence the development of the economic capital. They are split into underwriting risks, market risks, counterparty default risks and operational risks. For each of these risk classes we have identified a number of risk factors for which we define probability distributions. These risk factors include, for example, economic indicators such as interest rates, exchange rates and inflation indices, but also insurance-specific indicators such as the mortality of a particular age group within our portfolio of insureds in a particular country or the number of natural catastrophes in a certain region and the insured loss amount per catastrophe. The specification of the probability distributions for the risk factors draws upon historical and publically available data as well as on the internal data resources of the Hannover Re Group. The process is further supplemented by the know-how of internal and external experts. The fit of the probability distributions is regularly checked by our specialist departments, although more importantly it is also verified in the context of the regular, company-wide use of the capital model when assessing risks and allocating the cost of capital. Hannover Re calculates the required risk capital as the Value at Risk (VaR) of the economic change in value over a period of one year with a confidence level of 99.97%. This reflects the goal of not exceeding a one-year ruin probability of 0.03%. The internal target capitalisation of the Hannover Re Group is therefore significantly higher than the confidence level of 99.5% which will be required in future under Solvency II. It goes without saying that Hannover Rück SE also meets the current capital requirements set by regulators. The capital adequacy ratio of Hannover Rück SE under Solvency I stood at 136% as at 31 December 2014. Since the corresponding calculation is neither market-consistent nor risk-based a relevant comparison with the coverage ratio under the internal capital model is not possible.

The Hannover Re Group is seeking approval of its internal model for the determination of regulatory capital under Solvency II. If approval is given and depending on the final measurement rules of Solvency II, the capitalisation with a confidence level of 99.5% constitutes an indication of the fulfilment of future regulatory requirements. Our excess capital coverage at the target confidence level of 99.97% is currently very comfortable. Hannover Re is well capitalised and our available capital comfortably exceeds the currently required capital:

Available capital and required risk capital **M 55**

in EUR million	2014		2013	
Available economic capital	12,443.9		11,143.9	
Confidence level	**99.97%**	**99.5%**	**99.97%**	**99.5%**
Required risk capital	7,786.6	4,353.1	6,896.9	3,375.2
Excess capital	4,657.3	8,090.8	4,247.0	7,768.6
Capital adequacy ratio	159.8%	285.9%	161.6%	330.2%

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

Hannover Re is well capitalised and our available capital significantly exceeds the current capital requirement, as is also reflected in the following management ratios.

Capitalisation ratios M56

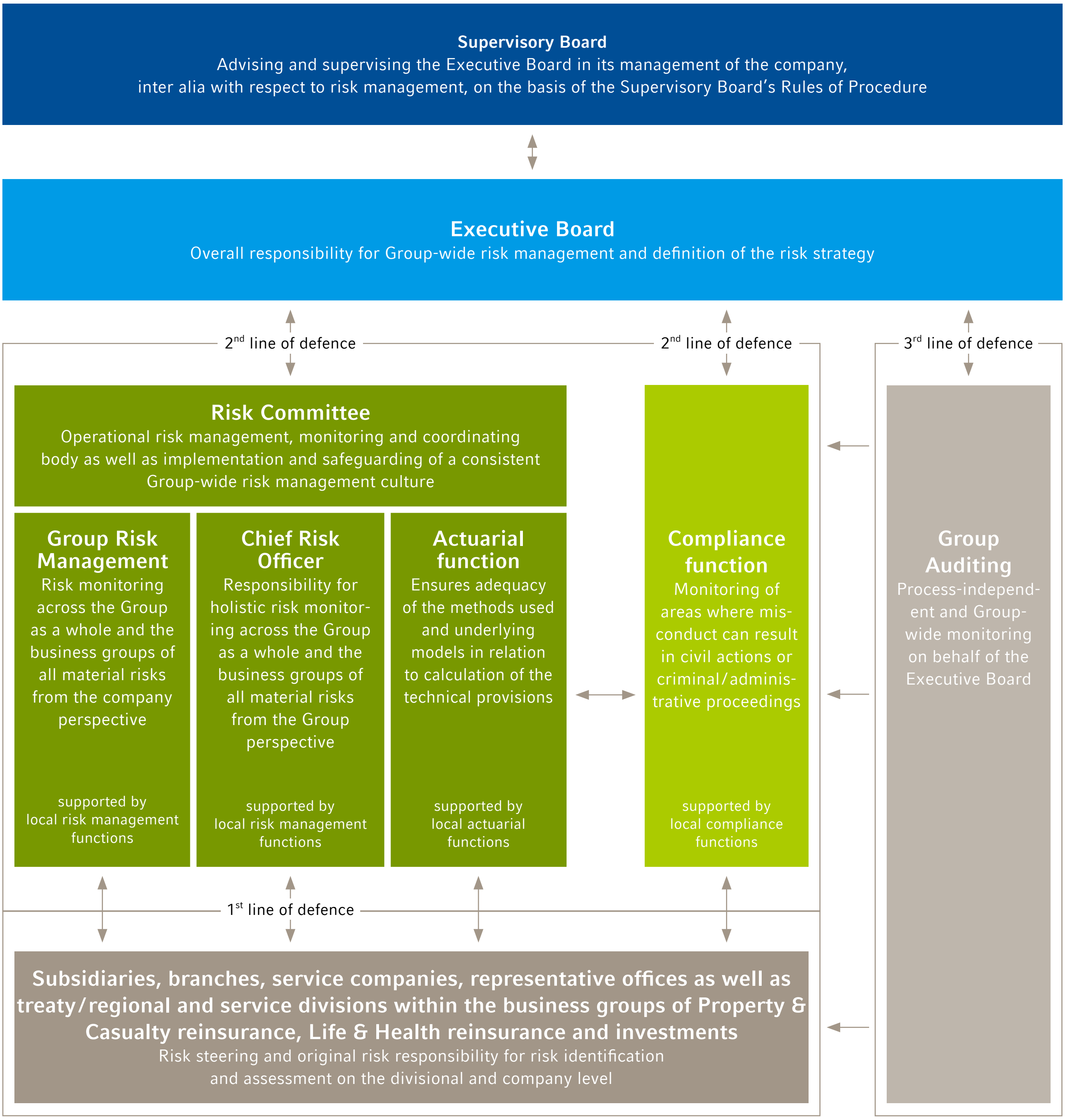
Management ratios	2014	2013	2012	2011	2010
Solvency margin [1]	82.4%	71.7%	72.9%	68.3%	69.5%
Debt leverage [2]	24.1%	34.3%	33.3%	30.9%	36.5%
Interest coverage [3]	15.3x	9.7x	13.3x	8.5x	13.8x
Reserves/premium [4]	295.7%	270.6%	268.4%	292.7%	275.1%

1 (Shareholders' equity + hybrid capital)/net premium earned
2 Hybrid capital/shareholders' equity
3 EBIT/interest on hybrid capital
4 Net reserves/net premium earned

Organisation and processes of risk management

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

Central functions of risk monitoring and steering M 57



The risk management functions meet regularly, e.g. in the context of the Group Risk Management Meeting (GRiMM), in order to support Group-wide risk communication and establish an open risk culture.

Key elements of our risk management system

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

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

Risk-bearing capacity concept

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

Risk identification

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

Risk analysis and assessment

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

Risk steering

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

Risk monitoring

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

Risk communication and risk culture

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

Risk reporting

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

Process-integrated/-independent monitoring and quality assurance

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

Internal control system

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

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

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

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

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

Internal risk assessment

In the following section we compare the available economic capital with the required risk capital. Hannover Re calculates the economic equity as the difference between the market-consistent value of the assets and the market-consistent value of the liabilities. The corresponding measurement principles also largely apply to the Intrinsic Value Creation (IVC) (see the section “Management system” on page 24 et seq.). While fair values are available for most investments, the market-consistent valuation of reinsurance treaties necessitates a specific valuation model. We establish the market-consistent value of technical items as the present value of projected payments using actuarial methods. This is adjusted by a risk loading that factors in the fluctuation in future payments. Such fluctuations result from risks that cannot be hedged by means of capital market products, such as underwriting risks. We use risk-free interest rates derived from yields on the highest-quality government bonds for discounting of our future cash flows. Market prices for options and guarantees embedded in insurance contracts are determined or approximated using option valuation models from the field of financial mathematics. The methods used are the same as those adopted in the calculation of our Market Consistent Embedded Value (MCEV) (for further remarks on the Market Consistent Embedded Value please see our comments in the section “Underwriting risks in life and health reinsurance” on page 89 et seq.). The significance of these options and guarantees in our portfolio is, however, minimal. The valuation reserves for investments shown in the following table indicate the difference between fair value and book value of those investments recognised under IFRS at book values. Other valuation adjustments encompass above all deferred tax assets and liabilities that arise in connection with valuation adjustments. The available economic capital, which is available as liable capital for policyholders, is composed of the economic equity and the hybrid capital.

The available economic capital increased in the period under review from EUR 11,143.9 million to EUR 12,443.9 million. This was due principally to the successful business result in 2014, positive effects from the weakening of the euro against our major currencies and a rise in the valuation reserves for investments, principally owing to yield declines on government bonds in our main currency areas and also in some cases to reduced credit spreads. As a consequence of a decrease in the discounting effect for the loss reserves, the low interest rate environment gave rise to opposing effects in the valuation adjustments for property and casualty reinsurance. A further factor was an increase in the risk premium, which reflects the higher capital requirements in this business group. Positive effects derived from a higher assessment of the valuation reserve for the loss reserves. The valuation adjustments for life and health reinsurance increased due to the favourable development of new business and positive effects from economic changes associated with interest rates and exchange rates. This is opposed by a higher risk premium – above all for the increased longevity risks – as well as negative effects from revised assumptions and model adjustments. The item "Valuation adjustments due to tax effects and other" decreased primarily owing to higher tax effects from valuation adjustment. The available capital from subordinated bonds was reduced in the period under review owing to redemption of a hybrid bond, which was only partially replaced with a new issue.

Reconciliation (economic capital/shareholders' equity) **M 58**

in EUR million	2014	2013
Shareholders' equity	8,253.0	6,530.0
Value adjustments for property and casualty reinsurance	1,138.6	1,627.8
Value adjustments for life and health reinsurance	1,540.7	1,116.5
Value adjustments for assets under own management	555.5	357.6
Value adjustments due to tax effects and other	(1,030.4)	(725.8)
Economic equity	**10,457.4**	**8,906.1**
Hybrid capital	1,986.5	2,237.8
Available economic capital	**12,443.9**	**11,143.9**

The required risk capital of the Hannover Re Group at the target confidence level of 99.97% rose in the year under review from EUR 6,896.9 million to EUR 7,786.6 million. The bulk of the increase resulted from a model- and volume-driven rise in market risks. The market risks rose due to the strengthening of several model parameters in the credit and spread model as well as of the dependency parameters between risk factors in conjunction with substantially higher investment volumes due to exchange rate movements and positive cash flows.

The underwriting risks in property and casualty reinsurance increased on account of the larger volume of reserves. In addition, parameters in the reserve risk model were strengthened for risks at the end of run-off. The premium risk (incl. catastrophe risk) has scarcely changed. The increase in the underwriting risks in life and health reinsurance, particularly in the area of longevity risks, was primarily due to the larger business volume. The operational risks also increased in step with the underlying business volumes.

Default risks decreased owing to the improved average credit status of our counterparties and a reduced volume of receivables due from retrocessionaires. To some extent the reduction was cancelled out by model adjustments. Due to the rise in the required capital for almost all risk categories, the diversification effect also increased.

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

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

Required risk capital M 59

in EUR million	2014 Confidence level 99.97%	2014 Confidence level 99.5%	2013 Confidence level 99.97%	2013 Confidence level 99.5%
Underwriting risk in property and casualty reinsurance	5,023.1	3,101.1	4,459.9	2,738.6
Underwriting risk in life and health reinsurance	3,327.2	1,906.9	2,607.3	1,434.3
Market risk	5,141.9	3,521.6	3,609.5	2,032.9
Counterparty default risk	756.3	254.7	739.5	324.0
Operational risk	595.4	382.7	510.7	296.8
Diversification	(5,687.1)	(3,299.6)	(3,905.2)	(2,187.7)
Tax effects	(1,370.2)	(1,514.3)	(1,124.8)	(1,263.7)
Required risk capital of the Hannover Re Group	**7,786.6**	**4,353.1**	**6,896.9**	**3,375.2**

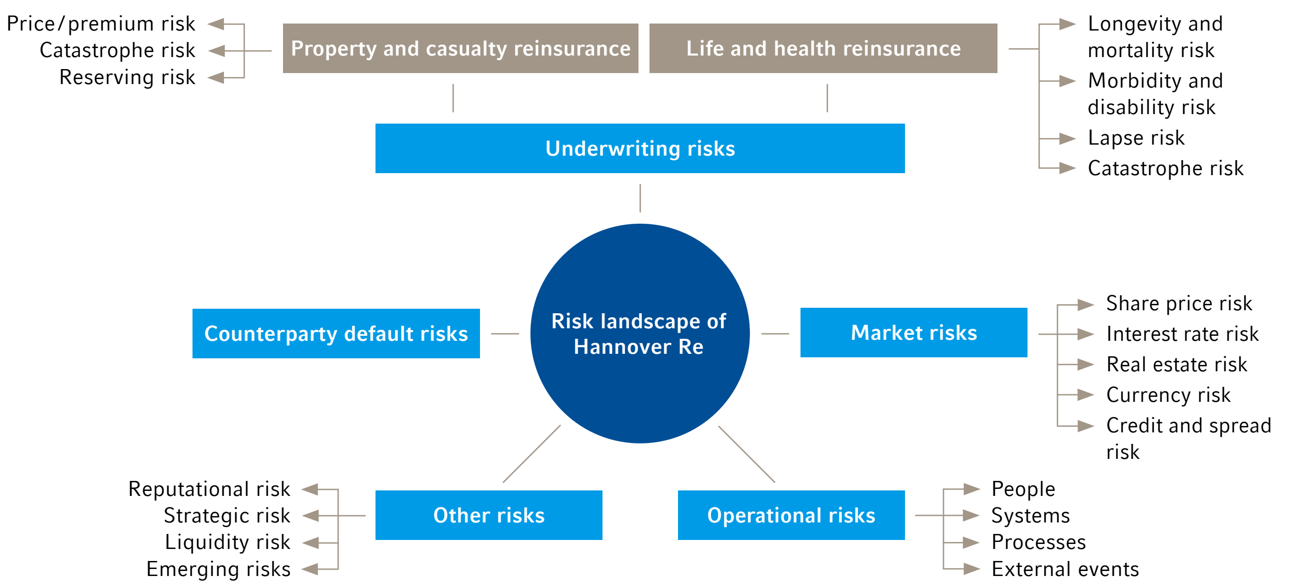
Risk landscape of Hannover Re

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

The risk landscape of Hannover Re encompasses:

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

Risk landscape of Hannover Re M 60



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

Underwriting risks in property and casualty reinsurance

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

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

Required risk capital[1] for underwriting risks in property and casualty reinsurance M 61

in EUR million	2014	2013
Premium risk (incl. catastrophe risk)	2,079.4	2,015.3
Reserve risk	1,907.0	1,528.4
Diversification	(885.3)	(805.1)
Underwriting risk in property and casualty reinsurance	**3,101.1**	**2,738.6**

1 Required risk capital with a confidence level of 99.5%

The reserve risk, i.e. the risk of under-reserving losses and the resulting strain on the underwriting result, is the overriding priority in our risk management. We attach the utmost importance to a conservative reserving level and therefore traditionally have a high confidence level (> 50%). In order to counter the risk of under-reserving we calculate our loss reserves based on our own actuarial estimations and establish, where necessary, additional reserves supplementary to those posted by our cedants as well as the segment reserve for losses that have already occurred but have not yet been reported to us. Liability claims have a major influence on the segment reserve. The segment reserve is calculated on a differentiated basis according to risk categories and regions. The segment reserve established by the Hannover Re Group amounted to EUR 6,107.4 million in the year under review.

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

Our own actuarial calculations regarding the adequacy of the reserves are also subject to annual quality assurance reviews conducted by external firms of actuaries and auditors. For further remarks on the reserve risk please see our comments in the section "Technical provisions" on page 200 et seq.

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

In order to partially hedge inflation risks Hannover Re has taken out inflation swaps (USD and EUR zero coupon swaps) and invested in inflation-linked instruments that protect parts of the loss reserves against inflation risks. An inflation risk exists particularly inasmuch as the liabilities (e.g. loss reserves) could develop differently than assumed at the time when the reserve was constituted because of inflation. Inflation protection was purchased for the first time in the second quarter of 2010 with terms of 4 and 5 years; it was increased in the first quarter of 2011 (term of 8 years). Since 2012 we have also increasingly obtained parts of the inflation protection for our loss reserves by purchasing bonds with inflation-linked coupons and redemption amounts.

Survival ratio in years and reserves for asbestas-related claims and pollution damage M 62

in EUR million	2014			2013		
	Individual loss reserves	IBNR reserves	Survival ratio in years	Individual loss reserves	IBNR reserves	Survival ratio in years
Asbestos-related claims/pollution damage	33.8	189.3	28.2	28.8	170.8	32.1

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

Stress tests for natural catastrophes after retrocessions M 63

in EUR million	2014	2013
	Effect on forecast net income	
Windstorm Europe		
100-year loss	(251.0)	(227.8)
250-year loss	(440.0)	(415.2)
Windstorm United States		
100-year loss	(541.7)	(393.1)
250-year loss	(778.1)	(630.6)
Windstorm Japan		
100-year loss	(172.2)	(241.1)
250-year loss	(250.1)	(292.0)
Earthquake Japan		
100-year loss	(254.3)	(263.4)
250-year loss	(520.8)	(490.8)
Earthquake California		
100-year loss	(303.5)	(271.9)
250-year loss	(503.1)	(461.1)
Earthquake Australia		
100-year loss	(172.7)	(166.5)
250-year loss	(449.7)	(369.1)

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

For the purposes of risk limitation, maximum amounts are also stipulated for various extreme loss scenarios and return periods in light of profitability criteria. Adherence to these limits is continuously verified by Group Risk Management. The Risk Committee, Executive Board and Non-Life Executive Committee are kept regularly updated on the degree of capacity utilisation. The limits and thresholds for the 200-year aggregate loss as well as the utilisation thereof are set out in the following table:

Limit and threshold for the 200-year aggregate annual loss as well as utilisation thereof M 64

in EUR million	Limit 2014	Threshold 2014	Actual utilisation (July 2014)
All natural catastrophe risks1 [1]			
200-year aggregate annual loss	1,480	1,332	1,147

[1] Loss relative to the underwriting result

Combined management report

Net expenditure on major losses in the year under review amounted to EUR 425.7 million (EUR 577.6 million). Our company incurred the following catastrophe losses and major claims in the 2014 financial year:

Catastrophe losses and major claims[1] in 2014 M 65

in EUR million	Date	gross	net
3 aviation claims		179.8	119.6
6 fire claims		112.8	101.7
Storm Ela in Europe	7–10 June 2014	67.4	49.1
2 snowstorms in Japan	February 2014	38.2	21.1
Flooding in India and Pakistan	1–5 September 2014	35.8	35.8
2 severe weather events in the United States	May and June 2014	28.6	20.0
Hail and windstorm in Australia	27 and 28 November 2014	27.4	18.9
Windstorm and hail in Canada	7 August 2014	21.1	12.9
Hurricane Odile in Mexico	14 September 2014	20.0	18.8
Cyclone Hudhud in India	12 and 13 October 2014	17.5	17.5
Typhoon Rammasun in the Philippines and China	14 July 2014	10.3	10.3
Total		**558.9**	**425.7**

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

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

Ensuring the quality of our portfolios M 66

Step 1

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

Step 2

Cost estimation
- Commissions
- Broker fees
- Internal administration

Step 3

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

In addition, Hannover Re's regional and treaty departments prepare regular reports on the progress of their respective renewals. The reporting in this regard makes reference inter alia to significant changes in conditions, risks (such as inadequate premiums) as well as to emerging market opportunities and the strategy pursued in order to accomplish targets. The development of the combined ratio in property and casualty reinsurance in 2014 and prior years is shown in the table below:

Combined and catastrophe loss ratio M 67

in %	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005[1]
Combined ratio (property and casualty reinsurance)	94.7	94.9	95.8	104.3	98.2	96.6	95.4	99.7	100.8	112.8
Thereof catastrophe losses[2]	6.1	8.4	7.0	16.5	12.3	4.6	10.7	6.3	2.3	26.3

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

For further information on the run-off of the loss reserves please see our explanatory remarks in the section "Run-off of the net loss reserve in the property and casualty reinsurance segment" on page 201 et seq.

Underwriting risks in life and health reinsurance

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

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

Required risk capital[1] for underwriting risks in life and health reinsurance M 68

in EUR million	2014	2013
Mortality risk	1,448.0	1,216.6
Longevity risk	1,121.2	693.7
Morbidity and disability risk	351.0	293.3
Lapse risk	736.4	485.9
Diversification	(1,749.7)	(1,255.2)
Underwriting risk in life and health reinsurance	**1,906.9**	**1,434.3**

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

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

Through our quality assurance measures we ensure that the reserves established by ceding companies in accordance with local accounting principles satisfy all requirements with respect to the calculation methods used and assumptions made (e.g. use of mortality and morbidity tables, assumptions regarding the lapse rate). New business is written in all regions in compliance with underwriting guidelines applicable worldwide, which set out detailed rules governing the type, quality, level and origin of risks. These global guidelines are revised annually and approved by the Executive Board. Special underwriting guidelines give due consideration to the particular features of individual markets. By monitoring compliance with these underwriting guidelines we minimise the risk of an inability to pay or of deterioration in the financial status of cedants. Regular reviews and holistic analyses (e. g. with an eye to lapse risks) are carried out with respect to new business activities and the assumption of international portfolios. The actuarial reports and documentation required by local regulators ensure that regular scrutiny also takes place on the level of the subsidiaries. The interest rate risk, which in the primary sector is important in life business owing to the guarantees that are given, is of only minimal relevance to our company thanks to the design of our reinsurance treaties. We have confidence in the entrepreneurial abilities of our underwriters and grant them the most extensive possible powers. In our decentralised organisation we manage risks where they arise using a consistent Group-wide approach in order to obtain an overall view of the risks in life and health reinsurance. Our global underwriting guidelines provide underwriters with an appropriate framework for this purpose. Another major element of risk management in life and health reinsurance is the Market Consistent Embedded Value (MCEV). The MCEV is a ratio used for the valuation of life insurance and reinsurance business; it is calculated as the present value of the future shareholders' earnings from the worldwide life and health reinsurance portfolio plus the allocated capital. The calculation makes allowance as far as possible for all risks included in this business. The MCEV is established on the basis of the principles of the CFO Forum published in October 2009 (the CFO Forum is an international organisation of Chief Financial Officers from major insurance and reinsurance enterprises). For detailed information please see the MCEV report for 2013 published on our website. The MCEV report for the 2014 financial year will be published on our website close to publication of this report.

Market risks

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

Required risk capital[1] for market risks M 69

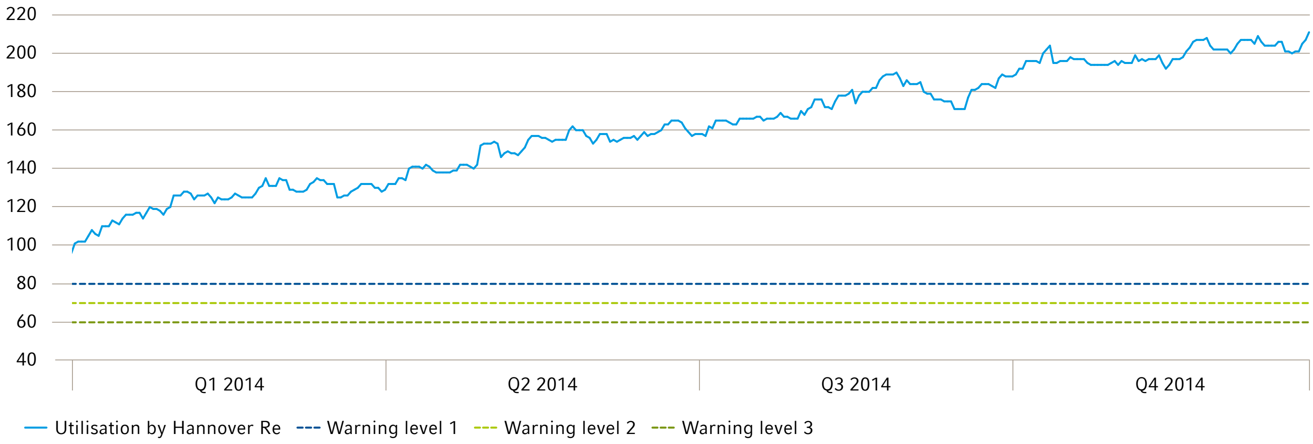
in EUR million	2014	2013
Credit and spread risk	2,639.0	1,408.1
Interest rate risk	851.9	812.9
Currency risk	930.6	816.0
Equity risk[2]	804.3	531.0
Real estate risk	404.4	287.7
Diversification	(2,108.6)	(1,822.8)
Market risk	**3,521.6**	**2,032.9**

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

The sharp rise in the credit and spread risk is attributable to the strengthening of various model parameters, the increased investment volume and an interaction between the two effects.

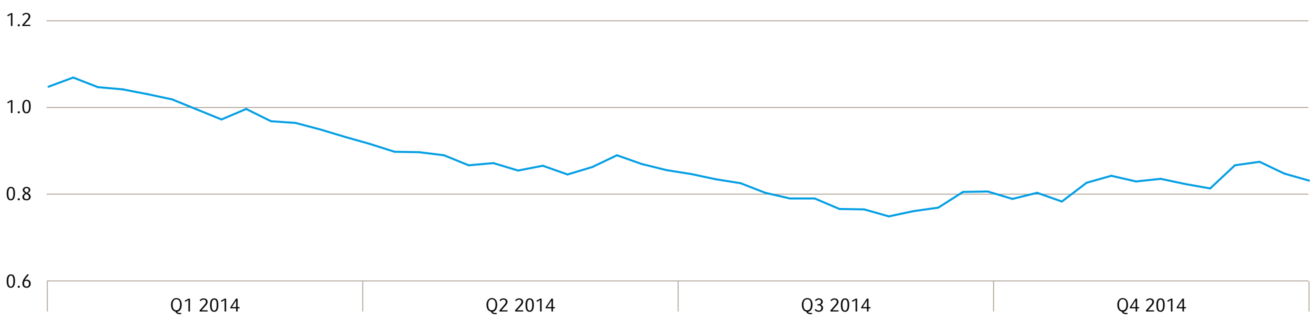
With a view to preserving the value of our assets under own management, we constantly monitor adherence to a trigger mechanism based on a clearly defined traffic light system that is applied across all portfolios. This system defines clear thresholds and escalation channels for the cumulative fluctuations in fair value and realised gains/losses on investments since the beginning of the year. These are unambiguously defined in conformity with our risk appetite and trigger specified information and escalation channels if a corresponding fair value development is overstepped. Despite the conservative orientation of our investment portfolio, it profited substantially from movements in interest rates and spreads over the course of the year and consistently boosted its fair value reserves. The escalation levels of the trigger mechanism were not activated at any point in time.

Utilisation of the trigger system M 70
in %



The short-term loss probability measured as the "Value at Risk" (VaR) is another vital tool used for monitoring and managing market price risks. It is calculated on the basis of historical data, e.g. the volatility of the securities positions under own management and the correlation between these risks. As part of these calculations the decline in the fair value of our portfolio is simulated with a certain probability and within a certain period. The VaR of the Hannover Re Group determined in accordance with these principles specifies the decrease in the fair value of our securities portfolio under own management that with a probability of 95% will not be exceeded within ten trading days. A multi-factor model is used to calculate the VaR indicators for the Hannover Re Group. It is based on time series of selected representative market parameters (equity prices, yield curves, spread curves, exchange rates, commodity prices and macro-economic variables). All asset positions are mapped on the level of individual positions within the multi-factor model; residual risks (e.g. market price risks that are not directly explained by the multi-factor model) can be determined through back-calculation and are incorporated into the overall calculation. The model takes into account interest rate risks, credit and spread risks, systematic and specific equity risks, commodity risks and option-specific risks. Against the backdrop of what was still a difficult capital market environment, the volatilities of fixed-income assets, in particular, and hence the market price risks increased in the year under review relative to the previous year. Based on continued broad risk diversification and the orientation of our investment portfolio, our Value at Risk was nevertheless clearly below the Value at Risk upper limit defined in our investment guidelines. It amounted to 0.8% (1.1%) as at the end of the reporting period.

Value at Risk [1] for the investment portfolio of the Hannover Re Group M 71
in %



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

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

Scenarios for changes in the fair value of material asset classes M 72

in EUR million	Scenario	Portfolio change on a fair value basis	Change in equity before tax
Equity securities and private equity	Share prices -10%	-71.9	-71.9
	Share prices -20%	-143.9	-143.9
	Share prices +10%	+71.9	+71.9
	Share prices +20%	+143.9	+143.9
Fixed-income securities	Yield increase +50 basis points	-762.5	-648.2
	Yield increase +100 basis points	-1,489.1	-1,265.6
	Yield decrease -50 basis points	+787.0	+667.6
	Yield decrease -100 basis points	+1,608.0	+1,364.0
Real estate	Real estate market values -10%	-135.8	-91.5
	Real estate market values +10%	+130.0	+34.1

Further significant risk management tools – along with the various stress tests used to estimate the loss potential under extreme market conditions – include sensitivity and duration analyses and our asset/liability management (ALM). The internal capital model provides us with quantitative support for the investment strategy as well as a broad diversity of VaR calculations. In addition, tactical duration ranges are in place, within which the portfolio can be positioned opportunistically according to market expectations. The parameters for these ranges are directly linked to our calculated risk-bearing capacity. Further information on the risk concentrations of our investments can be obtained from the tables on the rating structure of fixed-income securities as well as on the currencies in which investments are held. Please see our comments in the section of the notes entitled "Investments under own management" on page 178 et seq.

Share price risks derive from the possibility of unfavourable changes in the value of equities, equity derivatives or equity index derivatives in our portfolio. We hold such assets only on a very modest scale as part of strategic participations. The scenarios for changes in equity prices consequently have only extremely slight implications for our portfolio. Please see our comments in the section of the notes entitled "Investments under own management" on page 178 et seq.

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

Currency risks are especially relevant if there is a currency imbalance between the technical liabilities and the assets. Through extensive matching of currency distributions on the assets and liabilities side, we reduce this risk on the basis of the individual balance sheets within the Group. The short-term Value at Risk therefore does not include quantification of the currency risk. We regularly compare the liabilities per currency with the covering assets and optimise the currency coverage in light of various collateral conditions such as different accounting requirements by regrouping assets. Remaining currency surpluses are systematically quantified and monitored within the scope of economic modelling. A detailed presentation of the currency spread of our investments is provided in the section entitled "Investments under own management" on page 186 et seq.

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

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

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

Rating structure of our fixed-income securities[1] **M 73**

Rating classes	Government bonds		Securities issued by semi-governmental entities[2]		Corporate bonds		Covered bonds/asset-backed securities	
	in %	in EUR million	in %	in EUR million	in %	in EUR million	in %	in EUR million
AAA	69.5	5,468.0	59.6	3,909.0	1.6	208.0	61.4	3,014.6
AA	15.2	1,195.0	35.9	2,359.5	15.5	1,964.8	13.6	670.1
A	10.3	811.1	2.9	191.3	47.1	5,970.2	15.9	779.3
BBB	4.1	319.3	1.2	79.3	28.8	3,646.4	5.3	262.1
>BBB	0.9	68.0	0.4	28.8	7.0	880.7	3.8	184.2
Total	**100.0**	**7,861.5**	**100.0**	**6,567.9**	**100.0**	**12,670.1**	**100.0**	**4,910.4**

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

The measurement and monitoring mechanisms that have been put in place safeguard a prudent, broadly diversified investment strategy. This is reflected inter alia in the fact that within our portfolio of assets under own management the exposures to government bonds or instruments backed by sovereign guarantees issued by the so-called GIIPS states (Greece, Ireland, Italy, Portugal, Spain) amount to altogether just EUR 245.9 million on a fair value basis. This corresponds to a proportion of 0.7%. The individual countries account for the following shares: Spain EUR 118.0 million, Italy EUR 72.1 million, Ireland EUR 30.2 million and Portugal EUR 25.6 million. No impairments had to be taken on these holdings. Our portfolio does not contain any bonds of Greek issuers.

On a fair value basis EUR 4,266.9 million of the corporate bonds held by our company were issued by entities in the financial sector. Of this amount, EUR 3,574.0 million was attributable to banks. The vast majority of these bank bonds (76.5%) are rated "A" or better. Our investment portfolio under own management does not contain any written or issued credit default swaps.

Counterparty default risks

The counterparty default risk consists primarily of the risk of complete or partial failure of the counterparty and the associated default on payment.

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

Gross written premium retained M 74

in %	2014	2013	2012	2011	2010
Hannover Re Group	87.6	89.0	89.8	91.2	90.1
Property and casualty reinsurance	90.6	89.9	90.2	91.3	88.9
Life and health reinsurance	83.9	87.7	89.3	91.0	91.7

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

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

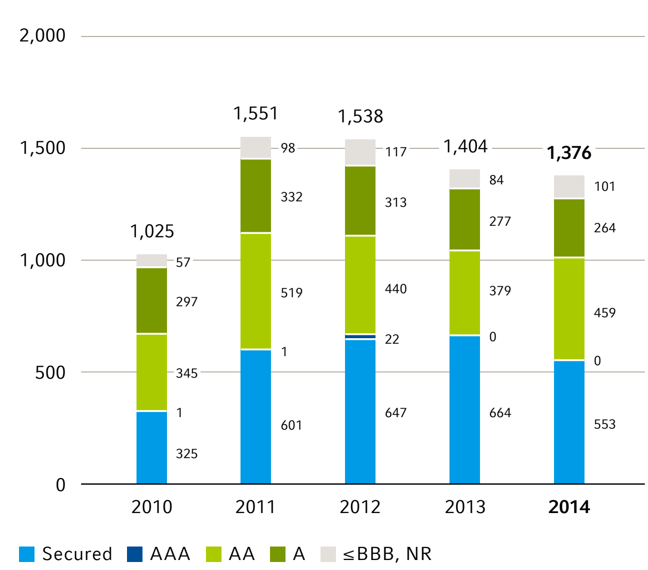
The key ratios for managing the credit risk are as follows:

- 88.6% of our retrocessionaires have an investment grade rating ("AAA" to "BBB").
- 87.8% are rated "A" or better.
- 40.1% of our recoverables from reinsurance business are secured by deposits or letters of credit. What is more, for the majority of our retrocessionaires we also function as reinsurer, meaning that in principle recoverables can potentially be set off against our own liabilities.
- In terms of the Hannover Re Group's major companies, EUR 219.1 million (7.0%) of our accounts receivable from reinsurance business totalling EUR 3,114.0 million were older than 90 days as at the balance sheet date.
- The average default rate over the past four years was 0.3%.

Retrocession gives rise to claims that we hold against our retrocessionaires. These reinsurance recoverables – i.e. the reinsurance recoverables on unpaid claims – amounted to EUR 1,376.4 million (EUR 1,403.8 million) as at the balance sheet date.

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

Reinsurance recoverables as at the balance sheet date **M 75**
in EUR million



Further remarks on technical and other assets which were unadjusted but considered overdue as at the balance sheet date as well as on significant impairments in the year under review are provided in Section 6.4 "Technical assets" on page 194 et seq., Section 6.6 "Other assets" on page 197 et seq. and Section 7.2 "Investment result" on page 217 et seq.

Operational risks

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

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

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

Required risk capital[1] for operational risks **M 76**

in EUR million	2014	2013
Operational risk	382.7	296.8

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

The change in risk capital in the 2014 financial year can be attributed primarily to the increased business volume and the resulting higher exposure for operational risks.

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

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

Compliance risks are associated with the risk of breaches of standards and requirements, non-compliance with which may entail lawsuits or official proceedings with not inconsiderable detrimental implications for the business activities of the Hannover Re Group. Regulatory compliance, compliance with the company's Code of Conduct, data privacy and compliance with anti-trust and competition laws have been defined as issues of particular relevance to compliance. The compliance risk also extends to tax and legal risks. Responsibilities within the compliance organisation are regulated and documented Group-wide and interfaces with risk management have been put in place. The set of tools is rounded off with regular compliance training programmes. For further information on compliance-related topics, including for example lawsuits, contingent liabilities and commitments, please see Section 8.6 "Lawsuits" and Section 8.7 "Contingent liabilities and commitments" on page 234 et seq.

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

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

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

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

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

When it comes to reducing business interruption risks, the paramount objective is the quickest possible return to normal operations after a crisis, for example through implementation of existing contingency plans. Guided by internationally accepted standards, we have defined the key framework conditions and – among other measures – we have assembled a crisis team to serve as a temporary body in the event of an emergency. The system is complemented by regular exercises and tests. In the 2014 financial year, for example, we compiled a leaflet on correct behaviour in the event of a business interruption; this condenses in compact form the key information that all employees need to know (e. g. information channels in a crisis situation). Regular risk reporting to the Risk Committee and the Executive Board has also been put in place.

Other risks

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

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

Strategic risks derive from a possible imbalance between the corporate strategy of the Hannover Re Group and the constantly changing general business environment. Such an imbalance might be caused, for example, by incorrect strategic policy decisions, a failure to consistently implement the defined strategies and business plans or an incorrect allocation of resources. We therefore regularly review our corporate strategy in a multi-step procedure and adjust our processes and the resulting guidelines as and when required. The Group Strategy was reviewed in the year under review and the revised corporate strategy was unveiled to investors at the Investors' Day held in London on 23 October. We have defined performance criteria and indicators for the operational implementation of the strategic guidelines; these are authoritative when it comes to determining fulfilment of the various targets. With the "Strategy Cockpit" the Executive Board and responsible managers have at their disposal a strategy tool that assists them with the planning, elaboration and management of strategic objectives and measures and safeguards their overall perspective on the company and its strategic risks. In addition, the process for the management of strategic risks is assessed annually as part of the monitoring of business process risks. Further details on the topic of strategy are provided in the section entitled "Our strategy" on page 12 et seq.

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

The liquidity risk refers to the risk of being unable to meet our financial obligations when they become due. The liquidity risk consists of the refinancing risk, i.e. the necessary cash cannot be obtained or can only be raised at increased costs, and the market liquidity risk, meaning that financial market transactions can only be completed at a poorer price than expected due to a lack of market liquidity. Core elements of the liquidity management of our investments are, in the first place, management of the maturity structure of our investments on the basis of the planned payment profiles arising out of our technical liabilities and, secondly, regular liquidity planning as well as the asset structure of the investments. Above and beyond the foreseeable payments, unexpected and exceptionally large payments may pose a threat to liquidity. In reinsurance business, however, significant events (major losses) are normally paid out after a lead time that can be reliably planned. As part of our liquidity management we have nevertheless defined asset holdings that have proven to be highly liquid – even in times of financial stress such as the 2008 financial crisis. Our holdings of unrestricted German, UK and US government bonds as well as cash during the year under review were larger than possible disbursements for assumed extreme events, which means that our liquidity is assured even in the unlikely case of financial crises coinciding with an extreme event that needs to be paid out quickly. The liquid asset reserve stood at EUR 3.9 billion as at the balance sheet date. In addition, we manage the liquidity of the portfolio by checking on each trading day the liquidity of the instruments contained therein; their underlying parameters are verified on a regular and ad hoc basis. These measures serve to effectively reduce the liquidity risk.

Opportunity report

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

Key elements in Hannover Re's opportunity management include its various market-specific innovations in the Life & Health and Property & Casualty reinsurance business groups (see the Forecast on page 132 et seq.). What is more, innovative and creative ideas are generated by our employees. If they can be successfully translated into additional profitable premium volume, such ideas are financially rewarded. Further elements are the working group on "Emerging Risks and Scientific Affairs" and the "Future Radar" initiative. Not only that, Hannover Re has set up a stand-alone organisational unit for "Opportunity Management". This service unit deals exclusively and systematically with ideas and opportunities and it concentrates its activities on generating additional premium volume with profit potential. To this end, ideas are translated into business opportunities and business models with the backing of project teams, and these are then acted upon in cooperation with primary insurance partners. Such business approaches are subsequently evaluated and fleshed out more concretely by the "Opportunity Management" service unit. This unit also supports selected projects from the conceptual design of holistic business models right through to operational implementation or handover to line responsibility. The goal is to generate new business and thereby sustainably promote Hannover Re's profitable growth. Several initiatives and projects have grown out of some 100 ideas contributed by the global network since the unit was set up. As part of an attractive employee incentive scheme, a number of projects have been financially rewarded – including the opportunity management projects "Weather" and "Energy Savings Protect":

Opportunity management project "Weather"

The goal was to offer a heavily weather-dependent clientele industry-specific solutions to protect against fluctuations in the weather. The interest shown by businesses in this product has grown sharply of late on account of greater variability in weather conditions and the higher profile of the product. It has taken on special relevance for wind farms due to the turnaround in German energy policy.

Opportunity management project "Energy Savings Protect"

This project was tasked with developing covers for so-called energy-savings warranties in Germany. This insurance solution enables providers of energy efficiency solutions to take out protection in the event that the promised energy savings fail to materialise. In this case the company in question receives a compensatory payment from the primary insurer. For its part, Hannover Re covers the energy saving warranties of its primary insurance clients. By building trust, the greater planning reliability created by the product makes it possible for many activities needed as part of Germany's turnaround in energy policy to be undertaken in the first place. Based on its considerable success, reflected not only in the rewarding of those behind the product but also in its singling out for an innovation award, this product is now available Europe-wide and is being modified for other fields of application.

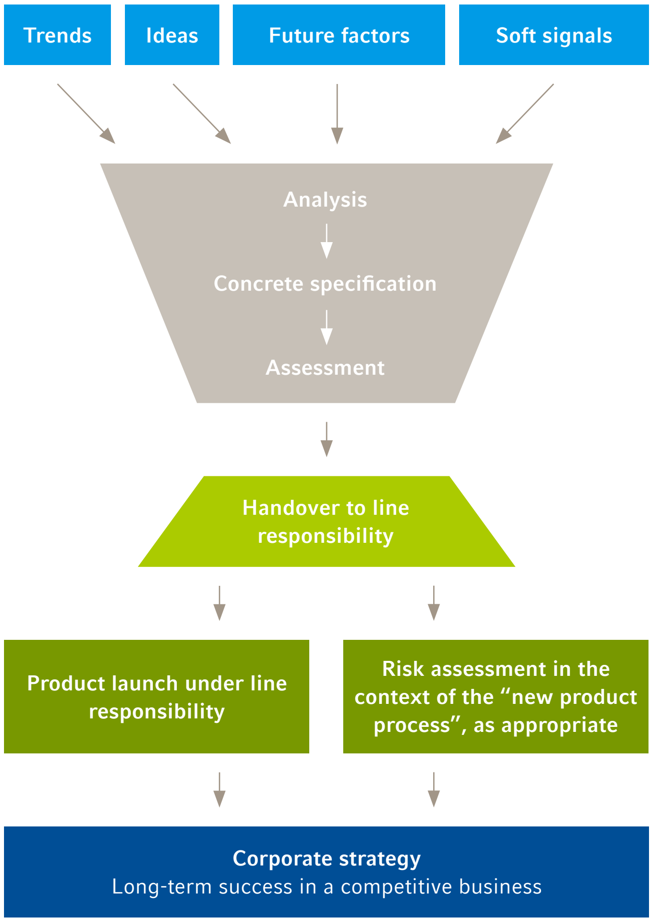
Since as long ago as 2010 the stand-alone service unit "Opportunity Management" has been assigned to the Chief Executive Officer's area of responsibility. This is a clear reflection of the considerable importance that Hannover Re attaches to opportunity management. The monitoring and active networking carried out by the innovative minds involved give rise to close links with other projects, working groups and bodies, such as with the working group on "Emerging Risks und Scientific Affairs" in regard to emerging risks and opportunities (see page 97 "Other risks"). The working group carries out qualitative assessments of emerging risks. As a result, however, not only are the potential risks analysed but also any available business opportunities. In the year under review, for example, issues such as general environmental pollution, climate change and associated questions of liability, e-cigarettes and the risks of lithium-ion batteries as well as cyber-risks were explored by the working group.

Cyber-risks

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

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

Opportunity management process M 77



Overall assessment by the Executive Board

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

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

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

Our own evaluation of the manageability of existing risks is confirmed by various financial indicators and external assessments. Key monitoring indicators, reporting limits and potential escalation steps are defined on a mandatory basis in our central system of limits and thresholds for the material risks of the Hannover Re Group. As a result, the system provides us with a precise overview of potentially undesirable developments in the defined risk tolerances and enables us to react in a timely manner. One testament to our financial stability, for example, is the growth of our shareholders' equity. Since 2010 we have been able to increase our total policyholders' surplus (hybrid capital, non-controlling interests and shareholders' equity) by 150%. In this context, the necessary equity resources are determined by the requirements of our economic capital model, solvency regulations, the assumptions of rating agencies with respect to our target rating and the expectations of our clients and shareholders. This increase gives us a sufficient capital cushion to be able both to absorb risks and act on business opportunities that may arise. Similarly, our very good ratings (see page 59) also testify to our financial stability. The quality of our Enterprise Risk Management (ERM) is evaluated separately by Standard & Poor's. In the year under review Standard & Poor's gave our risk management its highest possible grade of "very strong". Most notably, our established risk culture promotes the development of appropriate risk monitoring systems and strategic risk management. The evaluation encompasses above all the areas of risk culture, risk controls, the management of emerging risks, risk models and strategic risk management. This external appraisal confirms the quality of our holistic approach to risk management.

We would also refer to the explanatory remarks on the financial strength ratings of our subsidiaries in the "Financial position" section of the management report on page 59. In addition, the risk trigger mechanism and internal monitoring system are reviewed annually by the independent auditor. The Group-wide risk management system is also a regular part of the audits conducted by the internal audit function. For additional information on the opportunities and risks associated with our business please see the Forecast on page 130 et seq.

Enterprise management

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

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

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

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

Corporate Governance

As an instrument of self-regulation for the business world, the German Corporate Governance Code – the latest version of which dates from 24 June 2014 – sets out recommendations and suggestions that are intended to maintain and foster the trust of investors, customers, employees and the general public in the management and supervision of German companies. Although the Code does not have binding legal force, the enterprises addressed by the Code are nevertheless required by § 161 Stock Corporation Act (AktG) to provide an annual declaration as to whether or not the recommendations of the Code were and are complied with in the reality of the company's business activities. If recommendations were not acted upon, this is to be explained and disclosed as part of the Declaration of Conformity.

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

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

The Executive Board and Supervisory Board of Hannover Rück SE declare pursuant to § 161 Stock Corporation Act (AktG) that – with the following divergences – the company was and continues to be in conformity with the recommendations made by the Government Commission on the German Corporate Governance Code published by the Federal Ministry of Justice on 24 June 2014 in the official section of the Federal Gazette:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Hannover, 4 November 2014

Executive Board Supervisory Board

Further enterprise management principles of Hannover Re

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

Sustainability of enterprise management

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

The goal defined in the Rules of Procedure to have at least two women sitting on the Supervisory Board was again surpassed in the year under review with three female members of the Supervisory Board. In addition, one of the members of the Supervisory Board's Nomination Committee is a woman. Once again, the Executive Board and Supervisory Board considered the programme for the advancement of women that had been implemented within the workforce in 2012 and discussed the progress that had been made. The primary objective of this programme is to foster promising young female professionals through a variety of targeted measures and to enlarge the proportion of women in management positions.

Working practice of the Executive Board and Supervisory Board

The Executive Board and Supervisory Board of Hannover Rück SE work together on a trusting basis to manage and monitor the company. In accordance with the Rules of Procedure of the Executive Board, matters of fundamental importance require the consent of the Supervisory Board. In addition, the Supervisory Board is kept informed on a regular and timely basis of the business development, the execution of strategic decisions, material risks and planning as well as relevant compliance issues. The Chairman of the Supervisory Board stays in regular contact with the Chairman of the Executive Board in order to discuss with him significant business occurrences. The composition of the Executive Board (including areas of responsibility) as well as of the Supervisory Board and its committees is set out on pages 6 et seq. and 243 respectively of the present Annual Report.

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

The Rules of Procedure of the Supervisory Board provide inter alia that each member of the Supervisory Board must have the knowledge, skills and professional experience required for orderly performance of their tasks and that the Supervisory Board must have a sufficient number of independent members. Currently, four of the six shareholder representatives are independent as defined by Item 5.4.2 of the German Corporate Governance Code. At least one independent member shall have technical expertise in the fields of accounting and the auditing of financial statements. Persons suggested to the Annual General Meeting as candidates for election to the Supervisory Board may not be older than 72 at the time of their election. Nominations shall take account of the company's international activities as well as diversity. For their part, each member of the Supervisory Board shall ensure that they have sufficient time to discharge their mandate. The Supervisory Board meets at least twice each calendar half-year. If a member of the Supervisory Board participates in less than half of the meetings of the Supervisory Board in a financial year, this shall be noted in the Supervisory Board's report. No more than two former members of the company's Executive Board may belong to the Supervisory Board.

In the year under review the Supervisory Board also carried out another audit of the efficiency of its work. Experiences gathered in connection with the electronic distribution of documents to the members of the Supervisory Board were evaluated as part of this efficiency audit.

Working practice of the committees of the Supervisory Board

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

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

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

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

For further details of the activities of the Supervisory Board committees please see the explanations provided in the Supervisory Board Report on pages 240 to 242.

Compliance

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

The compliance report for the 2014 calendar year will be submitted to the Finance and Audit Committee in March 2015. The reporting sets out the structure and diverse range of activities of Hannover Re in this regard. The findings of the separate data privacy reporting for the 2014 calendar year are also included in the compliance report. After in-depth examination of topics such as directors' dealings, ad hoc and other disclosure requirements, the insider register, consulting agreements, data protection, international sanctions and the Group-wide whistleblower system, the report concludes that only a few circumstances have been identified which point to breaches of relevant compliance standards. After detailed exploration of these incidents, the necessary safeguards were put in place to ensure that in the future Hannover Re is in full conformity with the internal and external requirements governing its business activities.

Risk monitoring and steering

The risk management system applicable throughout the entire Hannover Re Group is based on the risk strategy, which in turn is derived from the corporate strategy. A core component is the systematic and comprehensive recording of all risks that from the current standpoint could conceivably jeopardise the company's profitability and continued existence. Further details in this regard may be obtained from the risk report contained in this Annual Report on page 74 et seq.

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

- Remuneration report for the Executive Board and disclosure of the remuneration received by Supervisory Board members pursuant to Items 4.2.5 and 5.4.6 of the German Corporate Governance Code,
- Securities transactions pursuant to Item 6.3 of the German Corporate Governance Code,
- Shareholdings pursuant to Item 6.3 of the German Corporate Governance Code.

Information on share-based payment pursuant to Item 7.1.3 of the German Corporate Governance Code is provided in Section 8.3 of the notes "Share-based payment", page 229 et seq., and in the remuneration report with respect to the members of the Executive Board.

In addition to the present Declaration on Corporate Governance, the Corporate Governance Report and the reports of the last 10 years are published on our website pursuant to Item 3.10 of the German Corporate Governance Code (www.hannover-re.com/about/corporate/declaration/index.html).

Remuneration report

The remuneration report summarises the principles used to determine the remuneration of the Executive Board of Hannover Rück SE and explains the structure, composition and amount of the components of the remuneration received by the Executive Board in the 2014 financial year on the basis of the work performed by the Board members for Hannover Rück SE and companies belonging to the Group.

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

The remuneration report is guided by the recommendations of the German Corporate Governance Code and contains information which forms part of the notes to the 2014 consolidated financial statement as required by IAS 24 "Related Party Disclosures". Under German commercial law, too, this information includes data specified as mandatory for the notes (§ 314 HGB) and the management report (§ 315 HGB). These details are discussed as a whole in this remuneration report and presented in summary form in the notes.

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

Remuneration of the Executive Board

Responsibility

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

Objective, structure and system of Executive Board remuneration

The total remuneration of the Executive Board and its split into fixed and variable components conform to regulatory requirements – especially the provisions of the Act on the Adequacy of Management Board Remuneration (VorstAG) and the Regulation on the Supervisory Law Requirements for Remuneration Schemes in the Insurance Sector (VersVergV).

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

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

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

Measurement basis and payment procedures for fixed remuneration M78

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

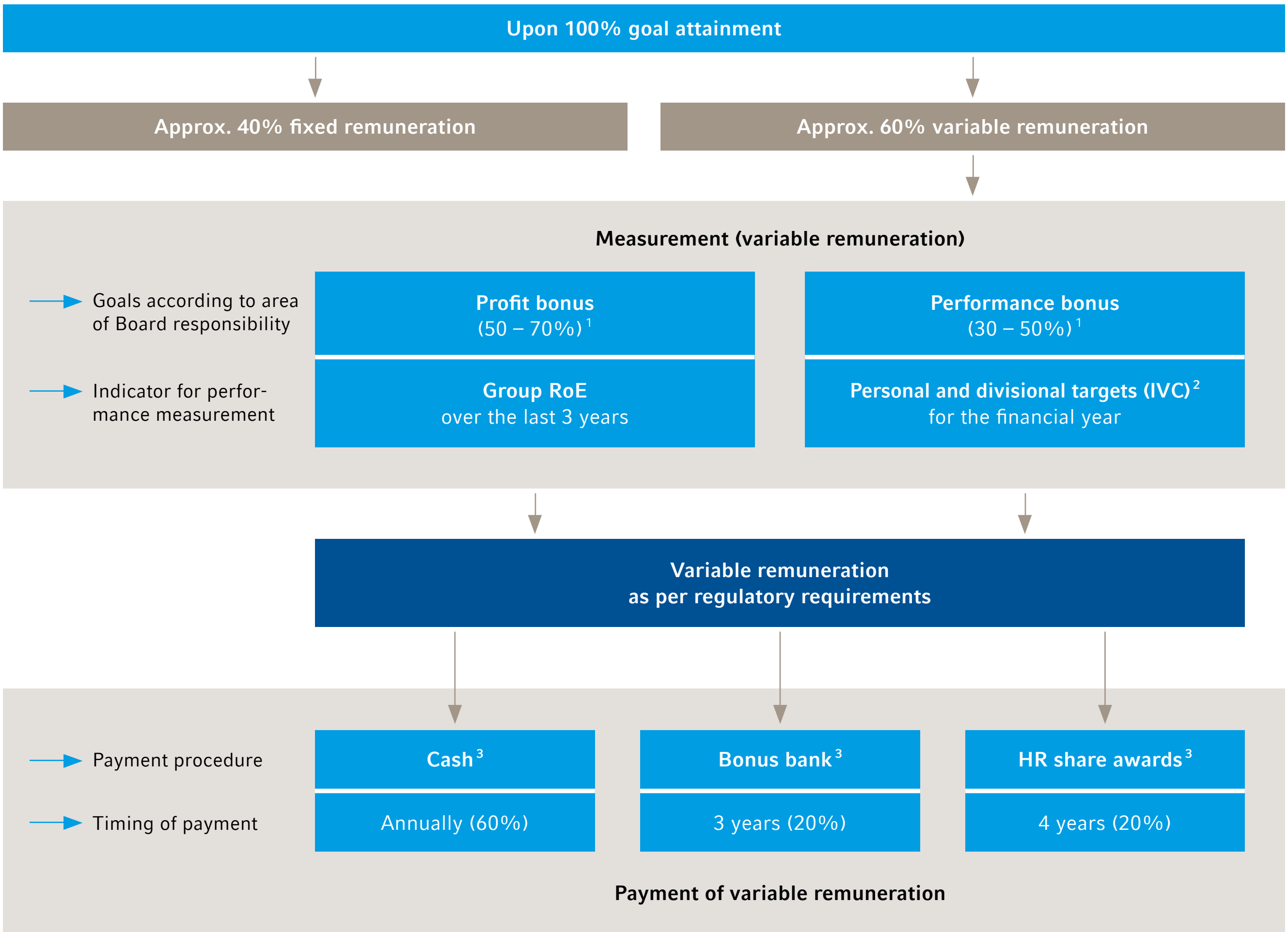
Variable remuneration (approx. 60% of total remuneration upon 100% goal attainment)

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

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

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

Overview of the composition of variable remuneration M 79



[1] Chief Executive Officer/Chief Financial Officer 70% profit bonus, 30% performance bonus (personal targets); Board members with divisional responsibility: 50% profit bonus, 50% performance bonus (25% personal targets/25% divisional targets)

[2] An instrument of value-based management used to measure the attainment of long-term goals on the level of the Group, business groups and operational units

[3] Split defined by legal minimum requirements

Measurement bases/conditions of payment for variable remuneration M80

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

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

[1] An instrument of value-based management used to measure the attainment of long-term goals on the level of the Group, business groups and operational units (see also page 24).

Payment procedures for the total variable remuneration

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

Payment procedures for the total variable remuneration M81

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

Handling of payment of variable remuneration components in special cases

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

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

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

Variable remuneration under the old remuneration structure (until 2011)

The virtual stock option plan with stock appreciation rights existing under the old remuneration structure remains in force for all members of the Executive Board until all stock appreciation rights have been exercised or have lapsed. In the 2014 financial year no further stock appreciation rights were granted to active Board members. Of the stock appreciation rights granted in previous years, active and former Board members exercised amounts totalling EUR 0.5 million (EUR 1.4 million) in 2014.

As at 31 December 2014 active members of the Executive Board had at their disposal a total of 228,957 (288,797) granted, but not yet exercised stock appreciation rights with a fair value of EUR 2.1 million (EUR 2.4 million).

Continued payment in case of disability

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

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

Other information

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

With regard to Item 4.2.3. Para. 2 "Caps on the amount of variable compensation elements in management board contracts" and Item 4.2.3 Para. 4 "Caps on severance payments in management board contracts" of the German Corporate Governance Code, we would refer the reader to our remarks in the 2014 Declaration of Conformity contained in the section "Statement of enterprise management practices" on page 101 et seq. of this Group Annual Report.

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

Amount of remuneration received by the Executive Board

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

The remuneration (excluding pension payments) received by former members of the Executive Board totalled EUR 0.2 million (EUR 0.4 million).

Total remuneration of the active members of the Executive Board pursuant to DRS 17 (amended 2010) M 82

Name	Financial year	Non-performance-based remuneration		Performance-based remuneration[1]	
		Basic salary	Non-cash compensation/ fringe benefits[2]	Short-term	
				Variable remuneration payable	
in EUR thousand				60%[3]	Netted remuneration from seats with Group bodies
Ulrich Wallin	**2014**	**569.7**	**16.2**	**678.4**	
	2013	520.0	15.3	563.8	
Sven Althoff[7]	**2014**	**199.0**	**7.2**	**183.1**	
André Arrago[8]	**2014**	**228.3**	**6.4**	**246.2**	
	2013	320.0	9.5	340.4	
Claude Chèvre	**2014**	**348.7**	**13.2**	**416.9**	
	2013	320.0	13.3	329.6	
Jürgen Gräber	**2014**	**428.0**	**16.0**	**456.4**	
	2013	400.0	14.3	473.2	
Dr. Klaus Miller	**2014**	**342.4**	**13.9**	**404.5**	
	2013	320.0	13.8	329.6	
Dr. Michael Pickel	**2014**	**342.4**	**22.5**	**368.7**	
	2013	320.0	17.2	347.6	
Roland Vogel	**2014**	**406.6**	**15.4**	**398.9**	**49.5**
	2013	380.0	15.7	347.0	35.3
Total	**2014**	**2,865.1**	**110.8**	**3,153.1**	**49.5**
Total	2013	2,580.0	99.1	2,731.2	35.3

1 As at the balance sheet date no Board resolution was available regarding the performance-based remuneration for 2014. The variable remuneration is recognised on the basis of estimates and the provisions constituted accordingly.
2 The non-cash compensation has been carried in the amounts established for tax purposes.
3 In 2014 altogether EUR 107,300 more in variable remuneration was paid out to Board members for 2013 than had been reserved.
4 The nominal amount is stated; full or partial repayment in 2018, depending on the development until such time of the balance in the bonus bank. In 2014 altogether EUR 35,900 more than had been originally reserved was allocated to the bonus bank for 2013.
5 The nominal amount is stated; virtual Hannover Re share awards are automatically granted in an amount equivalent to 20% of the variable remuneration. The equivalent amount will be paid in 2019 at the prevailing share price of Hannover Re. In 2014 nominal amounts of EUR 35,900 more than had been originally reserved were used as a basis for allocation of the 2013 share awards.
6 In order to calculate the number of share awards for 2014 reference was made to the Xetra closing price of the Hannover Re share on 30 December 2014 (EUR 74.97). The number to be actually awarded is established from the arithmetic mean of the Xetra closing prices of the Hannover Re share in a period from five trading days before to five trading days after the meeting of the Supervisory Board that approves the consolidated financial statement in March 2015. The applicable market price of the Hannover Re share had decreased from EUR 62.38 (30 December 2013) to EUR 60.53 by the allocation date (10 March 2014) of the share awards for 2013; the share awards actually allocated for 2013 are shown here, not those estimated in the 2013 Annual Report.
7 Mr. Althoff was appointed to the Executive Board on 1 August 2014. The amounts stated include his remuneration as a senior executive of Hannover Re for the period from 1 January to 31 July 2014.
8 The appointment of Mr. Arrago ended on age grounds on 31 August 2014.

	Performance-based remuneration[1]		Total	Number of share awards[6]
	Medium-term	Long-term		2013 = Actual 2014 = Estimate
	Bonus bank	Share awards		
	20% (allocation)[4]	20% (allocation)[5]		
in EUR thousand				
	226.1	**226.1**	**1,716.5**	**2,842**
	187.9	187.9	1,474.9	3,321
	43.4	**78.6**	**511.3**	**1,049**
	82.1	**82.1**	**645.1**	**1,058**
	113.4	113.4	896.7	1,960
	139.0	**139.0**	**1,056.8**	**1,805**
	109.8	109.8	882.5	1,875
	152.2	**152.2**	**1,204.8**	**1,984**
	157.7	157.7	1,202.9	2,450
	134.9	**134.9**	**1,030.6**	**1,750**
	109.8	109.8	883.0	1,875
	122.9	**122.9**	**979.4**	**1,587**
	115.8	115.8	916.4	1,980
	133.0	**133.0**	**1,086.9**	**1,705**
	115.6	115.6	973.9	1,996
	1,033.6	**1,068.8**	**8,231.4**	**13,780**
	910.0	910.0	7,230.3	15,457

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

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

Total expense for share-based remuneration of the Executive Board M83

Name in EUR thousand	Year	Stock appreciation rights exercised	Change in reserve in 2014 for stock appreciation rights	Change in reserve for share awards from previous years[1]	Expense for share awards allocated in current financial year[2]	Total
Ulrich Wallin	**2014**	**72.7**	**84.7**	**277.0**	**58.0**	**492.4**
	2013	114.0	58.6	61.6	40.3	274.5
Sven Althoff[3]	**2014**	**14.6**	**24.5**	**86.1**	**10.9**	**136.1**
André Arrago[4]	**2014**	**49.5**	**35.2**	**217.1**	**79.3**	**381.1**
	2013	535.2	(439.2)	109.9	69.5	275.4
Claude Chèvre	**2014**	**–**	**–**	**90.6**	**26.0**	**116.6**
	2013	–	–	20.7	22.0	42.7
Jürgen Gräber	**2014**	**87.6**	**54.8**	**201.3**	**40.4**	**384.1**
	2013	164.2	(1.5)	108.2	31.0	301.9
Dr. Klaus Miller	**2014**	**–**	**20.5**	**148.6**	**28.0**	**197.1**
	2013	–	19.5	(28.7)	22.0	12.8
Dr. Michael Pickel	**2014**	**78.8**	**49.3**	**152.3**	**29.7**	**310.1**
	2013	149.5	(3.1)	79.5	23.2	249.1
Roland Vogel	**2014**	**30.9**	**37.4**	**175.9**	**39.3**	**283.5**
	2013	44.3	30.4	91.4	27.2	193.3
Total	**2014**	**334.1**	**306.4**	**1,348.9**	**311.6**	**2,301.0**
Total	2013	1,007.2	(335.3)	442.6	235.2	1,349.7

1 The change in the reserve for share awards from previous years derives from the increased market price of the Hannover Re share, the dividend approved for 2013 and the spreading of the expense for share awards across the remaining period of the individual service contracts.

2 The expense for share awards is spread across the remaining period of the individual service contracts. This gives rise to a difference relative to the nominal amount shown in the table of total remuneration.

3 Mr. Althoff was appointed to the Executive Board on 1 August 2014. The exercised stock appreciation rights, the share awards from previous years and a portion of the expense for share awards in the current financial year relate to his prior work as a senior executive at Hannover Re.

4 The appointment of Mr. Arrago ended on age grounds on 31 August 2014.

The following two tables show the remuneration of the Executive Board in the 2014 financial year in accordance with the recommendations of the German Corporate Governance Code:

German Corporate Governance Code, Item 4.2.5 Para. 3 – Table 1 (target/minimum/maximum remuneration as nominal amounts) M 84

Benefits granted	**Ulrich Wallin** Chief Executive Officer				**Sven Althoff**[1] Board member with divisional responsibility Date joined: 1 August 2014		
in EUR thousand	2013	2014	2014 (Min)	2014 (Max)	2014	2014 (Min)	2014 (Max)
Fixed remuneration	520.0	569.7	569.7	569.7	280.0	280.0	280.0
Fringe benefits	15.3	16.2	16.2	16.2	7.2	7.2	7.2
Total	**535.3**	**585.9**	**585.9**	**585.9**	**287.2**	**287.2**	**287.2**
One-year variable remuneration	468.0	480.0	0.0	960.0	252.0	0.0	504.0
Multi-year variable remuneration	338.6	356.6	(523.4)	676.6	174.2	6.2	342.2
Bonus bank 2014 (2018[2])	156.0	160.0	(560.0)	320.0	84.0	0.0	168.0
Share awards 2014 (2019[2])[3]	156.0	160.0	0.0	320.0	84.0	0.0	168.0
Dividend on share awards for 2012	26.6	0.0	0.0	0.0	0.0	0.0	0.0
Dividend on share awards for 2013[4]	0.0	36.6	36.6	36.6	6.2	6.2	6.2
Total	**1,341.9**	**1,422.5**	**62.5**	**2,222.5**	**713.4**	**293.4**	**1,133.4**
Service cost	120.8	114.3	114.3	114.3	13.9	13.9	13.9
Total remuneration	**1,462.7**	**1,536.8**	**176.8**	**2,336.8**	**727.3**	**307.3**	**1,147.3**

Benefits granted	**Jürgen Gräber** Board member with divisional responsibility Coordinator of worldwide property & casualty reinsurance				**Dr. Klaus Miller** Board member with divisional responsibility			
in EUR thousand	2013	2014	2014 (Min)	2014 (Max)	2013	2014	2014 (Min)	2014 (Max)
Fixed remuneration	400.0	428.0	428.0	428.0	320.0	342.4	342.4	342.4
Fringe benefits	14.3	16.0	16.0	16.0	13.8	13.9	13.9	13.9
Total	**414.3**	**444.0**	**444.0**	**444.0**	**333.8**	**356.3**	**356.3**	**356.3**
One-year variable remuneration	360.0	360.0	0.0	720.0	288.0	288.0	0.0	576.0
Multi-year variable remuneration	259.4	266.8	(273.2)	506.8	206.7	212.3	(219.7)	404.3
Bonus bank 2014 (2018[2])	120.0	120.0	(300.0)	240.0	96.0	96.0	(240.0)	192.0
Share awards 2014 (2019[2])[3]	120.0	120.0	0.0	240.0	96.0	96.0	0.0	192.0
Dividend on share awards for 2012	19.4	0.0	0.0	0.0	14.7	0.0	0.0	0.0
Dividend on share awards for 2013[4]	0.0	26.8	26.8	26.8	0.0	20.3	20.3	20.3
Total	**1,033.7**	**1,070.8**	**170.8**	**1,670.8**	**828.5**	**856.6**	**136.6**	**1,336.6**
Service cost	97.9	90.2	90.2	90.2	80.0	82.8	82.8	82.8
Total remuneration	**1,119.5**	**1,161.0**	**261.0**	**1,761.0**	**908.5**	**939.4**	**219.4**	**1,419.4**

[1] The remuneration of Mr. Althoff and Mr. Arrago is shown as annual remuneration (not pro rata).
[2] Year of payment.
[3] Maximum value when awarded, amount paid out dependent upon the share price in the year of payment and the dividends paid until such time (see also our Declaration of Conformity on page 99 et seq.).
[4] In the case of Mr. Althoff the dividend for 2013 refers to share awards from his work as a senior executive at Hannover Re.

	André Arrago[1] Board member with divisional responsibility Date left: 31 August 2014				Claude Chévre Board member with divisional responsibility			
	2013	2014	2014 (Min)	2014 (Max)	2013	2014	2014 (Min)	2014 (Max)
	320.0	342.4	342.4	342.4	320.0	348.7	348.7	348.7
	9.5	6.4	6.4	6.4	13.3	13.2	13.2	13.2
	329.5	**348.8**	**348.8**	**348.8**	**333.3**	**361.9**	**361.9**	**361.9**
	288.0	288.0	0.0	576.0	288.0	297.0	0.0	594.0
	206.0	211.9	(220.1)	403.9	199.3	210.9	(234.6)	408.9
	96.0	96.0	(240.0)	192.0	96.0	99.0	(247.5)	198.0
	96.0	96.0	0.0	192.0	96.0	99.0	0.0	198.0
	14.0	0.0	0.0	0.0	7.3	0.0	0.0	0.0
	0.0	19.9	19.9	19.9	0.0	12.9	12.9	12.9
	823.5	**848.7**	**128.7**	**1,328.7**	**820.6**	**869.8**	**127.3**	**1,364.8**
	85.8	86.8	86.8	86.8	80.0	91.7	91.7	91.7
	909.3	**935.5**	**215.5**	**1,415.5**	**900.6**	**961.5**	**219.0**	**1,456.5**

	Dr. Michael Pickel Board member with divisional responsibility				Roland Vogel Chief Financial Officer			
	2013	2014	2014 (Min)	2014 (Max)	2013	2014	2014 (Min)	2014 (Max)
	320.0	342.4	342.4	342.4	380.0	406.6	406.6	406.6
	17.2	22.5	22.5	22.5	15.7	15.4	15.4	15.4
	337.2	**364.9**	**364.9**	**364.9**	**395.7**	**422.0**	**422.0**	**422.0**
	288.0	288.0	0.0	576.0	288.0	288.0	0.0	576.0
	206.6	212.6	(219.4)	404.6	208.8	214.8	(313.2)	406.8
	96.0	96.0	(240.0)	192.0	96.0	96.0	(336.0)	192.0
	96.0	96.0	0.0	192.0	96.0	96.0	0.0	192.0
	14.6	0.0	0.0	0.0	16.8	0.0	0.0	0.0
	0.0	20.6	20.6	20.6	0.0	22.8	22.8	22.8
	831.8	**865.5**	**145.5**	**1,345.5**	**892.5**	**924.8**	**108.8**	**1,404.8**
	101.2	89.9	89.9	89.9	38.1	33.0	33.0	33.0
	917.6	**955.4**	**235.4**	**1,435.4**	**930.6**	**957.8**	**141.8**	**1,437.8**

German Corporate Governance Code, Item 4.2.5 Para. 3 – Table 2 (cash allocations in 2013 and 2014) M 85

Allocation	**Ulrich Wallin** Chief Executive Officer		**Sven Althoff**[1] Board member with divisional responsibility Date joined: 1 August 2014
in EUR thousand	2013	2014	2014
Fixed remuneration	520.0	569.7	199.0
Fringe benefits	15.3	16.2	7.2
Total	**535.3**	**585.9**	**206.2**
One-year variable remuneration[2]	614.5	603.0	98.0
Multi-year variable remuneration	113.9	72.7	14.6
Stock appreciation rights 2006 (2009–2016[3])	0.0	0.0	0.0
Stock appreciation rights 2007 (2010–2017[4])	41.2	0.0	0.0
Stock appreciation rights 2009 (2013–2019[5])	72.7	72.7	14.6
Total	**1,263.7**	**1,261.6**	**318.8**
Service cost[6]	120.8	114.3	13.9
Total remuneration	**1,384.5**	**1,375.9**	**332.7**

Allocation	**Jürgen Gräber** Board member with divisional responsibility Coordinator of worldwide property & casualty reinsurance		**Dr. Klaus Miller** Board member with divisional responsibility	
in EUR thousand	2013	2014	2013	2014
Fixed remuneration	400.0	428.0	320.0	342.4
Fringe benefits	14.3	16.0	13.8	13.9
Total	**414.3**	**444.0**	**333.8**	**356.3**
One-year variable remuneration[2]	478.5	444.8	351.8	340.5
Multi-year variable remuneration	164.2	87.6	0.0	0.0
Stock appreciation rights 2006 (2009–2016[3])	0.0	0.0	–	–
Stock appreciation rights 2007 (2010–2017[4])	76.6	0.0	–	–
Stock appreciation rights 2009 (2013–2019[5])	87.6	87.6	–	–
Total	**1,057.0**	**976.4**	**685.6**	**696.8**
Service cost[6]	97.9	90.2	80.0	82.8
Total remuneration	**1,142.8**	**1,066.6**	**765.6**	**779.6**

1 The stated values include the remuneration of Mr. Althoff as a senior executive of Hannover Re for the period from 1 January to 31 July 2014.
2 This refers in each case to payment of the variable remuneration for the previous year. Remuneration for seats with Group bodies that is counted towards the variable remuneration accrues in the year of occurrence. The company's Supervisory Board does not decide on the final amount paid out for the 2014 financial year until after the preparation of the remuneration report.
3 Stock appreciation rights were awarded in 2006, exercise option at the discretion of the Executive Board until 31 December 2016 in the following tranches: 40% from 2009, 60% from 2010, 80% from 2011, 100% from 2012 onwards.
4 Stock appreciation rights were awarded in 2007, exercise option at the discretion of the Executive Board until 31 December 2017 in the following tranches: 40% from 2010, 60% from 2011, 80% from 2012, 100% from 2013 onwards.
5 Stock appreciation rights were awarded in 2009, exercise option at the discretion of the Executive Board until 31 December 2019 in the following tranches: 40% from 2012, 60% from 2013, 80% from 2014, 100% from 2015 onwards.
6 For details of the service cost see the tables "Defined benefit commitments" and "Defined contribution commitments" on page 121.

André Arrago Board member with divisional responsibility Date left: 31 August 2014		Claude Chévre Board member with divisional responsibility	
2013	2014	2013	2014
320.0	228.3	320.0	348.7
9.5	6.4	13.3	13.2
329.5	**234.7**	**333.3**	**361.9**
344.6	355.8	351.8	340.5
535.2	49.5	0.0	0.0
180.5	0.0	–	–
206.2	0.0	–	–
148.5	49.5	–	–
1,209.3	**640.0**	**685.1**	**702.4**
85.8	86.8	80.0	91.7
1,295.1	726.8	765.1	794.1

Dr. Michael Pickel Board member with divisional responsibility		Roland Vogel Chief Financial Officer	
2013	2014	2013	2014
320.0	342.4	380.0	406.6
17.2	22.5	15.7	15.4
337.2	**364.9**	**395.7**	**422.0**
351.8	359.4	388.3	376.6
149.5	78.8	44.3	30.9
0.0	0.0	0.0	0.0
70.7	0.0	13.4	0.0
78.8	78.8	30.9	30.9
838.5	**803.1**	**828.3**	**829.5**
101.2	89.9	38.1	33.0
924.3	893.0	866.4	862.5

Sideline activities of the members of the Executive Board

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

Retirement provision

Final-salary pension commitment (appointment before 2009)

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

Contribution-based pension commitment (appointment from 2009 onwards)

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

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

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

Provision for surviving dependants

If the Board member dies during the period of the service contract, the surviving spouse – or alternatively the eligible children – shall be entitled to continued payment of the fixed monthly salary for the month in which the Board member dies and the six months thereafter, at most until termination of the service contract. If the member of the Executive Board dies after pension payments begin, the surviving spouse and alternatively the dependent children shall receive continued payment of the retirement pension for the month of death and the following six months. The widow's pension amounts to 60% of the retirement pay that the Board member received or would have received if he had been incapacitated for work at the time of his death.

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

Adjustments

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

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

Pension payments to former members of the Executive Board

The pension payments to former members of the Executive Board and their surviving dependants, for whom 16 (14) pension commitments existed, totalled EUR 1.5 million (EUR 1.4 million) in the year under review. The projected benefit obligation of the pension commitments to former members of the Executive Board amounted to altogether EUR 28.8 million (EUR 21.4 million).

Defined benefit commitments M 86

Name in EUR thousand	Financial year	Attainable annual pension (age 65)	DBO 31.12.	Personnel expense
Ulrich Wallin	**2014**	**229.1**	**5,159.5**	**114.3**
	2013	220.0	3,284.1	120.8
Sven Althoff [1, 2]	**2014**	**30.3**	**370.8**	**13.9**
Jürgen Gräber	**2014**	**158.5**	**3,493.9**	**90.2**
	2013	158.5	2,133.3	97.9
Dr. Michael Pickel	**2014**	**125.6**	**2,124.2**	**89.9**
	2013	120.0	1,163.5	101.2
Roland Vogel [1, 3]	**2014**	**91.7**	**1,652.3**	**33.0**
	2013	80.4	786.8	38.1
Total	2014	635.2	12,800.7	341.3
Total	2013	578.9	7,367.7	358.0

1 Mr. Althoff and Mr. Vogel were first granted a pension commitment prior to 2001 on the basis of their service to the company prior to their appointment to the Executive Board; the earned portion of the commitment from the Unterstützungskasse is therefore established as a proportion (in the ratio [currently attained service years since entry]/[attainable service years from entry to exit age]) of the final benefit. Measurement under IFRS consequently uses the defined benefit method.

2 An annual premium of EUR 13,600 was paid for Mr. Althoff for 2014. The first increased contribution based on his appointment to the Executive Board is due on 1 July 2015. The guaranteed interest rate of his commitment is 3.25%. The values shown refer to his entitlements based on the remuneration prior to appointment to the Executive Board (1 August 2014).

3 An annual premium of EUR 98,300 (25% of the pensionable income) was paid for Mr. Vogel for 2014. The guaranteed interest rate of his commitment is 3.25%. The values shown include his entitlements prior to appointment to the Executive Board (1 April 2009), which in accordance with a resolution of the company's Supervisory Board (May 2014) shall remain unaffected by his pension commitment as a member of the Executive Board.

Defined contribution commitments M 87

Name in EUR thousand	Financial year	Annual funding contribution [1]	Attainable annual pension (age 65)	Premium
Claude Chèvre [2]	**2014**	**25% to October 2014 39.5% from November 2014**	**117.8**	**91.7**
	2013	25%	68.4	80.0
Dr. Klaus Miller [2]	**2014**	**25%**	**51.4**	**82.8**
	2013	25%	48.7	80.0
Total	2014		169.2	174.5
Total	2013		117.1	160.0

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

2 Guaranteed interest rate 2.25%

Remuneration of the Supervisory Board

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

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

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

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

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

Individual remuneration received by the members of the Supervisory Board M 88

Name in EUR thousand [1]	Function	Type of remuneration	2014	2013
Herbert K. Haas [2]	Chairman of the • Supervisory Board Member of the • Standing Committee • Finance and Audit Committee • Nomination Committee	Fixed remuneration	100.0	100.0
		Variable remuneration	84.9	76.4
		Remuneration for committee work	85.0	85.1
		Attendance allowances	11.0	15.0
			280.9	**276.5**
Dr. Klaus Sturany	Deputy Chairman of the Supervisory Board Member of the Standing Committee	Fixed remuneration	45.0	45.0
		Variable remuneration	40.1	32.4
		Remuneration for committee work	7.5	7.5
		Attendance allowances	5.0	6.0
			97.6	**90.9**
Wolf-Dieter Baumgartl [2]	Member of the • Supervisory Board • Standing Committee • Finance and Audit Committee • Nomination Committee	Fixed remuneration	50.0	50.0
		Variable remuneration	42.3	38.3
		Remuneration for committee work	22.5	22.5
		Attendance allowances	11.0	12.0
			125.8	**122.7**
Frauke Heitmüller [3]	Member of the Supervisory Board	Fixed remuneration	30.0	30.0
		Variable remuneration	26.6	21.3
		Remuneration for committee work	–	–
		Attendance allowances	4.0	4.0
			60.6	**55.3**
Uwe Kramp [4]	Member of the Supervisory Board (until 3 May 2012)	Fixed remuneration	–	–
		Variable remuneration	–	0.3
		Remuneration for committee work	–	–
		Attendance allowances	–	–
			–	**0.3**
Otto Müller [3]	Member of the Supervisory Board	Fixed remuneration	30.0	30.0
		Variable remuneration	26.6	21.6
		Remuneration for committee work	–	–
		Attendance allowances	4.0	4.0
			60.6	**55.6**
Dr. Andrea Pollak	Member of the • Supervisory Board • Nomination Committee	Fixed remuneration	30.0	30.0
		Variable remuneration	26.6	21.6
		Remuneration for committee work	–	–
		Attendance allowances	4.0	4.0
			60.6	**55.6**

Dr. Immo Querner[2]	Member of the Supervisory Board	Fixed remuneration	50.0	50.0
		Variable remuneration	41.7	38.2
		Remuneration for committee work	10.0	10.0
		Attendance allowances	7.0	7.0
			108.7	**105.2**
Dr. Erhard Schipporeit	Member of the • Supervisory Board • Finance and Audit Committee	Fixed remuneration	30.0	30.0
		Variable remuneration	27.1	21.6
		Remuneration for committee work	15.0	15.0
		Attendance allowances	6.0	8.0
			78.1	**74.6**
Maike Sielaff[3]	Member of the Supervisory Board	Fixed remuneration	30.0	24.6
		Variable remuneration	24.0	17.0
		Remuneration for committee work	–	–
		Attendance allowances	4.0	4.0
			58.0	45.6
Gert Wächtler[4]	Member of the Supervisory Board (until 19 March 2013)	Fixed remuneration	–	5.5
		Variable remuneration	2.5	4.6
		Remuneration for committee work	–	–
		Attendance allowances	–	1.0
			2.5	**11.1**
Total			**933.4**	**893.5**

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

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

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

Loans to members of the management boards and contingent liabilities

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

In 2014 no loan relationships existed with members of the Executive Board or Supervisory Board of Hannover Rück SE, nor did the company enter into any contingent liabilities for members of the management boards.

Securities transactions and shareholdings (directors' dealings)

Dealings in shares, options and derivatives of Hannover Rück SE effected by members of the Executive Board or Supervisory Board of Hannover Re or by other persons with managerial functions who regularly have access to insider information concerning the company and who are authorised to take major business decisions – as well as such dealings conducted by certain persons closely related to the aforementioned individuals – in excess of EUR 5,000 are to be reported pursuant to § 15a Securities Trading Act (WpHG). The reportable transactions listed in the following table took place in the 2014 financial year.

Securities transactions M89

Name	Type of transaction	Type of security	ISIN	Transaction date	Number of shares	Price in EUR	Total volume in EUR
André Arrago	Purchase	Share	DE0008402215	11 March 2014	1,600	61.00 [1]	97,599.04

[1] Rounded; average price = EUR 60.994

Members of the Supervisory Board and Executive Board of Hannover Rück SE as well as their spouses or registered partners and first-degree relatives hold less than 1.0% of the issued shares. The total holding as at 31 December 2014 amounted to 0.004% (0.056%) of the issued shares, i.e. 4,549 (67,103) shares.

Remuneration of staff and senior executives

Structure and system

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

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

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

Measurement of variable remuneration for senior executives

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

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

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

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

Group of participants and total number of eligible participants in variable remuneration systems **M 90**
Valid: 31 December 2014

Participants		Variable remuneration system	Number of eligible participants in the variable remuneration system
Managing Director Director General Manager	Management level 2 Management level 3	Cash bonus and Share Award Plan	**Hannover Re Group** All 160 Group senior executives worldwide receive a cash bonus upon corresponding goal attainment. 159 of them participate in the Share Award Plan.
Chief Manager Senior Manager Manager		Group Performance Bonus (GPB)	**Home Office Hannover** 623 staff (excl. seconded employees) out of the altogether 1,269 at Hannover Home Office (incl. 94 senior executives) are GPB-eligible.

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

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

Amount and payment of variable remuneration for senior executives

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

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

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

Allocation and payment of share awards to senior executives

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

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

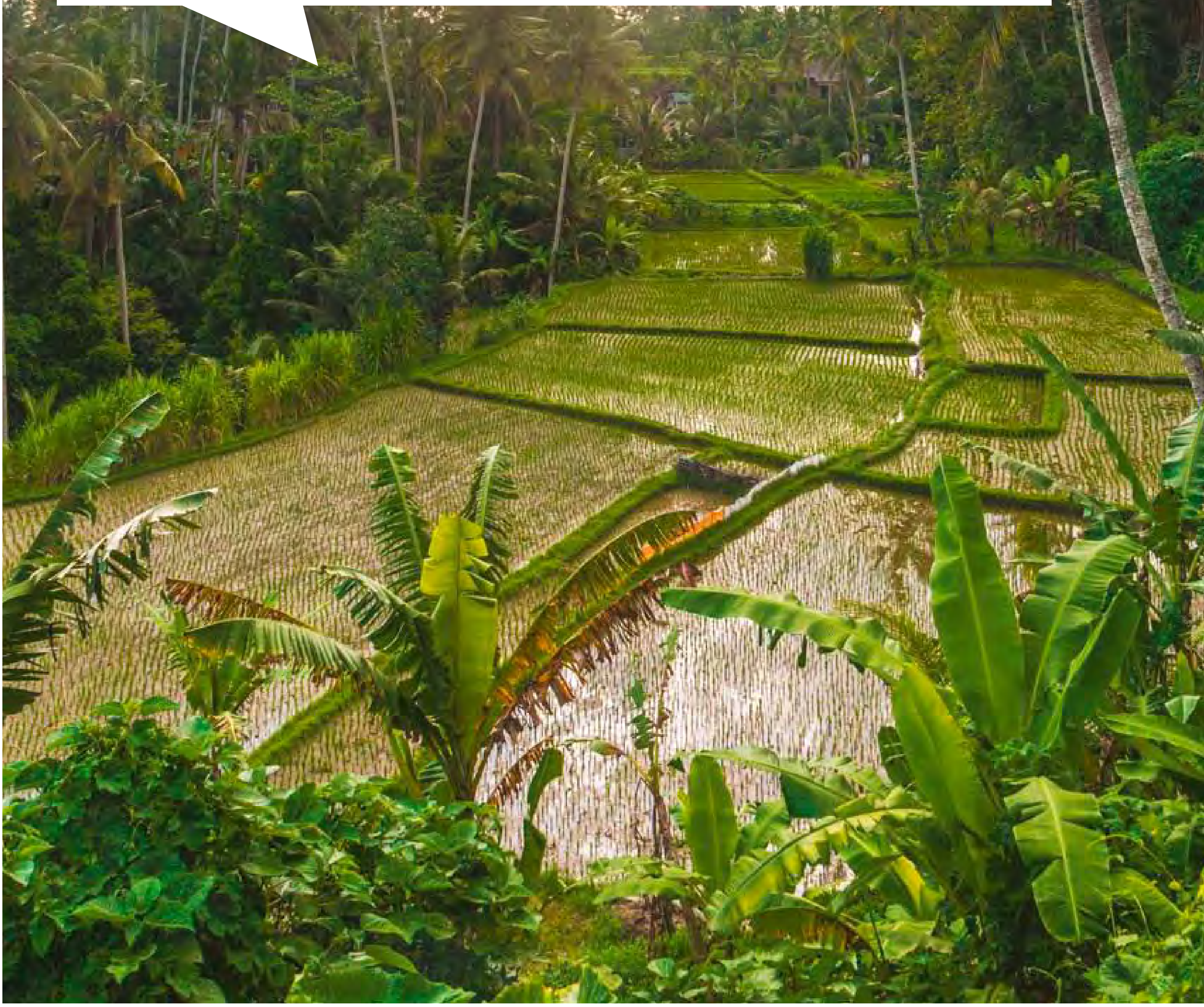
In the case of the allocation and payment of share awards to participants in the Share Award Plan who are located abroad, the rate of exchange used to convert the average share price is the average of the relevant exchange rate in a period from 20 trading days before to 10 trading days after the meeting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

The cash bonus for the 2013 financial year was paid out in June 2014. The share awards for the 2013 financial year were also allocated in June 2014; they will be paid out in the spring of 2018 including dividends paid for the 2013, 2014, 2015 and 2016 financial years.

Agricultural crop and livestock insurance

Demand is constantly growing for foodstuffs and agricultural commodities, while the arable land around the world is limited. This encourages investment in agriculture, which coverage requirements are rising in light of the expected increase in extreme weather events due to climatic change. In this context, agricultural crop and livestock insurance is taking on added significance, not only in industrial nations but also in emerging markets where governments are increasingly supporting farmers with premium subsidies. We therefore expect demand in this business segment to continue growing.

The principal lines of business in crop farming are Multi-Peril Crop Insurance (MPCI) or covers for single perils such as hail. Extended coverage is available for forestry and greenhouses. In the case of bloodstock and livestock, insurance can be taken out for the mortality, disease and transit risks in addition to general natural perils. In the aquaculture sector risks such as algal bloom can also be covered. Furthermore, our involvement in index-based insurance products opens up a variety of new business opportunities when it comes to insuring agricultural risks.



Dr. Dina Dziuba
works as a Manager
at Hannover Re
in the area of
"Agricultural Risks"

Financial solutions in China

Our products serve as efficient and flexible tools of business financing and solvency management for life insurers. In addition to more traditional cash financing, we offer our customers solutions designed to ease the strain of reserving and provide solvency relief. They are based on reinsurance transactions with an appropriate transfer of underwriting risks in accordance with the regulatory requirements applicable locally and elsewhere. We have an extensive network and considerable international experience when it comes to rapidly implementing efficient financial solutions models. In the context of China's adoption of a new solvency regime (C-ROSS), the capital requirements placed on life insurers will change and demand for innovative financial solutions models is set to grow. This is a challenge that we believe we are well equipped to meet.

Dieter Kroll is a General Manager with Hannover Re. Working out of the company's Home Office in Hannover, he is responsible for Asian life and health business including financial solutions

Outlook

Forecast

- New challenges due to worldwide regulatory changes
- Solid prospects for 2015 despite soft market conditions in property and casualty reinsurance
- Profitability set to continue growing in life and health reinsurance
- Return on investment of 3.0% for assets under own management
- Group net income in the order of EUR 875 million expected

Economic development

Global economy

The framework conditions for the global economy improved to such an extent in the second half of 2014 that the forecasting institutes anticipate a gradual pick-up in economic impetus for 2015. The Kiel Institute for the World Economy expects the global economy to post slightly higher growth year-on-year of 3.7% by the close of 2015.

Monetary policy, which for the most part continued to be highly expansionary, and the positive stimuli from the current low price of oil are supporting progressive deleveraging processes in the private sector and boosting business activity. This will likely lead to stronger growth rates, especially in the mature national economies. As a further factor, the restraining effects of fiscal policy will probably diminish overall. Emerging economies should profit from rising demand in industrial nations, although structural problems will hamper a rapid return to the heady growth rates of past years.

The susceptibility of the economy to distortions that has been witnessed in recent years will continue. Emerging upheavals on financial markets, the exacerbation of geopolitical tensions or changes of government in Europe's crisis-ridden nations could at times severely undermine the expansion of the world economy.

Growth in gross domestic product (GDP) M 91

in %	2014 (forecast from previous year)	2014 (provisional calculation)	2015 (forecast)
Economic areas			
World economy	3.7	3.4	3.7
Eurozone	0.9	0.8	1.2
Selected countries			
United States	2.3	2.2	3.2
China	7.5	7.4	7.0
India	5.0	5.9	6.5
Japan	1.5	0.2	0.8
Germany	1.7	1.5	1.7

Source: Kiel Institute for the World Economy

United States

The growth in output in the United States will probably rise by one percentage point in the year ahead to 3.2%. The main engine of growth is the continued improvement of the labour market; this will progressively stimulate consumer spending and accelerate wage growth. With sales prospects brightening at home and abroad, investment activity will also pick up. It will be boosted by the continued favourable financing environment.

Europe

Developments in the Eurozone are still overshadowed by structural problems affecting parts of the currency area, and hence growth will only gather pace gradually. In 2015 it is expected to come in slightly higher than in the previous year at around 1.2%. Not least owing to the very low price of oil, consumer prices will probably rise by just 0.3%. Fears of deflation consequently persist. Even if this should happen, however, the economy will probably not suffer because such a scenario would be driven essentially by energy prices and would not therefore be accompanied by lower household and corporate earnings. Unemployment is expected to shrink further to 11.2%. The United Kingdom should generate roughly the same growth – at 2.9% – as in the previous year.

Germany

Economic activity looks to be trending higher again in Germany after a period of stagnation: the experts at the Kiel Institute for the World Economy anticipate a growth rate of 1.7% and a medium-term positive tendency. In the early months of the current year the economy will be driven primarily by private consumption. Subsequently, cyclical upward forces will increasingly kick in, and output should therefore surge sharply in the second half of the year. The favourable financing climate should serve to consistently stimulate investment activity. As the global economy revives, export impetus should also rise.

The economic upturn will not be felt on the labour market until the middle of the year because the first six months will still be under the sluggish influence of the previous year. Overall, the number of persons in gainful employment will likely continue to grow and the jobless rate should fall slightly to 6.6%.

China, India, Japan

The room for manoeuvre in fiscal policy has contracted in many emerging markets because their monetary policy was geared more towards stabilising the exchange rate than stimulating the economy. Although the upturn in economic activity in these countries will therefore again be more vigorous, it will be on a lower level. Growth of 7.0% is anticipated for China in 2015, with an ongoing slowing tendency. In India, where the economy last year came in slightly ahead of expectations, the previous year's growth rate of 6.5% will probably be repeated. Japan is forecast to deliver growth of around 0.8%.

Capital markets

The decision of the European Central Bank to stand by its low interest rate policy and purchase government bonds is intended to protect the Eurozone against the threat of deflation. The US Federal Reserve, by contrast, set in motion the trend reversal in its interest rate policy. This should be reflected in a continued strong US dollar. International bond markets will again be shaped by below-average and increasingly divergent interest rate levels in 2015. In the relevant currency areas for our company we anticipate at most unchanged yield curves and moderate interest rate rises. With respect to Treasury bonds issued by the countries of the European Monetary Union with higher risk premiums, which have been the focus of so much attention of late, stabilisation may continue despite the current deflation risk. Generally speaking, the very low volatility seen on the capital market is not expected to be sustained. The effects of currency and oil price movements should therefore be all the more pronounced, although on balance the opportunities for the world economy will outweigh the risks. As a further factor, the elections in a number of European countries have the potential to unsettle the strategy of taking incremental steps to resolve the Euro debt crisis. The necessary consolidation of public finances in the industrial nations will therefore continue to preoccupy the economic environment; it may, however, be overcompensated by resurgent private consumption and investment demand. In view of the existing uncertainties, broad diversification within the investment portfolio will therefore continue to be of considerable importance in the current financial year.

Insurance industry

The international insurance industry will likely find itself operating in a largely unchanged environment in 2015. Even though experts believe that low interest rates will continue, the insurance sector should remain on a stable course in the current year.

Preparations for implementation of the European Solvency II Framework Directive are progressing apace. To this end, the European Commission has recently set in motion further decisions ("delegated acts"), as has the federal government on the German level. The new stipulations provide companies with a guiding framework for the application of Solvency II from 2016 onwards.

In China, too, the regulatory requirements have grown enormously in recent years. The local regulator, the China Insurance Regulatory Commission (CIRC), already requires submission of regular reports both in writing and orally. Adoption of the new regulatory regime C-ROSS (China Risk Oriented Solvency System) is envisaged for 2015; this will require even more detailed reporting and it will thus increase the workload on companies. In terms of content, C-ROSS is geared towards the European Solvency II guidelines, thereby further increasing international comparability.

Generating growth in a highly competitive environment is likely to prove a challenging task in 2015. Industry experts estimate that premium volume will be stable overall. What is more, if the current year should also pass off with another very light burden of major losses, the market will respond with a further decline in prices – especially for natural catastrophe covers.

Property & Casualty reinsurance

Overview

After three consecutive years of low major losses and good results, property and casualty reinsurance is once again seeing intense competition in the current financial year. The healthy capitalisation of ceding companies due to the absence of major losses has resulted in fewer risks being ceded to reinsurers. Furthermore, the inflow of capital from the market for catastrophe bonds (ILS) continues to create a surplus of capacity.

These factors also shaped the treaty renewals as at 1 January 2015, the date when some 65% of our property and casualty reinsurance portfolio (excluding facultative business and structured reinsurance) was renegotiated. Despite sometimes appreciable price erosion and deteriorations in conditions in certain areas, we were broadly satisfied with the outcome of the renewals – even though the rate quality of the renewed portfolio was somewhat lower than in the previous year. Rate increases were obtained under programmes that had suffered losses in 2014. This was especially true of our German business. The significant losses incurred in the aviation line, on the other hand, did little to boost prices.

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

Property & Casualty reinsurance: Forecast development for 2015 **M 92**

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

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

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

Target markets

North America

In tandem with the existing surplus capacities, the trend towards greater consolidation of reinsurance programmes at large clients continued in North America, hence keeping up the pressure on rates. On the reinsurance side this was true of both the property and casualty lines, where the situation is expected to bottom out in the medium term. We are adhering to our strategy of a margin-oriented underwriting policy, even if this compels us to relinquish volume growth. Nevertheless, in view of our long-standing and robust customer relationships, we expect to maintain our presence even in the soft market. Overall, then, we were satisfied with the outcome of the renewals as at 1 January 2015. In part through targeted new business acquisition, we were able to grow the premium volume in North America by around 5%. In this context we expanded our niche business in the professional indemnity line, where rates proved to be firmer. It remains the case that we do not participate in multi-line liability quota share reinsurance arrangements. Slight rate increases were recorded in Canadian property business owing to the losses incurred in 2013 and 2014. Looking ahead to the treaty renewals on 1 June and 1 July 2015 – the time of year when catastrophe XL covers, in particular, are renegotiated – we currently anticipate further intense competition in this segment.

All in all, our North American portfolio is expected to show modest growth in the current financial year.

Continental Europe

In **Germany**, the largest single market within our Continental Europe segment, Hannover Re was again able to expand its already excellent position. Here, too, competition nevertheless remained keen and the trend towards primary insurers carrying higher retentions was sustained. While the loss situation of past years enabled us to catch up on rate increases or hold prices stable in some lines, such as motor own damage and homeowners comprehensive, the move observed in previous years towards exposure-based rate increases ground to a halt. Particularly in non-proportional motor liability business, the premium increases needed on account of continuously rising long-term care costs in relation to bodily injury claims proved to be unattainable. The strained situation in industrial fire insurance also remained unchanged. Fierce competition and a large number of basic losses put adequate results in this segment out of reach. With this in mind, we wrote our business here selectively. Our total portfolio in the domestic German market closed with a premium gain due to a number of new customer relationships.

In the **other markets of Continental Europe** the picture was a mixed one: the expansion of existing customer accounts in France enabled us to offset the pressure on prices in loss-free programmes and the effect of discontinued treaties. In Northern European countries we maintained our market-leading position. The markets of Southern and Eastern Europe became considerably more competitive. Broadly speaking, though, we consider reinsurance prices here to be commensurate with the risks. Demand for non-proportional treaties surged sharply with an eye to Solvency II requirements.

All in all, we achieved moderate growth of 1% in the treaty renewals for Continental European markets.

Specialty lines worldwide

Marine

In marine reinsurance we expect to see further softening of insurance and reinsurance rates for the 2015 financial year. The deterioration in reserves for removal of the wrecks of the "Costa Concordia" and "Rena" have nevertheless prevented a substantial price decline. Given the absence of major losses, rates for the reinsurance of offshore energy risks are moving slightly lower despite higher sums insured in the original market. Overall, the trend towards reduced reinsurance cessions driven by large insurance groups is likely to be sustained. This may be offset, at least to some extent, by ceding companies that make the most of the soft market to buy more reinsurance capacity. When it comes to our own portfolio, we anticipate a slightly reduced premium volume in 2015.

Aviation

The significant major losses incurred in aviation reinsurance in 2014 have had only a qualified positive effect on rates. It remains the case that insurance capacities are widely available, and it is therefore our expectation that premiums in conventional aviation reinsurance will tend to stabilise on the existing level. Although we anticipate price increases for war covers, these have not so far been as appreciable as originally anticipated. Based on our long-standing expertise in all lines of aviation reinsurance, we nevertheless see attractive business opportunities in the current financial year. All in all, though, the premium volume is set to contract.

Credit, surety and political risks

The premium volume in the area of credit, surety and political risks is expected to remain stable in 2015. We again slightly boosted the share of our total portfolio deriving from political risks in the context of the 1 January 2015 treaty renewals. In view of the good results posted by insurers, the modest pressure on conditions is likely to be sustained in the current financial year and primary insurers can be expected to further increase their premium retained for own account.

United Kingdom, London market and direct business

In the face of more intense competition we expect to see declining rates for our reinsurance business in the United Kingdom this year. We were essentially able to preserve our portfolio in the renewals as at 1 January 2015 thanks to our established customer relationships. In addition, we succeeded in expanding our short-tail business. On the back of the solid rate increases booked in non-proportional motor business over the past three years, prices again moved slightly higher or remained unchanged. In direct business our subsidiary Inter Hannover continues to focus on risk selection in order to further enhance the quality of its portfolio.

Facultative reinsurance

The soft market phase prevailing in facultative reinsurance is likely to continue and hence rates will remain stubbornly low. Nevertheless, by taking a selective approach we also see attractive business opportunities. For example, we anticipate stronger demand in areas such as covers for renewables and cyber-risks. Thanks to our very good rating, we should also be able to profit from the pooling of reinsurance cessions at large primary insurance groups. Our portfolio of facultative risks is expected to deliver a stable premium volume in the current financial year.

Global reinsurance

Worldwide treaty reinsurance

Premium income is expected to increase again for the **Asia-Pacific markets**. Along with sustained rising demand for insurance products in the expanding middle class of many emerging markets, regulatory changes – above all in China and India – are also having favourable implications for Hannover Re's positioning. We expect our Chinese reinsurance portfolio to post another appreciable surge in premium volume. Nevertheless, tendencies towards a contraction in the outflow of reinsurance premiums into foreign markets can be anticipated in certain Asian markets.

In Japan there will likely be a consolidation in demand for reinsurance covers: rates for natural catastrophe risks and in other lines will probably come under further pressure in the April round of renewals. Overall, we expect to book slightly lower premium in the original currency for our portfolio in Japan. The region of South and Southeast Asia should again prove to be the engine of growth in the current year. Consequently, our portfolio here should show a further rise in premium volume due to special initiatives that have already been launched. Rates for most markets in South and Southeast Asia are expected to be broadly adequate.

Turning to Australia and New Zealand, thanks to our strong local presence and established customer relationships we expect to be able to preserve our portfolio in these markets on a stable level. Particularly attractive opportunities for growth may open up in niche markets.

The outcome of the treaty renewals as at 1 January 2015 in the **Caribbean and Latin America** were satisfactory on the whole for our company. We were very successful in defending our market position in the region despite soft conditions and fierce competition over placements. The reinsurance market is notable for an oversupply of capacity, as a consequence of which a reinsurer's financial strength continues to be crucially important – a state of affairs from which Hannover Re profited. As expected, the renewals on 1 January 2015 for Latin America – the main renewal season here is not until 1 July – provided to be competitive, but prices were still commensurate with the risks. In Brazil we were able to write new treaties and enlarge existing relationships. Despite the difficult state of the market we succeeded in holding our portfolio stable thanks to our focus on Latin America as a whole. Premium income from Venezuela and Ecuador may be curtailed in future by restrictive regulatory regimes as well as inflation and negative exchange rate effects. Nevertheless, even as we continue to adhere to our selective underwriting policy we remain confident of generating further profitable growth for our portfolio from Latin American markets in the current financial year.

In **Spain and Portugal** conditions for proportional treaties were mostly unchanged at the main renewal date – i. e. 1 January 2015 –, while they deteriorated somewhat for non-proportional programmes. Broadly speaking, we are satisfied with the development of our business despite the ongoing economic challenges faced by both countries. We improved our market share in Spain and booked modest premium growth in Portugal.

In **South Africa** we expect to record slightly higher premium income and an improved result for 2015 in our reinsurance portfolio and specialty business.

Hannover Re expects demand to continue rising in the area of **agricultural risks**. This can be attributed to the increased demand for food and a greater need to protect against extreme weather events. Not only that, we also see further growth potential for index-linked microinsurance products in emerging markets, not least bearing in mind that the G8 nations have defined agricultural insurance as a tool for fighting poverty. Hannover Re expects its premium to come in higher for the current financial year.

We expect to write further profitable business for our **retakaful** portfolio in the current financial year. Rising prices are anticipated above all under loss-impacted programmes.

Catastrophe XL (Cat XL)

An oversupply of reinsurance capacity continues to be the hallmark of natural catastrophe markets. In the first place the influence of ILS markets is still rising, while at the same time primary insurers have more capital at their disposal, as a consequence of which fewer risks are being passed on to reinsurers. As a further factor, the absence of major losses in 2014 prompted additional rate reductions in the 1 January 2015 renewals, including for example in US property catastrophe business. Despite this, price increases were also attainable in a variety of regions and segments. In Europe, and especially in Germany, higher prices were obtained under programmes that had been impacted by various hail and windstorm events. Further developments in catastrophe business will depend on the loss situation going forward, particularly in the US market. Given the prevailing market climate the strategy pursued by our subsidiary in Bermuda is to further expand in specialty lines.

Structured reinsurance and insurance-linked securities

Further healthy demand is anticipated for our Advanced Solutions business and **structured reinsurance** in the current financial year. The key driver here is the growing integration of reinsurance into companies' risk management. This development has been prompted by the increasingly exacting capital requirements placed on insurers: with a growing number of countries adopting risk-based solvency systems and the implementation of Solvency II soon to become a reality, demand for products that deliver capital relief is likely to remain brisk in 2015.

In the area of **insurance-linked securities (ILS)** it is our expectation that demand will continue to grow. Along with protecting our own peak exposures, we make use of the broad range of opportunities available here, particularly in collateralised reinsurance business. Over the coming years we expect to see a positive and steadily rising profit contribution. We succeeded in renewing our "K cession", a collateralised modelled quota share cession of non-proportional reinsurance treaties that we have placed on the ILS market for many years – with an increased capacity of USD 400 million for 2015.

Life & Health reinsurance

As a globally operating reinsurer, our focus in the prevailing highly competitive climate is on sustainable success. In the current financial year our business will be influenced above all by developments on capital markets and the complex regulatory requirements in individual regions.

Life & Health reinsurance: Forecast development for 2015 **M 93**

	Volume [1]	Profitability [2]
Financial solutions	→	++
Risk solutions		
Longevity	↗	+/−
Mortality	→	+
Morbidity	↗	+/−

1 In EUR
2 ++ = significantly above the cost of capital;
+ = above the cost of capital;
+/− = on a par with the cost of capital;
− = below the cost of capital

In Germany it is our expectation that the low level of interest rates will be sustained in 2015 and that the pressure on returns facing primary insurers will remain correspondingly high.

These anticipated developments will therefore also affect our business. Particularly in the case of traditional life insurance policies, for example, the reduction of the guaranteed interest rate from 1.75% to 1.25% as at 1 January 2015 will likely mean a further contraction in the business volume. The order of the day for both insurers and reinsurers alike is to explore alternatives and attractive provision products that can generate demand.

Preparations for the impending implementation of the Solvency II Framework Directive are also playing a major role. The new reporting and disclosure requirements enter into effect on 1 January 2016. In the course of the current year we shall step up our efforts to ensure that all requirements are satisfied as early as possible. As far as our business is concerned, we shall cooperate even more closely with our customers in 2015 in order to offer attractive reinsurance solutions for solvency and capital relief under the new Solvency II regime.

Changes in regulatory provisions will affect us not only in Germany but also globally in the year ahead. China, for example, plans to implement new solvency directives with effect from 2015: the new China Risk Oriented Solvency System (C-ROSS) puts the focus on risk-based capital requirements and imposes more detailed reporting. The adoption of C-ROSS will significantly improve comparability with Solvency II – which in principle must be viewed favourably with an eye to progressive globalisation. We are monitoring the implications of C-ROSS implementation particularly closely in order to be able to respond flexibly and appropriately to the requirements. The South African insurance industry is similarly seeing moves to roll out risk-based capital requirements. This will serve to close the gap and improve comparability both with Europe's Solvency II regulatory regime and with other international risk-oriented systems of prudential regulation.

Turning to longevity business, the announcement in the United Kingdom of new arrangements relaxing the rules on compulsory retirement already led to a decline in annuity business in the year under review. With effect from 1 April 2015 pensioners will enjoy considerably greater flexibility in accessing and using their pension lump sums on reaching retirement age. At the same time the one-year transitional period will also come to an end. It is to be anticipated that this will continue to affect the UK annuity market in 2015. Nevertheless, it is our assumption that the influence on the market volume of enhanced annuities will, if anything, be rather slight, and hence the general outlook for our enhanced annuity business is bright. Going forward, therefore, we continue to expect substantial business volumes for our UK longevity portfolio. Working in concert with our customers in the interest of policyholders, we are confident that we can offer solutions tailored to the new situation and thereby tap into new business opportunities.

In Continental European and international longevity markets we expect to see further growth in demand. Against the backdrop of progressively shifting demographics this will increasingly extend also to emerging markets, including China and Hong Kong, thereby generating additional business potential.

Investments

Bearing in mind the as yet unresolved European debt crisis and the associated uncertainties, we shall maintain the conservative orientation of significant parts of our investment portfolio. Nevertheless, irrespective of the sovereign debt issue, the improved economic outlook will be reflected in selective risk-taking. Our emphasis on broad diversification will be retained unchanged. By way of a neutral modified duration we shall continue to ensure that the interest rate risk is tightly managed.

The enlargement of the asset portfolio is expected to have a positive effect on investment income, although the average return will decline owing to sustained low interest rates. In view of the low returns on more secure investments, we shall continue to invest in products offering attractive credit spreads and selectively expand our portfolio in the areas of alternative investments and real estate.

Given the high capital requirements and potentially increased volatility on equity markets – which are in part driven by liquidity –, our cautious stance on investments in listed equities at current valuation levels remains unchanged.

Outlook for the full 2015 financial year

In the current year, despite a challenging environment on the capital market and in reinsurance business, we anticipate a good overall result for the Hannover Re Group. Bearing in mind developments both in property and casualty and in life and health reinsurance, we expect to book stable or slightly higher gross premium volume – based on constant exchange rates – for our total portfolio in the current financial year.

The premium volume in property and casualty reinsurance is expected to remain stable for 2015 based on constant exchange rates. We shall continue to practise our systematic underwriting discipline, writing only business that satisfies our margin requirements. We expect the treaty renewals during the year to pass off favourably thanks to our good rating and long-standing stable customer relationships. Despite softer market conditions overall in property and casualty reinsurance, the underwriting result should come in on the level of 2014 – provided the major loss incidence remains within the bounds of expectations. In terms of the targeted combined ratio, we are aiming for a figure under 96%. The EBIT margin for property and casualty reinsurance should amount to at least 10%.

In life and health reinsurance we shall continue to concentrate on enlarging our range of services in the current year so as to offer our customers an optimal combination of traditional risk transfer and comprehensive reinsurance service. Adjusted for exchange rate effects, we expect to book slightly higher gross premium overall and an increased profit. The Value of New Business (VNB) for 2015 should again be in excess of EUR 180 million. We continue to aim for EBIT margins of 2% for financial solutions and longevity business and 6% for mortality and morbidity business.

With regard to the IVC targets that we use to map economic value creation, we anticipate a minimum 2% xRoCA for property and casualty reinsurance and at least 3% xRoCA for life and health reinsurance.

The expected positive cash flow that we generate from the technical account and our investments should – based on stable exchange rates – lead to further growth in our asset portfolio. We anticipate a return on investment of 3.0%.

For 2015 we anticipate Group net income in the order of EUR 875 million. This is subject to the proviso that the burden of major losses does not significantly exceed the budgeted level of EUR 690 million and that there are no exceptionally adverse developments on capital markets.

In terms of the dividend for the current financial year, Hannover Re envisages a payout ratio in the range of 35% to 40% of its IFRS Group net income. This ratio may increase in light of capital management considerations if the present comfortable level of capitalisation remains unchanged.

Our strategic objective is to generate a minimum return on equity within the Group that is 900 basis points above the risk-free interest rate. We also seek to increase the earnings per share by 6.5% and the book value per share (including dividends paid) by at least 7.5% annually.

Events after the reporting date

No matters of special significance occured after the closing date for the consolidated financial statements.

Consolidated financial statements

Consolidated balance sheet as at 31 December 2014

N 01

Assets in EUR thousand	Notes	31.12.2014	31.12.2013
Fixed-income securities – held to maturity	6.1	2,139,742	2,666,787
Fixed-income securities – loans and receivables	6.1	2,988,187	3,209,100
Fixed-income securities – available for sale	6.1	26,817,523	22,409,892
Fixed-income securities – at fair value through profit or loss	6.1	64,494	36,061
Equity securities – available for sale	6.1	32,804	28,980
Other financial assets – at fair value through profit or loss	6.1	66,394	70,082
Real estate and real estate funds	6.1	1,299,258	1,094,563
Investments in associated companies	6.1	154,822	144,489
Other invested assets	6.1	1,316,604	1,023,214
Short-term investments	6.1	575,300	549,138
Cash and cash equivalents	6.1	772,882	642,936
Total investments and cash under own management		**36,228,010**	**31,875,242**
Funds withheld	6.2	15,826,480	14,267,831
Contract deposits	6.3	92,069	75,541
Total investments		**52,146,559**	**46,218,614**
Reinsurance recoverables on unpaid claims	6.7	1,376,432	1,403,804
Reinsurance recoverables on benefit reserve	6.7	676,219	344,154
Prepaid reinsurance premium	6.7	149,257	139,039
Reinsurance recoverables on other technical reserves	6.7	5,446	6,893
Deferred acquisition costs	6.4	1,914,598	1,672,398
Accounts receivable	6.4	3,113,978	2,945,685
Goodwill	6.5	58,220	57,070
Deferred tax assets	7.5	393,923	508,841
Other assets	6.6	618,280	603,627
Accrued interest and rent		4,672	4,193
Assets held for sale	6.1	–	11,226
Total assets		**60,457,584**	**53,915,544**

Liabilities in EUR thousand	Notes	31.12.2014	31.12.2013
Loss and loss adjustment expense reserve	6.7	24,112,056	21,666,932
Benefit reserve	6.7	11,757,132	10,631,451
Unearned premium reserve	6.7	2,748,594	2,405,497
Other technical provisions	6.7	324,240	269,571
Funds withheld	6.8	817,137	648,026
Contract deposits	6.9	6,072,338	5,569,932
Reinsurance payable		1,101,317	1,071,654
Provisions for pensions	6.10	171,501	116,412
Taxes	7.5	260,137	222,795
Deferred tax liabilities	7.5	1,875,591	1,712,392
Other liabilities	6.11	694,234	605,895
Long-term debt and subordinated capital	6.12	2,270,347	2,464,960
Total liabilities		**52,204,624**	**47,385,517**
Shareholders' equity			
Common shares	6.13	120,597	120,597
Nominal value: 120,597 Conditional capital: 60,299	6.13		
Additional paid-in capital		724,562	724,562
Common shares and additional paid-in capital		**845,159**	**845,159**
Cumulative other comprehensive income			
Unrealised gains and losses on investments		1,169,255	533,745
Cumulative foreign currency translation adjustment		190,454	(246,279)
Changes from hedging instruments		(8,748)	(9,455)
Other changes in cumulative other comprehensive income		(48,288)	(16,452)
Total other comprehensive income		**1,302,673**	**261,559**
Retained earnings		5,402,926	4,781,718
Equity attributable to shareholders of Hannover Rück SE		**7,550,758**	**5,888,436**
Non-controlling interests	6.14	702,202	641,591
Total shareholders' equity		**8,252,960**	**6,530,027**
Total liabilities		**60,457,584**	**53,915,544**

Consolidated statement of income 2014

N 02

in EUR thousand	Notes	1.1.–31.12.2014	1.1.–31.12.2013
Gross written premium	7.1	14,361,801	13,963,409
Ceded written premium		1,781,064	1,542,921
Change in gross unearned premium		(154,362)	(203,238)
Change in ceded unearned premium		(3,294)	9,414
Net premium earned		**12,423,081**	**12,226,664**
Ordinary investment income	7.2	1,068,361	1,041,318
Profit/loss from investments in associated companies	7.2	1,042	12,536
Realised gains and losses on investments	7.2	182,453	144,151
Change in fair value of financial instruments	7.2	(33,257)	(27,136)
Total depreciation, impairments and appreciation of investments	7.2	27,558	19,098
Other investment expenses	7.2	95,256	97,309
Net income from investments under own management		**1,095,785**	**1,054,462**
Income/expense on funds withheld and contract deposits	7.2	376,056	357,348
Net investment income		**1,471,841**	**1,411,810**
Other technical income	7.3	1,641	1,907
Total revenues		**13,896,563**	**13,640,381**
Claims and claims expenses	7.3	9,464,172	9,127,546
Change in benefit reserves	7.3	28,625	146,691
Commission and brokerage, change in deferred acquisition costs	7.3	2,579,368	2,690,173
Other acquisition costs		4,878	5,608
Other technical expenses	7.3	7,461	7,874
Administrative expenses	7.3	363,859	333,674
Total technical expenses		**12,448,363**	**12,311,566**
Other income and expenses	7.4	18,190	(99,753)
Operating profit/loss (EBIT)		**1,466,390**	**1,229,062**
Interest on hybrid capital	6.12	95,720	126,670
Net income before taxes		**1,370,670**	**1,102,392**
Taxes	7.5	305,563	163,143
Net income		**1,065,107**	**939,249**
thereof			
Non-controlling interest in profit and loss	6.14	79,458	43,782
Group net income		**985,649**	**895,467**
Earnings per share (in EUR)	**8.5**		
Basic earnings per share		8.17	7.43
Diluted earnings per share		8.17	7.43

Consolidated statement of comprehensive income 2014

N 03

in EUR thousand	1.1.–31.12.2014	1.1.–31.12.2013
Net income	**1,065,107**	**939,249**
Not reclassifiable to the consolidated statement of income		
Actuarial gains and losses		
Gains (losses) recognised directly in equity	(51,190)	13,106
Tax income (expense)	16,287	(4,203)
	(34,903)	**8,903**
Income and expense recognised directly in equity that cannot be reclassified		
Gains (losses) recognised directly in equity	(51,190)	13,106
Tax income (expense)	16,287	(4,203)
	(34,903)	**8,903**
Reclassifiable to the consolidated statement of income		
Unrealised gains and losses on investments		
Gains (losses) recognised directly in equity	1,051,409	(536,739)
Transferred to the consolidated statement of income	(147,075)	(118,169)
Tax income (expense)	(240,809)	181,079
	663,525	**(473,829)**
Currency translation		
Gains (losses) recognised directly in equity	476,440	(269,180)
Transferred to the consolidated statement of income	50	(5,507)
Tax income (expense)	(33,301)	40,930
	443,189	**(233,757)**
Changes from the measurement of associated companies		
Gains (losses) recognised directly in equity	10,217	1,712
	10,217	**1,712**
Changes from hedging instruments		
Gains (losses) recognised directly in equity	1,066	–
Tax income (expense)	(340)	–
	726	**–**
Reclassifiable income and expense recognised directly in equity		
Gains (losses) recognised directly in equity	1,539,132	(804,207)
Transferred to the consolidated statement of income	(147,025)	(123,676)
Tax income (expense)	(274,450)	222,009
	1,117,657	**(705,874)**
Total income and expense recognised directly in equity		
Gains (losses) recognised directly in equity	1,487,942	(791,101)
Transferred to the consolidated statement of income	(147,025)	(123,676)
Tax income (expense)	(258,163)	217,806
	1,082,754	**(696,971)**
Total recognised income and expense	**2,147,861**	**242,278**
thereof		
Attributable to non-controlling interests	123,107	23,179
Attributable to shareholders of Hannover Rück SE	2,024,754	219,099

Consolidated statement of changes in shareholders' equity 2014

N04

in EUR thousand	Common shares	Additional paid-in capital	Other reserves (cumulative other comprehensive income)	
			Unrealised gains/losses	Currency translation
Balance as at 1.1.2013	**120,597**	**724,562**	**987,918**	**(16,119)**
Changes in ownership interest with no change of control status	–	–	–	–
Changes in the consolidated group	–	–	–	–
Capital increases/additions	–	–	–	–
Capital repayments	–	–	–	–
Acquisition/disposal of treasury shares	–	–	–	–
Total income and expense recognised directly in equity	–	–	(454,173)	(230,160)
Net income	–	–	–	–
Dividends paid	–	–	–	–
Balance as at 31.12.2013	**120,597**	**724,562**	**533,745**	**(246,279)**
Balance as at 1.1.2014	**120,597**	**724,562**	**533,745**	**(246,279)**
Changes in ownership interest with no change of control status	–	–	2,172	(103)
Changes in the consolidated group	–	–	–	–
Capital increases/additions	–	–	–	–
Capital repayments	–	–	–	–
Acquisition/disposal of treasury shares	–	–	–	–
Total income and expense recognised in equity	–	–	633,338	436,836
Net income	–	–	–	–
Dividends paid	–	–	–	–
Balance as at 31.12.2014	**120,597**	**724,562**	**1,169,255**	**190,454**

Continuation: Other reserves (cumulative other comprehensive income)		Retained earnings	Equity attributable to shareholders of Hannover Rück SE	Non-controlling interests	Total shareholders' equity
Hedging instruments	Other				
(9,455)	**(24,417)**	**4,249,386**	**6,032,472**	**681,672**	**6,714,144**
–	–	(1,349)	(1,349)	1,426	77
–	–	–	–	(14,265)	(14,265)
–	–	–	–	115	115
–	–	–	–	(2,043)	(2,043)
–	–	5	5	–	5
–	7,965	–	(676,368)	(20,603)	(696,971)
–	–	895,467	895,467	43,782	939,249
–	–	(361,791)	(361,791)	(48,493)	(410,284)
(9,455)	**(16,452)**	**4,781,718**	**5,888,436**	**641,591**	**6,530,027**
(9,455)	**(16,452)**	**4,781,718**	**5,888,436**	**641,591**	**6,530,027**
–	(60)	(2,637)	(628)	(19,452)	(20,080)
–	–	–	–	(1,387)	(1,387)
–	–	–	–	4	4
–	–	–	–	(72)	(72)
–	–	(13)	(13)	–	(13)
707	(31,776)	–	1,039,105	43,649	1,082,754
–	–	985,649	985,649	79,458	1,065,107
–	–	(361,791)	(361,791)	(41,589)	(403,380)
(8,748)	**(48,288)**	**5,402,926**	**7,550,758**	**702,202**	**8,252,960**

Consolidated cash flow statement 2014

N 05

in EUR thousand	1.1.–31.12.2014	1.1.–31.12.2013
I. Cash flow from operating activities		
Net income	1,065,107	939,249
Appreciation/depreciation	58,384	30,622
Net realised gains and losses on investments	(182,453)	(144,151)
Change in fair value of financial instruments (through profit or loss)	33,257	27,136
Realised gains and losses on deconsolidation	(2,602)	(6,661)
Income from the recognition of negative goodwill	–	(173)
Amortisation of investments	83,382	98,146
Changes in funds withheld	(482,106)	(70,492)
Net changes in contract deposits	119,362	(78,143)
Changes in prepaid reinsurance premium (net)	157,349	193,824
Changes in tax assets/provisions for taxes	182,543	(89,114)
Changes in benefit reserve (net)	57,841	75,705
Changes in claims reserves (net)	1,106,308	1,118,155
Changes in deferred acquisition costs	(121,881)	67,431
Changes in other technical provisions	38,995	70,075
Changes in clearing balances	73,975	(106,432)
Changes in other assets and liabilities (net)	(256,569)	100,319
Cash flow from operating activities	**1,930,892**	**2,225,496**

in EUR thousand	1.1.–31.12.2014	1.1.–31.12.2013
II. Cash flow from investing activities		
Fixed-income securities – held to maturity		
Maturities	618,208	912,993
Purchases	(1,395)	(46,980)
Fixed-income securities – loans and receivables		
Maturities, sales	427,121	462,581
Purchases	(100,302)	(283,585)
Fixed-income securities – available for sale		
Maturities, sales	11,304,019	8,220,723
Purchases	(13,167,728)	(10,519,496)
Fixed-income securities – at fair value through profit or loss		
Maturities, sales	9,649	79,646
Purchases	(34,622)	(12,074)
Equity securities – available for sale		
Sales	10,932	15,432
Purchases	(9,793)	(12,302)
Other financial assets – at fair value through profit or loss		
Sales	59,706	4,481
Purchases	(19,148)	(92)
Other invested assets		
Sales	142,588	131,650
Purchases	(259,511)	(172,207)
Affiliated companies and participating interests		
Sales	24,688	22,514
Purchases	(45,408)	(3,105)
Real estate and real estate funds		
Sales	102,472	55,963
Purchases	(230,502)	(508,308)
Short-term investments		
Changes	11,735	(74,218)
Other changes (net)	(38,050)	(35,134)
Cash flow from investing activities	**(1,195,341)**	**(1,761,518)**

in EUR thousand	1.1.–31.12.2014	1.1.–31.12.2013
III. Cash flow from financing activities		
Contribution from capital measures	876	1,920
Payment on capital measures	(4,769)	(6,096)
Structural change without loss of control	(20,080)	77
Dividends paid	(403,380)	(410,284)
Proceeds from long-term debts	554,095	77,405
Repayment of long-term debts	(774,338)	(10,705)
Acquisition/disposal of treasury shares	(13)	5
Cash flow from financing activities	**(647,609)**	**(347,678)**
IV. Exchange rate differences on cash	**46,058**	**(41,719)**
Cash and cash equivalents at the beginning of the period	**642,936**	**572,188**
Change in cash and cash equivalents (I.+II.+III.+IV.)	**134,000**	**74,581**
Changes in the consolidated group	**(4,054)**	**(3,833)**
Cash and cash equivalents at the end of the period	**772,882**	**642,936**
Supplementary information on the cash flow statement[1]		
Income taxes paid (on balance)	(113,032)	(278,326)
Dividend receipts[2]	71,844	60,673
Interest received	1,415,936	1,457,912
Interest paid	(175,025)	(168,701)

[1] The income taxes paid, dividend receipts as well as interest received and paid are included entirely in the cash flow from operating activities.
[2] Including dividend-like profit participations from investment funds

Notes to the consolidated financial statements 2014

1. Company information

Hannover Rück SE and its subsidiaries (collectively referred to as the “Hannover Re Group” or “Hannover Re”) transact all lines of property & casualty and life & health reinsurance. With gross premium of approximately EUR 14.4 billion, Hannover Re is the third-largest reinsurance group in the world. The company’s network consists of more than 120 subsidiaries, affiliates, branches and representative offices worldwide with a total workforce of roughly 2,500. The Group’s German business is conducted by the subsidiary E+S Rückversicherung AG. Hannover Rück SE is a European Company, Societas Europaea (SE), and its registered office is located at Karl-Wiechert-Allee 50, 30625 Hannover, Germany. In total, 50.2% (rounded) of the shares of Hannover Rück SE are directly and indirectly held by Talanx AG, which in turn is majority-owned – with an interest of 79% – by HDI Haftpflichtverband der Deutschen Industrie V.a.G. (HDI).

2. Accounting principles

Hannover Rück SE and its subsidiaries are required to prepare a consolidated financial statement and group management report in accordance with § 290 German Commercial Code (HGB).

Pursuant to EU Regulation (EC) No. 1606/2002, the present consolidated financial statement and group management report of Hannover Re have been drawn up in accordance with the International Financial Reporting Standards (IFRS) that are to be applied within the European Union. In addition, we have made allowance for the regulations that are also applicable pursuant to § 315a Para. 1 German Commercial Code (HGB) and the supplementary provisions of the Articles of Association of Hannover Rück SE as amended on 18 July 2013.

The consolidated financial statement reflects all IFRS in force as at 31 December 2014 as well as all interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), application of which was mandatory for the 2014 financial year. IFRS 4 “Insurance Contracts” requires disclosures on the nature and extent of risks stemming from reinsurance contracts, while IFRS 7 “Financial Instruments: Disclosures” requires similar information on risks from financial instruments. Additionally, § 315 Para. 2 Number 2 German Commercial Code (HGB) also contains requirements for insurance undertakings with regard to information on the management of underwriting and financial risks that is to be provided in the management report. The disclosures resulting from these requirements are included in the risk report. We have dispensed with an additional presentation of the same content in the notes. In order to obtain a comprehensive overview of the risks to which Hannover Re is exposed it is therefore necessary to consider both the risk report and the relevant information in the notes. We refer the reader accordingly to the corresponding remarks in the risk report and the notes.

Since 2002 the standards adopted by the International Accounting Standards Board (IASB) have been referred to as “International Financial Reporting Standards (IFRS)”; the standards dating from earlier years still bear the name “International Accounting Standards (IAS)”. Standards are cited in our notes accordingly; in cases where the notes do not make explicit reference to a particular standard, the term IFRS is used. In view of the fact that reinsurance contracts, in conformity with IFRS 4 “Insurance Contracts”, are recognised according to the pertinent provisions of United States Generally Accepted Accounting Principles (US GAAP) as applicable on the date of initial application of IFRS 4 on 1 January 2005, we cite individual insurance-specific standards of US GAAP using the designation “Statement of Financial Accounting Standard (SFAS)” that was valid at that time.

The declaration of conformity required pursuant to § 161 German Stock Corporation Act (AktG) regarding compliance with the German Corporate Governance Code has been submitted and, as described in the Declaration of the Executive Board regarding the Corporate Governance of the Company, made permanently available on the Hannover Re website.

The annual financial statements included in the consolidated financial statement were for the most part drawn up as at 31 December. Pursuant to IFRS 10 “Consolidated Financial Statements” there is no requirement to compile interim accounts for Group companies with diverging reporting dates because their closing dates are no earlier than three months prior to the closing date for the consolidated financial statement. Insofar as no interim accounts were drawn up, allowance has been made for the effects of significant transactions between the diverging reporting dates and the closing date for the consolidated financial statement.

The annual financial statements of all companies were drawn up in accordance with standard Group accounting and measurement rules pursuant to IFRS.

The consolidated financial statement was drawn up in euros (EUR), the amounts shown have been rounded to EUR thousands and – provided this does not detract from transparency – to EUR millions. Figures indicated in brackets refer to the previous year.

The present consolidated financial statement was released for publication by a resolution of the Executive Board on 26 February 2015.

New accounting standards or accounting standards applied for the first time

In June 2013 the IASB issued "Novation of Derivatives and Continuation of Hedge Accounting" (Amendments to IAS 39 "Financial Instruments: Recognition and Measurement"). These amendments allow a novation of an OTC derivative designated as a hedging instrument to be deemed to be a continuation of the existing hedging relationship. The amendments, which were endorsed by the EU in December 2013, have a mandatory effective date for annual periods beginning on or after 1 January 2014. The amendments did not have any implications for the carrying amounts in the consolidated financial statement or for Group net income.

In May 2013 the IASB published IFRIC 21 "Levies". IFRIC 21 provides guidance on the accounting of outflows imposed on entities by governments that do not constitute outflows within the scope of IAS 12 "Income Taxes". IFRIC 21 is effective for annual periods beginning on or after 1 January 2014 and was endorsed by the EU in June 2014. The interpretation did not have any implications for the carrying amounts in the consolidated financial statement or for Group net income.

In December 2011 the IASB issued "Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)". While the offsetting rules for financial instruments remain unchanged, the application guidance of the standard clarifies the meaning of "currently has a legally enforceable right to set-off" and "simultaneous". The amendments have a mandatory effective date for annual periods beginning on or after 1 January 2014 and were endorsed by the EU in December 2012. The amendments did not have any implications for the carrying amounts in the consolidated financial statement or for Group net income.

In May 2011 the IASB published five new or revised standards governing consolidation, the accounting of investments in associated companies and joint ventures and the related disclosures in the notes.

In this connection IFRS 10 "Consolidated Financial Statements" and IFRS 11 "Joint Arrangements" replaced the previous standards governing consolidated financial statements and special purpose entities (IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation – Special Purpose Entities") as well as the standards governing the accounting of interests in joint ventures (IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers"). The major new feature of IFRS 10 is that it identifies control as the single basis for verifying the consolidation requirement, irrespective of whether control is substantiated in company law, contractually or economically. In accordance with IFRS 11 the proportionate inclusion of interests in joint ventures – a practice not adopted by Hannover Re – will no longer be permissible. Rather, interests in joint ventures must be accounted for using the equity method. IFRS 12 "Disclosure of Interests in Other Entities" encompasses the disclosure requirements for IFRS 10 and 11 as well as IAS 27 and IAS 28. With the aim of clarifying for the users of financial statements the nature of an entity's interest in other entities as well as the effects of those interests on its financial position, financial performance and cash flows, this gave rise to expanded annual mandatory disclosures in comparison with the previous requirements. With the exception of the rules governing investment entities, the new requirements, especially with respect to disclosure requirements, were not amended in IAS 34 "Interim Financial Reporting". The corresponding disclosures are mostly provided in Sections 4.1, 4.2, 6.1 and 6.14.

Further amendments were made to the standards in 2012. In June 2012 the IASB issued "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance – Amendments to IFRS 10, IFRS 11 and IFRS 12". The requirement to provide adjusted comparative information is limited upon initial application to only the immediately preceding period; retrospective adjustments for subsidiaries sold in the comparative period are not required. Furthermore, it is not necessary to provide comparative information on unconsolidated structured entities upon initial application of IFRS 12. These amendments were endorsed by the EU in April 2013. In October 2012 the IASB issued "Investment Entities (Changes to IFRS 10, IFRS 12 and IAS 27)". Given that the parent company of the Hannover Re Group does not meet the definition of an investment entity, these amendments – which were endorsed by the EU in November 2013 – are not relevant to Hannover Re.

The revised version of IAS 27 consists solely of requirements for the accounting of investments in subsidiaries, jointly controlled entities and associates in separate (non-consolidated) financial statements of the parent company. In this context, only minimal changes were made relative to the previous wording of the standard.

The revised version of IAS 28 "Investments in Associates and Joint Ventures" extends the content of standards governing the accounting of investments in associated companies to include rules governing the accounting of investments in joint ventures. In both instances application of the equity method is required.

The requirements of IFRS 10, 11 and 12 as well as the revised IAS 27 and 28 were to be applied to financial years beginning on or after 1 January 2013. The Accounting Regulatory Committee (ARC) decided in June 2012, however, that application of the aforementioned standards within the EU shall not be mandatory until one year later, with an effective date for annual periods beginning on or after 1 January 2014. The new IFRS 10, 11, 12 and the revised IAS 27 and 28 as well as the changes published in 2012 have now been endorsed in their entirety by the EU. Initial application of the new and revised standards on consolidation did not give rise to any changes in Hannover Re's scope of consolidation.

Standards or changes in standards that have not yet entered into force or are not yet applicable

The IASB has issued the following standards, interpretations and amendments to existing standards with possible implications for the consolidated financial statement of Hannover Re, application of which is not yet mandatory for the year under review and which are not being applied early by Hannover Re:

In December 2014 the IASB published "Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception". The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities. They are effective for annual periods beginning on or after 1 January 2016 and have still to be endorsed by the EU.

In December 2014 the IASB also issued "Amendments to IAS 1: Disclosure Initiative". The amendments provide clarifications in relation to materiality considerations, the aggregation and disaggregation of disclosures and the understandability and comparability of the notes to the IFRS financial statements. They are effective for annual periods beginning on or after 1 January 2016 and have still to be endorsed by the EU.

In September 2014 the IASB published the "Annual Improvements to IFRSs 2012–2014 Cycle". These annual improvements involve amendments and clarifications relating to the following standards: IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", IFRS 7 "Financial Instruments: Disclosures", IAS 19 "Employee Benefits" and IAS 34 "Interim Financial Reporting". The amendments are effective for annual periods beginning on or after 1 July 2016 and have still to be endorsed by the EU.

In September 2014 the IASB also published "Amendments to IFRS 10 and IAS 28: Sales or Contributions of Assets between an Investor and its Associate or Joint Venture". These clarify that the extent of gain or loss recognition for transactions between an investor and its associate or joint venture depends upon whether the assets sold or contributed constitute a business. The amendments are effective for annual periods beginning on or after 1 July 2016 and have still to be endorsed by the EU.

In July 2014 the IASB published the final version of IFRS 9 "Financial Instruments", which replaces all previous versions of this standard. The standard now contains requirements governing classification and measurement, impairment based on the new expected loss impairment model and general hedge accounting. The originally included model for macro hedge accounting, which considers risk management that assesses risk exposures on a continuous basis and at a portfolio level, is being treated separately from general hedge accounting by the IASB outside of IFRS 9. Initial mandatory application of the standard, which has still to be endorsed by the EU, is tentatively set for annual periods beginning on or after 1 January 2018. Hannover Re is currently reviewing the implications of this standard and anticipates significant implications for the consolidated financial statement.

In May 2014 the IASB issued IFRS 15 "Revenue from Contracts with Customers". The standard specifies when and in what amount revenue is to be recognised and which disclosures are required for this purpose. IFRS 15 provides a single five-step model to be applied to all contracts with customers. Financial instruments and other contractual rights and obligations which are to be recognised under separate standards as well as (re)insurance contracts within the scope of IFRS 4 are expressly exempted from the standard's scope of application. The standard is to be applied to an annual reporting period beginning on or after 1 January 2017, but has still to be endorsed by the EU.

In May 2014 the IASB also amended a number of existing standards.

The "Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation" provide additional guidance on the methods that can be used to calculate depreciation or amortisation of property, plant and equipment and intangible assets. The new guidelines are effective for annual periods beginning on or after 1 January 2016, but have still to be endorsed by the EU.

The "Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations" clarify the accounting for acquisitions of an interest in a joint operation when the operation constitutes a business as defined in IFRS 11. These amendments are effective for annual periods beginning on or after 1 January 2016, but have still to be endorsed by the EU.

In January 2014 the IASB issued IFRS 14 "Regulatory Deferral Accounts". The standard permits an entity which is a first-time adopter of IFRS to continue to account, with some limited changes, for "regulatory deferral account balances" in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income, and specific disclosures are required. IFRS 14 applies to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016, but has still to be endorsed by the EU.

In December 2013 the IASB issued "Annual Improvements to IFRSs 2010–2012 Cycle" and "Annual Improvements to IFRSs 2011–2013 Cycle". The annual improvements involve minor amendments and clarifications relating to the following standards: IFRS 2 "Share-based Payment", IFRS 3 "Business Combinations", IFRS 8 "Operating Segments", IFRS 13 "Fair Value Measurement", IAS 16 "Property, Plant and Equipment", IAS 24 "Related Party Disclosures", IAS 38 "Intangible Assets", IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 40 "Investment Property". Both collections of improvements are effective for annual periods beginning on or after 1 July 2014 and were endorsed by the EU in December 2014.

In November 2013 the IASB issued "Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)" and thereby clarified the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. The amendments are intended to provide relief in that entities are allowed to deduct contributions from service cost in the period in which the service is rendered. The amendments are effective for annual periods beginning on or after 1 July 2014 and were endorsed by the EU in December 2014.

3. Accounting policies

3.1 Summary of major accounting policies

Reinsurance contracts: IFRS 4 "Insurance Contracts" represents the outcome of Phase I of the IASB project "Insurance Contracts" and serves as a transitional arrangement until the IASB defines the measurement of insurance contracts after completion of Phase II. IFRS 4 sets out basic principles for the accounting of insurance contracts. Underwriting business is to be subdivided into insurance and investment contracts. Contracts with a significant insurance risk are considered to be insurance contracts, while contracts without significant insurance risk are to be classified as investment contracts. The standard is also applicable to reinsurance contracts. IFRS 4 contains fundamental rules governing specific circumstances, such as the separation of embedded derivatives and unbundling of deposit components, but it does not set out any more extensive provisions relating to the measurement of insurance and reinsurance contracts. In conformity with the basic rules of IFRS 4 and the IFRS Framework, reinsurance-specific transactions therefore continue to be recognised in accordance with the pertinent provisions of US GAAP (United States Generally Accepted Accounting Principles) as applicable on the date of initial application of IFRS 4 on 1 January 2005.

Financial assets: as a basic principle we recognise the purchase and sale of directly held financial assets including derivative financial instruments as at the settlement date. The recognition of fixed-income securities includes apportionable accrued interest.

Financial assets held to maturity are comprised of non-derivative assets that entail fixed or determinable payments on a defined due date and are acquired with the intent and ability to be held until maturity. They are measured at amortised cost. The corresponding premiums or discounts are recognised in profit or loss across the duration of the instruments using the effective interest rate method. A write-down is taken in the event of permanent impairment. Please refer to our comments on impairments in this section.

Loans and receivables are non-derivative financial instruments that entail fixed or determinable payments on a defined due date and are not listed on an active market or sold at short notice. They are carried at amortised cost.

Premiums or discounts are deducted or added within the statement of income using the effective interest rate method until the amount repayable becomes due. Impairment is taken only to the extent that repayment of a loan is unlikely or no longer expected in the full amount. Please refer to our comments on impairments in this section.

Valuation models

N06

Financial instrument	Parameter	Pricing model
Fixed-income securities		
Unlisted plain vanilla bonds, interest rate swaps	Interest rate curve	Present value method
Unlisted structured bonds	Interest rate curve, volatility surfaces	Hull-White, Black-Karasinski, LIBOR market model etc.
Unlisted ABS/MBS, CDO/CLO	Risk premiums, default rates, prepayment speed and recovery rates	Present value method
Other invested assets		
Unlisted equities and equity investments	Acquisition cost, cash flows, EBIT multiples, as applicable book value	Capitalised earnings method, discounted cash flow method, multiple-based approaches
Private equity funds, private equity real estate funds	Audited net asset values (NAV)	Net asset value method
Unlisted bond, equity and real estate funds	Audited net asset values (NAV)	Net asset value method
Other financial assets – at fair value through profit or loss		
Currency forwards	Interest rate curves, spot and forward rates	Interest parity model
Inflation swaps	Inflation swap rates (Consumer Price Index), historical index fixings, interest rate curve	Present value method with seasonality adjustment
OTC stock options, OTC stock index options	Listing of the underlying share, implicit volatilities, money-market interest rate, dividend yield	Black-Scholes
Insurance derivatives	Fair values, actuarial parameters, interest rate curve	Present value method

Financial assets at fair value through profit or loss consist of securities held for trading and those classified as measured at fair value through profit or loss since acquisition. This refers principally to unsecured debt instruments issued by corporate issuers and derivative financial instruments. Within the scope of the fair value option provided under IAS 39 "Financial Instruments: Recognition and Measurement", according to which financial assets may be carried at fair value on first-time recognition subject to certain conditions, all structured securities that would have needed to have been broken down had they been recognised as available for sale or under loans and receivables are also recognised here. Hannover Re makes use of the fair value option solely for selected subportfolios of its financial assets. Securities held for trading and securities classified as measured at fair value through profit or loss since acquisition are carried at their fair value on the balance sheet date. If stock market prices are not available for use as fair values, the carrying amounts are determined using generally acknowledged measurement methods. All changes in fair values from this measurement are recognised in investment income. The classification of financial assets at fair value through profit or loss is compatible with Hannover Re's risk management strategy and investment strategy, which are oriented extensively towards economic fair value variables.

Financial assets classified as available for sale are carried at fair value; accrued interest is recognised in this context. We allocate to this category those financial instruments that do not satisfy the criteria for classification as held to maturity, loans and receivables, at fair value through profit or loss, or trading. Unrealised gains and losses arising out of changes in the fair value of securities held as available for sale are recognised – with the exception of currency valuation differences on monetary items – directly in shareholder's equity after deduction of deferred taxes.

Establishment of the fair value of financial instruments carried as assets or liabilities: we establish the fair value of financial instruments carried as assets or liabilities using the methods and models described below. The fair value of a financial instrument corresponds to the amount that Hannover Re would receive or pay if it were to sell or settle the said financial instrument on the balance sheet date. Insofar as market prices are listed on markets for financial assets, their bid price is used; financial liabilities are valued at ask price. In other cases the fair values are established on the basis of the market conditions prevailing on the balance sheet date for financial assets with similar credit rating, duration and return characteristics or using recognised models of mathematical finance.

Hannover Re uses a number of different valuation models for this purpose. The details are set out in the table on the previous page. Financial assets for which no publicly available prices or observable market data can be used as inputs (financial instruments belonging to fair value hierarchy level 3) are for the most part measured on the basis of proven valuations drawn up by knowledgeable, independent experts, e. g. audited net asset value, the plausibility of which has previously been subjected to systematic review. For further information please see our explanatory remarks on the fair value hierarchy in Section 6.1 "Investments under own management".

Impairments: As at each balance sheet date we review our financial assets with an eye to the need to take impairments. Permanent impairments on all invested assets are recognised directly in the statement of income. In this context we take as a basis the same indicators as those subsequently discussed for fixed-income securities and securities with the character of equity. Qualitative case-by-case analysis is also carried out. IAS 39 "Financial Instruments: Recognition and Measurement" contains a list of objective, substantial indications for impairments of financial assets. In the case of fixed-income securities and loans reference is made, in particular, to the rating of the instrument, the rating of the issuer/borrower as well as the individual market assessment in order to establish whether they are impaired. With respect to held-to-maturity instruments as well as loans and receivables recognised at amortised cost, the level of impairment is arrived at from the difference between the book value of the asset and the present value of the expected future earnings flows. The book value is reduced directly by this amount which is then recognised as an expense. With the exception of value adjustments taken on accounts receivable, we recognize impairments directly on the assets side – without using an adjustment account – separately from the relevant items. If the reasons for the write-down no longer apply, a write-up is made in income up to at most the original amortised cost for fixed-income securities.

With respect to impairments on securities with the character of equity, IAS 39 "Financial Instruments: Recognition and Measurement" states, in addition to the aforementioned principles, that a significant or prolonged decrease in fair value below acquisition cost constitutes objective evidence of impairment. Hannover Re considers equity securities to be impaired under IAS 39 if their fair value falls significantly, i. e. by at least 20%, or for a prolonged period, i. e. at least nine months, below acquisition cost. In accordance with IAS 39 the reversal of impairment losses on equities to the statement of income once impairment has been taken is prohibited, as is adjustment of the cost basis. Impairment is tested in each reporting period using the criteria defined by Hannover Re. If an equity security is considered to be impaired on the basis of these criteria, IAS 39 requires that a value adjustment be recognised in the amount of the fair value less historical cost and less prior value adjustments, meaning that depreciation is taken on the fair value as at the closing date – if available, on the publicly quoted stock exchange price. We also apply this method to participations in funds that invest in private equity. In order to reflect the specific character of these funds (in this case initially negative yield and liquidity flows from the so-called "J curve" effect during the investment period of the funds), we take an impairment to net asset value as an approximation of the fair value for the first time after a two-year waiting period if there is a significant or prolonged decrease in value.

Netting of financial instruments: financial assets and liabilities are only netted and recognised in the appropriate net amount if a corresponding legal claim (reciprocity; similarity and maturity) exists or is expressly agreed by contract, in other words if the intention exists to offset such items on a net basis or to effect this offsetting simultaneously.

Other invested assets are for the most part recognised at nominal value. Insofar as such financial assets are not listed on public markets (e. g. participating interests in private equity firms), they are carried at the latest available net asset value as an approximation of the fair value. Loans included in this item are recognised at amortised cost.

Investments in associated companies are valued at equity on the basis of the proportionate shareholders' equity attributable to the Group. Further information is provided in Section 4.1 "Consolidation principles".

Real estate used by third parties (investment property) is valued at cost less scheduled depreciation and impairment. Straight-line depreciation is taken over the expected useful life – at most 50 years. Under the impairment test the market value of real estate for third-party use (recoverable amount) is determined using acknowledged valuation methods and compared with the book value; arising impairments are recognised. Maintenance costs and repairs are expensed. Value-enhancing expenditures are capitalised if they extend the useful life.

Cash and cash equivalents are carried at face value. Cash collateral that we have received for the hedging of positive fair values of derivatives is shown under other liabilities.

Funds withheld are receivables due to reinsurers from their clients in the amount of the cash deposits contractually withheld by such clients; they are recognised at acquisition cost (nominal amount). Appropriate allowance is made for credit risks.

Contract deposits: under this item we report receivables and liabilities under insurance contracts that satisfy the test of a significant risk transfer to the reinsurer as required by IFRS 4 "Insurance Contracts" but fail to meet the risk transfer required by US GAAP. IFRS 4 in conjunction with SFAS 113 requires insurance contracts that transfer a significant technical risk from the ceding company to the reinsurer to be differentiated from those under which the risk transfer is of merely subordinate importance. Since the risk transfer under the affected transactions is of subordinate importance, these contracts are recognised using the "deposit accounting" method and hence eliminated from the technical account. The compensation for risk assumption booked to income under these contracts is netted under other income and expenses. The payment flows resulting from these contracts are shown in the cash flow statement under operating activities.

Accounts receivable: the accounts receivable under reinsurance business and the other receivables are carried at nominal value; value adjustments are made where necessary on the basis of a case-by-case analysis. We use adjustment accounts for value adjustments taken on reinsurance accounts receivable, while all other write-downs are booked directly against the underlying position.

Deferred acquisition costs principally consist of commissions and other variable costs directly connected with the acquisition or renewal of existing reinsurance contracts. These acquisition costs are capitalised and amortised over the expected period of the underlying reinsurance contracts. Deferred acquisition costs are regularly tested for impairment.

Reinsurance recoverables on technical reserves: shares of our retrocessionaires in the technical reserves are calculated according to the contractual conditions on the basis of the gross technical reserves. Appropriate allowance is made for credit risks.

Intangible assets: in accordance with IFRS 3 "Business Combinations" goodwill is not amortised; instead, impairments may be taken after an annual impairment test or as indicated. For the purposes of the impairment test, goodwill is to be allocated pursuant to IAS 36 "Impairment of Assets" to so-called "cash generating units" (CGUs). Each CGU to which goodwill is allocated should represent the lowest level on which goodwill is monitored for internal management purposes and may not be larger than a segment. Following allocation of the goodwill it is necessary to determine for each CGU the recoverable amount, defined as the higher of the value in use and the fair value less costs to sell. For impaired goodwill the recoverable amount is to be stated. The recoverable amount is to be compared with the book value of the CGU including goodwill. When the latter exceeds the recoverable amount, an impairment expense is to be recognised. For detailed information on the impairment method used and the goodwill recognised as at the balance sheet date, please see Section 6.5 "Goodwill".

The other intangible assets largely consist of purchased and self-developed software. This is recognised at acquisition cost less scheduled depreciation. Intangible assets are regularly tested for impairment and impairment is taken where necessary. The other intangible assets also include the expected profits from acquired life reinsurance portfolios. These are carried at the present value of future profits (PVFP) at time of acquisition, which is calculated as the present value of profits expected from the acquired blocks of business disregarding new business and tax effects. Scheduled amortisation is taken according to the periods of the underlying acquired contracts. The PVFP is regularly tested for impairment using a liability adequacy test and impairments are taken if necessary. In this regard please see Section 3.2 "Major discretionary decisions and estimates".

Deferred tax assets: IAS 12 "Income Taxes" requires that assets-side deferred taxes be established if assets have to be recognised in a lower amount or liabilities in a higher amount in the consolidated balance sheet than in the tax balance sheet and if these temporary differences will lead to reduced tax burdens in the future. In principle, temporary differences result from the valuation differences between the tax balance sheets drawn up in accordance with national standards and the IFRS balance sheets of the companies included in the consolidated financial statement drawn up in accordance with uniform group standards as well as from consolidation processes. Deferred tax assets and liabilities are not established if they arise out of assets or liabilities, the book value of which upon first-time recognition diverges from their initial tax base.

Deferred tax assets are also recognised on tax loss carry-forwards and tax credits. Insofar as the deferred taxes refer to items carried directly in equity, the resulting deferred taxes are also recognised directly in equity. Value adjustments are taken on deferred tax assets as soon as realisation of the receivable no longer appears likely. Deferred taxes are measured according to the tax regulations specific to the country concerned that are applicable or have been adopted as at the closing date.

Deferred tax assets may only be netted with deferred tax liabilities if an enforceable right exists to net actual tax refund claims with actual taxes owing. A precondition here is that the deferred tax assets and deferred tax liabilities refer to income taxes that are levied by the same revenue authority either for (i) the same taxable entity or for (ii) different taxable entities. In this regard, there must be an intention – in every future period in which the discharge or realisation of substantial amounts of deferred tax liabilities/deferred tax assets is to be expected – either to bring about the settlement of the actual taxes owing and refund claims on a net basis or to discharge the liabilities at the same time as the claims are realised.

Own-use real estate: The portfolio of own-use real estate is measured at cost less scheduled straight-line depreciation over useful lives of 10 to 50 years. The fair values are determined for comparative purposes using the discounted cash flow method.

Other assets are accounted for at amortised cost.

Technical reserves: the technical reserves are shown for gross account in the balance sheet, i. e. before deduction of the share attributable to our reinsurers; cf. here the remarks concerning the corresponding assets. The reinsurers' portion is calculated and accounted for on the basis of the individual reinsurance contracts.

Loss and loss adjustment expense reserves are constituted for payment obligations from reinsurance losses that have occurred but have not yet been settled. They are subdivided into reserves for reinsurance losses reported by the balance sheet date and reserves for reinsurance losses that have already been incurred but not yet reported (IBNR) by the balance sheet date. The loss and loss adjustment expense reserves are based on estimates that may diverge from the actual amounts payable. In reinsurance business a considerable period of time may elapse between the occurrence of an insured loss, notification by the insurer and pro-rata payment of the loss by the reinsurer. For this reason the best estimate of the future settlement amount is carried. With the aid of actuarial methods, the estimate makes allowance for past experience and assumptions relating to the future development. The interest rate-induced portion of the change in the reserve is shown in the statement of income on a consistent Group basis. With the exception of a few reserves, future payment obligations are not discounted.

Benefit reserves are comprised of the underwriting reserves for guaranteed claims of ceding companies in life and health reinsurance. Benefit reserves are determined using actuarial methods on the basis of the present value of future payments to cedants less the present value of premium still payable by cedants. The calculation includes assumptions relating to mortality, disability, lapse rates and the future interest rate development. The actuarial bases used in this context allow an adequate safety margin for the risks of change, error and random fluctuation. They correspond to those used in the premium calculation and are adjusted if the original safety margins no longer appear to be sufficient.

Provisions for pensions are established in accordance with IAS 19 "Employee Benefits" using the projected unit credit method. They are calculated according to actuarial principles and are based upon the commitments made by the Hannover Re Group for retirement, disability and widows' benefits. The amount of the commitments is determined according to length of service and salary level. The pension plans are defined benefit plans. The basis of the valuation is the estimated future increase in the rate of compensation of the pension beneficiaries. The benefit entitlements are discounted by applying the capital market rate for highest-rated securities. All changes in valuation, especially actuarial gains and losses, are captured immediately in cumulative other comprehensive income. Service cost and interest cost are recognised in the statement of income. Returns on plan assets are determined using the same interest rate as that used in the calculation of the present value of the defined benefit obligation.

Contributions to defined contribution plans are expensed when the beneficiary of the commitment has performed the work that entitles them to such contributions.

Deferred tax liabilities: in accordance with IAS 12 "Income Taxes" deferred tax liabilities must be recognised if assets are to be recognised in a higher amount or liabilities in a lower amount in the consolidated balance sheet than in the tax balance sheet and if these temporary differences will lead to additional tax loads in the future; please see our explanatory remarks on deferred tax assets.

Under the balance sheet item **Other liabilities** we recognise not only the sundry non-technical provisions but also minority interests in partnerships. Direct minority interests in partnerships, i. e. liabilities to holders of minority shares in partnerships arising out of long-term capital commitments, which are puttable at fair value by the holder of the interest, are recognised as debt pursuant to IAS 32 and measured at the fair value of the redemption amount as at the balance sheet date.

Sundry non-technical provisions are established according to the best estimate of the amount required and shown under the balance sheet item "Other liabilities". Allocation to such provisions is conditional upon the Group currently having a legal or actual obligation that results from a past event and in respect of which utilisation is probable and the amount can be reliably estimated. The carrying amount of the provisions is reviewed at each balance sheet date.

Restructuring provisions are recognised if a detailed formal plan for restructuring measures exists and steps to implement it have already begun or if key details of the restructuring have been published. The provisions cover only expenditures arising directly as a consequence of restructuring that are not connected with the company's regular activities.

Partial retirement obligations are carried at present value according to actuarial principles. During the phase when the employee is still working a provision is set aside to cover the liability amounting to the working hours not yet compensated. Top-up payments are accumulated in instalments until the end of the work phase. In periods when the employee is remunerated according to the partial retirement arrangements without performing any work, the provision is released.

Share-based payment: The share-based payment models existing within the Hannover Re Group are remuneration plans with cash settlement. In accordance with the requirements of IFRS 2 "Share-based Payment", the services rendered by the eligible beneficiaries and the resulting liability are to be recognised at the fair value of the liability and expensed over the vesting period. Until settlement of the liability the fair value of the liability is remeasured at each closing date and at the settlement date. All changes in fair value are recognised in profit or loss for the period.

Debt and subordinated capital principally consists of subordinated liabilities that can only be satisfied after the claims of other creditors in the event of liquidation or bankruptcy. They are measured at amortised cost using the effective interest rate method. Both components of profit or loss arising out of the amortisation of transaction costs and premiums / discounts in connection with an issue and the nominal interest are shown as interest on hybrid capital.

Financial liabilities at fair value through profit or loss: Hannover Re does not make use of the fair value option provided by IAS 39 "Financial Instruments: Recognition and Measurement" to classify financial liabilities in this category upon first-time recognition.

Shareholders' equity: the items "common shares" and "additional paid-in capital" are comprised of the amounts paid in by the shareholders of Hannover Rück SE on its shares. In addition to the statutory reserves of Hannover Rück SE and the allocations from net income, the retained earnings consist of reinvested profits generated by the Hannover Re Group companies in previous periods. What is more, in the event of a retrospective change of accounting policies, the adjustment for previous periods is recognised in the opening balance sheet value of the retained earnings and comparable items of the earliest reported period. Unrealised gains and losses from the fair value measurement of financial instruments held as available for sale are carried in cumulative other comprehensive income under unrealised gains and losses on investments. Translation differences resulting from the currency translation of separate financial statements of foreign subsidiaries are recognised under gains and losses from currency translation.

Non-controlling interests are shares in the equity of affiliated companies not held by companies belonging to the Group. IAS 1 "Presentation of Financial Statements" requires that non-controlling interests be recognised separately within Group shareholders' equity. The non-controlling interest in profit or loss is shown separately following the net income. Further information is provided in Section 6.14 "Non-controlling interests".

Disclosures about financial instruments: IFRS 7 "Financial Instruments: Disclosures" requires more extensive disclosures according to classes of financial instruments. In this context, the term "class" refers to the classification of financial instruments according to their risk characteristics. A minimum distinction is required here between measurement at amortised cost or at fair value. A more extensive or divergent distinction should, however, be geared to the purpose of the corresponding disclosures in the notes. In contrast, the term "category" is used within the meaning of the measurement categories defined in IAS 39 "Financial Instruments: Recognition and Measurement" (held to maturity, loans and receivables, available for sale and financial assets at fair value through profit or loss with the subcategories of trading and designated financial instruments). Essentially, the following classes of financial instruments are established:

- Fixed-income securities
  - Equities, equity funds and other variable-yield securities
  - Other financial assets – at fair value through profit or loss
- Other invested assets
- Short-term investments
- Other receivables
- Other liabilities
- Long-term debt
- Subordinated debt
- Other long-term liabilities

This grouping into classes is not, however, solely determinative for the type and structure of each disclosure in the notes. Rather, guided by the underlying business model of reinsurance, the disclosures are made on the basis of the facts and circumstances existing in the financial year and in light of the principle of materiality.

Currency translation: financial statements of Group subsidiaries were drawn up in the currencies corresponding to the economic environment in which each subsidiary primarily operates. These currencies are referred to as functional currencies. The euro is the reporting currency in which the consolidated financial statement is prepared.

Transactions in foreign currencies reported in Group companies' individual financial statements are converted into the functional currency at the transaction rate. In accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates" the recognition of exchange differences on translation is guided by the nature of the underlying balance sheet item. Exchange differences from the translation of monetary assets and liabilities are recognised directly in the statement of income. Currency translation differences from the translation of non-monetary assets measured at fair value via the statement of income are recognised with the latter as profit or loss from fair value measurement changes. Exchange differences from non-monetary items – such as equity securities – classified as available for sale are initially recognised outside income in a separate item of shareholders' equity and only booked to income when such non-monetary items are settled.

The individual companies' statements of income prepared in the local currencies are converted into euro at the average rates of exchange and transferred to the consolidated financial statement. The conversion of foreign currency items in the balance sheets of the individual companies and the transfer of these items to the consolidated financial statement are effected at the mean rates of exchange on the balance sheet date. In accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates" differences from the currency translation of financial statements of foreign Group companies must be recognised in the consolidated financial statement as a separate item in shareholders' equity. Effective 1 January 2014 the functional currency of the Group companies Hannover Life Reassurance Bermuda Ltd. and Hannover Re (Bermuda) Ltd. changed from euro to US dollar. This changeover was prompted by the regrouping of large parts of the securities portfolios held by the companies to USD-denominated instruments. Taken in conjunction with the fact that large parts of the insurance business written by the companies are transacted in US dollars, the currency of the primary economic environment in which the Group companies operate is the US dollar. Currency translation differences resulting from long-term loans or lendings without specified maturity between Group companies are similarly recognised outside the statement of income in a separate item of shareholders' equity.

Key exchange rates N 07

1 EUR corresponds to:	31.12.2014	31.12.2013	2014	2013
	Mean rate of exchange on the balance sheet date		Average rate of exchange	
AUD	1.4879	1.5513	1.4789	1.3842
BHD	0.4583	0.5190	0.4997	0.5012
CAD	1.4131	1.4751	1.4652	1.3726
CNY	7.5533	8.3445	8.1675	8.1738
GBP	0.7825	0.8357	0.8059	0.8480
HKD	9.4289	10.6752	10.2814	10.3112
KRW	1,333.7220	1,452.2507	1,395.8961	1,452.1050
MYR	4.2580	4.5351	4.3460	4.2069
SEK	9.4845	8.9114	9.1143	8.6671
USD	1.2155	1.3766	1.3256	1.3293
ZAR	14.1409	14.4390	14.3566	12.8556

Earned premium and unearned premium: assumed reinsurance premiums, commissions and claim settlements as well as assumed portions of the technical reserves are recognised according to the terms and conditions of the reinsurance treaties, giving due consideration to the underlying contracts for which reinsurance was taken out.

Ceded reinsurance premiums are deducted from the gross written premium for the purpose of reconciliation to net premium earned. Assets and liabilities in connection with reinsurance ceded are recognised on a gross basis. The reinsured portions of the reserves are estimated on a basis consistent with the reserves attributable to the reinsured risk. Income and expenses in connection with reinsurance treaties are recognised on a basis consistent with the underlying risk of the reinsured business.

Premiums for reinsurance treaties are booked to income as earned across the period of the contracts in proportion to the insurance protection already provided or when they become due. Unearned premiums are calculated individually for each treaty in order to establish the portion of the premium volume that is not booked to income. This applies principally to property and casualty reinsurance and parts of accident and health reinsurance. Premiums already collected that are attributable to future risk periods are deferred pro rata temporis and recognised in conformity with the pertinent standards of US GAAP. In this context, assumptions are to be made if the data required for a calculation pro rata temporis is not available. The unearned premium corresponds to the insurance protection afforded in future periods.

Taxes: the taxes are comprised of the actual tax load on corporate profits of the Group companies, to which the applicable local tax rates are applied, as well as changes in deferred tax assets and liabilities. Income and expenses arising out of interest or penalties payable to the revenue authorities are shown under other income and expenses. The calculation of the deferred tax assets and liabilities is based on tax loss carry-forwards, unused tax credits and temporary differences between the book values of assets and liabilities in the consolidated balance sheet of the Hannover Re Group and their tax values. Further information on deferred taxes is provided in our remarks on deferred tax assets and liabilities.

Non-current assets held for sale and discontinued operations: in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", non-current assets and disposal groups are classified as held for sale if the relevant book value is realised largely through sale rather than through continued use. Components of an entity that can be clearly distinguished from the rest of the entity for operational and accounting purposes and were classified as sold or for sale are recognised as discontinued operations. Measurement is at the lower of book value and fair value less costs to sell. Scheduled depreciation is not taken on non-current assets classified as held for sale. Impairment losses on fair value less costs to sell are recognised in profit or loss; a gain for any subsequent increase in fair value less costs to sell leads to the realisation of profit up to the amount of the cumulative impairment. If the impairment loss to be taken on a disposal group exceeds the book value of the corresponding non-current assets, the need to establish a provision within the meaning of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" is reviewed.

3.2 Major discretionary decisions and estimates

In the consolidated financial statement it is to some extent necessary to make estimates and assumptions which affect the assets and liabilities shown in the balance sheet, the information on contingent claims and liabilities as at the balance sheet date and the disclosure of income and expenses during the reporting period. Key facts and circumstances subject to such assumptions and estimates include, for example, the recoverability of contingent reinsurance liabilities, the recoverability of investments in associated companies, the valuation of derivative financial instruments as well as assets and liabilities relating to employee benefits. The actual amounts may diverge from the estimated amounts.

In order to measure the ultimate liability in property and casualty reinsurance the expected ultimate loss ratios are calculated for all lines. Actuarial methods such as the "chain ladder" method provide the starting point for these calculations. The best possible estimated future settlement amount is recognised in the balance sheet. The development until completion of the run-off is projected on the basis of statistical triangles from the original notifications of ceding companies. In this context it is generally assumed that the future rate of inflation of the loss run-off will be analogous to the average rate of the past inflation contained in the data. The more recent underwriting years in actuarial projections are of course subject to greater uncertainty, although this can be considerably reduced with the aid of a variety of additional information on improvements in the rates and conditions of the business written and on loss trends. The amounts arrived at as the difference between the ultimate losses and the reported losses are set aside as the IBNR reserve for losses that have been incurred but are not yet known or have still to be reported.

By analysing a broad range of observable information it is possible to classify losses as major individual loss events. Measurement of the obligations existing in this connection is carried out using a separate process, which is based largely on contract-specific estimates.

For further details, for example concerning the modelling of natural catastrophe scenarios and the assumptions relating to asbestos and pollution risks, the reader is referred to our comments in the risk report on page 86 et seq. We would further refer to our explanatory remarks on the technical reserves in Section 3.1 "Summary of major accounting policies" and Section 6.7 "Technical provisions".

In life business too the calculation of reserves and assets is crucially dependent on actuarial projections of the covered business. So-called model points are defined according to the type of business covered. The main distinguishing criteria are the age, sex and (non-)smoker status of the insured, tariff, policy period, period of premium payment and amount of insurance. The portfolio development is simulated for each model point, in which regard the key input parameters are either predefined by the tariff (e.g. allowance for costs, amount of premium, actuarial interest rate) or need to be estimated (e.g. mortality or disability rates, lapse rates). These assumptions are heavily dependent on country-specific parameters and on the sales channel, quality of the cedant's underwriting and claims handling, type of reinsurance and other framework conditions of the reinsurance treaty. The superimposition of numerous model points gives rise to a projection, which incorporates inter alia assumptions concerning the portfolio composition and the commencement of covered policies within the year. Such assumptions are estimated at the inception of a reinsurance treaty and subsequently adjusted to the actual projection.

The projections, which cover various model scenarios ("conservative assumptions" versus "best estimate"), constitute the starting point for numerous areas of application encompassing quotation, the determination of carrying amounts and embedded values as well as contract-specific analyses, e.g. regarding the appropriateness of the recognised reinsurance liabilities ("liability adequacy test"). In this context we would refer the reader to our comments on technical assets and provisions in Section 3.1 "Summary of major accounting policies" and on the liability adequacy tests in Section 6.7 "Technical provisions".

In determining the carrying amounts for certain financial assets it is sometimes necessary to make assumptions in order to calculate fair values. In this regard we would refer the reader to our remarks in Section 3.1 "Summary of major accounting policies" concerning financial assets at fair value through profit or loss and securities held as available for sale. Assumptions concerning the appropriate applicability criteria are necessary when determining the need for impairments on non-monetary financial assets held as available for sale. In this regard we would again refer the reader to our explanatory remarks in Section 3.1 "Summary of major accounting policies".

4. Consolidation

4.1 Consolidation principles

Capital consolidation

The capital consolidation is carried out according to the requirements of IFRS 10 "Consolidated Financial Statements" on the basis of a consistent consolidation model for all entities that identifies control as the single basis for verifying the consolidation requirement, irrespective of whether control is substantiated in company law, contractually or economically. Group companies are consolidated from the point in time when Hannover Re gains control over them. Control exists if Hannover Re directly or indirectly has decision-making power over a Group company on the basis of voting rights or other rights, if it has exposure or rights to positive and negative variable returns from its involvement with the Group company and if it can use its power to influence these returns. All of these criteria must be met. Other circumstances may also give rise to control, for example the existence of a principal-agent relationship. In this case a party outside the Group with decision-making powers (agent) acts for Hannover Re, but does not control the company since it merely exercises decision-making powers that have been delegated by Hannover Re (principal). These principles are also applied to structured entities, on which further information is provided in Section 4.2 "Consolidated companies and complete list of shareholdings". Group companies are consolidated until the Hannover Re Group loses control over them. The accounting policies of Group companies are adjusted, where necessary, in order to ensure consistent application of the Hannover Re Group's accounting policies.

The capital consolidation is based on the acquisition method. In the context of the acquisition method the acquisition costs, measured at the fair value of the consideration rendered by the parent company on the acquisition date, are netted with the proportionate shareholders' equity of the subsidiary at the time when it is first included in the consolidated financial statement after the revaluation of all assets and liabilities. After recognition of all acquired intangible assets that in accordance with IFRS 3 "Business Combinations" are to be accounted for separately from goodwill, the difference between the revalued shareholders' equity of the subsidiary and the purchase price is recognised as goodwill. Under IFRS 3 scheduled amortisation is not taken on goodwill. Instead, impairment is taken where necessary on the basis of annual impairment tests. Immaterial and negative goodwill are recognised in the statement of income in the year of their occurrence. Costs associated with acquisition are expensed.

Companies over which Hannover Re is able to exercise a significant influence are consolidated as associated companies using the equity method of accounting. We therefore measure investments in associated companies with the proportion of the shareholders' equity attributable to the Group. According to the proportionate interest method required by IAS 28 "Investments in Associates", the goodwill attributable to associated companies is recognised together with the investments in associated companies. The share of an associated company's year-end profit or loss relating to the Group is included in the income from investments and shown separately in the consolidated statement of income. Shareholders' equity and profit or loss are taken from the associated company's latest available financial statement. A significant influence is presumed to exist if a company belonging to the Hannover Re Group directly or indirectly holds at least 20% – but no more than 50% – of the voting rights. We also derive evidence of significant influence over an associated company from representation on a governing body of such company, participation in its policy-making processes – e. g. with respect to dividends or other distributions –, the existence of material inter-company transactions, the possibility of interchanging managerial personnel or the provision of key technical information for the company. Further particulars on companies consolidated using the equity method of accounting are provided in Section 6.1 "Investments under own management" under "Associated companies".

Only subsidiaries which are of minor importance – both individually and in their entirety – for the net assets, financial position and results of operations of the Hannover Re Group are exempted from consolidation. Hannover Re assesses whether a subsidiary is of minor importance on the basis of the company's total assets and net income relative to the corresponding values for the Group as a whole on average over the last three years. For this reason 17 (15) companies at home and abroad were not consolidated in the year under review. A further 14 (13) companies were not included at equity in the consolidated financial statement for the same reason. The business object of these altogether 31 (28) companies is for the most part the rendering of services for reinsurance companies within the Group.

Consolidation of business transactions within the Group

Receivables and liabilities between the companies included in the consolidated financial statement were offset against each other. Profits and expenses from business transactions within the Group were also eliminated. Transactions between a disposal group and the continuing operations of the Group were similarly eliminated in accordance with IFRS 10.

4.2 Consolidated companies and complete list of shareholdings

In addition to Hannover Rück SE as the parent company of the Group, the scope of consolidation of the Hannover Re Group encompasses the companies listed in the table below.

Information on subsidiaries

Scope of consolidation N08

Number of companies	2014	2013
Consolidated companies		
Germany	18	18
Abroad	60	59
Total	**78**	**77**
Consolidated structured entities		
Abroad	3	3
Sum total	**81**	**80**
Companies included at equity		
Germany	3	3
Abroad	8	7
Total	**11**	**10**

Information on the non-controlling interests in shareholders' equity and profit or loss as well as on the major non-controlling interests is provided in Section 6.14 "Non-controlling interests". On the balance sheet date there were no significant restrictions on access to or the use of Group assets due to protective rights in favour of non-controlling interests.

The sale or transfer of shares of E+S Rückversicherung AG takes place by way of an endorsement and is permissible only with the approval of the company's Supervisory Board. The Supervisory Board enjoys the right to grant or deny approval unconditionally, without being obliged to state reasons in the event of denial.

National provisions of company law or requirements of supervisory law may in certain countries limit the ability of the Hannover Re Group to transfer assets between companies belonging to the Group. These limitations result principally from local minimum capital and solvency requirements as well as to a lesser extent from foreign exchange restrictions.

As security for our technical liabilities and as collateral for liabilities arising out of existing derivative transactions Hannover Re has established blocked custody accounts and trust accounts in certain countries, while for liabilities in connection with real estate transactions – to the extent that is customary under such transactions – it has pledged assets in favour of third parties outside the Group. For further information please see our explanatory remarks in Section 8.7 "Contingent liabilities and commitments".

The following list of shareholdings is provided in full in the present Group annual financial report in accordance with § 313 Para. 2 German Commercial Code (HGB) as amended by the Act on the Modernisation of Accounting Law (BilMoG). The stipulations of IFRS 12.10 and IFRS 12.21 have also been observed.

In conformity with Item 7.1.4 of the recommendations of the German Corporate Governance Code as amended on 24 June 2014, the following table also lists the percentage share in capital, the capital and reserves and the result for the last financial year for major participations in unconsolidated third companies.

The figures for the capital and reserves as well as the result for the last financial year are taken from the local financial statements drawn up by the companies.

With regard to the major acquisitions and disposals in the year under review please see our remarks in the following paragraphs of this section.

List of shareholdings **N09**

Name and registered office of the company in currency units of 1,000	Participation in %	Currency	Capital and reserves	Result for the last financial year
Domestic companies				
Affiliated consolidated companies				
Hannover Rück Beteiligung Verwaltungs-GmbH, Hannover/Germany [1, 2]	100.00	EUR	2,091,925	–
Hannover Life Re AG, Hannover/Germany [1, 2]	100.00	EUR	1,705,385	–
HILSP Komplementär GmbH, Hannover/Germany [3]	100.00	EUR	27	(3)
Hannover Insurance-Linked Securities GmbH & Co. KG, Hannover/Germany [3]	100.00	EUR	198	93
FUNIS GmbH & Co. KG, Hannover/Germany	100.00	EUR	28,806	2,854
Hannover America Private Equity Partners II GmbH & Co. KG, Hannover/Germany [1]	95.42	EUR	190,590	25,843
HAPEP II Holding GmbH, Hannover/Germany [1]	95.42	EUR	15,611	11,284
Hannover Re Euro PE Holdings GmbH & Co. KG, Hannover/Germany [1]	91.20	EUR	175,845	2,385
Hannover Re Euro RE Holdings GmbH, Hannover/Germany [1]	87.68	EUR	728,604	8,791
HR GLL Central Europe GmbH & Co. KG, Munich/Germany [1]	87.67	EUR	204,183	(292)
HR GLL Central Europe Holding GmbH, Munich/Germany [1]	87.67	EUR	61,941	(27)
HAPEP II Komplementär GmbH, Hannover/Germany [1]	82.40	EUR	31	3
Hannover Euro Private Equity Partners III GmbH & Co. KG, Cologne/Germany [1]	67.54	EUR	32,077	1,865
HEPEP III Holding GmbH, Cologne/Germany [1]	67.54	EUR	12,857	(525)
E+S Rückversicherung AG, Hannover/Germany [1]	64.79	EUR	691,413	126,000
Hannover Euro Private Equity Partners IV GmbH & Co. KG, Cologne/Germany [1]	60.58	EUR	50,416	12,257
Hannover Euro Private Equity Partners II GmbH & Co. KG, Cologne/Germany [1]	57.89	EUR	9,893	3,096
HEPEP II Holding GmbH, Cologne/Germany [1]	57.89	EUR	8,203	421
Affiliated non-consolidated companies				
International Hannover Holding AG, Hannover/Germany [1, 4]	100.00	EUR	39	(3)
Associated companies				
Oval Office Grundstücks GmbH, Hannover/Germany	50.00	EUR	59,842	1,930
WeHaCo Unternehmensbeteiligungs-GmbH, Hannover/Germany [5]	32.96	EUR	86,817	10,335
HANNOVER Finanz GmbH, Hannover/Germany [5]	27.78	EUR	69,805	6,378
Other participations				
b2b protect GmbH, Hildesheim/Germany [5, 6]	41.86	EUR	467	(236)
Foreign companies				
Affiliated consolidated companies				
Hannover Finance (Luxembourg) S.A., Luxembourg/Luxembourg [1]	100.00	EUR	54,353	28,830

Name and registered office of the company in currency units of 1,000	Participation in %	Currency	Capital and reserves	Result for the last financial year
Hannover Finance (UK) Limited, London / United Kingdom [1]	100.00	GBP	2,734	2,084
Hannover Life Reassurance Bermuda Ltd., Hamilton / Bermuda [1]	100.00	USD	405,355	38,085
Hannover Life Reassurance Company of America, Orlando / USA [1]	100.00	USD	212,052	26,876
Hannover Life Reassurance Company of America (Bermuda) Ltd., Hamilton / Bermuda [1]	100.00	USD	5,826	117
Hannover Re (Ireland) Limited, Dublin / Ireland [1]	100.00	EUR	1,452,048	78,898
Hannover Life Re of Australasia Ltd, Sydney / Australia [1]	100.00	AUD	478,191	26,770
Hannover Re (Bermuda) Ltd., Hamilton / Bermuda [1]	100.00	USD	1,465,820	243,214
Hannover ReTakaful B.S.C. (c), Manama / Bahrain [1]	100.00	BHD	55,389	7,125
Hannover Services (UK) Limited, London / United Kingdom [1]	100.00	GBP	712	109
International Insurance Company of Hannover SE, London / United Kingdom [1, 7]	100.00	GBP	136,823	(6,300)
Inter Hannover (No. 1) Limited, London / United Kingdom [1]	100.00	GBP	–	–
Leine Investment General Partner S.à r.l., Luxemburg / Luxembourg [1, 8]	100.00	EUR	38	157
Leine Investment SICAV-SIF, Luxemburg / Luxembourg [1, 8]	100.00	USD	75,040	1,204
LI RE, Hamilton / Bermuda [1, 8]	100.00	USD	–	–
Hannover Re (Guernsey) PCC Limited, St Peter Port / Guernsey [1]	100.00	EUR	–	–
Fracom FCP, Paris / France [9]	100.00	EUR	1,140,137	26,854
Hannover Finance, Inc., Wilmington / USA [1, 8]	100.00	USD	440,055	8,328
Atlantic Capital Corporation, Wilmington / USA [8, 10, 11]	100.00	USD	(111,867)	–
Hannover Reinsurance Group Africa (Pty) Ltd., Johannesburg / South Africa	100.00	ZAR	209,906	4
Hannover Life Reassurance Africa Limited, Johannesburg / South Africa	100.00	ZAR	611,281	78,621
Hannover Reinsurance Africa Limited, Johannesburg / South Africa	100.00	ZAR	752,060	11,094
Compass Insurance Company Limited, Johannesburg / South Africa	100.00	ZAR	132,364	6,585
Micawber 185 (Pty) Ltd., Johannesburg / South Africa	100.00	ZAR	18,880	2,925
Peachtree (Pty) Ltd., Johannesburg / South Africa [10]	100.00	ZAR	–	–
Hannover Reinsurance Mauritius Ltd., Port Louis / Mauritius	100.00	MUR	44,816	(3,232)
Hannover Re Real Estate Holdings, Inc., Orlando / USA [1, 8]	95.25	USD	488,570	19,289
GLL HRE CORE Properties, L.P., Wilmington / USA [8]	95.15	USD	229,382	15,889
11 Stanwix, LLC, Wilmington / USA [8]	95.15	USD	36,711	1,095
402 Santa Monica Blvd, LLC, Wilmington / USA [8]	95.15	USD	28,158	654

Name and registered office of the company in currency units of 1,000	Participation in %	Currency	Capital and reserves	Result for the last financial year
300 California, LLC, Wilmington / USA [12]	95.15	USD	–	–
300 South Orange Avenue, LLC, Orlando / USA [8]	95.15	USD	1,493	10,040
Nashville West, LLC, Wilmington / USA [8]	95.15	USD	30,457	49
1225 West Washington, LLC, Wilmington / USA [8]	95.15	USD	23,647	1,067
975 Carroll Square, LLC, Wilmington / USA [8]	95.15	USD	55,571	1,897
Broadway 101, LLC, Wilmington / USA [8]	95.15	USD	11,536	258
River Terrace Parking, LLC, Wilmington / USA [8]	95.15	USD	21,971	54
Kaith Re Ltd., Hamilton / Bermuda [1]	88.00	USD	418	(321)
HR GLL Roosevelt Kft, Budapest / Hungary [1]	87.67	HUF	20,635,541	628,492
HR GLL Liberty Corner SPÓLKA Z OGRANICZONA ODPOWIEDZIALNÓSCIA, Warsaw / Poland [1]	87.67	PLN	48,489	(3,233)
HR GLL Griffin House SPÓLKA Z OGRANICZONA ODPOWIEDZIALNÓSCIA, Warsaw / Poland [1]	87.67	PLN	39,480	(3,221)
Akvamarín Beta s.r.o., Prague / Czech Republic [1]	87.67	CZK	109,499	27,806
HR GLL Europe Holding S.à r.l., Luxembourg / Luxembourg [1]	87.67	EUR	103,462	(17)
HR GLL CDG Plaza S.r.l., Bucharest / Romania [1]	87.67	RON	173,426	1,315
Mustela s.r.o., Prague / Czech Republic [1]	87.67	CZK	1,234,391	(21,671)
Integra Insurance Solutions Limited, Bradford / United Kingdom [5]	74.99	GBP	3,019	2,035
Svedea AB, Stockholm / Sweden [5]	53.00	SEK	13,976	(16,764)
Lireas Holdings (Pty) Ltd., Johannesburg / South Africa	51.00	ZAR	191,451	21,623
MUA Insurance Company Ltd., Cape Town / South Africa	51.00	ZAR	–	204
Transit Underwriting Managers (Pty) Ltd., Cape Town / South Africa	45.90	ZAR	940	1,760
MUA Insurance Acceptances (Pty) Ltd., Cape Town / South Africa	40.80	ZAR	13,232	5,603
Cargo Transit Insurance (Pty) Ltd., Helderkruin / South Africa [5, 10]	40.80	ZAR	(4,499)	–
Landmark Underwriting Agency (Pty) Ltd., Bloemfontein / South Africa	38.51	ZAR	3,211	2,114
Hospitality Industrial and Commercial Underwriting Managers (Pty) Ltd., Johannesburg / South Africa	36.82	ZAR	1,640	3,805
SUM Holdings (Pty) Ltd., Johannesburg / South Africa	36.82	ZAR	16,361	4,573
Garagesure Consultants and Acceptances (Pty) Ltd., Johannesburg / South Africa	35.70	ZAR	1,491	2,573
Thatch Risk Acceptances (Pty) Ltd., Johannesburg / South Africa	33.14	ZAR	1,433	1,752
Gem & Jewel Acceptances (Pty) Ltd., Johannesburg / South Africa	30.60	ZAR	278	449

Name and registered office of the company in currency units of 1,000	Participation in %	Currency	Capital and reserves	Result for the last financial year
Construction Guarantee (Pty) Ltd., Johannesburg/South Africa [5, 10]	30.60	ZAR	–	–
Envirosure Underwriting Managers (Pty) Ltd., Durban/South Africa	30.60	ZAR	201	161
Woodworking Risk Acceptances (Pty) Ltd., Johannesburg/South Africa [10]	30.60	ZAR	321	1,473
Synergy Targeted Risk Solutions (Pty) Ltd, Johannesburg/South Africa	30.60	ZAR	1,980	1,039
Film & Entertainment Underwriters SA (Pty) Ltd., Johannesburg/South Africa	26.01	ZAR	(1,960)	32
Affiliated non-consolidated companies				
International Mining Industry Underwriters Limited, London/United Kingdom [5]	100.00	GBP	552	63
HR Hannover Re, Correduría de Reaseguros, S.A., Madrid/Spain [1]	100.00	EUR	341	39
LRA Superannuation Plan Pty Ltd., Sydney/Australia [4]	100.00	AUD	–	–
Mediterranean Reinsurance Services Ltd., Hong Kong/China [1, 10]	100.00	USD	52	–
Hannover Re Services Japan, Tokyo/Japan [1]	100.00	JPY	97,785	1,208
Hannover Re Consulting Services India Private Limited, Bombay/India [13]	100.00	INR	79,502	10,573
Hannover Life Re Consultants, Inc., Orlando/USA [1]	100.00	USD	187	(18)
Hannover Services (México) S.A. de C.V., Mexico City/Mexico [5]	100.00	MXN	9,546	225
Hannover Re Services USA, Inc., Itasca/USA	100.00	USD	978	80
Hannover Rück SE Escritório de Representação no Brasil Ltda., Rio de Janeiro/Brazil [5]	100.00	BRL	2,083	849
L&E Holdings Limited, London/United Kingdom [1]	100.00	GBP	5	–
London & European Title Insurance Services Limited, London/United Kingdom [1]	100.00	GBP	241	–
Hannover Re Risk Management Services India Private Limited, New Delhi/India [13]	100.00	INR	36,451	(3,549)
Hannover Re Services Italy S.R.L., Milan/Italy	99.65	EUR	511	69
HMIA Pty Ltd, Sydney/Australia [12]	55.00	AUD	–	–
Svedea Skadeservice AB, Stockholm/Sweden [12]	53.00	SEK	–	–
Associated companies				
Glencar Underwriting Managers, Inc., Chicago/USA [5]	88.20	USD	5,475	2,973
ITAS Vita S.p.A., Trient/Italy [5]	34.88	EUR	85,794	5,326
ASPECTA Assurance International AG, Vaduz/Liechtenstein [5]	30.00	CHF	20,941	7,847
Firedart Engineering Underwriting Managers (Pty) Ltd., Johannesburg/South Africa [14]	29.78	ZAR	1,497	1,419
Commercial & Industrial Acceptances (Pty) Ltd., Johannesburg/South Africa	20.40	ZAR	5,279	20,366
Clarendon Transport Underwriting Managers (Pty) Ltd., Johannesburg/South Africa	19.02	ZAR	13,204	26,023

Name and registered office of the company in currency units of 1,000	Participation in %	Currency	Capital and reserves	Result for the last financial year
Camargue Underwriting Managers (Pty) Ltd., Johannesburg/South Africa	14.79	ZAR	13,783	5,983
Synergy XOL (Pty) Ltd., Johannesburg/South Africa [12]	10.20	ZAR	–	–
Other participations				
Energi, Inc., Peabody/USA [5]	28.50	USD	7,922	1,875
Energi Insurance Services, Inc., Peabody/USA [5]	28.50	USD	(1,629)	859
Energi of Canada Ltd., Toronto/Canada [5]	28.50	CAD	(48)	(11)
Energi Re, LLC, Dover/USA [5]	28.50	USD	7,878	2,958
Hurst Holme Insurance Company Limited – account 2006-03 SCC, Hamilton/Bermuda [5, 10]	28.50	USD	298	(415)
Hurst Holme Insurance Company Limited – account 2009-01 SCC, Hamilton/Bermuda [5, 10]	28.50	USD	518	(390)
XS Direct Holdings Limited, Dublin/Ireland [5]	25.00	EUR	2,005	(392)
SimShare Limited, Dublin/Ireland [5]	25.00	EUR	633	(14)
XS Direct Insurance Brokers Limited, Dublin/Ireland [5]	25.00	EUR	113	(186)
New PF Limited, Dublin/Ireland [5, 10]	25.00	EUR	(6)	–
Meribel Topco Limited, St. Helier/Jersey [15]	20.11	EUR	2,403	(54)
Meribel Midco Limited, St. Helier/Jersey [15]	20.11	EUR	246,851	20,628
Clarenfin (Pty) Ltd., Johannesburg/South Africa	19.02	ZAR	–	–
Iconica Business Services Limited, Bradford/United Kingdom [16]	18.75	GBP	(462)	(461)
Vela Taxi Finance (Pty) Ltd, Johannesburg/South Africa [12]	10.46	ZAR	–	–
Acte Vie S.A. Compagnie d' Assurances sur la Vie et de Capitalisation, Strasbourg/France [5]	9.38	EUR	8,742	261

1 Provisional (unaudited) figures
2 Year-end result after profit transfer
3 Financial year as at 30 September 2014
4 Company is inactive.
5 Figures as at 31 December 2013
6 Formerly WetterProtect GmbH
7 Formerly International Insurance Company of Hannover Plc/Limited
8 IFRS figures
9 Financial year as at 31 October 2014
10 Company is in liquidation.
11 Certain equity items are not counted under IFRS, as a consequence of which the amount of capital and reserves can be negative here. According to the local accounting practice relevant for supervisory purposes, the company is adequately capitalised.
12 Company was newly established in 2014; an annual financial statement is not yet available.
13 Financial year as at 31 March 2014
14 Formerly Firedart & Construction Guarantee Underwriting Managers (Pty) Ltd.
15 Financial year from 2 August 2013 to 31 December 2014
16 Financial year from 1 October 2012 to 31 December 2013

Consolidation of structured entities

Business relations with structured entities are to be examined in accordance with IFRS 10 in conjunction with IFRS 12 with an eye to their implications for consolidation. In the context of their operational activities some companies belonging to the Hannover Re Group enter into business relations with structured entities that are to be analysed and accounted for according to these new provisions.

Structured entities are entities designed in such a way that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity frequently has some or all of the following features or attributes:

- Restricted activities;
- A narrow and well-defined business objective;
- Insufficient equity to allow it to finance its activities without subordinated financial support;
- Financing in the form of multiple contractually linked instruments issued to investors that create concentrations of credit or other risks (tranches).

In accordance with the consistent consolidation model, a structured entity – just like a subsidiary – must be consolidated if Hannover Re gains control over the said entity. With regard to the criteria for control please see also Section 4.1 "Consolidation principles". Within the Hannover Re Group the requirement to consolidate structured entities is examined as part of an analysis that encompasses both transactions in which a structured entity is initiated by us with or without the involvement of third parties and those in which we enter into contractual relations with an already existing structured entity with or without the involvement of third parties. Consolidation decisions are reviewed as necessary and at least once a year. The list of all consolidated structured entities forms part of the list of shareholdings.

Consolidated structured entities

The following structured entities were consolidated as at the balance sheet date:

- Hannover Re (Guernsey) PCC Limited, St Peter Port, Guernsey
- Kaith Re Ltd., Hamilton, Bermuda
- LI RE, Hamilton, Bermuda

Hannover Re PCC (Guernsey) Ltd. was a so-called protected cell company under the "Protected Cell Companies Ordinance 1997", the primary objective of which was to offer services in the area of direct insurance and reinsurance. The PCC has been closed to new business since 2009 and was wound up effective 31 December 2014. The liquidation of the company, which is planned for the first quarter of 2015, will merely give rise to a minimal amount of residual commitments for Hannover Re.

Kaith Re Ltd. is a so-called segregated accounts company (SAC), the sole object of which is the securitisation of reinsurance risks in the form of investment products. Under this transformation a complete underwriting risk transfer always takes place to the investor in question. In a SAC further segregated accounts exist under a general account; it is in these segregated accounts, which for liability purposes are entirely separate from one another and from the general account, that the aforementioned securitisations take place for the investors.

Pursuant to IFRS 10 we consider the general account and the segregated accounts to be separate units to which the principles of so-called "silo accounting" are applied. In accordance with this concept, Hannover Re is required to consolidate the general account of Kaith Re Ltd. and is contractually responsible for the fees due to external service providers that are to be covered from the general account's own funds. Each individual segregated account is to be examined separately by the parties concerned (investors) with an eye to a consolidation requirement and is to be consolidated according to the particular contractual arrangements in each case.

Effective 16 October 2014, LI RE was established as a segregated account of Kaith Re Ltd., the purpose of which – as with all segregated accounts under Kaith Re Ltd. – is the securitisation of underwriting risks. In contrast to the other segregated accounts, the sole investor and hence the risk carrier of LI RE is Hannover Re.

As at the balance sheet date Hannover Re had not rendered any financial or other support for a consolidated structured entity. Hannover Re does not intend to render financial or other support for one or more of such entities without being contractually required to do so.

Unconsolidated structured entities

The business relations of Hannover Re Group companies with structured entities set out below do not give rise to consolidation because the criteria for control pursuant to IFRS 10 contained in our consolidation principles are not met.

Investment including investments in catastrophe bonds (ILS)

Within the scope of its investment activities Hannover Re has participated since 1988 inter alia in numerous structured entities. These are predominantly special purpose entities in the form of funds, which for their part transact certain types of equity and debt capital investments. These investments encompass private equity funds, fixed income funds, collateralised debt obligations, real estate funds, index funds and other public funds. The volume of these transactions is derived from the book values of the respective investments and amounted to EUR 2,489.4 million as at the balance sheet date. The maximum risk of loss corresponds to the book values.

Hannover Re participates through its subsidiary Leine Investment SICAV-SIF, Luxembourg, in a number of structured entities that issue catastrophe bonds for the securitisation of catastrophe risks by investing in such bonds. Leine Investment General Partner S.à r.l. is the managing partner of the asset management company Leine Investment SICAV-SIF, the business object of which is to build, hold and manage a portfolio of insurance-linked securities (catastrophe bonds) – including for third-party investors outside the Group. The volume of these transactions is derived from the book values of the respective investments and amounted to EUR 50.3 million as at the balance sheet date. The maximum risk of loss corresponds to the book values.

Retrocession and securitisation of reinsurance risks

In connection with the sale of the operational companies of the subgroup Clarendon Insurance Group, Inc. (CIGI), Wilmington, to Enstar Group Ltd., Hamilton/Bermuda, a partial portfolio of CIGI was retroceded to a structured entity with effect from 12 July 2011. The term of the retrocession arrangement ran until the underlying obligations had been finally settled. The contract was commuted and terminated effective 31 December 2014.

The securitisation of reinsurance risks is largely structured through the use of structured entities.

In 2012 Hannover Re issued a catastrophe bond for the purpose of transferring to the capital market peak natural catastrophe exposures deriving from European windstorm events. The term of the CAT bond, which has a volume of nominally EUR 100.0 million, runs until 31 March 2016; it was placed with institutional investors from Europe, North America and Asia by Eurus III Ltd. Eurus III Ltd. is a special purpose entity domiciled in Hamilton/Bermuda that was registered in August 2012 as a "special purpose insurer" under the Bermuda Insurance Act 1978. The retrocession contract concluded with the special purpose entity under the transaction affords Hannover Rück SE, E+S Rückversicherung AG and Hannover Re (Bermuda) Ltd. protection against the aforementioned catastrophe risks. The aforementioned volume of the transaction is measured by the ceded exposure limit of the retrocession contract. The structured entity is fully funded by contractually defined investments in the form of cash and equivalent liquid assets. Given that the maximum liability of the structured entity is therefore wholly collateralised, there is no risk of an underwriting loss for Hannover Re.

By way of its "K" transactions Hannover Re has raised underwriting capacity for catastrophe risks on the capital market. The "K Cession", which was placed with investors in North America, Europe and Asia, involves a quota share cession on worldwide natural catastrophe business as well as aviation and marine risks. The volume of the "K Cession" securitised via structured entities was equivalent to EUR 169.2 million as at the balance sheet date. The transaction has an indefinite term and can be cancelled annually by the investors. Segregated accounts of Kaith Re Ltd. are used for transformer purposes for part of this transaction. Hannover Re also uses further segregated accounts of Kaith Re Ltd. and other structured entities for various retrocessions of its traditional covers, which are passed on to institutional investors in securitised form. The volume of these transactions is measured by the ceded exposure limit of the underlying retrocession agreements and amounted to EUR 847.9 million as at the balance sheet date. The structured entities are in all cases fully funded by contractually defined investments in the form of cash and equivalent liquid assets. Given that the entire exposure limit of the structured entities is therefore wholly collateralised in each case, there is no risk of an underwriting loss for Hannover Re.

Insurance-linked securities (ILS)

As part of its extended Insurance-Linked Securities (ILS) activities, Hannover Re has concluded so-called collateralised fronting arrangements under which risks assumed from ceding companies are passed on to institutional investors outside the Group using structured entities (special purpose entities). The purpose of such transactions is to directly transfer clients' business. The volume of the transactions is derived from the ceded exposure limit of the underlying retrocession agreements and amounted to EUR 3,135.3 million as at the balance sheet date. Part of the ceded exposure limit is funded by contractually defined investments in the form of cash and equivalent liquid assets. In these cases the exposure limit is wholly collateralised and to this extent there is no risk of an underwriting loss for Hannover Re. A further part of the exposure limit of these transactions remains uncollateralised or is collateralised by less liquid assets. The maximum risk of loss from these transactions is derived from the uncollateralised exposure limit and the credit risk of the collateral and amounted to EUR 1,942.4 million as at the balance sheet date. This does not, however, correspond to the economic risk of loss, which is established using recognised actuarial methods. The expected loss on a modelled basis in a worst-case scenario of 10,000 years amounts to at most EUR 50.0 million.

The book values of the assets and liabilities from the specified transactions with unconsolidated structured entities were as follows as at the balance sheet date.

Book values from business relations with unconsolidated structured entities **N 10**

in EUR thousand	31.12.2014 General investment activities	Investment in catastrophe bonds (ILS)	Retrocession: securitisations and ILS transactions
Assets			
Fixed-income securities – held to maturity	491	–	–
Fixed-income securities – loans and receivables	19,401	–	–
Fixed-income securities – available for sale	951,578	–	–
Fixed-income securities – at fair value through profit or loss	–	50,344	–
Equity securities – available for sale	13,283	–	–
Real estate and real estate funds	320,956	–	–
Other invested assets	1,153,878	–	–
Short-term investments	29,824	–	–
Reinsurance recoverables on unpaid claims	–	–	124,048
Prepaid reinsurance premium	–	–	22,514
Accounts receivable	–	–	13,371
Total assets	**2,489,411**	**50,344**	**159,933**
Liabilities			
Reinsurance payable	–	–	28,837
Total liabilities	**–**	**–**	**28,837**

The income and expenses from business relations with unconsolidated structured entities are shown in investment income insofar as they result from general investment activities or investments in catastrophe bonds and are recognised in the technical account insofar as they are attributable to retrocessions and securitisations.

As at the balance sheet date Hannover Re had not rendered any financial or other support for an unconsolidated structured entity. Hannover Re does not intend to render financial or other support for one or more of such entities without being contractually required to do so.

With regard to commitments and obligations that we do not consider to be support, particularly outstanding capital commitments from special investments, please see our remarks in Section 8.7 “Contingent liabilities and commitments”.

Life and health reinsurance assumed

Some transactions in the life and health reinsurance segment are effected with the involvement of ceding special purpose entities as contracting parties that are established by parties outside the Group and from which member companies of the Hannover Re Group assume certain underwriting and/or financial risks. Given that the risks from such transfer transactions are entirely recognised in the technical/non-technical account of the Hannover Re Group, it is immaterial whether the active reinsurance business is assumed from structured or other entities. Although Hannover Re is exposed to variable returns from the business relations with such entities, these are independent of the purpose and design of the respective structured entity. Rather, these business relations correspond to regular cedant-reinsurer relations and are therefore not the subject of this disclosure. Some of the transactions include features that are to be classified as financial guarantees. For the corresponding disclosures please see our remarks in Section 8.1 “Derivative financial instruments and financial guarantees”.

4.3 Major acquisitions and new formations

Under an agreement dated 6 August 2014 HR GLL Europe Holding S.à r.l., Luxembourg, acquired all shares in the special purpose property company Mustela s.r.o., Prague, which holds and manages a commercial property in Prague, for a purchase price of EUR 68.9 million. No contingent liabilities, conditional payments or separate transactions as defined by IFRS 3 were identified. The company is included in the consolidated financial statement with effect from the third quarter of 2014.

With effect from 3 March 2014 Hannover Re established the company Hannover Life Reassurance Company of America (Bermuda) Ltd. based in Hamilton, Bermuda. All shares in the company are held by Hannover Life Reassurance Company of America, Orlando. The business object of the company is to assume life insurance risks by way of reinsurance and using capital market instruments as well as to transfer them to other Group companies. The company commenced its business operations in the first quarter of 2014 and has been included in full in Hannover Re's consolidated financial statement since that date.

Since March 2014 Hannover Rück SE has participated in Meribel TopCo Limited, St. Helier, Jersey, in the form of a financial interest in a direct amount of 19.9% of the company's shares. The business object of the company is the indirect acquisition of life insurance companies, inter alia Heidelberger Lebensversicherung AG, Heidelberg. Taken together with the shares held by Hannover Re Euro PE Holdings GmbH & Co. KG through a fund, Hannover Re directly and indirectly holds altogether 20.1% of the company's shares. With effect from the first quarter of 2014 the shares in the company have been recognised in the consolidated financial statement as an equity investment measured at amortised cost.

4.4 Major disposals and retirements

Effective 24 March 2014 Funis GmbH & Co. KG ("Funis") redeemed the voting puttable preference shares that it held in Glencar Underwriting Managers Inc., Chicago, United States ("Glencar") and hence relinquished its majority voting interest in the company. In the context of this transaction a change was also made to the composition of Glencar's managing board as per the contractual agreement, since Hannover Re no longer had majority representation on this body. In view of the fact that Hannover Re is therefore no longer able to exercise control over Glencar, but continues to be able to exercise a significant influence over the company, Glencar was deconsolidated as at the end of the first quarter of 2014 and included at equity in the consolidated financial statement. The derecognition of assets and liabilities as well as recognition of the participating interest at fair value gave rise to income of EUR 2.7 million, which was carried under other income and expenses. In addition, cumulative other comprehensive income of -EUR 0.1 million was realised from currency translation.

After Secquaero ILS Fund Ltd., Georgetown, Grand Cayman, had been deconsolidated and carried as a participating interest at net asset value in the previous year, the remaining shares held by Hannover Rück SE were returned effective 31 December 2014 and the participation in the company was terminated.

4.5 Other corporate changes

In accordance with the purchase agreement of 3 February 2014 Hannover Rück SE assumed 15% of the shares in Hannover Re Euro RE Holdings GmbH, Hannover, previously held through E+S Rückversicherung AG. The effects of the change in the amount of holding were recognised in the consolidated financial statement as an equity transaction pursuant to IFRS 10. Since it involves an internal transaction within the Group between companies under common control, this purchase transaction does not give rise to goodwill nor does it have any implications for Group net income.

Effective 17 October 2014 Hannover Rück Beteiligung Verwaltungs-GmbH, Hannover, all shares of which are held by Hannover Rück SE, acquired 838 shares in E+S Rückversicherung AG for a purchase price of EUR 20.1 million from a third party outside the Group. By way of an increase in its shareholding of 1.1% with no change of control status Hannover Rück Beteiligung Verwaltungs-GmbH holds 64.79% of the shares in E+S Rückversicherung AG upon closing of the transaction. In connection with the acquisition of the shares Hannover Rück SE contributed an amount of EUR 20.1 million to the additional paid-in capital of Hannover Rück Beteiligung Verwaltungs-GmbH.

5. Segment reporting

Based on the "management approach" of IFRS 8, which requires segment information to be presented as it is reported internally to management and normally used by the chief operating decision maker to decide upon the allocation of resources to a segment and evaluate its performance, Hannover Re has identified the reportable segments of property & casualty reinsurance and life & health reinsurance. With regard to the object of business operations within the two segments please see the corresponding remarks in the management report.

The segment information shown follows the system used for internal reporting purposes, on the basis of which the full Executive Board regularly evaluates the performance of segments and decides on the allocation of resources to them.

The "Consolidation" column includes not only the elimination of cross-segment transactions but also, more significantly, companies whose business operations cannot be unambiguously allocated to property and casualty reinsurance or life and health reinsurance. These are principally the service and financing companies belonging to the Group.

During the financial year no material changes occurred in the organisational structure that could have influenced the composition of the segments. Since the performance indicators used to steer the segments correspond to the system according to which the consolidated financial statement is prepared, a separate reconciliation of the segment results with the Group result is not provided.

Both Hannover Life Reassurance Company of America (Bermuda) Ltd., which was consolidated for the first time with effect from the first quarter of 2014, and the financial interest in Meribel TopCo Limited are allocable to the life and health reinsurance segment. Glencar Underwriting Managers Inc., which has been included at equity in the consolidated financial statement since the first quarter of 2014 as an associated company, and the special purpose property company Mustela s.r.o., which was consolidated for the first time in the period under review, are allocable to the property and casualty reinsurance segment.

Consolidated segment report as at 31 December 2014 N 11

Segmentation of assets

in EUR thousand	Property and casualty reinsurance 31.12.2014	Property and casualty reinsurance 31.12.2013
Assets		
Fixed-income securities – held to maturity	1,841,982	2,351,409
Fixed-income securities – loans and receivables	2,912,110	3,111,351
Fixed-income securities – available for sale	19,822,832	16,227,978
Equity securities – available for sale	32,804	28,980
Financial assets at fair value through profit or loss	63,648	18,157
Other invested assets	2,644,817	2,155,774
Short-term investments	242,463	267,682
Cash	580,490	430,552
Total investments and cash under own management	**28,141,146**	**24,591,883**
Funds withheld	1,123,858	888,118
Contract deposits	–	1,717
Total investments	**29,265,004**	**25,481,718**
Reinsurance recoverables on unpaid claims	1,052,357	1,168,791
Reinsurance recoverables on benefit reserve	–	–
Prepaid reinsurance premium	147,846	137,670
Reinsurance recoverables on other reserves	421	439
Deferred acquisition costs	597,299	491,354
Accounts receivable	1,493,908	1,702,357
Other assets in the segment	1,416,187	1,508,210
Assets held for sale	–	11,226
Total assets	**33,973,022**	**30,501,765**

Segmentation of liabilities

in EUR thousand		
Liabilities		
Loss and loss adjustment expense reserve	20,797,820	18,847,749
Benefit reserve	–	–
Unearned premium reserve	2,626,890	2,297,054
Provisions for contingent commissions	158,410	129,343
Funds withheld	442,211	429,168
Contract deposits	4,285	11,098
Reinsurance payable	358,836	674,469
Long-term liabilities	283,855	227,130
Other liabilities in the segment	2,042,408	1,822,435
Total liabilities	**26,714,715**	**24,438,446**

Life and health reinsurance		Consolidation		Total	
31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
179,209	197,857	118,551	117,521	2,139,742	2,666,787
76,077	71,714	–	26,035	2,988,187	3,209,100
6,639,186	5,768,474	355,505	413,440	26,817,523	22,409,892
–	–	–	–	32,804	28,980
54,262	68,706	12,978	19,280	130,888	106,143
123,922	105,232	1,945	1,260	2,770,684	2,262,266
332,262	190,898	575	90,558	575,300	549,138
186,224	208,641	6,168	3,743	772,882	642,936
7,591,142	**6,611,522**	**495,722**	**671,837**	**36,228,010**	**31,875,242**
14,702,622	13,379,713	–	–	15,826,480	14,267,831
92,069	73,824	–	–	92,069	75,541
22,385,833	**20,065,059**	**495,722**	**671,837**	**52,146,559**	**46,218,614**
325,534	236,532	(1,459)	(1,519)	1,376,432	1,403,804
676,219	344,154	–	–	676,219	344,154
1,470	1,434	(59)	(65)	149,257	139,039
5,025	6,454	–	–	5,446	6,893
1,317,295	1,181,040	4	4	1,914,598	1,672,398
1,620,237	1,243,469	(167)	(141)	3,113,978	2,945,685
680,215	551,240	(1,021,307)	(885,719)	1,075,095	1,173,731
–	–	–	–	–	11,226
27,011,828	**23,629,382**	**(527,266)**	**(215,603)**	**60,457,584**	**53,915,544**

3,315,694	2,820,702	(1,458)	(1,519)	24,112,056	21,666,932
11,757,188	10,631,512	(56)	(61)	11,757,132	10,631,451
121,704	108,443	–	–	2,748,594	2,405,497
165,830	140,228	–	–	324,240	269,571
374,926	218,858	–	–	817,137	648,026
6,068,053	5,558,834	–	–	6,072,338	5,569,932
742,649	397,326	(168)	(141)	1,101,317	1,071,654
–	–	1,986,492	2,237,830	2,270,347	2,464,960
1,982,821	1,690,822	(1,023,766)	(855,763)	3,001,463	2,657,494
24,528,865	**21,566,725**	**961,044**	**1,380,346**	**52,204,624**	**47,385,517**

Consolidated segment report as at 31 December 2014

Segment statement of income	Property and casualty reinsurance	
in EUR thousand	1.1.–31.12.2014	1.1.–31.12.2013
Gross written premium	7,903,369	7,817,866
thereof		
From insurance business with other segments	–	–
From insurance business with external third parties	7,903,369	7,817,866
Net premium earned	7,011,347	6,866,317
Net investment income	843,552	781,192
thereof		
Change in fair value of financial instruments	(23,344)	(38,432)
Total depreciation, impairments and appreciation of investments	27,429	18,937
Income/expense on funds withheld and contract deposits	20,394	14,947
Claims and claims expenses	4,827,939	4,821,804
Change in benefit reserve	–	–
Commission and brokerage, change in deferred acquisition costs and other technical income/expenses	1,643,705	1,532,749
Administrative expenses	188,198	176,250
Other income and expenses	(4,265)	(55,665)
Operating profit/loss (EBIT)	**1,190,792**	**1,061,041**
Interest on hybrid capital	–	–
Net income before taxes	**1,190,792**	**1,061,041**
Taxes	296,084	206,721
Net income	**894,708**	**854,320**
thereof		
Non-controlling interest in profit or loss	65,560	46,587
Group net income	**829,148**	**807,733**

Life and health reinsurance		Consolidation		Total	
1.1.–31.12.2014	1.1.–31.12.2013	1.1.–31.12.2014	1.1.–31.12.2013	1.1.–31.12.2014	1.1.–31.12.2013
6,458,669	6,145,370	(237)	173	14,361,801	13,963,409
237	(173)	(237)	173	–	–
6,458,432	6,145,543	–	–	14,361,801	13,963,409
5,411,425	5,359,847	309	500	12,423,081	12,226,664
614,201	611,516	14,088	19,102	1,471,841	1,411,810
(9,083)	11,394	(830)	(98)	(33,257)	(27,136)
129	161	–	–	27,558	19,098
355,662	342,401	–	–	376,056	357,348
4,636,243	4,305,742	(10)	–	9,464,172	9,127,546
28,620	146,518	5	173	28,625	146,691
946,361	1,168,993	–	6	2,590,066	2,701,748
175,682	156,667	(21)	757	363,859	333,674
25,097	(42,913)	(2,642)	(1,175)	18,190	(99,753)
263,817	**150,530**	**11,781**	**17,491**	**1,466,390**	**1,229,062**
–	–	95,720	126,670	95,720	126,670
263,817	**150,530**	**(83,939)**	**(109,179)**	**1,370,670**	**1,102,392**
44,941	(10,857)	(35,462)	(32,721)	305,563	163,143
218,876	**161,387**	**(48,477)**	**(76,458)**	**1,065,107**	**939,249**
13,898	(2,805)	–	–	79,458	43,782
204,978	164,192	(48,477)	(76,458)	985,649	895,467

6. Notes on the individual items of the balance sheet

6.1 Investments under own management

Investments are classified and measured in accordance with IAS 39 "Financial Instruments: Recognition and Measurement".

Hannover Re classifies investments according to the following categories: held-to-maturity, loans and receivables, financial assets at fair value through profit or loss and available-for-sale. The allocation and measurement of investments are determined by the investment intent.

The investments under own management also encompass investments in associated companies, real estate and real estate funds (also includes: investment property), other invested assets, short-term investments and cash.

The following table shows the regional origin of the investments under own management.

Investments N 12

in EUR thousand	2014	2013
Regional origin		
Germany	6,592,773	6,125,564
United Kingdom	2,674,766	2,396,053
France	1,769,512	1,644,587
Other	7,649,712	7,377,339
Europe	**18,686,763**	**17,543,543**
USA	9,875,092	8,478,865
Other	1,468,426	1,300,371
North America	**11,343,518**	**9,779,236**
Asia	1,819,615	1,275,917
Australia	2,556,507	2,081,609
Australasia	**4,376,122**	**3,357,526**
Africa	352,192	321,665
Other	1,469,415	873,272
Total	**36,228,010**	**31,875,242**

Maturities of the fixed-income and variable-yield securities N 13

in EUR thousand	2014		2013	
	Amortised cost [1]	Fair value	Amortised cost [1]	Fair value
Held to maturity				
due in one year	1,089,446	1,110,905	587,925	594,854
due after one through two years	539,118	561,992	1,062,548	1,114,378
due after two through three years	145,300	151,217	513,930	546,127
due after three through four years	97,896	103,592	140,576	148,806
due after four through five years	32,696	35,894	95,480	98,983
due after five through ten years	234,795	273,704	264,473	286,236
due after more than ten years	491	568	1,855	2,255
Total	**2,139,742**	**2,237,872**	**2,666,787**	**2,791,639**
Loans and receivables				
due in one year	261,575	265,156	237,228	240,952
due after one through two years	373,036	390,647	220,144	228,825
due after two through three years	268,376	283,396	376,062	399,698
due after three through four years	143,511	152,077	280,019	298,656
due after four through five years	197,584	219,375	141,240	149,437
due after five through ten years	979,791	1,122,393	1,106,317	1,184,496
due after more than ten years	764,314	954,282	848,090	923,723
Total	**2,988,187**	**3,387,326**	**3,209,100**	**3,425,787**
Available for sale				
due in one year [2]	3,731,723	3,747,673	3,095,796	3,103,923
due after one through two years	2,415,488	2,449,568	2,789,025	2,838,390
due after two through three years	2,908,199	2,972,420	1,848,794	1,899,960
due after three through four years	2,904,276	2,951,154	2,318,986	2,384,389
due after four through five years	2,655,178	2,741,708	2,700,046	2,728,465
due after five through ten years	9,181,834	9,760,031	7,765,540	7,896,895
due after more than ten years	3,122,626	3,543,151	2,657,402	2,749,944
Total	**26,919,324**	**28,165,705**	**23,175,589**	**23,601,966**
Financial assets at fair value through profit or loss				
due in one year	5,306	5,306	8,339	8,339
due after one through two years	2,433	2,433	4,337	4,337
due after two through three years	12,251	12,251	2,182	2,182
due after three through four years	20,590	20,590	5,991	5,991
due after four through five years	10,790	10,790	–	–
due after five through ten years	146	146	–	–
due after more than ten years	12,978	12,978	15,212	15,212
Total	**64,494**	**64,494**	**36,061**	**36,061**

[1] Including accrued interest

[2] Including short-term investments, cash and cash equivalents

Annual financial statements

The stated maturities may in individual cases diverge from the contractual maturities because borrowers may have the right to call or prepay obligations with or without penalty.

Variable-rate bonds (so-called “floaters”) are shown under the maturities due in one year and constitute our interest-related, within-the-year reinvestment risk.

Amortised cost, unrealised gains and losses and accrued interest on the portfolio of investments classified as held to maturity as well as their fair value N 14

in EUR thousand	2014				
	Amortised cost including accrued interest	thereof accrued interest	Unrealised gains	Unrealised losses	Fair value
Investments held to maturity					
Fixed-income securities					
Government debt securities of EU member states	391,809	7,071	10,099	–	401,908
US Treasury notes	257,279	1,395	3,067	–	260,346
Other foreign government debt securities	29,196	96	200	–	29,396
Debt securities issued by semi-governmental entities	427,611	6,444	16,019	1,463	442,167
Corporate securities	238,426	3,189	11,051	159	249,318
Covered bonds / asset-backed securities	795,421	15,527	59,316	–	854,737
Total	2,139,742	33,722	99,752	1,622	2,237,872

Amortised cost, unrealised gains and losses and accrued interest on the portfolio of investments classified as held to maturity as well as their fair value N 15

in EUR thousand	2013				
	Amortised cost including accrued interest	thereof accrued interest	Unrealised gains	Unrealised losses	Fair value
Investments held to maturity					
Fixed-income securities					
Government debt securities of EU member states	396,720	7,078	16,775	–	413,495
US Treasury notes	501,303	3,622	12,436	–	513,739
Other foreign government debt securities	49,064	142	406	–	49,470
Debt securities issued by semi-governmental entities	526,193	8,015	23,185	–	549,378
Corporate securities	232,917	3,142	10,142	1,653	241,406
Covered bonds / asset-backed securities	960,590	19,235	63,561	–	1,024,151
Total	2,666,787	41,234	126,505	1,653	2,791,639

The carrying amount of the portfolio held to maturity is arrived at from the amortised cost plus accrued interest.

Amortised cost, unrealised gains and losses and accrued interest on loans and receivables as well as their fair value N 16

in EUR thousand	2014				
	Amortised cost including accrued interest	thereof accrued interest	Unrealised gains	Unrealised losses	Fair value
Loans and receivables					
Debt securities issued by semi-governmental entities	1,655,060	27,559	260,622	–	1,915,682
Corporate securities	463,830	5,661	20,578	453	483,955
Covered bonds / asset-backed securities	869,297	13,495	118,402	10	987,689
Total	**2,988,187**	**46,715**	**399,602**	**463**	**3,387,326**

Amortised cost, unrealised gains and losses and accrued interest on loans and receivables as well as their fair value N 17

in EUR thousand	2013				
	Amortised cost including accrued interest	thereof accrued interest	Unrealised gains	Unrealised losses	Fair value
Loans and receivables					
Debt securities issued by semi-governmental entities	1,852,193	29,970	145,725	4,554	1,993,364
Corporate securities	379,488	5,501	14,667	5,492	388,663
Covered bonds / asset-backed securities	977,419	15,012	71,141	4,800	1,043,760
Total	**3,209,100**	**50,483**	**231,533**	**14,846**	**3,425,787**

The carrying amount of the loans and receivables is arrived at from the amortised cost plus accrued interest.

Amortised cost, unrealised gains and losses and accrued interest on the portfolio of investments classified as available for sale as well as their fair value **N 18**

in EUR thousand	2014				
	Amortised cost including accrued interest	thereof accrued interest	Unrealised gains	Unrealised losses	Fair value
Available for sale					
Fixed-income securities					
Government debt securities of EU member states	2,411,949	18,573	169,231	1,733	2,579,447
US Treasury notes	2,684,743	7,145	36,544	4,904	2,716,383
Other foreign government debt securities	1,816,756	16,522	27,294	33,322	1,810,728
Debt securities issued by semi-governmental entities	4,183,118	42,250	305,078	2,954	4,485,242
Corporate securities	11,371,250	140,368	557,169	46,694	11,881,725
Covered bonds/asset-backed securities	3,030,708	33,214	222,538	7,547	3,245,699
Investment funds	72,618	–	25,681	–	98,299
	25,571,142	**258,072**	**1,343,535**	**97,154**	**26,817,523**
Equity securities					
Shares	12,323	–	7,215	17	19,521
Investment funds	8,011	–	5,272	–	13,283
	20,334	**–**	**12,487**	**17**	**32,804**
Short-term investments	575,300	3,886	–	–	575,300
Total	**26,166,776**	**261,958**	**1,356,022**	**97,171**	**27,425,627**

Amortised cost, unrealised gains and losses and accrued interest on the portfolio of investments classified as available for sale as well as their fair value N 19

in EUR thousand	2013				
	Amortised cost including accrued interest	thereof accrued interest	Unrealised gains	Unrealised losses	Fair value
Available for sale					
Fixed-income securities					
Government debt securities of EU member states	1,906,099	18,075	40,708	19,518	1,927,289
US Treasury notes	1,712,666	5,397	15,141	20,175	1,707,632
Other foreign government debt securities	1,532,299	10,484	5,776	34,698	1,503,377
Debt securities issued by semi-governmental entities	3,849,195	45,377	117,838	24,549	3,942,484
Corporate securities	10,178,818	136,357	295,414	112,472	10,361,760
Covered bonds / asset-backed securities	2,730,664	35,628	167,867	18,132	2,880,399
Investment funds	73,774	–	14,114	937	86,951
	21,983,515	**251,318**	**656,858**	**230,481**	**22,409,892**
Equity securities					
Shares	12,588	–	4,682	1	17,269
Investment funds	8,452	–	3,259	–	11,711
	21,040	**–**	**7,941**	**1**	**28,980**
Short-term investments	549,138	2,139	–	–	549,138
Total	**22,553,693**	**253,457**	**664,799**	**230,482**	**22,988,010**

The carrying amounts of the fixed-income securities and equity securities classified as available for sale as well as the short-term investments allocated to this category correspond to their fair values, in the case of interest-bearing assets including accrued interest.

Fair value of financial assets at fair value through profit or loss before and after accrued interest as well as accrued interest on such financial assets N 20

in EUR thousand	2014	2013	2014	2013	2014	2013
	Fair value before accrued interest		Accrued interest		Fair value	
Financial assets at fair value through profit or loss						
Fixed-income securities						
Corporate securities	63,795	23,863	699	596	64,494	24,459
Covered bonds / asset-backed securities	–	11,547	–	55	–	11,602
	63,795	**35,410**	**699**	**651**	**64,494**	**36,061**
Other financial assets						
Derivatives	66,394	70,082	–	–	66,394	70,082
	66,394	**70,082**	**–**	**–**	**66,394**	**70,082**
Total	**130,189**	**105,492**	**699**	**651**	**130,888**	**106,143**

The carrying amounts of the financial assets at fair value through profit or loss correspond to their fair values including accrued interest.

Hannover Re recognised in this category as at the balance sheet date derivative financial instruments in an amount of EUR 66.4 million (EUR 70.1 million) that are originally allocable to this item as well as fixed-income securities amounting to EUR 64.5 million (EUR 36.1 million) designated in this category.

Analysis of the fair value changes in the portfolio of fixed-income securities at fair value through profit or loss indicated that fair value changes of EUR 0.3 million (none) were due to changes in ratings.

We additionally use an internal rating method to back up this analysis. Our internal rating system is based on the corresponding credit ratings of securities assigned by the agencies Standard & Poor's and Moody's and in each case reflects the lowest of the available ratings.

For further information please see the explanatory remarks in Section 8.1 "Derivative financial instruments and financial guarantees".

Carrying amounts before impairment **N 21**

in EUR thousand	2014		2013	
	Carrying amount before impairment	Impairment	Carrying amount before impairment	Impairment
Fixed-income securities – held to maturity	2,139,742	–	2,666,787	–
Fixed-income securities – loans and receivables	2,990,187	2,000	3,209,100	–
Fixed-income securities – available for sale	26,817,523	–	22,410,663	771
Short-term investments	575,300	–	549,138	–
Equity securities – available for sale	32,804	–	28,983	3
Participating interests and other invested assets, real estate funds	1,643,408	5,847	1,274,691	4,077
Total	**34,198,964**	**7,847**	**30,139,362**	**4,851**

For further explanatory remarks on the impairment criteria please see Section 3.1 "Summary of major accounting policies".

Rating structure of fixed-income securities N22

in EUR thousand	2014								
	AAA	AA	A	BBB	BB	B	C	Other	Total
Fixed-income securities – held-to-maturity	1,102,639	492,209	474,167	65,658	–	–	5,069	–	2,139,742
Fixed-income securities – loans and receivables	1,808,018	616,470	317,318	135,878	46,117	4,732	–	59,654	2,988,187
Fixed-income securities – available-for-sale	9,688,957	5,080,801	6,951,209	4,105,419	760,200	114,779	12,507	103,651	26,817,523
Fixed-income securities – at fair value through profit or loss	–	67	9,203	226	35,220	7,448	–	12,330	64,494
Total fixed-income securities	**12,599,614**	**6,189,547**	**7,751,897**	**4,307,181**	**841,537**	**126,959**	**17,576**	**175,635**	**32,009,946**

Rating structure of fixed-income securities N23

in EUR thousand	2013								
	AAA	AA	A	BBB	BB	B	C	Other	Total
Fixed-income securities – held-to-maturity	887,752	1,254,110	407,966	116,959	–	–	–	–	2,666,787
Fixed-income securities – loans and receivables	1,287,512	1,502,316	215,414	139,227	46,910	–	4,554	13,167	3,209,100
Fixed-income securities – available-for-sale	5,575,538	6,422,823	5,936,222	3,609,584	644,251	106,301	13,835	101,338	22,409,892
Fixed-income securities – at fair value through profit or loss	–	–	11,874	–	18,099	4,604	–	1,484	36,061
Total fixed-income securities	**7,750,802**	**9,179,249**	**6,571,476**	**3,865,770**	**709,260**	**110,905**	**18,389**	**115,989**	**28,321,840**

The maximum credit risk of the items shown here corresponds to their carrying amounts.

Breakdown of investments by currencies N24

in EUR thousand	2014								
	AUD	CAD	EUR	GBP	JPY	USD	ZAR	Other	Total
Fixed-income securities – held to maturity	–	101,700	1,273,877	154,598	–	609,567	–	–	2,139,742
Fixed-income securities – loans and receivables	–	6,490	2,112,064	45,092	–	724,533	–	100,008	2,988,187
Fixed-income securities – available-for-sale	1,769,408	753,826	8,246,517	2,794,734	138,381	11,808,473	204,544	1,101,640	26,817,523
Fixed-income securities – at fair value through profit or loss	–	–	18,014	649	–	45,831	–	–	64,494
Equity securities – available-for-sale	–	–	19,409	–	–	13,395	–	–	32,804
Other financial assets – at fair value through profit or loss	–	–	19,083	967	–	46,344	–	–	66,394
Other invested assets	–	–	1,427,513	1,790	–	1,337,537	3,839	5	2,770,684
Short-term investments, cash	117,146	46,533	235,930	73,385	35,642	405,008	119,709	314,829	1,348,182
Total	**1,886,554**	**908,549**	**13,352,407**	**3,071,215**	**174,023**	**14,990,688**	**328,092**	**1,516,482**	**36,228,010**

Breakdown of investments by currencies N25

in EUR thousand	2013								
	AUD	CAD	EUR	GBP	JPY	USD	ZAR	Other	Total
Fixed-income securities – held to maturity	–	119,696	1,498,316	145,257	–	903,518	–	–	2,666,787
Fixed-income securities – loans and receivables	–	6,217	2,349,152	42,221	–	707,590	–	103,920	3,209,100
Fixed-income securities – available-for-sale	1,439,895	659,360	7,638,934	2,401,680	129,003	8,888,541	232,899	1,019,580	22,409,892
Fixed-income securities – at fair value through profit or loss	–	–	23,455	575	–	12,031	–	–	36,061
Equity securities – available-for-sale	–	–	16,872	–	–	12,108	–	–	28,980
Other financial assets – at fair value through profit or loss	–	–	24,374	344	–	45,364	–	–	70,082
Other invested assets	–	–	1,103,840	2,157	–	1,153,495	2,774	–	2,262,266
Short-term investments, cash	128,449	24,416	328,904	53,613	7,442	379,868	52,670	216,712	1,192,074
Total	**1,568,344**	**809,689**	**12,983,847**	**2,645,847**	**136,445**	**12,102,515**	**288,343**	**1,340,212**	**31,875,242**

The maximum credit risk of the items shown here corresponds to their carrying amounts.

Associated companies

The associated companies included at equity in the consolidated financial statement that both on an individual basis and in their entirety are not material for the Hannover Re Group pursuant to IFRS 12 are comprised of

- Oval Office Grundstücks GmbH, Hannover, Germany,
- WeHaCo Unternehmensbeteiligungs-GmbH, Hannover, Germany,
- HANNOVER Finanz GmbH, Hannover, Germany,
- Glencar Underwriting Managers, Inc., Chicago, United States,
- ITAS Vita S.p.A., Trento, Italy,
- ASPECTA Assurance International AG, Vaduz, Liechtenstein,

as well as the following companies included at equity within the subgroup Hannover Reinsurance Group Africa (Pty) Ltd., Johannesburg, South Africa:

- Firedart & Construction Guarantee Underwriting Managers (Pty) Ltd., Johannesburg, South Africa,
- Commercial & Industrial Acceptances (Pty) Ltd., Johannesburg, South Africa,
- Clarendon Transport Underwriting Managers (Pty) Ltd., Johannesburg, South Africa,
- Camargue Underwriting Managers (Pty) Ltd., Johannesburg, South Africa,
- Synergy XOL (Pty) Ltd., Johannesburg, South Africa.

Information on the percentage share held by the Hannover Re Group in the capital of the associated companies as well as on the amount of capital and reserves and the result for the last financial year of these companies is provided in the list of shareholdings in Section 4.2 "Consolidated companies and complete list of shareholdings".

The following table shows combined financial information on the Hannover Re Group's individual non-material investments in associated companies.

Financial information on investments in associated companies N26

in EUR thousand	2014	2013
Group share of net income from continuing operations	1,042	12,536
Group share of income and expense recognised directly in equity	10,217	1,712
Group share of total recognised income and expense	**11,259**	**14,248**

The carrying amount of the investments in associated companies changed as follows in the year under review:

Investments in associated companies N27

in EUR thousand	2014	2013
Net book value at 31 December of the previous year	**144,489**	**133,017**
Currency translation at 1 January	58	(906)
Net book value after currency translation	**144,547**	**132,111**
Additions	5,297	1,848
Disposals	264	–
Profit or loss on investments in associated companies	1,042	12,536
Dividend payments	6,667	3,763
Change recognised outside income	10,217	1,712
Currency translation at 31 December	650	45
Net book value at 31 December of the year under review	**154,822**	**144,489**

No discontinued operations existed in the year under review among the companies measured at equity. Insofar as there are commitments from contingent liabilities of associated companies, the Hannover Re Group shares in such commitments in proportion to its respective shareholding.

Public price listings are not available for companies valued at equity. The net book value of associated companies includes goodwill in the amount of EUR 23.1 million (EUR 19.4 million). For further details of our major participating interests please see Section 4 "Consolidation".

Real estate

Real estate is divided into real estate for own use and third-party use (investment property). The investment property in the portfolio which is used to generate income is shown under the investments. Income and expenses from rental agreements are included in the investment income.

Own-use real estate is recognised under other assets.

Real estate is valued at cost of acquisition less scheduled depreciation with useful lives of at most 50 years.

Development of investment property N 28

in EUR thousand	2014	2013
Gross book value at 31 December of the previous year	872,905	505,727
Currency translation at 1 January	46,322	(13,366)
Gross book value after currency translation	**919,227**	**492,361**
Additions	144,407	395,930
Disposals	41,388	1,725
Reclassification	4,766	–
Reclassification to assets held for sale	–	(11,968)
Currency translation at 31 December	(3,731)	(1,693)
Gross book value at 31 December of the year under review	**1,023,281**	**872,905**
Cumulative depreciation at 31 December of the previous year	25,741	14,067
Currency translation at 1 January	2,035	(394)
Cumulative depreciation after currency translation	**27,776**	**13,673**
Disposals	4,835	1,454
Depreciation	18,513	13,970
Impairments	1,323	597
Appreciation	126	59
Reclassification	1,997	–
Reclassification to assets held for sale	–	(756)
Currency translation at 31 December	331	(230)
Cumulative depreciation at 31 December of the year under review	**44,979**	**25,741**
Net book value at 31 December of the previous year	**847,164**	**491,660**
Net book value at 1 January of the year under review	**891,451**	**478,688**
Net book value at 31 December of the year under review	**978,302**	**847,164**

The fair value of investment property amounted to EUR 1,038.6 million (EUR 875.3 million) as at the balance sheet date.

The market value of the real estate was determined using the discounted cash flow method.

The additions to this item are due to the increased investment activities of the real estate companies belonging to the Hannover Re Group. They are attributable entirely to investments in Europe.

In addition, we held indirect real estate investments measured at fair values in an amount of EUR 321.0 million (EUR 247.4 million) in the year under review, the amortised costs of which amounted to EUR 260.1 million (EUR 204.9 million). The differences between the carrying amounts and amortised costs were recognised as unrealised gains of EUR 62.1 million (EUR 43.7 million) and unrealised losses of EUR 1.2 million (EUR 1.2 million) under cumulative other comprehensive income.

Real estate which is held for sale as defined by IFRS 5 is recognised separately in the consolidated balance sheet. Intentions to sell are substantiated by individual real estate market conditions and specific property circumstances, taking into consideration current and future opportunity/risk profiles. In the year under review no properties were reclassified to assets held for sale.

Other invested assets

The other invested assets consisted largely of participating interests in partnerships measured at fair value in an amount of EUR 1,153.9 million (EUR 898.6 million), the amortised cost of which amounted to EUR 749.7 million (EUR 622.7 million). The differences between the carrying amounts and the amortised costs were recognised as unrealised gains of EUR 409.0 million (EUR 282.1 million) and unrealised losses of EUR 4.8 million (EUR 6.2 million) under cumulative other comprehensive income.

In addition, acquired life insurance policies measured at fair value through profit or loss were recognised under the other invested assets in an amount of EUR 105.0 million (EUR 90.2 million).

Short-term investments

This item comprises investments with a maturity of up to one year at the time of investment.

Fair value hierarchy

For the purposes of the disclosure requirements pursuant to IFRS 13 “Fair Value Measurement”, financial assets and liabilities are to be assigned to a three-level fair value hierarchy.

The fair value hierarchy, which reflects characteristics of the price data and inputs used for measurement purposes, is structured as follows:

- Level 1: Assets or liabilities measured at (unadjusted) prices quoted directly in active and liquid markets
- Level 2: Assets or liabilities which are measured using observable market data and are not allocable to level 1. Measurement is based, in particular, on prices for comparable assets and liabilities that are traded on active markets, prices on markets that are not considered active as well as inputs derived from such prices or market data
- Level 3: Assets or liabilities that cannot be measured or can only be partially measured using observable market inputs. The measurement of such instruments draws principally on valuation models and methods

If input factors from different levels are used to measure a financial instrument, the level of the lowest input factor material to measurement is determinative.

The operational units responsible for coordinating and documenting measurement are organisationally separate from the operational units that enter into investment risks. All relevant valuation processes and valuation methods are documented. Decisions on fundamental valuation issues are taken by a valuation committee that meets monthly.

In the year under review alternative investments with a fair value of EUR 36.3 million were no longer allocable to level 2 but rather to 3 as a consequence of model-based pricing. In the previous year fixed-income securities with a fair value of EUR 7,603.4 million, which were measured using average prices from price service agencies, were no longer allocable to level 1 but rather to level 2. For the most part they involved bonds traded on the OTC market. Reallocation was carried out in accordance with the position on accounting practice “IDW RS HFA 47 Einzelfragen zur Ermittlung des Fair Value nach IFRS 13” adopted by the Main Technical Committee of the Institute of Public Auditors in Germany (IDW) on 6 December 2013, according to which average prices from service agencies constitute level 2 inputs if the underlying data on which these average prices are based are firm bid prices or observable transaction-based prices. The previous year’s reclassification was therefore based neither on changed liquidity characteristics of these instruments nor on a modified investment strategy. No further reclassifications were made in the previous year.

The following table shows the breakdown of financial assets and liabilities recognised at fair value into the three-level fair value hierarchy.

Fair value hierarchy of financial assets and liabilities recognised at fair value N 29

in EUR thousand	2014			
	Level 1	Level 2	Level 3	Total
Fixed-income securities	28,752	26,852,743	522	26,882,017
Equity securities	32,796	–	8	32,804
Other financial assets	–	66,394	–	66,394
Real estate and real estate funds	–	–	320,956	320,956
Other invested assets	–	–	1,258,903	1,258,903
Short-term investments	575,300	–	–	575,300
Other assets	–	1,066	–	1,066
Total financial assets	**636,848**	**26,920,203**	**1,580,389**	**29,137,440**
Other liabilities	–	103,760	136,486	240,246
Total financial liabilities	**–**	**103,760**	**136,486**	**240,246**

Fair value hierarchy of financial assets and liabilities recognised at fair value N 30

in EUR thousand	2013			
	Level 1	Level 2	Level 3	Total
Fixed-income securities	26,035	22,414,739	5,179	22,445,953
Equity securities	28,972	–	8	28,980
Other financial assets	–	70,082	–	70,082
Real estate and real estate funds	–	–	247,400	247,400
Other invested assets	–	36,306	952,451	988,757
Short-term investments	549,138	–	–	549,138
Total financial assets	**604,145**	**22,521,127**	**1,205,038**	**24,330,310**
Other liabilities	–	50,157	68,827	118,984
Total financial liabilities	**–**	**50,157**	**68,827**	**118,984**

The following table provides a reconciliation of the fair values of financial assets and liabilities included in level 3 at the beginning of the financial year with the fair values as at 31 December of the financial year.

Movements in level 3 financial assets and liabilities N 31

in EUR thousand	2014				
	Fixed-income securities	Equities, equity funds and other variable-yield securities	Real estate and real estate funds	Other invested assets	Other liabilities
Net book value at 31 December of the previous year	**5,179**	**8**	**247,400**	**952,451**	**68,827**
Currency translation at 1 January	649	–	14,229	82,228	–
Net book value after currency translation	**5,828**	**8**	**261,629**	**1,034,679**	**68,827**
Income and expenses					
recognised in the statement of income	1	–	(11)	(8,773)	(3,604)
recognised directly in shareholders' equity	–	–	14,031	72,694	–
Purchases	–	–	86,018	258,548	57,281
Sales	597	–	43,512	139,710	–
Settlements	4,118	–	–	–	–
Transfers to level 3	–	–	–	36,292	–
Transfers from level 3	–	–	–	–	–
Currency translation at 31 December of the year under review	(592)	–	2,801	5,173	13,982
Net book value at 31 December of the year under review	**522**	**8**	**320,956**	**1,258,903**	**136,486**

Movements in level 3 financial assets and liabilities N 32

in EUR thousand	2013				
	Fixed-income securities	Equities, equity funds and other variable-yield securities	Real estate and real estate funds	Other invested assets	Other liabilities
Net book value at 31 December of the previous year	**27,329**	**8**	**156,301**	**905,652**	**54,812**
Currency translation at 1 January	(850)	–	(3,561)	(24,908)	–
Net book value after currency translation	**26,479**	**8**	**152,740**	**880,744**	**54,812**
Changes in the consolidated group	(7,276)	–	–	(8,973)	–
Income and expenses					
recognised in the statement of income	1,090	–	(494)	(3,641)	(987)
recognised directly in shareholders' equity	–	–	13,428	27,572	–
Purchases	567	–	–	–	18,653
Sales	242	–	116,065	169,261	1,335
Settlements	16,280	–	33,381	109,279	–
Transfers to level 3	–	–	–	–	–
Transfers from level 3	–	–	–	–	–
Currency translation at 31 December of the year under review	841	–	(958)	(3,233)	(2,316)
Net book value at 31 December of the year under review	**5,179**	**8**	**247,400**	**952,451**	**68,827**

The breakdown of income and expenses recognised in the statement of income in the financial year in connection with financial assets and liabilities assigned to level 3 is as follows.

Income and expenses from level 3 financial assets and liabilities **N 33**

in EUR thousand	2014			
	Fixed-income securities	Real estate and real estate funds	Other invested assets	Other liabilities
Total in the financial year				
Change in fair value of financial instruments	1	–	(3,014)	3,604
Total depreciation, impairments and appreciation of investments	–	(11)	(5,759)	–
Thereof attributable to financial instruments included in the portfolio at 31 December of the year under review				
Change in fair value of financial instruments	1	–	(3,014)	3,604
Total depreciation, impairments and appreciation of investments	–	(11)	(5,759)	–

Income and expenses from level 3 financial assets and liabilities **N 34**

in EUR thousand	2013			
	Fixed-income securities	Real estate and real estate funds	Other invested assets	Other liabilities
Total in the financial year				
Change in fair value of financial instruments	1,090	–	(97)	987
Total depreciation, impairments and appreciation of investments	–	(494)	(3,544)	–
Thereof attributable to financial instruments included in the portfolio at 31 December of the year under review				
Change in fair value of financial instruments	1,090	–	(97)	987
Total depreciation, impairments and appreciation of investments	–	–	(3,544)	–

If models are used to measure financial assets and liabilities included in level 3 under which the adoption of alternative inputs leads to a material change in fair value, IFRS 13 requires disclosure of the effects of these alternative assumptions. Of the financial assets included in level 3 with fair values of altogether EUR 1,580.4 million (EUR 1,205.0 million) as at the balance sheet date, Hannover Re measures financial assets with a volume of EUR 1,474.8 million (EUR 1,109.7 million) using the net asset value method, in respect of which alternative inputs within the meaning of the standard cannot reasonably be established. The remaining financial assets included in level 3 with a volume of EUR 105.6 million (EUR 95.3 million) relate in very large part to acquired life insurance policies, the valuation of which is based on technical parameters. Derivative financial instruments in connection with the reinsurance business were recognised under the other liabilities included in level 3 in the year under review. Their performance is dependent upon the risk experience of an underlying group of primary insurance contracts with statutory reserving requirements. The application of alternative inputs and assumptions has no material effect on the consolidated financial statement.

Fair value hierarchy of financial assets and liabilities measured at amortised cost N 35

in EUR thousand	2014			
	Level 1	Level 2	Level 3	Total
Fixed-income securities	–	5,625,198	–	5,625,198
Real estate and real estate funds	–	–	1,038,579	1,038,579
Other invested assets	–	2,657	55,045	57,702
Total financial assets	**–**	**5,627,855**	**1,093,624**	**6,721,479**
Long-term debt and subordinated capital	–	2,469,795	–	2,469,795
Total financial liabilities	**–**	**2,469,795**	**–**	**2,469,795**

Fair value hierarchy of financial assets and liabilities measured at amortised cost N 36

in EUR thousand	2013			
	Level 1	Level 2	Level 3	Total
Fixed-income securities	–	6,217,426	–	6,217,426
Real estate and real estate funds	–	–	875,321	875,321
Other invested assets	–	1,260	33,197	34,457
Total financial assets	**–**	**6,218,686**	**908,518**	**7,127,204**
Long-term debt and subordinated capital	–	2,582,464	–	2,582,464
Total financial liabilities	**–**	**2,582,464**	**–**	**2,582,464**

6.2 Funds withheld (assets)

The funds withheld totalling EUR 15,826.5 million (EUR 14,267.8 million) represent the cash and securities deposits furnished by our company to our cedants that do not trigger any cash flows and cannot be realised by cedants without our consent. The maturities of these deposits are matched to the corresponding provisions. In the event of default on such a deposit our reinsurance commitment is reduced to the same extent. The increase in funds withheld was attributable principally to new business and exchange rate effects.

6.3 Contract deposits (assets)

The contract deposits on the assets side increased by EUR 16.6 million in the year under review from EUR 75.5 million to EUR 92.1 million.

6.4 Technical assets

The retrocessionaires' portions of the technical provisions are based on the contractual agreements of the underlying reinsurance treaties. For further details please refer to our comments on the technical provisions in Section 6.7 "Technical provisions" on page 200 et seq. as well as the remarks in the risk report on page 86 et seq.

SFAS 60 requires that acquisition costs be capitalised as assets and amortised in proportion to the earned premium.

In the case of reinsurance treaties for unit-linked life insurance policies classified as "universal life-type contracts" pursuant to SFAS 97, the capitalised acquisition costs are amortised on the basis of the estimated gross profit margins from the reinsurance treaties, making allowance for the period of the insurance contracts. A discount rate based on the interest for medium-term government bonds was applied to such contracts. In the case of annuity policies with a single premium payment, these values refer to the expected policy period or period of annuity payment.

In life and health reinsurance the deferred acquisition costs associated with life and annuity policies with regular premium payments are determined in light of the period of the contracts, the expected surrenders, the lapse expectancies and the anticipated interest income.

In property and casualty reinsurance acquisition costs directly connected with the acquisition or renewal of contracts are deferred for the unearned portion of the premium.

Development of deferred acquisition costs N37

in EUR thousand	2014	2013
Net book value at 31 December of the previous year	1,672,398	1,841,279
Currency translation at 1 January	113,388	(98,288)
Net book value after currency translation	**1,785,786**	**1,742,991**
Additions	489,910	279,480
Amortisations	368,029	346,911
Currency translation at 31 December	6,931	(3,162)
Net book value at 31 December of the year under review	**1,914,598**	**1,672,398**

For further explanatory remarks please see Section 3.1 "Summary of major accounting policies".

The age structure of the accounts receivable which were unadjusted but considered overdue as at the balance sheet date is presented below.

Age structure of overdue accounts receivable N38

in EUR thousand	2014		2013	
	Three months to one year	More than one year	Three months to one year	More than one year
Accounts receivable	218,824	142,102	170,564	123,549

Within the scope of our management of receivables we expect to receive payment of accounts receivable within three months of the date of creation of the debit entry – a period for which we also make allowance in our risk analysis. Please see our comments on the credit risk within the risk report on page 90 et seq.

The default risks associated with accounts receivable under reinsurance business are determined and recognised on the basis of case-by-case analysis.

The value adjustments on accounts receivable that we recognise in adjustment accounts changed as follows in the year under review:

Value adjustments on accounts receivable N39

in EUR thousand	2014	2013
Cumulative value adjustments at 31 December of the previous year	35,990	40,703
Currency translation at 1 January	667	1,572
Cumulative value adjustments after currency translation	**36,657**	**42,275**
Value adjustments	21,635	7,331
Reversal	16,071	13,616
Cumulative value adjustments at 31 December of the year under review	**42,221**	**35,990**
Gross book value of accounts receivable at 31 December of the year under review	3,156,199	2,981,675
Cumulative value adjustments at 31 December of the year under review	42,221	35,990
Net book value of accounts receivable at 31 December of the year under review	**3,113,978**	**2,945,685**

In addition, we took specific value adjustments on reinsurance recoverables on unpaid claims in the year under review. We would refer the reader to the corresponding remarks on the loss and loss adjustment expense reserve in Section 6.7 "Technical provisions". With regard to the credit risks resulting from technical assets we would also refer the reader to our comments on page 94 et seq. of the risk report.

6.5 Goodwill

In accordance with IFRS 3 "Business Combinations" scheduled amortisation is not taken on goodwill. Goodwill was subject to an impairment test.

Development of goodwill N 40

in EUR thousand	2014	2013
Net book value at 31 December of the previous year	57,070	59,099
Currency translation at 1 January	1,150	(2,029)
Net book value at 31 December of the year under review	**58,220**	**57,070**

This item principally included the goodwill from the acquisition of E+S Rückversicherung AG as well as from the acquisition of a 75% interest in Integra Insurance Solutions Limited.

For the purposes of the impairment test, the goodwill was allocated to the cash-generating units (CGUs) that represent the lowest level on which goodwill is monitored for internal management purposes. In the instances of goodwill recognised as at the balance sheet date, the CGUs are the respective business units/legal entities. The recoverable amount is established on the basis of the value in use, which is calculated using the discounted cash flow method. In this context, the detailed planning phase draws on the planning calculations of the CGUs/companies covering the next five years. These planning calculations represent the outcome of a detailed planning process in which all responsible members of management are involved. The subsequent perpetuity phase is guided by the profit margins and revenue growth rates that management believes can be sustainably generated. The capitalisation rate is based on the Capital Asset Pricing Model (CAPM) as well as growth rates that are considered realistic. The risk-free basic interest rate is determined, where possible, using corresponding yield curve data from the respective national banks. If this data cannot be obtained or can only be obtained with a disproportionately high effort, reference is made to the yields of the respective 30-year government bonds. The selection of the market risk premium is guided by the current recommendations of the Institute of Public Auditors in Germany (IDW). The beta factor is calculated for Hannover Rück SE on the basis of publicly accessible capital market data.

The following capitalisation rates and growth rates were recognised for the individual cash-generating units:

Capitalisation rates N 41

	Capitalisation rate	Growth rate
E+S Rückversicherung AG	7.400%	1.00%
Integra Insurance Solutions Limited	8.215%	1.00%

Sensitivity analyses were performed in which the capitalisation rates as well as material and value-influencing items of the relevant planning calculations (such as premium volumes, investment income or loss ratios) were varied. In this context it was established that in the event of changes in parameters within ranges that could reasonably occur, the values in use were in each case higher than the corresponding book values. Please see also our basic remarks in Section 3.1 "Summary of major accounting policies".

6.6 Other assets

Other assets N 42

in EUR thousand	2014	2013
Present value of future profits on acquired life reinsurance portfolios	82,390	85,270
Other intangible assets	37,462	30,843
Insurance for pension commitments	76,601	71,622
Own-use real estate	67,699	70,396
Tax refund claims	64,785	181,326
Fixtures, fittings and equipment	33,167	30,220
Other receivables	29,771	8,921
Other	226,405	125,029
Total	**618,280**	**603,627**

Of this, other assets of EUR 5.1 million (EUR 4.2 million) are attributable to affiliated companies.

The item "Other" includes receivables of EUR 165.6 million (EUR 73.6 million) which correspond to the present value of future premium payments in connection with derivative financial instruments arising from transactions in the life and health reinsurance business group. For further explanation please see Section 8.1 "Derivative financial instruments and financial guarantees".

As in the previous year, the other receivables do not include any items that were overdue but unadjusted as at the balance sheet date. On the basis of specific impairment analyses no value adjustments (previous year: EUR 0.3 million) were taken on other receivables in the year under review.

Present value of future profits (PVFP) on acquired life reinsurance portfolios

Development of the present value of future profits (PVFP) on acquired life reinsurance portfolios N 43

in EUR thousand	2014	2013
Net book value at 31 December of the previous year	85,270	92,100
Amortisation	3,037	3,420
Disposals	–	3,761
Currency translation at 31 December	157	351
Net book value at 31 December of the year under review	**82,390**	**85,270**

This item consists of the present value of future cash flows recognised on business acquired in 2009 in the context of the acquisition of the ING life reinsurance portfolio. This intangible asset is amortised over the term of the underlying reinsurance contracts in proportion to the future premium income.

The period of amortisation amounts to altogether 30 years. For further information please refer to our explanatory notes on intangible assets in Section 3.1 "Summary of major accounting policies".

Insurance for pension commitments

Effective 1 July 2003 Hannover Rück SE took out insurance for pension commitments. The commitments involve deferred annuities with regular premium payment under a group insurance policy. In accordance with IAS 19 "Employee Benefits" they were carried as a separate asset at fair value as at the balance sheet date in an amount of EUR 76.6 million (EUR 71.6 million).

Fixtures, fittings and equipment

Fixtures, fittings and equipment N44

in EUR thousand	2014	2013
Gross book value at 31 December of the previous year	129,828	121,815
Currency translation at 1 January	3,773	(2,584)
Gross book value after currency translation	**133,601**	**119,231**
Additions	13,863	17,272
Disposals	4,245	6,272
Changes in consolidated group	(131)	69
Currency translation at 31 December	700	(472)
Gross book value at 31 December of the year under review	**143,788**	**129,828**
Cumulative depreciation at 31 December of the previous year	99,608	97,804
Currency translation at 1 January	2,943	(1,906)
Cumulative depreciation after currency translation	**102,551**	**95,898**
Disposals	3,852	6,071
Depreciation	11,436	9,880
Changes in consolidated group	(35)	18
Currency translation at 31 December	521	(117)
Cumulative depreciation at 31 December of the year under review	**110,621**	**99,608**
Net book value at 31 December of the previous year	**30,220**	**24,011**
Net book value at 31 December of the year under review	33,167	30,220

With regard to the measurement of fixtures, fittings and equipment, the reader is referred to our explanatory notes on the other assets in Section 3.1 "Summary of major accounting policies".

The changes in the consolidated group refer to the deconsolidation of Glencar Underwriting Managers, Inc.; please see our explanatory remarks in Section 4.4 "Major disposals and retirements".

Other intangible assets

Development of other intangible assets **N 45**

in EUR thousand	2014	2013
Gross book value at 31 December of the previous year	196,689	184,725
Currency translation at 1 January	1,243	(847)
Gross book value after currency translation	**197,932**	**183,878**
Changes in the consolidated group	–	(8)
Additions	22,847	13,243
Disposals	569	405
Currency translation at 31 December	86	(19)
Gross book value at 31 December of the year under review	**220,296**	**196,689**
Cumulative depreciation at 31 December of the previous year	165,846	152,589
Currency translation at 1 January	879	(544)
Cumulative depreciation after currency translation	**166,725**	**152,045**
Disposals	468	308
Appreciation	15	25
Depreciation	16,525	14,130
Currency translation at 31 December	67	4
Cumulative depreciation at 31 December of the year under review	**182,834**	**165,846**
Net book value at 31 December of the previous year	**30,843**	**32,136**
Net book value at 31 December of the year under review	**37,462**	**30,843**

The item includes EUR 2.2 million (EUR 3.2 million) for self-created software and EUR 30.0 million (EUR 19.1 million) for purchased software as at the balance sheet date. Scheduled depreciation is taken over useful lives of three to ten years. The additions can be broken down into EUR 18.0 million (EUR 5.0 million) for purchased software and EUR 1.0 million (EUR 0.9 million) for capitalised development costs for self-created software.

The gross book values include rights from long-term reinsurance treaties still existing as at the balance sheet date. The intangible assets resulting from these rights were recognised in the context of business acquisitions in the years 1997 and 2002 and were written off in full as at the balance sheet date.

Credit risks may result from other financial assets that were not overdue or adjusted as at the balance sheet date. In this regard, the reader is referred in general to our comments on the credit risk contained in the risk report on page 90 et seq.

6.7 Technical provisions

In order to show the net technical provisions remaining in the retention the following table compares the gross provisions with the corresponding retrocessionaires' shares, which are shown as assets in the balance sheet.

Technical provisions N 46

in EUR thousand	2014			2013		
	gross	retro	net	gross	retro	net
Loss and loss adjustment expense reserve	24,112,056	1,376,432	22,735,624	21,666,932	1,403,804	20,263,128
Benefit reserve	11,757,132	676,219	11,080,913	10,631,451	344,154	10,287,297
Unearned premium reserve	2,748,594	149,257	2,599,337	2,405,497	139,039	2,266,458
Other technical provisions	324,240	5,446	318,794	269,571	6,893	262,678
Total	**38,942,022**	**2,207,354**	**36,734,668**	**34,973,451**	**1,893,890**	**33,079,561**

The loss and loss adjustment expense reserves are in principle calculated on the basis of the information supplied by ceding companies. Additional IBNR reserves are established for losses that have been incurred but not as yet reported. The development of the loss and loss adjustment expense reserve is shown in the following table. Commencing with the gross reserve, the change in the reserve after deduction of the reinsurers' portions is shown in the year under review and the previous year.

Loss and loss adjustment expense reserve N 47

in EUR thousand	2014			2013		
	gross	retro	net	gross	retro	net
Net book value at 31 December of the previous year	21,666,932	1,403,804	20,263,128	21,610,698	1,538,215	20,072,483
Currency translation at 1 January	1,361,796	92,399	1,269,397	(975,601)	(77,759)	(897,842)
Net book value after currency translation	**23,028,728**	**1,496,203**	**21,532,525**	**20,635,097**	**1,460,456**	**19,174,641**
Incurred claims and claims expenses (net) [1]						
Year under review	7,517,863	796,409	6,721,454	7,728,660	815,189	6,913,471
Previous years	2,983,219	240,501	2,742,718	2,443,788	229,713	2,214,075
	10,501,082	**1,036,910**	**9,464,172**	**10,172,448**	**1,044,902**	**9,127,546**
Less:						
Claims and claims expenses paid (net)						
Year under review	(2,692,876)	(471,824)	(2,221,052)	(2,767,574)	(449,729)	(2,317,845)
Previous years	(6,830,593)	(691,203)	(6,139,390)	(6,390,642)	(637,437)	(5,753,205)
	(9,523,469)	**(1,163,027)**	**(8,360,442)**	**(9,158,216)**	**(1,087,166)**	**(8,071,050)**
Specific value adjustment for retrocessions	–	40	(40)	–	–	–
Reversal of impairments	–	341	(341)	–	451	(451)
Portfolio entries/exits	2,578	–	2,578	61,660	–	61,660
Currency translation at 31 December	103,137	6,045	97,092	(44,057)	(14,839)	(29,218)
Net book value at 31 December of the year under review	**24,112,056**	**1,376,432**	**22,735,624**	**21,666,932**	**1,403,804**	**20,263,128**

[1] Including expenses recognised directly in shareholders' equity

In the year under review minimal (previous year: none) specific value adjustments were established on retrocessions, i.e. on the reinsurance recoverables on unpaid claims, while they were reversed in the amount of EUR 0.3 million (EUR 0.5 million). On balance, therefore, cumulative specific value adjustments of EUR 0.2 million (EUR 0.5 million) were recognised in these reinsurance recoverables as at the balance sheet date.

The total amount of the net reserve before specific value adjustments, to which the following remarks apply, was EUR 22,735.5 million (EUR 20,262.7 million) as at the balance sheet date.

Run-off of the net loss reserve in the property and casualty reinsurance segment

To some extent the loss and loss adjustment expense reserves are inevitably based upon estimations that entail an element of uncertainty. The difference between the previous year's and current estimates is reflected in the net run-off result. In addition, owing to the fact that the period of some reinsurance treaties is not the calendar year or because they are concluded on an underwriting-year basis, it is frequently impossible to make an exact allocation of claims expenditures to the current financial year or the previous year.

The run-off triangles provided by the reporting units are shown after adjustment for the currency effects arising out of translation of the respective transaction currency into the local reporting currency. The run-off triangles of the reporting units delivered in foreign currencies are translated to euro at the current rate on the balance sheet date in order to show run-off results after adjustment for currency effects. In cases where the originally estimated ultimate loss corresponds to the actual ultimate loss in the original currency, it is ensured that also after translation to the Group reporting currency (EUR) a run-off result induced purely by currency effects is not shown.

The run-off triangles show the run-off of the net loss reserve (loss and loss adjustment expense reserve) established as at each balance sheet date, this reserve comprising the provisions constituted in each case for the current and preceding occurrence years.

The following table shows the net loss reserve for the property and casualty reinsurance business group in the years 2004 to 2014 as well as the run-off of the reserve (so-called run-off triangle). The figures reported for the 2004 balance sheet year also include the amounts for previous years that are no longer shown separately in the run-off triangle. The run-off results shown reflect the changes in the ultimate loss arising in the 2014 financial year for the individual run-off years.

Net loss reserve and its run-off in the property and casualty reinsurance segment N48

in EUR million	31.12. 2004	31.12. 2005	31.12. 2006	31.12. 2007	31.12. 2008	31.12. 2009	31.12. 2010	31.12. 2011	31.12. 2012	31.12. 2013	31.12. 2014
Loss and loss adjustment expense reserve (from balance sheet)											
	12,594.1	13,382.1	13,454.2	12,838.0	13,702.0	14,024.0	15,286.3	16,673.7	17,302.5	17,925.5	**19,746.9**
Cumulative payments for the year in question and previous years											
One year later	4,176.8	3,024.7	2,587.4	2,522.7	2,989.6	2,796.1	2,486.9	3,172.8	2,970.0	3,235.8	
Two years later	6,225.3	5,062.4	4,350.5	4,341.2	4,644.5	4,040.8	4,149.7	4,940.0	4,608.8		
Three years later	7,212.8	6,226.4	5,694.2	5,470.7	5,412.1	4,874.1	5,160.3	5,881.5			
Four years later	8,000.6	7,360.9	6,505.9	6,026.3	6,007.7	5,530.3	5,818.0				
Five years later	8,802.6	7,995.1	6,906.1	6,466.6	6,494.7	6,040.1					
Six years later	9,264.3	8,315.1	7,249.8	6,833.5	6,827.6						
Seven years later	9,536.8	8,586.4	7,525.7	7,113.4							
Eight years later	9,744.5	8,816.9	7,754.9								
Nine years later	9,928.1	9,002.9									
Ten years later	10,080.9										
Loss and loss adjustment expense reserve (net) for the year in question and previous years plus payments made to date on the original reserve											
End of year	**12,594.1**	**13,382.1**	**13,454.2**	**12,838.0**	**13,702.0**	**14,024.0**	**15,286.3**	**16,673.7**	**17,302.5**	**17,925.5**	**19,746.9**
One year later	15,014.5	13,915.4	12,708.5	13,127.0	14,801.8	13,512.3	14,665.0	16,368.5	16,879.3	17,649.9	
Two years later	14,748.5	12,854.3	12,279.2	13,050.5	13,525.3	12,778.3	14,057.2	16,022.3	16,455.5		
Three years later	14,006.9	12,311.7	12,193.7	12,558.4	12,679.7	12,191.5	13,637.9	15,518.0			
Four years later	13,543.7	12,312.1	11,762.4	11,721.4	12,177.1	11,770.0	13,148.1				
Five years later	13,580.3	11,940.7	10,999.4	11,366.8	11,839.4	11,292.8					
Six years later	13,274.1	11,241.0	10,724.8	11,062.9	11,330.9						
Seven years later	12,690.9	11,040.5	10,448.4	10,651.0							
Eight years later	12,561.1	10,827.3	10,128.2								
Nine years later	12,407.9	10,600.6									
Ten years later	12,238.0										
Change relative to previous year											
Net run-off result	169.9	56.8	93.5	91.8	96.6	(31.3)	12.6	14.3	(80.4)	(148.2)	
As percentage of original loss reserve	1.3	0.4	0.7	0.7	0.7	-0.2	0.1	0.1	-0.5	-0.8	

The run-off profit of altogether EUR 275.6 million in the 2014 financial year derives, as in the previous year, above all from positive run-offs of reserves in the areas of marine / aviation and short-tail property business.

Maturities of the technical reserves

IFRS 4 "Insurance Contracts" requires information which helps to clarify the amount and timing of cash flows expected from reinsurance contracts. In the following tables we have shown the future maturities of the technical provisions broken down by the expected remaining times to maturity. As part of our maturity analysis we have directly deducted the deposits put up as collateral for these reserves, since the cash inflows and outflows from these deposits are to be allocated directly to the ceding companies. For further explanation of the recognition and measurement of the reserves please see Section 3.1 "Summary of major accounting policies".

Maturities of the technical reserves N 49

in EUR thousand	2014					
	Loss and loss adjustment expense reserves			Benefit reserve		
	gross	retro	net	gross	retro	net
Due in one year	6,873,894	410,537	6,463,357	368,073	14,498	353,575
Due after one through five years	9,430,724	530,791	8,899,933	1,403,573	342,156	1,061,417
Due after five through ten years	3,604,852	182,255	3,422,597	1,186,478	277,396	909,082
Due after ten through twenty years	2,323,594	100,496	2,223,098	558,283	25,807	532,476
Due after twenty years	1,039,392	46,431	992,961	856,508	11,248	845,260
	23,272,456	**1,270,510**	**22,001,946**	**4,372,915**	**671,105**	**3,701,810**
Deposits	839,600	106,094	733,506	7,384,217	5,114	7,379,103
Total	**24,112,056**	**1,376,604**	**22,735,452**	**11,757,132**	**676,219**	**11,080,913**

Maturities of the technical reserves N 50

in EUR thousand	2013					
	Loss and loss adjustment expense reserves			Benefit reserve		
	gross	retro	net	gross	retro	net
Due in one year	6,160,224	394,571	5,765,653	190,264	13,835	176,429
Due after one through five years	8,335,299	551,507	7,783,792	662,966	85,903	577,063
Due after five through ten years	3,181,135	174,727	3,006,408	986,066	186,716	799,350
Due after ten through twenty years	2,113,511	101,954	2,011,557	569,149	36,203	532,946
Due after twenty years	1,097,585	56,006	1,041,579	767,731	15,576	752,155
	20,887,754	**1,278,765**	**19,608,989**	**3,176,176**	**338,233**	**2,837,943**
Deposits	779,178	125,511	653,667	7,455,275	5,921	7,449,354
Total	**21,666,932**	**1,404,276**	**20,262,656**	**10,631,451**	**344,154**	**10,287,297**

The average maturity of the loss and loss adjustment expense reserves was 5.0 years (5.2 years), or 5.0 years (5.2 years) after allowance for the corresponding retrocession shares. The benefit reserve had an average maturity of 10.7 years (12.6 years) – or 11.5 years (13.1 years) on a net basis.

The average maturity of the reserves is determined using actuarial projections of the expected future payments. A payment pattern is calculated for each homogenous category of our portfolio – making allowance for the business sector, geographical considerations, treaty type and the type of reinsurance – and applied to the outstanding liabilities for each underwriting year and run-off status.

The payment patterns are determined with the aid of actuarial estimation methods and adjusted to reflect changes in payment behaviour and outside influences. The calculations can also be distorted by major losses, and these are therefore considered separately using reference samples or similar losses. The payment patterns used can be compared year for year by contrasting the projected payments with the actual amounts realised. Liabilities in liability and motor reinsurance traditionally have long durations, sometimes in excess of 20 years, while liabilities in property business are settled within the first ten years.

The benefit reserve is established for life, annuity, personal accident and health reinsurance contracts. Based on the duration of these contracts, long-term reserves are constituted for life and annuity policies and predominantly short-term reserves are set aside for health and personal accident business.

The parameters used to calculate the benefit reserve are interest income, lapse rates and mortality/morbidity rates.

The values for the first two components (interest income and lapse rates) differ according to the country concerned, product type, investment year etc.

The mortality and morbidity rates used are chosen on the basis of national tables and the insurance industry standard. Empirical values for the reinsured portfolio, where available, are also taken into consideration. In this context insights into the gender, age and smoker structure are incorporated into the calculations, and allowance is also made for factors such as product type, sales channel and the frequency of premium payment by policyholders.

At the inception of every reinsurance contract, assumptions about the three parameters are made and locked in for the purpose of calculating the benefit reserve. At the same time, safety/fluctuation loadings are built into each of these components. In order to ensure at all times that the originally chosen assumptions continue to be adequate throughout the contract, checks are made on a regular – normally annual – basis in order to determine whether these assumptions need to be adjusted ("unlocked').

The benefit reserve is established in accordance with the principles set out in SFAS 60. The provisions are based on the Group companies' information regarding mortality, interest and lapse rates.

Development of the benefit reserve N 51

in EUR thousand	2014			2013		
	gross	retro	net	gross	retro	net
Net book value at 31 December of the previous year	10,631,451	344,154	10,287,297	10,974,570	507,257	10,467,313
Currency translation at 1 January	763,126	34,666	728,460	(269,269)	(7,819)	(261,450)
Net book value after currency translation	**11,394,577**	**378,820**	**11,015,757**	**10,705,301**	**499,438**	**10,205,863**
Changes	205,140	176,515	28,625	178,894	32,203	146,691
Portfolio entries/exits	126,506	97,290	29,216	(257,122)	(186,136)	(70,986)
Currency translation at 31 December	30,909	23,594	7,315	4,378	(1,351)	5,729
Net book value at 31 December of the year under review	**11,757,132**	**676,219**	**11,080,913**	**10,631,451**	**344,154**	**10,287,297**

The unearned premium reserve derives from the deferral of ceded reinsurance premium. The unearned premium is determined by the period during which the risk is carried and established in accordance with the information supplied by ceding companies. In cases where no information was received, the unearned premium was estimated using suitable methods. Premium paid for periods subsequent to the date of the balance sheet was deferred from recognition within the statement of income.

Development of the unearned premium reserve N52

in EUR thousand	2014			2013		
	gross	retro	net	gross	retro	net
Net book value at 31 December of the previous year	2,405,497	139,039	2,266,458	2,339,809	138,373	2,201,436
Currency translation at 1 January	168,330	9,603	158,727	(120,960)	(7,852)	(113,108)
Net book value after currency translation	**2,573,827**	**148,642**	**2,425,185**	**2,218,849**	**130,521**	**2,088,328**
Corporate changes	–	307	(307)	–	–	–
Changes	154,362	(3,294)	157,656	203,238	9,414	193,824
Currency translation at 31 December	20,405	3,602	16,803	(16,590)	(896)	(15,694)
Net book value at 31 December of the year under review	**2,748,594**	**149,257**	**2,599,337**	**2,405,497**	**139,039**	**2,266,458**

The adequacy of the technical liabilities arising out of our reinsurance treaties is reviewed as at each balance sheet date. In the context of the adequacy testing of technical liabilities (liability adequacy test pursuant to IFRS 4 in conjunction with loss recognition test as per US GAAP) the anticipated future contractual payment obligations are compared with the anticipated future income. Should the result of the test indicate that the anticipated future income will not be sufficient to fund future payments, the entire shortfall is recognised in income by first writing off capitalised acquisition costs corresponding to the shortfall. Any remaining difference is constituted as an additional provision.

6.8 Funds withheld (liabilities)

The funds withheld under reinsurance treaties totalling EUR 817.1 million (EUR 648.0 million) represent the cash and securities deposits furnished to our company by our retrocessionaires that do not trigger any cash flows and cannot be realised without the consent of our retrocessionaires. The maturities of these deposits are matched to the corresponding shares of the reinsurers in the technical provisions. If such a share no longer exists the corresponding funds withheld are reduced to the same extent.

6.9 Contract deposits (liabilities)

The contract deposits on the liabilities side increased by EUR 502.4 million in the year under review from EUR 5,569.9 million to EUR 6,072.3 million. The contract deposits item on the liabilities side essentially encompasses balances deriving from non-traditional life insurance contracts that are to be carried as liabilities. The increase was due principally to exchange rate effects.

6.10 Provisions for pensions and other post-employment benefit obligations

Pension commitments are given in accordance with the relevant version of the pension plan as amended. The 1968 pension plan provides for retirement, disability, widows' and orphans' benefits. The pension entitlement is dependent on length of service; entitlements under the statutory pension insurance scheme are taken into account. The pension plan was closed to new participants with effect from 31 January 1981.

On 1 April 1993 (1 June 1993 in the case of managerial staff) the 1993 pension plan came into effect. This pension plan provides for retirement, disability and surviving dependants' benefits. The scheme is based upon annual determination of the pension contributions, which are calculated according to the pensionable employment income and the company's performance. The pension plan was closed to new participants with effect from 31 March 1999.

From 1997 onwards it has been possible to obtain pension commitments through deferred compensation. The employee-funded commitments included in the provisions for accrued pension rights are protected by an insurance contract with HDI Lebensversicherung AG, Cologne.

As at 1 July 2000 the 2000 pension plan came into force for the entire Group. Under this plan, new employees included in the group of beneficiaries are granted an indirect commitment from HDI Unterstützungskasse e. V. This pension plan provides for retirement, disability and surviving dependants' benefits.

Effective 1 December 2002 Group employees have an opportunity to accumulate additional old-age provision at unchanged conditions by way of deferred compensation through membership of HDI Pensionskasse AG.

In addition to these pension plans, managerial staff and members of the Executive Board, in particular, enjoy individual commitments as well as commitments given under the benefits plan of the Bochumer Verband.

The commitments to employees in Germany predominantly comprise benefit obligations financed by the Group companies. The pension plans are unfunded. The provisions for pensions in Germany and abroad were calculated on the basis of uniform standards according to prevailing economic circumstances.

Provisions for pensions are established in accordance with actuarial principles and are based upon the commitments made by the Hannover Re Group for retirement, disability and widows' benefits. The amount of the commitments is determined according to length of service and salary level.

The defined benefit plans expose Hannover Re to the following actuarial risks:

- longevity
- currency
- interest rate
- disablement
- pension progression
- rate of compensation increase

Longevity entails the risk that the mortality contained in the actuarial bases does not correspond to the actual mortality and that pension payments have to be rendered and funded for a longer duration than had been assumed.

Disablement entails the risk that the assumed number of retirements from the subportfolio of eligible beneficiaries on grounds of disability does not correspond to the actual experience and for this reason increased benefit obligations have to be met.

The pension progression entails the risk that the anticipated development of the consumer price index factored into the trend assumptions was too low and that increased benefit obligations arise on account of the pension indexation required by law.

The rate of compensation increase entails the risk that the increases in pensionable salaries factored into the trend assumptions on a parallel basis do not adequately reflect the actual developments. In addition, in the case of plans under which the determinative income components above and below the income threshold for contributions to the statutory pension insurance scheme are differently weighted for the purpose of calculating the benefit, there is a risk of a diverging trend in the future with respect to salary and income threshold.

The calculation of the provisions for pensions is based upon the following assumptions:

Measurement assumptions N 53

in %	2014		2013	
	Germany	Australia	Germany	Australia
Discount rate	1.70	2.60	3.63	3.94
Rate of compensation increase	2.20	3.50	2.75	3.50
Pension indexation	1.65	3.00	2.06	3.00

The movements in the net pension liability for the Group's various defined benefit plans were as follows:

Movements in net liability from defined benefit pension plans N54

in EUR thousand	2014	2013	2014	2013	2014	2013
	Defined benefit obligation		Fair value of plan assets		Impact of minimum funding requirement/asset ceiling	
Position at 1 January of the financial year	129,602	141,105	13,510	14,979	75	30
Recognised in profit or loss						
Current service costs	3,149	3,337	–	–	–	–
Past service cost and plan curtailments	194	–	–	–	–	–
Net interest component	4,547	4,417	393	545	3	2
	7,890	**7,754**	**393**	**545**	**3**	**2**
Recognised in cumulative other comprehensive income						
Actuarial gain (–)/loss (+) from change in biometric assumptions	11	(352)	–	–	–	–
Actuarial gain (–)/loss (+) from change in financial assumptions	52,930	(11,705)	–	–	–	–
Experience gains (–)/losses (+)	(1,160)	(885)	–	–	–	–
Return on plan assets, excluding amounts included in interest income	–	–	513	207	–	–
Change in asset ceiling	–	–	–	–	(78)	43
Exchange differences	553	(2,701)	519	(2,652)	–	–
	52,334	**(15,643)**	**1,032**	**(2,445)**	**(78)**	**43**
Other changes						
Employer contributions	–	–	600	439	–	–
Benefit payments	(2,891)	(3,608)	(2)	(3)	–	–
Additions and disposals	99	(6)	–	(5)	–	–
	(2,792)	**(3,614)**	**598**	**431**	**–**	**–**
Position at 31 December of the financial year	**187,034**	**129,602**	**15,533**	**13,510**	**–**	**75**

The plan assets consist exclusively of qualifying insurance policies as defined by IAS 19.

The reconciliation of the projected benefit obligations with the recognised provisions for pensions is as follows:

Provisions for pensions N 55

in EUR thousand	2014	2013
Projected benefit obligations at 31 December of the financial year	187,034	129,602
Fair value of plan assets at 31 December of the financial year	15,533	13,510
Impact of minimum funding requirement/asset ceiling at 31 December of the financial year	–	75
Recognised pension obligations at 31 December of the financial year	**171,501**	**116,167**
thereof: Capitalised assets	–	245
Provisions for pensions	171,501	116,412

In the current financial year Hannover Re anticipates contribution payments of EUR 0.8 million under the plans set out above. The weighted average duration of the defined benefit obligation is 14.8 years.

Sensitivity analysis

An increase or decrease in the key actuarial assumptions would have the following effect on the present value of the defined benefit obligation as at the balance sheet date:

Effect on the defined benefit obligation N 56

in EUR thousand		Parameter increase	Parameter decrease
Discount rate	(+/-0.5%)	-15,186	+17,058
Rate of compensation increase	(+/-0.25%)	+934	-875
Pension indexation	(+/-0.25%)	+5,657	-5,193

Furthermore, a change is possible with respect to the assumed mortality rates and lifespans. The underlying mortality tables were adjusted by reducing the mortalities by 10% in order to determine the longevity risk. Extending the lifespans in this way would have produced a EUR 5.3 million higher pension commitment at the end of the financial year.

Defined contribution plans

In addition to the defined benefit plans, some Group companies have defined contribution plans that are based on length of service and the employee's income or level of contributions. The expense recognised for these obligations in the financial year in accordance with IAS 19 "Employee Benefits" was EUR 18.7 million (EUR 17.4 million), of which EUR 1.2 million (EUR 1.1 million) was due to obligations to members of staff in key positions and EUR 6.5 million (EUR 6.0 million) to contributions to the statutory pension insurance scheme in Germany.

6.11 Other liabilities

Other liabilities **N 57**

in EUR thousand	2014	2013
Liabilities from derivatives	240,246	118,984
Interest	41,781	73,096
Deferred income	31,732	31,315
Direct minority interests in partnerships	28,603	30,993
Sundry non-technical provisions	154,779	134,303
Sundry liabilities	197,093	217,204
Total	**694,234**	**605,895**

Of this, other liabilities of EUR 7.6 million (EUR 11.1 million) are attributable to affiliated companies.

With regard to the liabilities from derivatives in an amount of EUR 240.2 million (EUR 119.0 million), please see our explanatory remarks on derivative financial instruments in Section 8.1 "Derivative financial instruments and financial guarantees".

The sundry liabilities include, most notably, distributions within the year of EUR 87.5 million (EUR 72.0 million) from interests in private equity funds that had still to be recognised in income as at the balance sheet date.

Development of sundry non-technical provisions N 58

in EUR thousand	Balance at 31 December 2013	Currency translation at 1 January
Provisions for		
Audits and costs of publishing the annual financial statements	5,899	54
Consultancy fees	2,624	128
Suppliers' invoices	7,017	221
Partial retirement arrangements and early retirement obligations	3,723	7
Holiday entitlements and overtime	6,378	128
Anniversary bonuses	2,866	35
Management bonuses	28,951	962
Restructuring	3,693	251
Other	73,152	1,278
Total	**134,303**	**3,064**

The maturities of the sundry non-technical provisions as at the balance sheet date are shown in the following table:

Maturities of the sundry non-technical provisions N 59

in EUR thousand	2014	2013
Due in one year	81,252	67,236
Due after one through five years	69,668	62,115
Due after five years	3,859	4,952
Total	**154,779**	**134,303**

6.12 Debt and subordinated capital

On 15 September 2014 Hannover Re placed another EUR 500.0 million subordinated bond on the European capital market through Hannover Rück SE, Hannover. The issue has a perpetual maturity with a first scheduled call option on 26 June 2025 and may be redeemed at each coupon date thereafter. It carries a fixed coupon of 3.375% p. a. until 26 June 2025, after which the interest rate basis changes to 3-month EURIBOR +325 basis points.

On 20 November 2012 Hannover Rück SE placed a EUR 500.0 million subordinated bond in the European capital market via its subsidiary Hannover Finance (Luxembourg) S.A. The bond has a maturity of approximately 30 years with a first scheduled call option on 30 June 2023 and may be redeemed at each coupon date thereafter. It carries a fixed coupon of 5.00% p. a. until this date, after which the interest rate basis changes to a floating rate of 3-month EURIBOR +430 basis points.

Balance at 1 January of the year under review	Additions	Utilisation	Release	Currency translation at 31 December	Balance at 31 December 2014
5,953	6,879	5,368	103	39	7,400
2,752	1,484	1,809	294	9	2,142
7,238	15,736	16,898	367	117	5,826
3,730	19	531	–	(3)	3,215
6,506	5,870	3,640	–	(7)	8,729
2,901	465	17	–	10	3,359
29,913	24,737	19,545	–	194	35,299
3,944	620	–	–	19	4,583
74,430	27,444	10,459	7,609	420	84,226
137,367	83,254	58,267	8,373	798	154,779

On 14 September 2010 Hannover Rück SE placed a subordinated bond on the European capital market through its subsidiary Hannover Finance (Luxembourg) S.A. This subordinated debt of nominally EUR 500.0 million has a maturity of 30 years with a first scheduled call option after ten years and may be redeemed at each coupon date thereafter. The bond carries a fixed coupon of 5.75% in the first ten years, after which the interest rate basis changes to a floating rate of 3-month EURIBOR +423.5 basis points.

On 1 June 2005 Hannover Rück SE issued further subordinated debt in the amount of EUR 500.0 million through its subsidiary Hannover Finance (Luxembourg) S.A. The bond is perpetual and carries a fixed coupon of 5.00% in the first ten years. It may be redeemed on 1 June 2015 at the earliest and at each coupon date thereafter. If the bond is not called at the end of the tenth year, the coupon will step up to a floating-rate yield of quarterly EURIBOR +268 basis points. The interest will be serviced according to the same principles as those practised in the past.

The subordinated debt issued in 2004 by Hannover Finance (Luxembourg) S.A. with a volume of EUR 750.0 million was cancelled by the issuer in the full nominal amount at the first scheduled call date and repaid on 26 February 2014.

Altogether four (four) subordinated bonds were recognised as at the balance sheet date with an amortised cost of EUR 1,986.5 million (EUR 2,237.8 million).

Debt and subordinated capital **N 60**

in EUR thousand				2014			
Subordinated loans	Coupon	Maturity	Currency	Amortised cost	Fair value measurement	Accrued interest	Fair value
Hannover Rück SE, 2014	3.375	n/a	EUR	493,464	8,221	4,947	506,632
Hannover Finance (Luxembourg) S.A., 2012	5.00	2043	EUR	496,922	89,933	12,603	599,458
Hannover Finance (Luxembourg) S.A., 2010	5.75	2040	EUR	498,447	89,653	8,507	596,607
Hannover Finance (Luxembourg) S.A., 2005	5.00	n/a	EUR	497,658	8,802	14,589	521,049
				1,986,491	**196,609**	**40,646**	**2,223,746**
Debt				283,853	2,839	1,136	287,828
Other long-term liabilities				3	–	–	3
Total				**2,270,347**	**199,448**	**41,782**	**2,511,577**

Debt and subordinated capital

N 61

in EUR thousand				2013			
Subordinated loans	Coupon	Maturity	Currency	Amortised cost	Fair value measure-ment	Accrued interest	Fair value
Hannover Finance (Luxembourg) S.A., 2012	5.00	2043	EUR	496,653	33,847	12,603	543,103
Hannover Finance (Luxembourg) S.A., 2010	5.75	2040	EUR	498,247	58,663	8,507	565,417
Hannover Finance (Luxembourg) S.A., 2005	5.00	n/a	EUR	493,337	19,108	14,589	527,034
Hannover Finance (Luxembourg) S.A., 2004	5.75	2024	EUR	749,593	3,407	36,390	789,390
				2,237,830	**115,025**	**72,089**	**2,424,944**
Debt				227,115	2,479	1,085	230,679
Other long-term liabilities				15	–	–	15
Total				**2,464,960**	**117,504**	**73,174**	**2,655,638**

The aggregated fair value of the extended subordinated loans is based on quoted, active market prices. If such price information was not available, fair value was determined on the basis of the recognised effective interest rate method or estimated using other financial assets with similar rating, duration and return characteristics. Under the effective interest rate method the current market interest rate levels in the relevant fixed-interest-rate periods are always taken as a basis.

Maturities of financial liabilities

N 62

in EUR thousand	2014						
	Less than three months	Three months to one year	One to five years	Five to ten years	Ten to twenty years	More than twenty years	No maturity
Other financial liabilities [1]	33,993	236,189	247	–	–	176	–
Debt	15,259	39	257,789	10,766	–	–	–
Subordinated loans	–	–	–	–	–	995,369	991,122
Other long-term liabilities	–	3	–	–	–	–	–
Total	**49,252**	**236,231**	**258,036**	**10,766**	**–**	**995,545**	**991,122**

[1] Excluding minority interests in partnerships, sundry non-technical provisions and derivative financial instruments; the maturities of the latter two items are broken down separately

Maturities of financial liabilities N 63

in EUR thousand	2013						
	Less than three months	Three months to one year	One to five years	Five to ten years	Ten to twenty years	More than twenty years	No maturity
Other financial liabilities [1]	82,362	237,012	1,443	798	–	–	–
Debt	13	–	195,574	31,528	–	–	–
Subordinated loans	–	–	–	–	749,593	994,900	493,337
Other long-term liabilities	–	–	15	–	–	–	–
Total	**82,375**	**237,012**	**197,032**	**32,326**	**749,593**	**994,900**	**493,337**

[1] Excluding minority interests in partnerships, sundry non-technical provisions and derivative financial instruments; the maturities of the latter two items are broken down separately

Net gains and losses from dept and subordinated capital N 64

in EUR thousand	2014	2013	2014	2013	2014	2013
	Ordinary income/expenses		Amortisation		Net result	
Debt	(11,718)	(9,281)	593	613	(11,125)	(8,668)
Subordinated loans	(90,432)	(121,857)	(5,288)	(4,813)	(95,720)	(126,670)
Total	**(102,150)**	**(131,138)**	**(4,695)**	**(4,200)**	**(106,845)**	**(135,338)**

The ordinary expenses principally include interest expenses of nominally EUR 90.4 million (EUR 121.9 million) resulting from the issued subordinated debt.

Other financial facilities

Letter of credit (LoC) facilities exist with a number of financial institutions. A syndicated letter of credit facility taken out in 2011 with a volume equivalent to EUR 822.7 million (EUR 726.4 million) has a maturity until the beginning of 2019.

Unsecured letter of credit facilities with various terms (maturing at the latest in 2022) and a total volume equivalent to EUR 2,559.3 million (EUR 2,488.0 million) exist on a bilateral basis with financial institutions; in addition, a long-term unsecured line of credit intended specifically for US life reinsurance business taken out in December 2009 has a total volume equivalent to EUR 226.2 million (EUR 363.2 million).

For further information on the letters of credit provided please see our explanatory remarks in Section 8.7 "Contingent liabilities and commitments".

A number of LoC facilities include standard market clauses that allow the banks rights of cancellation in the event of material changes in our shareholding structure or trigger a requirement on the part of Hannover Re to furnish collateral upon materialisation of major events, for example if our rating is significantly downgraded. Please see also our explanatory remarks in the "Financial position" section of the management report, page 59 et seq., on the information pursuant to § 315 Para. 4 German Commercial Code (HGB).

6.13 Shareholders' equity and treasury shares

Shareholders' equity is shown as a separate component of the financial statement in accordance with IAS 1 "Presentation of Financial Statements" and subject to IAS 32 "Financial Instruments: Disclosure and Presentation" in conjunction with IAS 39 "Financial Instruments: Recognition and Measurement". The change in shareholders' equity comprises not only the net income deriving from the statement of income but also the changes in the value of asset and liability items not recognised in the statement of income.

The common shares (share capital of Hannover Rück SE) amount to EUR 120,597,134.00. They are divided into 120,597,134 voting and dividend-bearing registered ordinary shares in the form of no-par-value shares. The shares are paid in in full. Each share carries an equal voting right and an equal dividend entitlement.

Authorised capital of up to EUR 60,299 thousand is available with a time limit of 3 May 2015. The subscription right of shareholders may be excluded with the consent of the Supervisory Board. New, no-par-value registered shares may be issued on one or more occasions for contributions in cash or kind. Of the total amount, up to EUR 1,000 thousand may be used to issue employee shares.

In addition, conditional capital of up to EUR 60,299 thousand is available. It can be used to grant shares to holders of convertible bonds and bonds with warrants as well as to holders of participating bonds with conversion rights and warrants and has a time limit of 2 May 2016.

The Executive Board is authorised – with the consent of the Supervisory Board – to acquire treasury shares of up to 10% of the existing share capital. The authorisation is limited until 3 May 2015.

The Annual General Meeting of Hannover Rück SE resolved on 7 May 2014 that a dividend of EUR 3.00 per share should be paid for the 2013 financial year. This corresponds to a total distribution of EUR 361.8 million (EUR 361.8 million).

The increase in the other reserves arising out of currency translation, which is recognised in equity, was attributable in an amount of EUR 33.0 million (decrease recognised in equity of EUR 69.2 million) to the translation of long-term debt or loans with no maturity date extended to Group companies and branches abroad.

For the disclosures arising out of IAS 1 "Presentation of Financial Statements" with regard to the management of capital, the reader is referred to the "Financial position" section on page 56 of the management report.

Treasury shares

IAS 1 requires separate disclosure of treasury shares in shareholders' equity. As part of this year's employee share option plan Hannover Rück SE acquired altogether 21,608 (18,750) treasury shares during the second quarter of 2014 and delivered them to eligible employees at preferential conditions. These shares are blocked until 31 May 2018. This transaction resulted in an expense of EUR 0.4 million (EUR 0.4 million), which was recognised under personnel expenditure, as well as a negligible increase in retained earnings recognised in equity. The company was no longer in possession of treasury shares as at the balance sheet date.

6.14 Non-controlling interests

Non-controlling interests in the shareholders' equity of subsidiaries are reported separately within Group shareholders' equity in accordance with IAS 1 "Presentation of Financial Statements". They amounted to EUR 702.2 million (EUR 641.6 million) as at the balance sheet date.

Non-controlling interests in partnerships are reported in accordance with IAS 32 "Financial Instruments: Presentation" under long-term liabilities.

The non-controlling interest in profit or loss, which forms part of net income and is shown separately after net income as a "thereof" note, amounted to EUR 79.5 million (EUR 43.8 million) in the year under review.

Subsidiaries with material non-controlling interests N 65

in EUR thousand	2014	2013
	E+S Rückversicherung AG, Hannover, Germany	
Participation of non-controlling interests	35.21%	36.31%
Voting rights of non-controlling interests	35.21%	36.31%
Net income	211,042	103,960
thereof attributable to non-controlling interests	76,341	37,752
Income/expense recognised directly in equity	95,661	(50,845)
Total recognised income and expense	306,703	53,115
Shareholders' equity	1,908,328	1,711,625
thereof attributable to non-controlling interests	671,892	621,563
Dividends paid	110,000	130,000
thereof attributable to non-controlling interests	39,946	47,208
Assets	11,292,700	13,502,177
Liabilities	9,383,417	11,796,441
Cash flow from operating activities	387,294	381,119
Cash flow from investing activities	(262,061)	(252,691)
Cash flow from financing activities	(111,409)	(130,000)

7. Notes on the individual items of the statement of income

7.1 Gross written premium

The following table shows the breakdown of the gross written premium according to regional origin.

Gross written premium N 66

in EUR thousand	2014	2013
Regional origin		
Germany	1,225,113	1,264,120
United Kingdom	2,489,788	2,619,728
France	666,892	565,698
Other	1,626,667	1,726,952
Europe	**6,008,460**	**6,176,498**
USA	3,242,010	3,364,082
Other	693,976	679,595
North America	**3,935,986**	**4,043,676**
Asia	2,214,766	1,637,028
Australia	921,279	776,991
Australasia	**3,136,045**	**2,414,019**
Africa	451,265	476,183
Other	830,045	853,033
Total	**14,361,801**	**13,963,409**

7.2 Investment income

Investment income N 67

in EUR thousand	2014	2013
Income from real estate	100,341	72,029
Dividends	4,836	3,085
Interest income	949,498	969,644
Other investment income	13,686	(3,440)
Ordinary investment income	**1,068,361**	**1,041,318**
Profit or loss on shares in associated companies	1,042	12,536
Appreciation	126	319
Realised gains on investments	208,077	177,032
Realised losses on investments	25,624	32,881
Change in fair value of financial instruments	(33,257)	(27,136)
Impairments on real estate	19,924	15,060
Impairments on equity securities	–	3
Impairments on fixed-income securities	2,000	771
Impairments on participating interests and other financial assets	5,760	3,583
Other investment expenses	95,256	97,309
Net income from assets under own management	**1,095,785**	**1,054,462**
Interest income on funds withheld and contract deposits	485,088	479,887
Interest expense on funds withheld and contract deposits	109,032	122,539
Total investment income	**1,471,841**	**1,411,810**

The impairments totalling EUR 9.2 million (EUR 5.4 million) were largely attributable in an amount of EUR 5.8 million (EUR 3.5 million) to the area of alternative investments – specifically, exclusively to private equity investments. No impairments were recognised on equities or equity funds in the year under review or the comparable period because their fair values did not fall significantly – i. e. by at least 20% – or for a prolonged period – i. e. for at least nine months – below acquisition cost. Impairments of EUR 2.0 million (EUR 0.8 million) were recognised in the area of fixed-income securities. An impairment of EUR 1.4 million (EUR 1.1 million) was taken on investments in real estate. These impairments contrasted with write-ups of EUR 0.1 million (EUR 0.3 million) on investments written down in previous periods. The portfolio did not contain any overdue, unadjusted assets as at the balance sheet date since overdue securities are written down immediately.

Interest income on investments N 68

in EUR thousand	2014	2013
Fixed-income securities – held to maturity	84,878	110,058
Fixed-income securities – loans and receivables	108,181	120,461
Fixed-income securities – available for sale	734,381	720,753
Financial assets – at fair value through profit or loss	1,810	958
Other	20,248	17,414
Total	**949,498**	**969,644**

The net gains and losses on investments held to maturity, loans and receivables and the available-for-sale portfolio shown in the following table are composed of interest income, realised gains and losses as well as impairments and appreciation. In the case of the fixed-income securities at fair value through profit or loss designated in this category and the other financial assets, which include the technical derivatives, income and expenses from changes in fair value are also recognised. Making allowance for the other investment expenses of EUR 95.3 million (EUR 97.3 million), net income from assets under own management of altogether EUR 1,095.8 million (EUR 1,054.5 million) was recognised in the year under review.

Net gains and losses on investments N 69

in EUR thousand	2014				
	Ordinary investment income[1]	Realised gains and losses	Impairments/ appreciation	Change in fair value	Net income from assets under own management[2]
Held to maturity					
Fixed-income securities	85,093	168	–	–	85,261
Loans and receivables					
Fixed-income securities	105,161	15,588	2,000	–	118,749
Available for sale					
Fixed-income securities	674,992	148,642	–	–	823,634
Equity securities	935	394	–	–	1,329
Other invested assets	82,850	5,770	5,847	–	82,773
Short-term investments	20,112	215	–	–	20,327
At fair value through profit or loss					
Fixed-income securities	1,810	201	–	(1,291)	720
Other financial assets	3,175	337	–	(4,612)	(1,100)
Other invested assets	–	788	–	(3,014)	(2,226)
Other	95,275	10,350	19,711	(24,340)	61,574
Total	**1,069,403**	**182,453**	**27,558**	**(33,257)**	**1,191,041**

[1] Including income from associated companies, for reconciliation with the consolidated statement of income
[2] Excluding other investment expenses

Net gains and losses on investments N 70

in EUR thousand	2013				
	Ordinary investment income[1]	Realised gains and losses	Impairments/ appreciation	Change in fair value	Net income from assets under own management[2]
Held to maturity					
Fixed-income securities	104,254	3,259	–	–	107,513
Loans and receivables					
Fixed-income securities	117,130	10,566	–	–	127,696
Available for sale					
Fixed-income securities	653,765	106,758	510	–	760,013
Equity securities	929	759	3	–	1,685
Other invested assets	59,416	16,101	4,077	–	71,440
Short-term investments	16,151	158	–	–	16,309
At fair value through profit or loss					
Fixed-income securities	2,056	438	–	1,264	3,758
Other financial assets	2,372	(688)	–	(7,500)	(5,816)
Other invested assets	–	4,989	–	644	5,633
Other	97,781	1,811	14,508	(21,544)	63,540
Total	**1,053,854**	**144,151**	**19,098**	**(27,136)**	**1,151,771**

[1] Including income from associated companies, for reconciliation with the consolidated statement of income
[2] Excluding other investment expenses

7.3 Reinsurance result

Reinsurance result N71

in EUR thousand	2014	2013
Gross written premium	14,361,801	13,963,409
Ceded written premium	1,781,064	1,542,921
Change in unearned premium	(154,362)	(203,238)
Change in ceded unearned premium	(3,294)	9,414
Net premium earned	**12,423,081**	**12,226,664**
Other technical income	1,641	1,907
Total net technical income	**12,424,722**	**12,228,571**
Claims and claims expenses paid	8,360,442	8,071,050
Change in loss and loss adjustment expense reserve	1,103,730	1,056,496
Claims and claims expenses	**9,464,172**	**9,127,546**
Change in benefit reserve	28,625	146,691
Net change in benefit reserve	**28,625**	**146,691**
Commissions	2,672,826	2,528,741
Change in deferred acquisition costs	121,961	(91,357)
Change in provision for contingent commissions	28,503	70,075
Other acquisition costs	4,878	5,608
Other technical expenses	7,461	7,874
Administrative expenses	363,859	333,674
Net technical result	**(23,641)**	**(82,995)**

With regard to the claims and claims expenses as well as the change in the benefit reserve the reader is also referred to Section 6.7 "Technical provisions". The change in the benefit reserve relates exclusively to the life and health reinsurance segment.

The administrative expenses amounted to altogether 2.9% (2.7%) of net premium earned.

Other technical income N72

in EUR thousand	2014	2013
Other technical income (gross)	2,864	3,506
Reinsurance recoverables	1,223	1,599
Other technical income (net)	**1,641**	**1,907**

Commissions and brokerage, change in deferred acquisition costs N 73

in EUR thousand	2014	2013
Commissions paid (gross)	2,922,711	2,761,122
Reinsurance recoverables	249,885	232,381
Change in deferred acquisition costs (gross)	142,026	(67,095)
Reinsurance recoverables	20,065	24,262
Change in provision for contingent commissions (gross)	27,119	74,717
Reinsurance recoverables	(1,384)	4,642
Commissions and brokerage, change in deferred acquisition costs (net)	2,579,368	2,690,173

Other technical expenses N 74

in EUR thousand	2014	2013
Other technical expenses (gross)	5,843	9,430
Reinsurance recoverables	(1,618)	1,556
Other technical expenses (net)	7,461	7,874

7.4 Other income and expenses

Other income/expenses N 75

in EUR thousand	2014	2013
Other income		
Exchange gains	338,895	189,122
Reversals of impairments on receivables	4,448	8,007
Income from contracts recognised in accordance with the deposit accounting method	71,895	68,184
Income from services	11,742	10,806
Deconsolidation	2,602	6,661
Other interest income	15,310	21,483
Sundry income	18,151	14,595
	463,043	**318,858**
Other expenses		
Other interest expenses	58,719	77,028
Exchange losses	231,946	179,254
Expenses from contracts recognised in accordance with the deposit accounting method	14,369	14,521
Separate value adjustments on receivables	21,753	7,955
Expenses for the company as a whole	54,962	54,080
Depreciation, amortisation, impairments	13,500	11,814
Expenses for services	10,489	7,524
Sundry expenses	39,115	66,435
	444,853	**418,611**
Total	18,190	(99,753)

The separate value adjustments were attributable to accounts receivable in an amount of EUR 21.7 million (EUR 7.9 million).

7.5 Taxes on income

Domestic taxes on income, comparable taxes on income at foreign subsidiaries as well as deferred taxes in accordance with IAS 12 "Income Taxes" are recognised under this item.

The reader is referred to the remarks in Section 3.1 "Summary of major accounting policies" regarding the basic approach to the recognition and measurement of deferred taxes.

The tax rate used to calculate the deferred taxes of the domestic companies was unchanged from the previous year at 31.93% (rounded to 32%). It is arrived at from the corporate income tax rate of 15.0%, the German reunification charge of 5.5% and a uniform trade earnings tax rate of 16.1%. The deferred taxes at the companies abroad were calculated using the applicable country-specific tax rates.

Tax-relevant bookings on the Group level are made using the Group tax rate of 32% unless they refer specifically to individual companies.

Deferred tax liabilities on profit distributions of significant affiliated companies are established in the year when they are received.

Breakdown of taxes on income

The breakdown of actual and deferred income taxes was as follows:

Income tax N 76

in EUR thousand	2014	2013
Actual tax for the year under review	283,911	131,873
Actual tax for other periods	(16,190)	(39,069)
Deferred taxes due to temporary differences	52,937	82,053
Deferred taxes from loss carry-forwards	(1,288)	(29,051)
Change in deferred taxes due to changes in tax rates	–	(6,739)
Value adjustments on deferred taxes	(13,807)	24,076
Total	**305,563**	**163,143**

Domestic/foreign breakdown of recognised tax expenditure/income N 77

in EUR thousand	2014	2013
Current taxes		
Germany	182,541	9,015
Abroad	85,181	83,790
Deferred taxes		
Germany	53,289	91,174
Abroad	(15,448)	(20,836)
Total	**305,563**	**163,143**

The following table presents a breakdown of the deferred tax assets and liabilities into the balance sheet items from which they are derived.

Deferred tax assets and deferred tax liabilities of all Group companies N 78

in EUR thousand	2014	2013
Deferred tax assets		
Tax loss carry-forwards	94,401	90,467
Loss and loss adjustment expense reserves	210,604	200,328
Benefit reserve	79,596	43,071
Other technical/non-technical provisions	380,690	341,699
Funds withheld	620,013	948,054
Deferred acquisition costs	44,298	30,547
Accounts receivable/reinsurance payable	78,881	15,472
Valuation differences relating to investments	31,308	13,740
Contract deposits	754	19
Other valuation differences	38,410	33,926
Value adjustments [1]	(51,544)	(64,600)
Total	**1,527,411**	**1,652,723**
Deferred tax liabilities		
Loss and loss adjustment expense reserves	45,563	27,711
Benefit reserve	100,324	880,026
Other technical/non-technical provisions	482,658	86,101
Equalisation reserve	1,114,641	1,046,733
Funds withheld	476,105	183,751
Deferred acquisition costs	218,590	319,989
Accounts receivable/reinsurance payable	109,280	86,681
Valuation differences relating to investments	401,707	199,532
Present value of future profits on acquired life reinsurance portfolios (PVFP)	10,299	10,659
Other valuation differences	49,912	15,091
Total	**3,009,079**	**2,856,274**
Deferred tax liabilities	1,481,668	1,203,551

[1] Thereof on tax loss carry-forwards: -EUR 50,927 thousand (-EUR 45,551 thousand)

The deferred tax assets and deferred tax liabilities are shown unoffset in the above table. The deferred taxes are recognised as follows in the balance sheet after appropriate netting:

Netting of deferred tax assets and deferred tax liabilities N 79

in EUR thousand	2014	2013
Deferred tax assets	393,923	508,841
Deferred tax liabilities	1,875,591	1,712,392
Net deferred tax liabilities	**1,481,668**	**1,203,551**

In view of the unrealised gains on investments and on currency translation recognised directly in equity in the financial year, actual and deferred tax expenditure – including amounts attributable to non-controlling interests – of EUR 258.2 million (EUR 217.8 million) was also recognised directly in equity.

The following table presents a reconciliation of the expected expense for income taxes with the actual expense for income taxes reported in the statement of income. The pre-tax result is multiplied by the Group tax rate in order to calculate the Group's expected expense for income taxes.

Reconciliation of the expected expense for income taxes with the actual expense N 80

in EUR thousand	2014	2013
Profit before taxes on income	1,370,670	1,102,392
Group tax rate	32%	32%
Expected expense for income taxes	438,614	352,765
Change in tax rates	–	(6,739)
Differences in tax rates affecting subsidiaries	(90,919)	(85,929)
Non-deductible expenses	54,025	20,402
Tax-exempt income	(52,854)	(152,066)
Tax expense/income not attributable to the reporting period	(34,269)	5,233
Value adjustments on deferred taxes/loss carry-forwards	(13,807)	24,077
Other	4,773	5,400
Actual expense for income taxes	**305,563**	**163,143**

The expense for income taxes in the financial year climbed sharply year-on-year by EUR 142.4 million to EUR 305.6 million (EUR 163.1 million). The increase is due in large measure to the adjustment of deferred taxes made in the previous year on the portion of the equalisation reserve attributable to permanent establishments of Hannover Rück SE that are tax-exempt under double taxation agreements. In addition, the larger volume of Group-internal retrocessions of certain portfolios in life and health reinsurance, which results in tax-exempt income in the country of origin but gives rise to expenses that are allowable for tax purposes in Germany, contributed to a reduction in the tax burden in the previous year. The tax ratio amounted to 22.3% (14.8%).

Availability of non-capitalised loss carry-forwards

Unused tax loss carry-forwards and tax credits of EUR 352.8 million (EUR 321.8 million) existed as at the balance sheet date. Making allowance for local tax rates, EUR 183.1 million (EUR 172.5 million) thereof was not capitalised since realisation is not sufficiently certain.

No deferred taxes were established on assets-side taxable temporary differences amounting to EUR 135.0 million (EUR 108.4 million) and liabilities-side temporary differences of EUR 52.3 million (EUR 36.6 million) in connection with interests in Group companies because the Hannover Re Group can control their reversal and will not reverse them in the foreseeable future.

Availability of loss carry-forwards that have not been capitalised:

Expiry of non-capitalised loss carry-forwards and temporary differences N 81

in EUR thousand	One to five years	Six to ten years	More than ten years	Unlimited	Total
Temporary differences	–	–	–	3,083	3,083
Loss carry-forwards	–	3,220	–	179,842	183,062
Total	**–**	**3,220**	**–**	**182,925**	**186,145**

8. Other notes

8.1 Derivative financial instruments and financial guarantees

Derivatives are financial instruments, the fair value of which is derived from an underlying instrument such as equities, bonds, indices or currencies. We use derivative financial instruments in order to hedge parts of our portfolio against interest rate and market price risks, optimise returns or realise intentions to buy/sell. In this context we take special care to limit the risks, select first-class counterparties and adhere strictly to the standards defined by investment guidelines.

The fair values of the derivative financial instruments were determined on the basis of the market information available at the balance sheet date. Please see Section 3.1 "Summary of major accounting policies" with regard to the measurement models used.

Hannover Re holds derivative financial instruments to hedge interest rate risks from loans connected with the financing of real estate; these gave rise to recognition of other liabilities in an amount of EUR 4.0 million (EUR 1.4 million) and other financial assets at fair value through profit or loss in an amount of EUR 0.5 million (none).

Hannover Re's portfolio contained derivative financial instruments as at the balance sheet date in the form of forward exchange transactions predominantly taken out to hedge currency risks. These transactions gave rise to recognition of other liabilities in an amount of EUR 30.6 million (EUR 5.5 million) and other financial assets at fair value through profit or loss in an amount of EUR 14.5 million (EUR 16.7 million).

Hannover Re also holds derivative financial instruments to hedge inflation risks associated with the loss reserves. These transactions resulted in the recognition of other liabilities amounting to EUR 63.6 million (EUR 34.1 million and other financial assets at fair value through profit or loss in an amount of EUR 1.4 million).

In order to hedge the risk of share price changes in connection with the stock participation rights granted under the share award plan, Hannover Re took out hedges in the form of equity swaps. The fair value of these instruments amounted to EUR 1.1 million (none) as at the balance sheet date and was recognised under other financial assets at fair value through profit or loss. The hedge gave rise to a change in equity from hedging instruments recognised directly in equity in an amount of EUR 1.1 million.

The maturities of the fair values and notional values of the hedging instruments described above can be broken down as follows:

Maturity structure of derivative financial instruments N 82

in EUR thousand	2014				
	Less than three months	Three months to one year	One to five years	Five to ten years	Total
Interest rate hedges					
Fair values	(90)	–	(3,861)	469	(3,482)
Notional values	15,269	–	156,817	36,199	208,285
Currency hedges					
Fair values	(340)	(13,124)	(2,634)	–	(16,098)
Notional values	2,332	758,336	26,860	–	787,528
Inflation hedges					
Fair values	–	(36,263)	(27,325)	–	(63,588)
Notional values	–	1,568,881	322,131	–	1,891,012
Share price hedges					
Fair values	1,066	–	–	–	1,066
Notional values	17,344	–	–	–	17,344
Total hedging instruments					
Fair values	636	(49,387)	(33,820)	469	(82,102)
Notional values	34,945	2,327,217	505,808	36,199	2,904,169

Maturity structure of derivative financial instruments N 83

in EUR thousand	2013				
	Less than three months	Three months to one year	One to five years	Five to ten years	Total
Interest rate hedges					
Fair values	–	–	(2,629)	1,234	(1,395)
Notional values	–	–	136,164	31,963	168,127
Currency hedges					
Fair values	(370)	15,358	(3,722)	(104)	11,162
Notional values	1,491	362,946	20,061	927	385,425
Inflation hedges					
Fair values	–	(1,034)	(19,151)	(12,527)	(32,712)
Notional values	–	1,033,794	1,437,956	296,138	2,767,888
Total hedging instruments					
Fair values	(370)	14,324	(25,502)	(11,397)	(22,945)
Notional values	1,491	1,396,740	1,594,181	329,028	3,321,440

The net changes in the fair value of these instruments resulted in a charge of EUR 32.9 million to the result of the financial year (EUR 33.1 million).

Hannover Re enters into derivative transactions on the basis of standardised master agreements that contain master netting agreements. The netting agreements set out below normally do not meet the criteria for netting in the balance sheet, since Hannover Re has no legal right whatsoever at the present moment in time to netting of the recognised amounts. The right to netting can, as a matter of principle, only be enforced upon occurrence of certain future defined events. Collateral furnished or received is recognised per counterparty up to at most the amount of the respective net liability or net asset.

Netting agreements N 84

in EUR thousand	2014				
	Fair value	Netting agreement	Cash collateral received/furnished	Other collateral received/furnished	Net amount
Derivative receivables	13,899	2,307	10,140	–	1,452
Derivative liabilities	94,188	2,307	–	77,636	14,245

Netting agreements N 85

in EUR thousand	2013				
	Fair value	Netting agreement	Cash collateral received/furnished	Other collateral received/furnished	Net amount
Derivative receivables	18,031	4,349	3,472	10,210	–
Derivative liabilities	39,312	4,349	–	26,454	8,509

Derivative financial instruments in connection with reinsurance

A number of treaties in life and health reinsurance meet criteria which require application of the prescriptions in IFRS 4 "Insurance Contracts" governing embedded derivatives. These accounting regulations require that certain derivatives embedded in reinsurance contracts be separated from the underlying insurance contract ("host contract"), reported separately at fair value in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" and recognised under investments. Fluctuations in the fair value of the derivative components are to be recognised through profit and loss in subsequent periods.

Within the scope of the accounting of "modified coinsurance" and "coinsurance funds withheld" (ModCo) reinsurance treaties, under which securities deposits are held by the ceding companies and payments rendered on the basis of the income from certain securities of the ceding company, the interest-rate risk elements are clearly and closely related to the underlying reinsurance arrangements. Embedded derivatives consequently result solely from the credit risk of the underlying securities portfolio.

Hannover Re calculates the fair values of the embedded derivatives in ModCo treaties using the market information available on the valuation date on the basis of a "credit spread" method. Under this method the derivative is valued at zero on the date when the contract commences and its value then fluctuates over time according to changes in the credit spreads of the securities. The derivative had a positive value of EUR 44.8 million (EUR 45.3 million) as at the balance sheet date and was recognised under other financial assets at fair value through profit or loss.

In the course of the year the change in the fair value of the derivative gave rise to a charge against investment income of EUR 6.8 million before tax (increase in investment income of EUR 7.4 million).

A number of transactions concluded in the life and health reinsurance business group in the previous year, under which Hannover Re companies offer their contracting parties coverage for risks from possible future payment obligations arising out of hedging instruments, are also to be classified as derivative financial instruments. The payment obligations result from contractually defined events and relate to the development of an underlying group of primary insurance contracts with statutory reserving requirements. The contracts are to be categorised and recognised as stand-alone credit derivatives pursuant to IAS 39. These derivative financial instruments were carried in equity on initial recognition because receivables recognised under other assets were to be carried in the same amount. Please see Section 6.6 "Other assets". The fair value of these instruments on the balance sheet date was EUR 136.5 million (EUR 68.8 million), which was recognised under other liabilities. The change in value in subsequent periods is dependent upon the risk experience and led to an improvement of EUR 6.3 million (EUR 1.0 million) in investment income in the financial year.

The derivative components of another group of contracts in the area of life and health reinsurance were measured on the basis of stochastic considerations. The measurement produced a positive derivative value of EUR 5.7 million (EUR 6.5 million) on the balance sheet date. The derivative was recognised under other financial assets at fair value through profit or loss. The valuation resulted in a charge against investment income of EUR 0.8 million (EUR 1.1 million) as at 31 December 2014.

All in all, application of the standards governing the accounting for derivatives in connection with the technical account led to recognition of assets totalling EUR 51.4 million (EUR 52.1 million) as well as recognition of liabilities in an amount of EUR 142.2 million (EUR 78.0 million) from the derivatives resulting from technical items as at the balance sheet date. Increases in investment income amounting to EUR 11.4 million (EUR 8.5 million) as well as charges to income of EUR 7.5 million (EUR 4.4 million) were recognised in the year under review from all separately measured derivatives in connection with the technical account.

Financial guarantees

Structured transactions were entered into in the life and health reinsurance business group in order to finance statutory reserves (so-called Triple-X or AXXX reserves) of US ceding companies. In each case such structures necessitated the involvement of a special purpose entity. The special purpose entities carry extreme mortality risks securitised by the cedants above a contractually defined retention and transfer these risks by way of a fixed/floating swap to a member company of the Hannover Re Group. The total amount of the contractually agreed capacities of the transactions is equivalent to EUR 3,079.4 million (EUR 1,372.2 million); an amount equivalent to EUR 1,887.0 million (EUR 892.1 million) had been taken up as at the balance sheet date. The variable payments to the special purpose entities that are guaranteed by the Hannover Re Group cover their payment obligations. Under some of the transactions the payments resulting from the swaps in the event of a claim are reimbursed by the parent companies of the cedants by way of compensation agreements. In this case the reimbursement claims from the compensation agreements are to be capitalised separately from and up to the amount of the provision.

Under IAS 39 these transactions are to be recognised at fair value as financial guarantees. To this end Hannover Re uses the net method, according to which the present value of the agreed fixed swap premiums is netted with the present value of the guarantee commitment. The fair value on initial recognition therefore amounted to zero. The higher of the fair value and the amount carried as a provision on the liabilities side pursuant to IAS 37 is recognised at the point in time when utilisation is considered probable. This was not the case as at the balance sheet date.

8.2 Related party disclosures

IAS 24 "Related Party Disclosures" defines related parties as group entities of a common parent, associated entities, legal entities under the influence of key management personnel and the key management personnel of the entity itself. Transactions between Hannover Rück SE and its subsidiaries, which are to be regarded as related parties, were eliminated through consolidation and are therefore not discussed in the notes to the consolidated financial statement. In the year under review the following significant business relations existed with related parties.

Talanx AG directly and indirectly holds an unchanged majority interest of altogether 50.22% in Hannover Rück SE. For its part, HDI-Haftpflichtverband der Deutschen Industrie Versicherungsverein auf Gegenseitigkeit, Riethorst 2, 30659 Hannover (HDI) holds a stake of 79.0% in Talanx AG and therefore indirectly holds 39.7% (rounded) of the voting rights in Hannover Rück SE.

In the previous year the responsible bodies of Hannover Rück SE and E+S Rückversicherung AG decided to reorganise the business relationship between the two companies under the cooperation agreement with effect from 1 January 2014. In property and casualty reinsurance a retrocession by Hannover Rück SE to E+S Rückversicherung AG has been maintained. The exclusive responsibilities of E+S Rückversicherung AG for German business and of Hannover Rück SE for international markets have been preserved.

Companies belonging to the Talanx Group granted the Hannover Re Group insurance protection inter alia in the areas of public liability, building, group accident and business travel insurance. Divisions of Talanx AG also performed services for us in the areas of taxes and general administration.

Talanx Reinsurance Broker AG grants Hannover Rück SE and E+S Rückversicherung AG a preferential position as reinsurers of cedants within the Talanx Group. In addition, Hannover Rück SE and E+S Rückversicherung AG are able to participate in the protection covers on the retention of Group cedants and share in the protection afforded by them. In certain circumstances Hannover Rück SE and E+S Rückversicherung AG are obliged to assume unplaced shares of the reinsurance of Group cedants from Talanx Reinsurance Broker AG.

The Hannover Re Group provides reinsurance protection for the HDI Group. To this extent, numerous underwriting business relations exist with related parties in Germany and abroad which are not included in Hannover Re's consolidation. This includes business both assumed and ceded at usual market conditions. For the year under review and the previous year these business relations can be broken down as follows:

Business assumed and ceded in Germany and abroad N86

in EUR thousand	2014		2013	
	Premium	Underwriting result	Premium	Underwriting result
Business assumed				
Property and casualty reinsurance	462,040	27,104	508,628	33,646
Life and health reinsurance	156,206	27,905	184,373	26,079
	618,246	**55,009**	**693,001**	**59,725**
Business ceded				
Property and casualty reinsurance	(11,713)	(8,993)	(15,830)	(6,950)
Life and health reinsurance	(44,478)	(8,503)	(53,127)	(8,579)
	(56,191)	**(17,496)**	**(68,957)**	**(15,529)**
Total	**562,055**	**37,513**	**624,044**	**44,196**

The reinsurance relationships with related parties in the year under review are shown with their total amounts in the table.

In the context of a bond issue by Talanx AG the Group companies Hannover Rück SE and E+S Rückversicherung AG invested in a nominal amount of EUR 47.0 million in the issued bearer debt, which has a coupon of 3.125%. The carrying amount of the instrument, which is recognised under fixed-income securities held to maturity, was EUR 48.3 million (EUR 48.3 million) including accrued interest of EUR 1.3 million (EUR 1.3 million).

HDI Lebensversicherung AG, Cologne, participated in a nominal amount of EUR 50.0 million in the subordinated bond issued by Hannover Rück SE in September 2014 with a coupon of 3.375%.

Within the contractually agreed framework Talanx Asset Management GmbH performs investment and asset management services for Hannover Rück SE and some of its subsidiaries. Assets in special funds are managed by Ampega Investment GmbH. Talanx Immobilien Management GmbH performs services for Hannover Re under a number of management contracts.

In the year under review Hannover Rück SE reached an agreement with Talanx Asset Management GmbH that allows Talanx Asset Management GmbH to use software for checking sanctions lists.

Under long-term lease arrangements companies belonging to the Hannover Re Group rented out business premises in 2014 to Talanx Service AG, Hannover. In addition, lease agreements exist with Talanx Service AG for use of a portion of the space in our data-processing computer centre.

Furthermore, IT and management services were performed for Talanx Reinsurance Broker AG, Hannover, under service contracts.

Actuarial opinions with respect to the pension commitments given to staff are drawn up for Hannover Rück SE and E+S Rückversicherung AG by Talanx Pensionsmanagement AG and HDI Lebensversicherung AG under an actuarial service contract.

Talanx AG performs various services in the area of taxes for a number of investment vehicles of the Hannover Re Group in the asset classes of private equity and real estate. In this regard corresponding agreements were concluded with altogether 13 Hannover Re companies in the financial year just ended.

Since 2012 a service agreement has existed between Hannover Rück SE and Talanx AG regarding the purchase of services for operation of data acquisition software.

Hannover Rück SE has concluded a service contract with Talanx Service AG in the area of flight services as well as a contract regarding the reciprocal provision of business continuity management services.

Remuneration and shareholdings of the management boards of the parent company

The remuneration of the Executive Board of Hannover Re amounted to altogether EUR 8.2 million (EUR 7.2 million). The total remuneration (excluding pension payments) of former members of the Executive Board and their surviving dependants stood at EUR 0.2 million (EUR 0.4 million). The pension payments to previous members of the Executive Board and their surviving dependants, for whom 16 (14) pension commitments existed, totalled EUR 1.5 million (EUR 1.4 million) in the year under review; altogether, a provision of EUR 28.8 million (EUR 21.4 million) has been set aside for these commitments.

The total remuneration of the Supervisory Board of Hannover Re amounted to EUR 0.9 million (EUR 0.9 million). There are no pension commitments to former members of the Supervisory Board or their surviving dependants.

The members of the governing bodies did not receive any advances or loans in the year under review. Nor were there any other material reportable circumstances or contractual relationships as defined by IAS 24 between companies of the Hannover Re Group and the members of the governing bodies or their related parties in the year under review.

Furthermore, above and beyond the aforementioned remuneration as Supervisory Board members at Group companies, the members of the Supervisory Board were not in receipt of any remuneration or benefits for personally rendered services as defined by Item 5.4.6 Para. 3 of the German Corporate Governance Code.

All other information on the remuneration of the governing bodies, directors' dealings and shareholdings as well as the structure of the remuneration system for the Executive Board is contained in the remuneration report from page 105 onwards. This remuneration report is based on the recommendations of the German Corporate Governance Code and contains information which also forms part of the notes to the 2014 consolidated financial statement as required by IAS 24 "Related Party Disclosures". In addition, we took into account the more specific provisions of DRS 17 "Reporting on the Remuneration of Members of Governing Bodies". Under German commercial law, too, this information includes data specified as mandatory for the notes (§ 314 HGB) and the management report (§ 315 HGB). These details are discussed as a whole in the remuneration report. Consequently, we have not provided any further explanation in the notes.

8.3 Share-based payment

In the 2014 financial year the following share-based payment plans with cash settlement existed within the Hannover Re Group:

1. Stock Appreciation Rights Plan (in effect since 2000, cancelled in stages from 2011 onwards and currently being wound up)
2. Share Award Plan (valid since 2011)

Stock Appreciation Rights Plan

With effect from 1 January 2000 the Executive Board of Hannover Rück SE, with the consent of the Supervisory Board, introduced a virtual stock option plan that provides for the granting of stock appreciation rights to certain managerial staff. The content of the stock option plan is based solely on the Conditions for the Granting of Stock Appreciation Rights. All the members of the Group's management are eligible for the award of stock appreciation rights. Exercise of the stock appreciation rights does not give rise to any entitlement to the delivery of shares of Hannover Rück SE, but merely to payment of a cash amount linked to the performance of the Hannover Rück SE share.

The Conditions for the Granting of Stock Appreciation Rights were cancelled for all eligible recipients. Awarded stock appreciation rights continue to be exercisable until the end of their period of validity.

Stock appreciation rights were first granted for the 2000 financial year and were awarded separately for each subsequent financial year (allocation year) until cancellation of the plan, provided the performance criteria defined in the Conditions for the Granting of Stock Appreciation Rights were satisfied.

The maximum period of the stock appreciation rights is ten years, commencing at the end of the year in which they are awarded. Stock appreciation rights which are not exercised by the end of the 10-year period lapse. Stock appreciation rights may only be exercised after a waiting period and then only within four exercise periods each year. Upon expiry of a four-year waiting period a maximum 60% of the stock appreciation rights awarded for an allocation year may be exercised. The waiting period for each additional 20% of the stock appreciation rights awarded for this allocation year to a member of the managerial staff is one further year. Each exercise period lasts for ten trading days, in each case commencing on the sixth trading day after the date of publication of the quarterly report of Hannover Rück SE.

Upon exercise of a stock appreciation right the amount paid out to the entitled party is the difference between the basic price and the current market price of the Hannover Rück SE share at the time of exercise. In this context, the basic price corresponds to the arithmetic mean of the closing prices of the Hannover Rück SE share on all trading days of the first full calendar month of the allocation year in question. The current market price of the Hannover Rück SE share at the time when stock appreciation rights are exercised is determined by the arithmetic mean of the closing prices of the Hannover Rück SE share on the last twenty trading days prior to the first day of the relevant exercise period.

The amount paid out is limited to a maximum calculated as a quotient of the total volume of compensation to be granted in the allocation year and the total number of stock appreciation rights awarded in the year in question.

In the event of cancellation or termination of the employment relationship as a consequence of a termination agreement or a set time limit, a holder of stock appreciation rights is entitled to exercise all such rights in the first exercise period thereafter. Stock appreciation rights not exercised in this period and those in respect of which the waiting period has not yet expired shall lapse. Retirement, disability or death of the member of management shall not be deemed to be termination of the employment relationship for the purpose of exercising stock appreciation rights.

The allocations for the years 2006, 2007 and 2009 to 2011 gave rise to commitments in the 2014 financial year shown in the following table. No allocations were made for 2005 or 2008.

Stock appreciation rights of Hannover Rück SE N 87

	Allocation year					
	2011	2010	2009	2007	2006	2004
Award date	15.3.2012	8.3.2011	15.3.2010	28.3.2008	13.3.2007	24.3.2005
Period	10 years	10 years	10 years	10 years	10 years	10 years
Waiting period	4 years	4 years	2 years	2 years	2 years	2 years
Basic price (in EUR)	40.87	33.05	22.70	34.97	30.89	27.49
Participants in year of issue	143	129	137	110	106	109
Number of rights granted	263,515	1,681,205	1,569,855	926,565	817,788	211,171
Fair value at 31 December 2014 (in EUR)	26.80	8.92	8.76	10.79	10.32	24.62
Maximum value (in EUR)	32.21	8.92	8.76	10.79	10.32	24.62
Weighted exercise price	–	–	8.76	10.79	10.32	24.62
Number of rights existing at 31 December 2014	256,402	1,625,130	345,690	25,161	4,831	–
Provisions at 31 December 2014 (in EUR million)	4.43	12.76	3.03	0.27	0.05	–
Amounts paid out in the 2014 financial year (in EUR million)	–	–	2.55	0.25	0.04	–
Expense in the 2014 financial year (in EUR million)	2.31	4.95	0.56	–	–	–

The existing stock appreciation rights are valued on the basis of the Black-Scholes option pricing model.

The calculations were based on the price of the Hannover Re share of EUR 71.89 as at the reference date of 15 December 2014, expected volatility of 24.12% (historical volatility on a five-year basis), an expected dividend yield of 4.17% and risk-free interest rates of 0.05% for the 2006 allocation year, 0.04% for the 2007 allocation year, 0.09% for the 2009 allocation year, 0.20% for the 2010 allocation year and 0.32% for the 2011 allocation year.

In the 2014 financial year the waiting period expired for 100% of the stock appreciation rights awarded in 2004, 2006 and 2007 and for 80% of those awarded in 2009.

3,438 stock appreciation rights from the 2006 allocation year, 23,179 stock appreciation rights from the 2007 allocation year and 290,797 stock appreciation rights from the 2009 allocation year were exercised. The total amount paid out stood at EUR 2.84 million.

On this basis the aggregate provisions – included in the sundry non-technical provisions – amounted to EUR 20.5 million for the 2014 financial year (EUR 16.3 million). The expense totalled altogether EUR 7.8 million (EUR 5.2 million).

Share Award Plan

With effect from the 2011 financial year the Supervisory Board of Hannover Rück SE implemented a Share Award Plan for the members of the Executive Board of Hannover Re; this provides for the granting of stock participation rights in the form of virtual shares (referred to as "share awards"). The Executive Board of Hannover Re decided to adopt a Share Award Plan for certain management levels at Hannover Re as well with effect from the 2012 financial year.

The Share Award Plan replaces the cancelled Stock Appreciation Rights Plan. Please see our remarks under "Stock Appreciation Rights Plan" in this section. The share awards do not establish any claim against Hannover Re to the delivery of stock, but merely to payment of a cash amount in accordance with the conditions set out below.

The members of the Executive Board and management of Hannover Re who are eligible recipients under the Share Award Plan are those who have been allowed a contractual claim to the granting of share awards and whose service/employment relationship exists at the time when the share awards are granted and does not end through cancellation or a termination agreement on an effective date prior to expiry of the vesting period.

Share awards are granted separately for the first time for the 2011 financial year and then for each financial year (allocation year) thereafter.

The total number of share awards granted is based on the value per share of Hannover Rück SE. The value per share is established according to the unweighted arithmetic mean of the Xetra closing prices of the Hannover Re share. In the conditions applicable to members of the Executive Board a period of five trading days before to five trading days after the meeting of the Supervisory Board that approves the consolidated financial statement for the financial year just-ended is envisaged for the calculation. For managers a period of twenty trading days before to ten trading days after the meeting of the Supervisory Board that approves the consolidated financial statement for the financial year just-ended has been agreed. The total number of share awards granted is established by dividing the amount available for the granting of share awards to the respective eligible recipients by the value per share, rounded up to the next full share. For members of the Executive Board 20% and for managers 40% or 35% – according to management levels – of the defined variable remuneration shall be granted in the form of share awards.

The share awards are granted automatically without any requirement for a declaration. Following expiry of a vesting period of four years the value of one Hannover Re share calculated at the disbursement date is paid out for each share award. This value is calculated according to the provisions of the preceding paragraph.

The eligible recipient shall be paid an amount that corresponds to the sum total of the values of the share awards calculated at the disbursement date for which the vesting period of four years has expired. The amount is to be paid in the month after expiry of the determinative period for calculating the value per share according to the preceding paragraphs.

In addition, upon payment of the value of the share awards, a sum shall be paid out in the amount of the dividend insofar as dividends were distributed to shareholders. The amount of the dividend is the sum total of all dividends per share paid out during the term of the share awards multiplied by the number of share awards due for disbursement to the eligible recipient at the disbursement date. In the event of early disbursement of the share awards, the value of the dividends shall only be paid out for the period until occurrence of the event that triggers early disbursement. No pro rata allowance shall be made for dividends that have not yet been distributed.

In the event that the Board mandate or service relationship with the member of the Executive Board or the employment relationship with the manager ends, the eligible recipient shall retain his claims to payment of the value of already granted share awards after expiry of the applicable vesting period, unless such termination is based on resignation of office/voluntary termination on the part of the member of the Executive Board or voluntary termination on the part of the manager or dismissal by Hannover Re for a compelling reason. In the event of death the claims arising out of the already granted and/or still to be granted share awards pass to the heirs. The value of all share awards shall be determined by the value per share of Hannover Re calculated as at this disbursement date.

Any entitlement to the granting of share awards after leaving the company is excluded. This shall not apply with respect to claims to variable remuneration acquired (pro rata) in the last year of service of the eligible recipient in the event of exit from the company on account of non-reappointment, occurrence of the pensionable event or death.

The Share Award Plan of Hannover Rück SE gives rise to the amounts shown in the following table.

Share awards of Hannover Rück SE N 88

	Allocation year						
	2014	2013		2012		2011	
	Probable allocation	Final allocation in 2014 for 2013	Probable allocation	Final allocation in 2013 for 2012	Probable allocation	Final allocation in 2012 for 2011	Probable allocation
Valuation date	30.12.2014	25.3.2014	30.12.2013	21.3.2013	28.12.2012	21.3.2012	30.12.2011
Value per share award in EUR	74.97	61.38	62.38	59.86	58.96	42.09	38.33
Number of allocated share awards in the allocation year							
Executive Board	13,308	16,631	14,418	16,452	16,053	22,232	24,390
Managers	85,159	99,783	91,660	102,900	100,531	–	–
Other adjustments	–	(517)	–	(1,421)	–	–	–
Total	**98,467**	**115,897**	**106,078**	**117,931**	**116,584**	**22,232**	**24,390**
Personnel expense in EUR thousand [1]	1,534	2,364	1,379	2,549	1,839	529	269
thereof: Recognised dividend in EUR thousand [2]	–	297.8	–	403.7	–	66.7	–
Provision in EUR thousand	1,534	3,790	1,379	5,830	1,839	1,512	269

[1] The personnel expense for share awards in the case of members of the Executive Board is spread on an accrual basis across the relevant term of the share awards or the shorter term of the service contracts; in the case of managers the personnel expense is spread across the relevant term of the share awards.

[2] Dividend distributed for the allocation year, no allowance is made for expected dividend payments; dividend claims are recognised in the discounted amounts.

On this basis the aggregate provisions – included in the sundry non-technical provisions – amounted to EUR 12.7 million for the 2014 financial year (EUR 5.7 million). The expense totalled altogether EUR 7.0 million (EUR 3.2 million).

8.4 Staff and expenditures on personnel

Staff

The average number of staff at the companies included in the consolidated financial statement of the Hannover Re Group during the reporting period was 2,475 (2,376). As at the balance sheet date altogether 2,534 (2,419) staff were employed by the Hannover Re Group, with 1,289 (1,219) employed in Germany and 1,245 (1,200) working for the consolidated Group companies abroad.

Personnel information N 89

	2014					2013	
	31.3.	30.6.	30.9.	31.12.	Average	31.12.	Average
Number of employees (excluding Board members)	2,442	2,468	2,510	2,534	2,475	2,419	2,376

Nationality of employees in 2014 N 90

	German	USA	UK	South African	Australian	Swedish	Irish	Other	Total
Number of employees	1,198	289	213	154	94	91	44	451	2,534

Expenditures on personnel

The expenditures on insurance business, claims expenses (claims settlement) and expenditures on the administration of investments include the following personnel expenditures:

Personnel expenditures N 91

in EUR thousand	2014	2013
a) Wages and salaries	224,659	203,056
	224,659	**203,056**
b) Social security contributions and expenditure on provisions and assistance		
ba) Social security contributions	21,290	18,481
bb) Expenditures for pension provision	22,816	22,748
bc) Expenditures for assistance	4,616	3,711
	48,722	**44,940**
Total	**273,381**	**247,996**

8.5 Earnings per share and dividend proposal

Calculation of the earnings per share N 92

	2014	2013
Group net income in EUR thousand	985,649	895,467
Weighted average of issued shares	120,596,954	120,596,978
Basic earnings per share in EUR	8.17	7.43
Diluted earnings per share in EUR	8.17	7.43

The earnings per share is calculated by dividing the net income attributable to the shareholders of Hannover Rück SE by the weighted average number of shares outstanding within the period under review.

Neither in the year under review nor in the previous reporting period were there any dilutive effects.

The weighted average of the issued shares was, as in the previous year, slightly lower than the value of the shares in circulation on the balance sheet date. In the context of the employee share option plan Hannover Re acquires treasury shares and sells them at a later date to eligible employees. The weighted average number of shares does not include 21,608 (18,750) treasury shares pro rata temporis for the duration of the holding period. For further details please see our comments in Section 6.13 "Shareholders' equity and treasury shares".

There were no other extraordinary components of income which should have been recognised or disclosed separately in the calculation of the earnings per share.

The earnings per share could potentially be diluted in future through the issue of shares or subscription rights from the authorised or conditional capital.

Dividend per share

A dividend of EUR 361.8 million (EUR 361.8 million) was paid in the year under review for the 2013 financial year.

It will be proposed to the Annual General Meeting on 6 May 2015 that a dividend of EUR 3.00 per share as well as a special dividend of EUR 1.25 per share should be paid for the 2014 financial year. This corresponds to a total distribution of EUR 512.5 million. The dividend proposal does not form part of this consolidated financial statement.

8.6 Lawsuits

Member companies of the Hannover Re Group are involved in judicial and supervisory procedures as well as in arbitration proceedings as part of the conduct of insurance and reinsurance business. Depending upon the subject matter of the procedure, the Hannover Re Group sets aside provisions for the amount in dispute in such proceedings – for the most part in the technical account and in exceptional cases as a charge to other income and expenses – if and to the extent that the resulting commitments are likely to materialise and their amount can be estimated with sufficient accuracy. The provision established in each case covers the expense that can be expected in our assessment as at the balance sheet date.

Neither the outcome nor the duration of pending procedures can be definitively foreseen at the time when provisions are established. The final liabilities of Hannover Re may diverge considerably from the constituted provisions because the assessment of probability and the quantification of these uncertain liabilities in large measure require estimates that may prove not to be accurate as the proceedings in question continue to progress. This is also true of procedures for which no provisions were established. Insofar as a commitment exists under such procedures as at the balance sheet date that may possibly but will probably not result in a loss, the Hannover Re Group estimates this potential loss – where practicable – and reports a contingent liability. For estimation purposes Hannover Re takes into account a number of factors. These include, among others, the nature of the claim, the status of the procedure concerned, decision of courts and arbitration bodies, prior settlement discussions, experience from comparable cases as well as expert opinions and the assessments of legal advisers and other experts. If a provision has been established for a particular procedure, a contingent liability is not recognised.

The lawsuits pending in the year under review and as at the balance sheet date were not material for the Hannover Re Group either individually or combined. Furthermore, no contingent liabilities from lawsuits were to report as at the balance sheet date.

8.7 Contingent liabilities and commitments

Hannover Rück SE has secured by subordinated guarantee the subordinated debts issued by Hannover Finance (Luxembourg) S.A. in the 2005, 2010 and 2012 financial years in amounts of EUR 500.0 million each.

The guarantees given by Hannover Rück SE for the subordinated debts attach if the issuer fails to render payments due under the bonds. The guarantees cover the relevant bond volumes as well as interest due until the repayment dates. Given the fact that interest on the bonds is partly dependent on the capital market rates applicable at the interest payment dates (floating rates), the maximum undiscounted amounts that can be called cannot be estimated with sufficient accuracy. Hannover Rück SE does not have any rights of recourse outside the Group with respect to the guarantee payments.

As security for technical liabilities to our US clients, we have established two trust accounts (master trust and supplemental trust) in the United States. They amounted to EUR 3,173.7 million (EUR 2,748.1 million) and EUR 24.4 million (EUR 21.5 million) respectively as at the balance sheet date. The securities held in the trust accounts are shown as available-for-sale investments. In addition, we furnished further collateral to ceding companies in an amount of EUR 650.0 million (EUR 565.6 million) in the form of so-called "single trust funds".

As part of our business activities we hold collateral available outside the United States in various blocked custody accounts and trust accounts, the total amount of which in relation to the Group's major companies was EUR 2,694.0 million (EUR 2,514.4 million) as at the balance sheet date.

The securities held in the blocked custody accounts and trust accounts are recognised predominantly as available-for-sale investments.

As security for our technical liabilities, various financial institutions have furnished sureties for our company in the form of letters of credit. The total amount as at the balance sheet date was EUR 2,899.1 million (EUR 2,895.1 million). The standard market contractual clauses contained in some of the underlying letter of credit facilities regarding compliance with stipulated conditions are explained in greater detail in the "Financial position" section of the management report, page 59 et seq., on the information pursuant to § 315 Para. 4 German Commercial Code (HGB) as well as in Section 6.12 "Debt and subordinated capital" on other financial facilities.

In addition, we put up own investments with a book value of EUR 78.9 million as collateral for existing derivative transactions. In the previous year we kept own investments with a book value of EUR 53.8 million in blocked custody accounts for the provision of corresponding collateral. We received collateral with a fair value of EUR 12.9 million (EUR 18.6 million) for existing derivative transactions.

For liabilities in connection with participating interests in real estate companies and real estate transactions the usual collateral under such transactions has been furnished to various banks, the amount of which totalled EUR 574.3 million (EUR 459.9 million) as at the balance sheet date.

Outstanding capital commitments with respect to alternative investments exist on the part of the Group in an amount of EUR 665.6 million (EUR 598.5 million). These primarily involve as yet unfulfilled payment obligations from investment commitments given to private equity funds and venture capital firms.

The application of tax regulations may not have been resolved at the time when tax items are brought to account. The calculation of tax refund claims and tax liabilities is based on what we consider to be the regulations most likely to be applied in each case. The revenue authorities may, however, take a differing view, as a consequence of which additional tax liabilities could arise in the future.

Hannover Re enters into contingent liabilities as part of its normal business operations. A number of reinsurance treaties concluded by Group companies with outside third parties include letters of comfort, guarantees or novation agreements under which Hannover Rück SE guarantees the liabilities of the subsidiary in question or enters into the rights and obligations of the subsidiary under the treaties if particular constellations materialise.

8.8 Long-term commitments

Several Group companies are members of the association for the reinsurance of pharmaceutical risks and the association for the insurance of German nuclear reactors. In the event of one of the other pool members failing to meet its liabilities, an obligation exists to take over such other member's share within the framework of the quota participation.

8.9 Rents and leasing

Leased property

Future leasing commitments N 93

in EUR thousand	Payments
2015	10,690
2016	9,638
2017	5,442
2018	4,478
2019	3,871
Subsequent years	7,149

Operating leasing contracts produced expenditures of EUR 9.3 million (EUR 8.5 million) in the year under review.

Rented property

Altogether, non-cancellable contracts will produce the rental income shown below in subsequent years:

Rental income N 94

in EUR thousand	Payments to be received
2015	71,260
2016	69,052
2017	62,561
2018	56,698
2019	57,482
Subsequent years	80,769

Rental income totalled EUR 76.2 million (EUR 58.7 million) in the year under review. The rental income resulted principally from the renting out of properties by the Group's real estate companies.

8.10 Fee paid to the auditor

An expense of altogether EUR 3.7 million (EUR 3.5 million) was incurred in the year under review for the fee paid to the appointed auditor of the consolidated financial statement as defined by § 318 German Commercial Code (HGB). Of this total amount, EUR 1.4 million (EUR 1.3 million) was attributable to the fee for auditing services in relation to the financial statement, EUR 0.4 million (EUR 0.6 million) to other assurance services, EUR 0.5 million (EUR 0.2 million) to tax consultancy services and EUR 1.4 million (EUR 1.4 million) to other services.

Hannover, 6 March 2015

Executive Board

Wallin Althoff Chèvre Gräber

Dr. Miller Dr. Pickel Vogel

Auditors' report

We have audited the consolidated financial statements prepared by Hannover Rück SE, Hannover – comprising the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement and notes to the consolidated financial statements – as well as the combined management report of the company and the Group for the business year from 1 January to 31 December 2014. The preparation of the consolidated financial statements and the combined management report in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Para. 1 HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Para. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The combined management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Hannover, 6 March 2015

KPMG AG
Wirtschaftsprüfungsgesellschaft

Husch	Jungsthöfel
Wirtschaftsprüfer	Wirtschaftsprüfer

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Hannover, 6 March 2015

Executive Board

Wallin Althoff Chèvre Gräber

Dr. Miller Dr. Pickel Vogel

Supervisory Board

Report of the Supervisory Board
of Hannover Rück SE

In our function as the Supervisory Board we considered at length during the 2014 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 and one constituent meeting in order to adopt the necessary resolutions after appropriate discussion. In addition, we were informed by the Executive Board in writing and orally about the course of business and the position of the company and the Group on the basis of the quarterly financial statements. The quarterly reports with the quarterly financial statements and key figures for the Hannover Re Group constituted an important source of information for the Supervisory Board. We received an analysis of the 2013 results in property & casualty and life & health reinsurance as well as a presentation from the Executive Board covering the profit expectations for the 2014 financial year and the operational planning for the 2015 financial year. In addition, the Chairman of the Supervisory Board was constantly advised by the Chairman of the Executive Board of major developments and impending decisions as well as of the risk situation within the company and the Group. All in all, we were involved in decisions taken by the Executive Board and assured ourselves of the lawfulness, regularity and efficiency of the company's management as required by our statutory responsibilities and those placed upon us by the company's Articles of Association.

No audit measures pursuant to § 111 Para. 2 Sentence 1 German Stock Corporation Act were required in the 2014 financial year.

Key points of deliberation

As in every year, we were regularly updated on the work of the Supervisory Board committees and given a description of the major pending legal proceedings. We approved an increase in the capital participation of Hannover Rück SE in a consolidation platform for German life insurance companies. The status of the Market Consistent Embedded Value in life and health reinsurance relative to competitors was also considered at length. A further key point of deliberation was the adoption of a resolution on the corporate strategy, which is reviewed and revised every three years. The annual review of the investment guidelines centred on the raising of the real estate allocation, the specification as to real estate exposure and the updating and definition of the minimum liquidity limit. The acquisition of International Insurance Company of Hannover SE, which during 2014 was engaged in relocating its registered office to Germany, from Hannover Finance (UK) Limited and a capital increase at this company were approved. In addition, a report was received on an increase in the interest held by Hannover Rück Beteiligung Verwaltungs-GmbH in E+S Rückversicherung AG. With an eye to § 3 Para. 1 Sentence 3 of the Regulation on the Supervisory Law Requirements for Remuneration Schemes in the Insurance Sector (VersVergV) the full Supervisory Board considered the adequacy of the remuneration system for the members of the Executive Board. The fixed remuneration of members of the Executive Board as at 1 January 2015 was also reviewed. 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 2013 financial year. At the constituent meeting of the Supervisory Board of Hannover Rück SE the Chairman of the Supervisory Board and his Deputy as well as the members and Chair of the Finance and Audit Committee and the members of the Standing Committee and of the Nomination Committee were confirmed. Mr. Althoff was appointed to succeed Mr. Arrago on the Executive Board. The retirement benefits of a member of the Executive Board were also adjusted.

Committees of the Supervisory Board

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

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

Group and the accumulated prefinancing volume in life reinsurance including a comparison of the expected return flows with the repayments actually made, the risk reports, the compliance report and the report on adherence to Corporate Governance principles were discussed and reports on the major subsidiaries were received and considered. In addition, the Committee examined the investment structure and investment income – including the stress tests with regard to the investments and their implications for net income and the equity base – and defined the audit concentrations for the 2014 financial year. The Committee was provided with detailed reports on the current status of the participation in ITAS Vita S.p.A. and considered the relocation of the registered office of International Insurance Company of Hannover SE from London to Hannover as well as the further development of this subsidiary. In addition, an audit report was submitted by KPMG AG Wirtschaftsprüfungsgesellschaft on the calculation of the intrinsic value creation (IVC). The Committee prepared various resolutions to be adopted by the Supervisory Board, including resolutions on the revised corporate strategy, the acquisition of the shares of International Insurance Company of Hannover SE and the capital increase at Hannover Finance (UK) Limited. The Committee also received an explanation of the capital market risks in life and health reinsurance and was provided with a detailed report on the implications of downgrade clauses. The Finance and Audit Committee approved the issuance of a perpetual subordinated bond to refinance hybrid capital. As in the previous year, we were again updated on the status of the approval procedure for the internal model.

The Standing Committee dealt with the adequacy of the system of remuneration for the members of the Executive Board, the review of the fixed remuneration with respect to those members of the Executive Board for whom a review was due and the determination of the variable remuneration of the members of the Executive Board for the 2013 financial year on the basis of the findings with respect to attainment of their respective targets. In all these matters the Committee drew up corresponding recommendations for the full Supervisory Board. The Committee also recommended the appointment of Mr. Althoff to the Executive Board as the successor to Mr. Arrago and decided upon the stipulation of his individual targets for 2014 by way of a written circulation procedure.

Corporate Governance

Bearing in mind that the Government Commission on the German Corporate Governance Code (DCKG) made only minimal amendments to the Code in 2014, deliberations on the Code were not a focus of the Supervisory Board's work. Nevertheless, the Supervisory Board was provided with an explanation of the method used to calculate the vertical comparison of remuneration pursuant to Item 4.2.2 of the Code. The Supervisory Board also received a follow-up report from the Executive Board on the progress made in connection with the concept for the advancement of female employees, a report on the design of the remuneration schemes pursuant to § 3 Para. 5 of the Regulation on the Supervisory Law Requirements for Remuneration Schemes in the Insurance Sector (VersVergV) as well as the compliance, internal audit and risk reports. As part of the efficiency audit of the Supervisory Board's work the experiences gathered in connection with the electronic mailing of documents to the members of the Supervisory Board were evaluated and it was decided to extend the system. Despite the high importance that the Supervisory Board attaches to the standards of good and responsible enterprise management defined in the German Corporate Governance Code, the Supervisory Board decided not to comply with the recommendations contained in Code Item 4.2.3 Para. 2 regarding caps on the amount of variable compensation elements in management board contracts, in Code Item 4.2.3 Para. 4 concerning a cap on severance payments in management board contracts, in Code Item 5.2 Para. 2 concerning the Chair of the Audit Committee and in Code Item 5.3.2 concerning the independence of the Chair of the Audit Committee. The justification in these respects is provided in the Declaration of Conformity pursuant to § 161 German Stock Corporation Act regarding compliance with the German Corporate Governance Code, which is reproduced in this Annual Report as part of the Declaration on Corporate Governance. Further information on the topic of corporate governance is available on Hannover Re's website.

Audit of the annual financial statements and consolidated financial statements

The accounting, annual financial statements, consolidated financial statements and the combined management report were audited by KPMG AG Wirtschaftsprüfungsgesellschaft. The Supervisory Board selected the auditor and the Chairman of the Supervisory Board awarded the audit mandate. The auditor's independence declaration was received. In addition to the usual tasks performed by the auditors, key points of focus in the audit were the performance of goodwill impairment tests, the scrutiny of business combinations, the accounting of defined benefit pension commitments, the new standards governing consolidation and the new requirements placed by German Accounting Standard No. 20 (DRS 20) on the Group management report, together with the examination of the underwriting-related internal control system (ICS) in selected lines and the review of the ICS process for handling major losses. The additional audit concentrations defined by the European Securities and Markets Authority (ESMA) also formed part of the scope of the audit. The mandate for the review report by the independent auditors on the interim financial report as at 30 June 2014 was also awarded again. The special challenges associated with the international aspects of the audits were met without reservation. Since the audits did not give rise to any objections KPMG AG Wirtschaftsprüfungsgesellschaft issued unqualified audit certificates. The Finance and Audit Committee discussed the annual financial statements and the combined management report with the participation of the auditors and in light of the audit reports, and it informed the Supervisory Board of the outcome of its examination. The audit reports were distributed to all members of the Supervisory Board and scrutinised in detail – with the participation of the auditors – at the Supervisory Board meeting held to consider the annual results. The auditors will also be present at the Annual General Meeting.

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

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

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

We have examined

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

– in each case drawn up as at 31 December 2014 – and have no objections. Nor do we have any objections to the statement reproduced in the dependent company report.

The Supervisory Board thus concurred with the opinions of the auditors and approved the annual financial statements and the consolidated financial statements; the annual financial statements are thereby adopted. Our proposal regarding the appropriation of the disposable profit for 2014 is in accordance with that of the Executive Board.

Changes on the Supervisory Board and the Executive Board

The composition of the Supervisory Board and its committees did not change in the year under review. With effect from 1 August 2014 Mr. Althoff was appointed to the Executive Board. Mr. Arrago stepped down from the Executive Board with effect from 31 August 2014. The Supervisory Board thanks Mr. Arrago, who had belonged to the Executive Board since 2001, for his many years of valuable service.

Word of thanks to the Executive Board and members of staff

The very good result once again generated by Hannover Rück SE for the 2014 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 special appreciation to the Executive Board and all the employees for their efforts.

Hannover, 9 March 2015

For the Supervisory Board

Herbert K. Haas
Chairman

Supervisory Board of Hannover Rück SE

Herbert K. Haas [1, 2, 4]
Burgwedel
Chairman
Chairman of the Board of Management of Talanx AG
Chairman of the Board of Management of HDI Haftpflichtverband der Deutschen Industrie V.a.G.

Dr. Klaus Sturany [1]
Ascona, Switzerland
Deputy Chairman
Former member of the Executive Board of RWE AG

Wolf-Dieter Baumgartl [1, 2, 4]
Berg
Former Chief Executive Officer of Talanx AG and HDI Haftpflichtverband der Deutschen Industrie V.a.G.

Frauke Heitmüller [5]
Hannover
Employee

Otto Müller [5]
Hannover
Employee

Dr. Andrea Pollak [4]
Vienna, Austria
Independent management consultant

Dr. Immo Querner
Celle
Member of the Board of Management of Talanx AG
Member of the Board of Management of HDI Haftpflichtverband der Deutschen Industrie V.a.G.

Dr. Erhard Schipporeit [2, 3]
Hannover
Member of various supervisory boards

Maike Sielaff [5]
Burgwedel
Employee

1 Member of the Standing Committee
2 Member of the Finance and Audit Committee
3 Independent financial expert on the Finance and Audit Committee
4 Member of the Nomination Committee
5 Staff representative

Details of memberships of legally required supervisory boards and comparable control boards at other domestic and foreign business enterprises are contained in the individual report of Hannover Rück SE.

Further information

Branch offices and subsidiaries of the Hannover Re Group abroad

Australia

Hannover Life Re of Australasia Ltd
Level 7
70 Phillip Street
Sydney NSW 2000
Tel. +61 2 9251-6911
Fax +61 2 9251-6862
Managing Director:
Gerd Obertopp

Hannover Rueck SE Australian Branch – Agency
The Re Centre, Level 21
Australia Square
264 George Street
Sydney NSW 2000
G.P.O. Box 3973
Sydney NSW 2001
Tel. +61 2 9274-3000
Fax +61 2 9274-3033
Agent:
Ross Littlewood

Hannover Rueck SE Australian Branch – Property & Casualty Office
Level 12
20 Bond Street
Sydney NSW 2000
Tel. +61 2 8373-7580
Fax +61 2 9274-3033
Head of Facultative:
Andrew Parker
Head of Treaty:
Michael Eberhardt

International Insurance Company of Hannover SE (Australian Branch) – Underwriting Office
Level 12
20 Bond Street
Sydney NSW 2000
Tel. +61 2 8373-7580
Fax +61 2 9274-3033
Head of Branch:
Mark Fleiser

Bahrain

Hannover ReTakaful B.S.C. (c)
Al Zamil Tower
17th Floor
Government Avenue
Manama Center 305
Manama
Tel. +973 1721-4766
Fax +973 1721-4667
Managing Director:
Mahomed Akoob

Hannover Rueck SE Bahrain Branch
Al Zamil Tower
17th Floor
Government Avenue
Manama Center 305
Manama
Tel. +973 1721-4766
Fax +973 1721-4667
General Manager:
Mahomed Akoob

Bermuda

Hannover Life Reassurance Bermuda Ltd.
Victoria Place, 2nd Floor,
31 Victoria Street
Hamilton, HM 10
P.O. Box 2373
Hamilton, HM JX
Tel. +1 441 295-2827
Fax +1 441 295-2844
Managing Director:
Colin Rainier

Hannover Re (Bermuda) Ltd.
Victoria Place, 2nd Floor,
31 Victoria Street
Hamilton, HM 10
Tel. +1 441 294-3110
Fax +1 441 296-7568
President & CEO:
Dr. Konrad Rentrup

Brazil

Hannover Rück SE Escritório de Representação no Brasil Ltda.
Praça Floriano, 19 salas 1701/02
CEP 20 031 050
Rio de Janeiro
Tel. +55 21 2217-9500
Fax +55 21 2217-9515
Representative:
Jan Rössel

Canada

Hannover Rück SE Canadian Branch
220 Bay Street, Suite 400
Toronto, Ontario M5J 2W4
Tel. +1 416 867-9712
Fax +1 416 867-9728
General Manager:
Laurel E. Grant

International Insurance Company of Hannover SE (Canadian Branch)
220 Bay Street, Suite 400,
Toronto, Ontario M5J 2W4
Tel. +1 416 867-9712
Fax +1 416 867-9728
Head of Canadian Branch:
Derek Spafford

China

Hannover Rück SE Hong Kong Branch
2008 Sun Hung Kai Centre
20th Floor
30 Harbour Road
Wanchai, Hong Kong
Tel. +852 2519-3208
Fax +852 2588-1136
General Manager:
Wilbur Lo

Hannover Rück SE
Shanghai Branch
Suite 3307, China Fortune Tower
1568 Century Boulevard
Pudong
200122 Shanghai
Tel. +86 21 2035-8999
Fax +86 21 5820-9396
General Manager:
Tzu-chao Chen

Colombia

Hannover Rück SE
Bogotá Oficina de Representación
Carrera 9 No. 77 – 67
Floor 5
Bogotá
Tel. +57 1 642-0066
Fax +57 1 642-0273
General Manager:
Miguel Guarin

France

Hannover Rück SE
Succursale Française
33 Avenue de Wagram
75017 Paris
Tel. (Life & Health)
+33 1 4561-7300
Tel. (Property & Casualty)
+33 1 4561-7340
Fax +33 1 4006-0225
Managing Director:
Claude Vercasson

India

Hannover Re
Consulting Services
India Private Limited
C&B Square
Sangam Complex
Unit 502, 5th Floor
Andheri-Kurla Rd,
Andheri (East)
Mumbai 400059
Tel. +91 22 6138-0808
Fax +91 22 6138-0810
General Manager:
GLN Sarma

Ireland

Hannover Re (Ireland) Limited
No. 4 Custom House Plaza, IFSC
Dublin 1
Tel. +353 1 633-8800
Fax +353 1 633-8806
Managing Director L&H & CEO:
Debbie O'Hare
Managing Director ASI:
Kathrin Scherff

Italy

Hannover Re Services Italy S.r.l.
Via Dogana, 1
20123 Milan
Tel. +39 02 8068-1311
Fax +39 02 8068-1349
Head of Administration:
Giorgio Zandonella-Golin

Japan

Hannover Re Services Japan
Hakuyo Building, 7th Floor
3 – 10 Nibancho
Chiyoda-ku
Tokyo 102-0084
Tel. +81 3 5214-1101
Fax +81 3 5214-1105
General Manager:
Takayuki Ohtomo

Korea

Hannover Rück SE
Korea Branch
Room 414, 4th Floor
Gwanghwamoon Officia Building
92 Seamunan-ro, Jongro-gu
Seoul, 110-999
Tel. +82 2 3700-0600
Fax +82 2 3700-0699
General Manager:
Frank Park

Malaysia

Hannover Rueck SE
Malaysian Branch
Suite 29-01
Integra Tower, The Intermark
348 Jalan Tun Razak
50400 Kuala Lumpur
Tel. +60 3 2687-3600
Fax +60 3 2687-3760
General Manager:
Rohan Kananathan

Mexico

Hannover Services (México)
S. A. de C. V.
German Centre
Oficina 4-4-28
Av. Santa Fé No. 170
Col. Lomas de Santa Fé
C.P. 01210 México, D.F.
Tel. +52 55 9140-0800
Fax +52 55 9140-0815
General Manager:
Guadalupe Covarrubias

South Africa

Compass Insurance Company Limited
54 Peter Place,
Peter Place Office Park
Building G
Bryanston
Johannesburg
P. O. Box 37226
Birnam Park 2015
Tel. +27 11 745-8333
Fax +27 11 745-8444
www.compass.co.za
Managing Director:
Paul Carragher

Hannover Life Reassurance
Africa Limited
Hannover Re House
Cnr Hillside & Empire Roads
Parktown, Johannesburg 2193
P. O. Box 85321
Emmarentia 2029
Tel. +27 11 481-6500
Fax +27 11 484-3330/32
Managing Director:
Wesley Clay

Hannover Reinsurance Africa Limited
Hannover Re House
Cnr Hillside & Empire Roads
Parktown, Johannesburg 2193
P.O. Box 85321
Emmarentia 2029
Tel. +27 11 481-6500
Fax +27 11 484-3330/32
Managing Director:
Randolph Moses

Hannover Reinsurance Group Africa (Pty) Ltd.
Hannover Re House
Cnr Hillside & Empire Roads
Parktown, Johannesburg 2193
P. O. Box 85321
Emmarentia 2029
Tel. +27 11 481-6500
Fax +27 11 484-3330/32
Managing Director:
Achim Klennert

Spain

HR Hannover Re, Correduría de Reaseguros, S.A.
Paseo del General Martínez
Campos 46
28010 Madrid
Tel. +34 91 319-0049
Fax +34 91 319-9378
General Manager:
Eduardo Molinari

Sweden

Hannover Rück SE, Tyskland Filial
Hantverkargatan 25
P. O. Box 22085
10422 Stockholm
Tel. +46 8 617-5400
Fax (Life & Health)
+46 8 617-5597
Fax (Property & Casualty)
+46 8 617-5593
Managing Director:
Thomas Barenthein

International Insurance Company of Hannover SE (Scandinavian Branch)
Hantverkargatan 25
P. O. Box 22085
10422 Stockholm
Tel. +46 8 617-5400
Fax +46 8 617-5590
Managing Director:
Thomas Barenthein

Taiwan

Hannover Rück SE Taipei Representative Office
Rm. 902, 9F, No. 129, Sec. 3
Minsheng E. Road
Taipeh
Tel. +886 2 8770-7792
Fax +886 2 8770-7735
Representative:
Ryan Chou

United Kingdom

Hannover Re UK Life Branch
10 Fenchurch Street
London EC3M 3BE
Tel. +44 20 3206-1700
Fax +44 20 3206-1701
Managing Director:
Stuart Hill

Hannover Services (UK) Limited
10 Fenchurch Street
London EC3M 3BE
Tel. +44 20 7015-4290
Fax +44 20 7015-4001
Managing Director:
Nick Parr

International Insurance Company of Hannover SE (UK Branch)
10 Fenchurch Street
London EC3M 3BE
Tel. +44 20 7015-4000
Fax +44 20 7015-4001
Managing Director:
Nick Parr

USA

Hannover Life Reassurance Company of America
200 South Orange Avenue
Suite 1900
Orlando, Florida 32801
Tel. +1 407 649-8411
Fax +1 407 649-8322
President & CEO:
Peter R. Schaefer

Office Charlotte
13840 Ballantyne Corporate Place,
Suite 400
Charlotte, North Carolina 28277
Tel. +1 704 731-6300
Fax +1 704 542-2757
President & CEO:
Peter R. Schaefer

Office Denver
1290 Broadway, Suite 1600
Denver, Colorado 80203
Tel. +1 303 860-6011
Fax +1 303 860-6032
President & CEO:
Peter R. Schaefer

Office New York
112 Main Street
East Rockaway, New York 11518
Tel. +1 516 593-9733
Fax +1 516 596-0303
President & CEO:
Peter R. Schaefer

Hannover Re Services USA, Inc.
500 Park Blvd., Suite 805
Itasca, Illinois 60143
Tel. +1 630 250-5517
Fax +1 630 250-5527
General Manager:
Eric Arnst

Glossary

Accumulation loss: sum of several individual losses incurred by various policyholders as a result of the same loss event (e. g. windstorm, earthquake). This may lead to a higher loss for the direct insurer or reinsurer if several affected policyholders are insured by the said company.

Acquisition cost, deferred (DAC): cost of an insurance company that arises from the acquisition or the renewal of an insurance contract (e. g. commission for the closing, costs of proposal assessment and underwriting etc.). Capitalisation results in a distribution of the cost over the duration of the contract.

Aggregate excess of loss treaty: a form of excess of loss treaty reinsurance under which the reinsurer responds when a ceding insurer incurs losses on a particular line of business during a specific period (usually 12 months) in excess of a stated amount.

Alternative risk financing: use of the capacity available on the capital markets to cover insurance risks, e. g. through the securitisation of natural catastrophe risks.

American Depositary Receipt (ADR): share certificates written by US banks on foreign shares deposited there. The ADRs are traded instead of the foreign shares. In the United States Hannover Re has enabled trading on the OTC (over-the-counter) market through an ADR Level 1 program. New capital cannot be raised and the ADR is not listed on a US exchange under a Level 1 program. The main advantage of an ADR Level 1 program compared to higher-level programs is that there is no requirement for accounting or financial reporting in accordance with US GAAP.

Basic losses: Losses that occur frequently in a foreseeable amount, i. e. where the underlying risks are associated with relatively high probabilities of occurrence and usually low loss amounts.

Benefit reserves: value arrived at using mathematical methods for future liabilities (present value of future liabilities minus present value of future incoming premiums), primarily in life and health insurance.

Block assumption transaction (BAT): proportional reinsurance treaty on a client's life or health insurance portfolio, by means of which it is possible, inter alia, for our clients to realise in advance the future profits so as to be able to efficiently ensure the attainment of corporate objectives, e. g. in the areas of financial or solvency policy.

Capital asset pricing model (CAPM): the CAPM is used to explain the materialisation of prices/returns on the capital market based on investor expectations regarding the future probability distribution of returns. Under this method, the opportunity cost rate for the shareholders' equity consists of three components – a risk-averse interest rate, a market-specific risk loading and an enterprise-specific risk assessment, the beta coefficient. The cost of shareholders' equity is therefore defined as follows: risk-averse interest rate + beta * enterprise-specific risk assessment.

Cash flow statement: statement on the origin and utilisation of cash and cash equivalents during the accounting period. It shows the changes in liquid funds separated into cash flows from operating, investing and financing activities.

Cedant: direct insurer or reinsurer which passes on (also: cedes) shares of its insured or reinsured risks to a reinsurer in exchange for premium.

Cession: transfer of a risk from the direct insurer to the reinsurer.

Claims and claims expenses: sum total of paid claims and provisions for loss events that occurred in the business year; this item also includes the result of the run-off of the provisions for loss events from previous years, in each case after the deduction of own reinsurance cessions.

Coinsurance Funds Withheld (CFW) Treaty: type of coinsurance contract where the ceding company retains a portion of the original premium at least equal to the ceded reserves. Similar to a ➝ Modco contract the interest payment to the reinsurer reflects the investment return on an underlying asset portfolio.

Combined ratio: sum of the loss ratio and expense ratio.

Confidence (also: probability) level: the confidence level defines the probability with which the defined amount of risk will not be exceeded.

Contribution margin accounting level 5 (DB 5): this level of contribution margin accounting constitutes the clear profit after earning the discounted claims expenditure plus all external and internal costs including the cost of capital.

Corporate Governance: serves to ensure responsible management and supervision of enterprises and is intended to foster the trust of investors, clients, employees and the general public in companies.

Critical illness coverages: cf. ➝ dread disease coverages

DB 5: cf. ➝ contribution margin accounting level 5

Deposit accounting: an accounting method originating in US accounting principles for the recognition of short-term and multi-year insurance and reinsurance contracts with no significant underwriting risk transfer. The standard includes inter alia provisions relating to the classification of corresponding contract types as well as the recognition and measurement of a deposit asset or liability upon inception of such contracts.

Deposits with ceding companies/deposits received from retrocessionaires (also: funds held by ceding companies/funds held under reinsurance treaties): collateral provided to cover insurance liabilities that a (re-)insurer retains from the liquid funds which it is to pay to a reinsurer under a reinsurance treaty. In this case, the retaining company shows a deposit received, while the company furnishing the collateral shows a deposit with a ceding company.

Derivatives, derivative financial instruments: these are financial products derived from underlying primary instruments such as equities, fixed-income securities and foreign exchange instruments, the price of which is determined on the basis of an underlying security or other reference asset. Notable types of derivatives include swaps, options and futures.

Direct business: business focused on narrowly defined → portfolios of niche or other non-standard risks.

Direct (also: primary) insurer: company which accepts risks in exchange for an insurance premium and which has a direct contractual relationship with the policyholder (private individual, company, organisation).

Discounting of loss reserves: determination of the present value of future profits through multiplication by the corresponding discount factor. In the case of the loss reserves this is necessary because of the new profit calculation methods for tax purposes applicable to German joint-stock corporations.

Diversification: orientation of business policy towards various revenue streams in order to minimise the effects of economic fluctuations and stabilise the result. Diversification is an instrument of growth policy and risk policy for a company.

Dread disease (also: critical illness) coverages: personal riders on the basis of which parts of the sum insured which would otherwise only become payable on occurrence of death are paid out in the event of previously defined severe illnesses.

Earnings per share, diluted: ratio calculated by dividing the consolidated net income (loss) by the weighted average number of shares outstanding. The calculation of the diluted earnings per share is based on the number of shares including subscription rights already exercised or those that can still be exercised.

Earnings retention: non-distribution of a company's profits leading to a different treatment for tax purposes than if profits were distributed.

Excess of loss treaty: cf. → non-proportional reinsurance

Excess return on capital allocated (xRoCA): describes the → IVC in relation to the allocated capital and shows the relative excess return generated above and beyond the weighted cost of capital.

Expense ratio: administrative expenses (gross or net) in relation to the (gross or net) premium earned.

Exposure: level of danger inherent in a risk or portfolio of risks; this constitutes the basis for premium calculations in reinsurance.

Facultative reinsurance: participation on the part of the reinsurer in a particular individual risk assumed by the direct insurer. This is in contrast to → obligatory (also: treaty) reinsurance.

Fair value: price at which a financial instrument would be freely traded between two parties.

Financial Solutions: refers to reinsurance transactions which – in addition to the transfer of biometric risks – also include financing components. They generally employ the future profits contained in a block of new or inforce business to enable a ceding company to achieve a desired financial objective. Such reinsurance solutions provide direct insurers with an alternative means of accessing capital in order, for example, to pursue new lines of business or increase capital reserves.

Funds held by ceding companies/funds held under reinsurance treaties: cf. → deposits with ceding companies/deposits received from retrocessionaires

Goodwill: the excess of the cost of an acquired entity over the net of the amounts assigned to assets acquired and liabilities assumed.

Gross/Retro/Net: gross items constitute the relevant sum total deriving from the acceptance of direct insurance policies or reinsurance treaties; retro items constitute the relevant sum total deriving from own reinsurance cessions. The difference is the corresponding net item (gross – retro = net, also: for own account).

Hybrid capital: debt structure which because of its subordination bears the character of both debt and equity

IBNR (Incurred but not reported) reserve: provision for claims which have already occurred but which have not yet been reported.

Impairment: extraordinary amortisation taken when the present value of the estimated future cash flow of an asset is less than its book value.

Inflation swap: derivative financial instrument to hedge inflation risks, under which a fixed cash flow is swapped for a variable cash flow dependent on the inflation trend.

International Securities Identification Number (ISIN): ten-character universal code used to identify securities internationally. It is prefixed by a country code that specifies the country where the issuer entity is legally registered or in which it has legal domicile, e. g. DE = Germany.

Intrinsic value creation (IVC): the IVC is calculated according to the following formula: real operating value creation = adjusted operating profit (EBIT) – (capital allocated x weighted cost of capital). IVC is a tool of value-based enterprise management used to measure the accomplishment of long-term targets on the level of the Group, the individual business groups and the operating units (profit centres).

Investment grade: investment grade ratings are awarded to companies and assigned to securities that have a low risk profile. They contrast with non-investment-grade ratings, which by definition include speculative elements and therefore entail a significantly higher risk.

IVC: cf. → Intrinsic Value Creation

Issuer: private enterprise or public entity that issues securities, e. g. the federal government in the case of German Treasury Bonds and a joint-stock corporation in the case of shares.

Leader: if several (re-)insurers participate in a contract, one company assumes the role of leader. The policyholder deals exclusively with this lead company. The lead (re-)insurer normally carries a higher percentage of the risk for own account.

Letter of credit (LOC): bank guarantee; at the request of the guaranteed party, the bank undertakes to render payment to the said party up to the amount specified in the LOC. This method of providing collateral in reinsurance business is typically found in the USA.

Life and health (re-)insurance: collective term for the lines of business concerned with the insurance of persons, i. e. life, pension, health and personal accident insurance.

Life business: this term is used to designate business activities in our life and health reinsurance business group.

Longevity risk: in general terms, the actuarial risk that a person receiving regular living benefits – such as annuities or pensions – lives longer than expected.

Loss, economic: total loss incurred by the affected economy as a whole following the occurrence of a loss. The economic loss must be distinguished from the insured loss.

Loss, insured: the insured loss reflects the total amount of losses covered by the insurance industry (insurers and reinsurers).

Loss ratio: proportion of loss expenditure (gross or net) relative to the (gross or net) premium earned.

Major loss: loss which has special significance for the direct insurer or reinsurer due to the amount involved; it is defined as a major loss in accordance with a fixed loss amount or other criteria (in the case of Hannover Re more than EUR 10 million gross).

Major loss budget: modelled loss expectancy for business with natural perils exposure with respect to net losses larger than EUR 10 million plus the average of the past 10 years for man-made net losses larger than EUR 10 million.

Market Consistent Embedded Value (MCEV): a refinement and closer specification of the previous principles of → European Embedded Value (EEV). In particular, the market-consistent calculation method is intended to bring about better comparability. The MCEV is established using risk-neutral assumptions in relation to the expected investment income and the discounting approach. In addition, the swap curve is adopted as a risk-neutral interest rate structure.

Mark-to-market valuation: the evaluation of financial instruments to reflect current market value or → fair value.

Matching currency cover: coverage of technical liabilities in foreign currencies by means of corresponding investments in the same currency in order to avoid exchange-rate risks.

Modified Coinsurance- (Modco) treaty: type of reinsurance treaty where the ceding company retains the assets with respect to all the policies reinsured and also establishes and retains the total reserves on the policies, thereby creating an obligation to render payments to the reinsurer at a later date. Such payments include a proportional share of the gross premium plus a return on the assets.

Morbidity risk: in general terms, the actuarial risk that a person receiving health, disability or long-term-care benefits triggered by illness, malfunctioning of body parts, injury or frailty experiences a higher or longer than expected morbidity or disability leading to a higher payment amount, higher frequency or longer duration.

Mortality risk: in general terms, the actuarial risk that a person upon whose death a benefit is payable lives shorter than expected. From a (re)insurer's perspective, this is the risk that the observed mortality experience in an underlying portfolio deviates from what had previously been calculated on the basis of actuarial assumptions.

Net: cf. → Gross/Retro/Net

Non-proportional reinsurance: reinsurance treaty under which the reinsurer assumes the loss expenditure in excess of a particular amount (➝ priority) (e.g. under an excess of loss treaty). This is in contrast to ➝ proportional reinsurance.

Obligatory (also: treaty) reinsurance: reinsurance treaty under which the reinsurer participates in a ➝ cedant's total, precisely defined insurance portfolio. This is in contrast to facultative reinsurance.

Other securities, available-for-sale: securities that cannot be clearly allocated to the "trading" or "held-to-maturity" portfolios; these securities can be disposed of at any time and are reported at their fair value at the balance sheet date. Changes in fair value are not recognised in the statement of income.

Other securities, held-to-maturity: investments in debt securities that can and are intended to be held to maturity. They are measured at amortised cost.

Other securities, trading: securities that are held principally for short-term trading purposes. They are measured at their fair value at the balance sheet date

(Insurance) Pool: a risk-sharing partnership under civil law formed by legally and economically independent insurers and reinsurers in order to create a broader underwriting base for particularly large or unbalanced risks. The members undertake to write certain risks only within the scope of the insurance pool. They include such risks – while maintaining their commercial independence – in the insurance pool against a commission fee. Each insurer participates in the profit or loss of the insurance pool according to its proportionate interest. Reinsurance is often ceded or accepted in order to further diversify the risk. Pools can be divided into two types: coinsurance pools, in which all members take the role of primary insurers according to their interests, and reinsurance pools, in which a primary insurer writes the risks and then spreads them among the participating insurers by way of reinsurance.

Portfolio: a) all risks assumed by an insurer or reinsurer in a defined sub-segment (e.g. line of business, country) or in their entirety; b) group of investments defined according to specific criteria.

Premium: agreed remuneration for the risks accepted from an insurance company. Unlike the earned premiums, the written premiums are not deferred.

Present value of future profits (PVFP): intangible asset primarily arising from the purchase of life and health insurance companies or portfolios. The present value of expected future profits from the portfolio assumed is capitalised and amortised according to schedule.

Price earnings ratio (PER): a valuation ratio of a company's share price compared to its per-share earnings.

Primary insurer: cf. ➝ direct insurer

Priority: direct insurer's loss amount stipulated under ➝ non-proportional reinsurance treaties; if this amount is exceeded, the reinsurer becomes liable to pay. The priority may refer to an individual loss, an ➝ accumulation loss or the total of all annual losses.

Probability level: cf. ➝ confidence level

Property & Casualty business: by way of distinction from operations in our Life & Health reinsurance business group, we use this umbrella term to cover our business group comprised essentially of property and casualty reinsurance, specialty lines and structured reinsurance products.

Property and casualty (re-)insurance: collective term for all lines of business which in the event of a claim reimburse only the incurred loss, not a fixed sum insured (as is the case in life and personal accident insurance, for example). This principle applies in all lines of property and casualty insurance.

Proportional reinsurance: reinsurance treaties on the basis of which shares in a risk or ➝ portfolio are reinsured under the relevant direct insurer's conditions. ➝ Premiums and losses are shared proportionately on a pro-rata basis. This is in contrast to non-proportional reinsurance.

Protection cover: protection of segments of an insurer's portfolio against major losses (per risk/per event), primarily on a non-proportional basis.

Provision: liability item as at the balance sheet date to discharge obligations which exist but whose extent and/or due date is/are not known. Technical provisions, for example, are for claims which have already occurred but which have not yet been settled, or have only been partially settled (= provision for outstanding claims, abbreviated to: claims provision).

Provision for unearned premiums (also: unearned premium reserve): premiums written in a financial year which are to be allocated to the following period on an accrual basis. This item is used to defer written premiums.

Purchase cost, amortised: the cost of acquiring an asset item including all ancillary and incidental purchasing costs; in the case of wasting assets less scheduled and/or special amortisation.

Quota share reinsurance: form of proportional reinsurance under which the reinsurer assumes a contractually set percentage share of the written risk. Since the insurer is responsible for acquisition, pricing, policy administration and claims handling, the administrative expenditure for the reinsurer is very low. The latter therefore participates in the aforementioned expenses through payment of a reinsurance commission. This commission can amount to 15% to 50% of the original premium depending upon the market and cost situation.

Rate: percentage rate (usually of the premium income) of the reinsured portfolio which is to be paid to the reinsurer as reinsurance premium under a ➞ non-proportional reinsurance treaty.

Reinsurer: company which accepts risks or portfolio segments from a ➞ direct insurer or another reinsurer in exchange for an agreed premium.

Reserve ratio: ratio of (gross or net) technical provisions to the (gross or net) premiums.

Retention: the part of the accepted risks which an insurer/reinsurer does not reinsure, i. e. shows as ➞ net (retention ratio: percentage share of the retention relative to the gross written premiums).

Retrocession (also: Retro): ceding of risks or shares in risks which have been reinsured. Retrocessions are ceded to other reinsurers in exchange for a pro-rata or separately calculated premium (cf. ➞ Gross/Retro/Net).

Risk, insured: defines the specific danger which can lead to the occurrence of a loss. The insured risk is the subject of the insurance contract.

Securitisation instruments: innovative instruments for transferring reinsurance business to the capital markets with the goal of refinancing or placing insurance risks.

Segment reporting: presentation of items in the balance sheet and income statement split according to functional criteria such as business sectors and regions.

Spread loss treaty: treaty between an insurer and a reinsurer that covers risks of a defined portfolio over a multi-year period.

Structured entity: entity with specific characteristics not bound to a particular legal form that is used to conduct closely defined activities or to hold assets and for which the traditional concept of consolidation – based on voting rights – is often inadequate for determining who exercises control over the entity.

Structured products: reinsurance with limited potential for profits and losses; the primary objective is to strive for risk equalisation over time and to stabilise the ➞ cedant's balance sheet.

Surplus reinsurance: form of proportional reinsurance under which the risk is not spread between the insurer and reinsurer on the basis of a previously agreed, set quota share. Instead, the insurer determines a maximum sum insured per risk up to which it is prepared to be liable. Risks that exceed the ceding company's retention (surpluses) are borne by the reinsurer. The reinsurer's lines thus vary according to the level of the retention and the sum insured of the reinsured contract. The reinsurer's liability is generally limited to a multiple of the ceding company's retention.

Surplus relief treaty: a reinsurance contract under which a reinsurer assumes (part of) a ceding company's portfolio in order to relieve strain on the insurer's policyholders' surplus.

Survival ratio: reflects the ratio of loss reserves to paid losses under a specific contract or several contracts in a balance sheet year.

Technical result: balance of income and expenditure allocated to the insurance business and shown in the technical statement of income.

Treaty reinsurance: cf. ➞ obligatory reinsurance

Underwriting: process of examining, accepting or rejecting (re-)insurance risks and classifying those selected in order to charge the proper premium for each. The purpose of underwriting is to spread the risk among a pool of (re-)insureds in a manner that is equitable for the (re-)insureds and profitable for the (re-)insurer.

Unearned premium reserve: cf. ➞ provision for unearned premiums

Value of in-force business (VIF): present value of expected future profit flows from the portfolio of in-force retained business, discounted by a currency-specific risk discount rate. It is determined in accordance with local accounting principles.

xRoCA: cf. ➞ Excess Return on Capital Allocated

List of graphs, tables and charts

I Introductory Sections

M Management Report

N Notes

Financial calendar 2015/2016

10 March 2015
Annual financial statements 2014
Annual Results Press Conference, Hannover
Analysts' Meeting, London

6 May 2015
Interim Report 1/2015
Annual General Meeting
Hannover Congress Centrum
Theodor-Heuss-Platz 1–3
30175 Hannover, Germany

5 August 2015
Interim Report 2/2015

4 November 2015
Interim Report 3/2015

3 February 2016
Conference Call: Property and casualty treaty renewals

10 March 2016
Annual financial statements 2015
Annual Results Press Conference, Hannover
Analysts' Meeting, Frankfurt

10 May 2016
Interim Report 1/2016
Annual General Meeting
Hannover Congress Centrum
Theodor-Heuss-Platz 1–3
30175 Hannover, Germany

4 August 2016
Interim Report 2/2016

10 November 2016
Interim Report 3/2016

Contact information

Corporate Communications

Karl Steinle
Tel. +49 511 5604-1500
Fax +49 511 5604-1648
karl.steinle@hannover-re.com

Media Relations

Gabriele Handrick
Tel. +49 511 5604-1502
Fax +49 511 5604-1648
gabriele.handrick@hannover-re.com

Investor Relations

Julia Hartmann
Tel. +49 511 5604-1529
Fax +49 511 5604-1648
julia.hartmann@hannover-re.com

A printed version of the Hannover Re Group's Annual Report is also available in German. The report can additionally be accessed online in English and German as an HTML version and downloaded in PDF format.

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

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

Tel. + 49 511 5604-1889
Fax + 49 511 5604-1648 or order them online at
www.hannover-re.com under
"Investors/Results and reports".

Imprint

Credits

Werner Bartsch, Hamburg
Page 2, 6 / 7, 19, 26, 28, 70, 72, 127, 129

Patrick Wack, Shanghai, China
Page 128

Corbis
Page 27

Getty Images
Page 16, 18, 29, 71, 73, 126

Published by

Hannover Rück SE

Karl-Wiechert-Allee 50
30625 Hannover, Germany

Tel. +49 511 5604-0
Fax +49 511 5604-1188

Concept, design and realisation

Whitepark GmbH & Co., Hamburg

www.whitepark.de

Print

Eberl Print GmbH, Immenstadt

Printed on paper from environmentally responsible, socially compatible and economically viable forest management

Printed carbon neutral to offset greenhouse gas emissions